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

TRANSFORMING FOR FUTURE GROWTH

ANNUAL REPORT 2019

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

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

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

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive:

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

Non-Executive:

Gerald Lim Thien Su *(Lead Independent Director)*
Chester Lin Chien *(Independent Director)*
Leong Lai Peng *(Independent Director)*
Yeo Tiong Eng *(Non-Executive Director)*
Seow Choke Meng *(Independent Director, appointed w.e.f. 18 December 2019)*
Ho Kheong Chun *(Independent Director, appointed w.e.f. 18 December 2019)*

AUDIT COMMITTEE

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

NOMINATING COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARIES

Chan Wan Mei
Chan Lai Yin

REGISTERED OFFICE

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

SHARE REGISTRAR

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

AUDITOR

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

AUDIT PARTNER-IN-CHARGE

Andrew Tan Chwee Peng
(appointed since financial year ended 31 December 2016)

CHAIRMAN'S STATEMENT

"In the 40-year history of Hi-P, we have faced many crises. With each crisis, we have emerged stronger as Hi-P's culture and fighting spirit has enabled us to overcome the challenges. As we enter a new decade, the transformation and growth of Hi-P will continue."

DEAR SHAREHOLDERS,

FY2019 was a challenging year as the trade war between the US and China impacted the overall business environment. The ongoing trade tensions increased the level of uncertainty across worldwide supply chains and led to increasing volatility across global markets. Despite the US and China reaching an initial trade deal which lead to softening tensions, the fundamental conflict has yet to be resolved.

Against this backdrop, the overall market became more conservative and we were impacted by increasing price pressure from customers. Furthermore, we faced rising competition from local players in China. These factors affected our financial performance during the year.

Overcoming the Challenges

Despite the market situation, we were able to put in place measures to ensure sustainability and profitability of our operations so that Hi-P will not be impacted in the long-term.

Internally, we continued to strengthen our staff talent pool to cope with business needs. In addition, we increased our sales team in various regions to explore new business including that of the medical and automotive industries. Furthermore, we enhanced our motivation mechanisms to boost the performance of our staff.

Within Hi-P, we have also been working aggressively on growth transformation. As the manufacturing industry gears up for Industry 4.0, we are working relentlessly on automating our operations and implementing artificial intelligence-aided system flows across the Group. By doing so, we plan to reduce our reliance on labour and eliminate unnecessary paperwork.

Growing through M&A

On 31 October 2019, we completed the acquisition of a 100% stake in South East Asia Moulding Company Pte. Ltd. ("SEAMCO"), a manufacturer of high-volume and high-precision engineering plastic components.

The acquisition of SEAMCO is strategic for us as it will allow us to tap on the resources and business network of SEAMCO. SEAMCO's strong capabilities in processing ultra-precision thermoplastic and thermoset components for a specific product category are unmatched in the industry. This acquisition also gave us access to a renowned blue-chip multinational customer.

Hi-P is now able to offer a more comprehensive value proposition to a broader customer base across a wider region. This acquisition experience has proven our competency not just in acquiring but also in effective integration for future mergers and acquisitions ("M&A") projects to grow our business.

Each year, we continue to generate positive EBITDA which allows us to support our ongoing strategy of pursuing M&A. Coupled with our strong financial position, we remain on the lookout for suitable M&A opportunities which are synergistic to our business as we pursue long-term growth.

CHAIRMAN'S STATEMENT

Growing our Overseas Footprint

To cope with the shifts in global supply chains as a result of the trade war, we have expanded our footprint overseas. In Thailand, we have increased our manufacturing footprint significantly and have achieved positive results. Through strategic business development initiatives, we secured several new projects from a key customer to manufacture coffee machines. This will grow our Thailand business by more than 10 times in just a year. Moving forward, this momentum will continue as we focus on growing our operations in Southeast Asia.

A New Decade of Growth

The global spread of COVID-19 has severely impacted economic sentiment and has caused turmoil in financial markets. Furthermore, COVID-19 has affected both demand and supply, causing massive disruptions and uncertainty across worldwide supply chains.

The COVID-19 virus continues to evolve at a rapid and drastic speed, leading to a highly unpredictable worldwide economy. To face this uncertainty, we have to be cautious in setting the right strategies and measures with reputable consultants to avoid a disastrous impact. Although we face serious challenges in the future, we are in a better position with a relatively low gearing ratio and a net cash position of S$210.6 million as at 31 December 2019. In addition, we have a highly capable management team to drive business and overcome the challenges.

In the 40-year history of Hi-P, we have faced many crises. With each crisis, we have emerged stronger as Hi-P's culture and fighting spirit has enabled us to overcome the challenges. As we enter a new decade, the transformation and growth of Hi-P will continue. We are aggressive in pursuing both organic and inorganic growth. With a clear direction of how we will achieve our growth targets, we remain confident in our long-term future.

Appreciation & Dividend

On behalf of the Board, I would like to thank our valued shareholders for their unwavering support over the years. To reward shareholders for their continued support, the Board has recommended a final dividend of 2.0 Singapore cents (subject to shareholders' approval at our upcoming Annual General Meeting), bringing total dividends for FY2019 to 2.8 Singapore cents. Your belief in the management team has provided us with the confidence to execute our long-term growth strategies.

I would also like to take this opportunity to extend my appreciation to our customers, suppliers and business associates for their enduring support this past year. Last but not least, my gratitude goes out to all Hi-P employees across the globe. I look forward to growing Hi-P together with you in 2020.

Mr. Yao Hsiao Tung
Executive Chairman and Chief Executive Officer
Hi-P International Limited
30 March 2020

OPERATIONS AND FINANCIAL REVIEW

"Despite trade war tensions and a challenging business environment, we reported a net profit of S$80.3 million for FY2019 while our balance sheet strengthened to a net cash position of S$210.6 million as at 31 December 2019."

Resilient Financial Performance in a Challenging FY2019

Despite challenging market conditions, trade war tensions and subdued global growth, the Group's revenue declined only marginally, 2.5% year-on-year ("yoy") to S$1.37 billion for FY2019. The decline was mainly due to price pressure and absence of revenue contribution from our flexible printed circuit board ("FPCB") business unit upon the dilution of interest in Hi-Flex (Suzhou) Electronics Co., Ltd. in late 2018. The decrease was partially offset by the increase in overall sales volume during the year.

Gross profit declined 8.0% yoy to S$187.9 million while gross profit margin declined 0.9 percentage points to 13.7%. This was attributed mainly to price pressure, partially offset by the impact from dilution of loss from FPCB business unit.

Other income declined 39.0% yoy to S$10.7 million. The higher other income for FY2018 was mainly due to a one-off gain of S$6.1 million derived from the dilution of interest in Hi-Flex (Suzhou) Electronics Co., Ltd. from a subsidiary to an associate.

Total selling, distribution and administrative expenses increased 8.9% yoy to S$91.3 million due to higher employee share award expenses and annual salary increments. Conversely, other expenses generated an income of S$0.8 million for FY2019, as compared to an expense of S$13.9 million for FY2018. The improvement was mainly due to a S$7.6 million yoy decline in impairment losses on property, plant and equipment and a S$7.2 million yoy decline in net losses arising from foreign exchange differences and hedging contracts.

The Group recorded an income tax expense of S$23.8 million for FY2019, representing an effective tax rate of 22.8% (FY2018: 18.9%). The lower effective tax rate for FY2018 was mainly due to the tax exemption of a one-off gain, while the higher effective tax rate for FY2019 was mainly due to deferred tax liabilities recognized on temporary differences.

As a result, the Group's net profit after tax declined 20.4% yoy to S$80.3 million for FY2019.

Strong Operating Cash Flows

The Group continued to generate strong positive operating cash flows amounting to S$250.8 million for FY2019 (FY2018: S$167.4 million).

Net cash used in investing activities was S$97.2 million for FY2019 (FY2018: S$59.7 million), mainly due to net cash outflow on the acquisition of SEAMCO amounting to S$35.5 million and payments made for the purchase of property, plant and equipment of S$69.4 million.

Net cash used in financing activities was S$104.3 million for FY2019 (FY2018: S$92.2 million), mainly due to net repayment of loans and borrowings amounting to S$45.6 million, repayment of lease liabilities amounting to S$15.2 million and payment of dividends amounting to S$38.5 million.

Improving Balance Sheet Strength

The strong positive operating cash flows contributed to a strengthening financial position as cash and cash equivalents and restricted bank deposits increased to S$332.7 million as at 31 December 2019. Current bank loans and borrowings (excluding lease liabilities related to right-of-use assets) decreased to S$122.1 million as at 31 December 2019. As a result, the Group's net cash position improved to S$210.6 million (31 December 2018: S$120.2 million).

BOARD OF DIRECTORS

MR YAO HSIAO TUNG

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

MADAM WONG HUEY FANG

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

MR YEO TIONG ENG

MR YEO TIONG ENG is a *Non-Executive Director* of the Company. He was appointed to the Board as Non-Executive Director in April 1987, re-designated to Independent Director on 30 January 2015, re-designated to Executive Director on 14 November 2016, and re-designated to Non-Executive Director on 1 June 2018. Mr Yeo graduated with a Bachelor's Degree in Accountancy from Nanyang University. He also holds a Master of Business Administration (Business Law) from Nanyang Technological University. Mr Yeo was formerly a Vice-President Finance of Molex Far East South Management Pte Ltd overseeing Molex Global Commercial Products Division and is a member of the Institute of Singapore Chartered Accountants. He also served as a board member to Nanyang Business School Undergraduate Advisory Board from 2006 to 2014, and has been appointed as a member of the board of directors of Industrial & Services Co-operative Society Ltd (a non-profit organisation) in August 2016.

MRS JENNIFER YEO (MADAM LEONG LAI PENG)

MRS JENNIFER YEO (MADAM LEONG LAI PENG) is an *Independent Director* of the Company. She was appointed to the Board in November 2006. She graduated from the National University of Singapore in 1981 with LL.B (Honours) and from Boston University in 1985 with LL.M in Banking Law Studies. She was admitted to the Singapore Bar in 1982 and is also a Solicitor of England and Wales since 1999. She is a fellow of the Singapore Institute of Arbitrators and the Chartered Institute of Arbitrators. Madam Leong is the Chairman of Viva Foundation for Children with Cancer, which she founded in 2006 in Singapore and is a charity with the status of Institution of Public Character. She is also the founder Chairman of Viva China Children's Cancer Foundation Limited incorporated in Hong Kong in December 2014 as a Hong Kong charity with the mission to raise the cure rate of children with cancer in China and Hong Kong. Madam Leong has been practising law for 38 years and continues her practice as a senior consultant in RHTLaw Asia.

MR CHESTER LIN CHIEN

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

BOARD OF DIRECTORS

MR GERALD LIM THIEN SU

MR GERALD LIM THIEN SU, BBM, is an *Independent Director* of the Company. He was appointed to the Board in November 2010, and appointed as *Lead Independent Director* in May 2018. Mr Lim is Chairman of Phillip Insurance Investments, the President of the Singapore Insurance Brokers Association, and Honorary Consul of the Republic of Slovenia. He also serves as Honorary Chairman of Tampines Central Citizens Consultative Committee, and member of the Council of Education of the Methodist Church in Singapore. Mr Lim also sits on the Boards of Ju Eng Home for Senior Citizens, Methodist Girls School, St. Andrew's School, and St. Francis Methodist School. Mr Lim did his undergraduate studies at National University of Singapore, obtained an M.A. from George Washington University, and attended executive development programmes at Insead (France) and Kellogg (Chicago).

MR SEOW CHOKE MENG

MR SEOW CHOKE MENG is an *Independent Director* of the Company. He was appointed to the Board on 18 December 2019. Mr Seow is currently the Business Consultant of Singapore Press Holdings Ltd ("**SPH**"). He is also the Executive Director of Times Development Pte Ltd, an Independent Director of Ho Bee Land Limited, a Director of Sin Chew Jit Poh (Singapore) Ltd, Focus Publishing Ltd, Times Properties Pte Ltd. and Ho Bee Foundation. Mr Seow is a veteran in the media industry having worked in SPH group for almost 41 years. He held various senior appointments in SPH, which includes helming the human resource, administration, circulation and editorial services/ cultural industry promotion departments of the Chinese newspapers.

Mr Seow is an Honorary Council Member of the Singapore Chinese Chamber of Commerce and Industry. He is actively involved in grassroots and community organisations. He serves as Board of Trustee for Chinese Development Assistance Council, Vice-Chairman of Ulu Pandan Citizen's Consultative Committee and Ren Ci Hospital. He is also a board member of Kwong Wai Shiu Hospital & Nursing Home, Tan Tock Seng Hospital Community Fund, Singapore Chinese Culture Centre, National Council of Social Service, Straco Leisure Pte Ltd and SPH Silver Care Pte Ltd.

Mr Seow graduated from the University of Singapore with a Bachelor of Science (Honours) degree. He was conferred the Public Service Star in 2013.

MR HO KHEONG CHUN

MR HO KHEONG CHUN is an *Independent Director* of the Company. He was appointed to the Board on 18 December 2019. Mr Ho was previously an Executive Director of Amtek Engineering Ltd. He was with the Amtek Engineering group for 42 years, since it commenced providing services as Metaltek Engineering Pte Ltd. During his tenure with Amtek Engineering, Mr Ho served in various capacities including the roles of Managing Director, Executive Director overseeing business development, and Marketing & Purchasing Director overseeing sales, marketing, and material procurement. Prior to joining Amtek Engineering, he was a Production Assistant at the Engineering Industrial Development Agency of EDB. Mr Ho attended a Material Management and Accounting extension course in 1970 conducted by the University of Singapore. He also passed his first year Technician Engineering Course at Singapore Polytechnic in 1971. Mr Ho is currently a Senior Member of the Society of Manufacturing Engineers, an international professional society based in the United States.

MANAGEMENT TEAM

YAO HSIAO TUNG*
Executive Chairman & Chief Executive Officer

WONG HUEY FANG*
Executive Director & Chief Administrative Officer

SAMUEL YUEN CHUNG SANG
Chief Financial Officer

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

JEFFREY TAN YONG KEONG
Executive Vice President

JEFFREY TAN YONG KEONG is the *Executive Vice President* of the Group and is responsible in overseeing the Group's mergers and acquisitions activities, and the business and operations of the Overseas Business Unit. In respect of the Overseas Business Unit, he is entrusted with total responsibility from product and business development, program and key account management, to operations management, having full profit and loss responsibilities for manufacturing sites in Singapore, Thailand, Xiamen (China) and Poland. Prior to joining the Group in March 2010, Mr Tan gained extensive experience in contract manufacturing and precision engineering industries with companies like Fu Yu and Sunningdale. Mr Tan holds a Bachelor of Business Administration degree from the Thames Valley University, Diploma (Sales & Marketing) from Marketing Institute of Singapore, Diploma (Marketing) from Chartered Marketing Institute of UK, and Diploma (Mechanical Engineering) from Ngee Ann Polytechnic.

JULIUS ZHANG ZHIJUN
Deputy Executive Vice President, Greater China Operations

JULIUS ZHANG ZHIJUN is the *Deputy Executive Vice President, Greater China Operations*, of the Group and is responsible in overseeing the Group's operations and project management in China. Prior to joining the Group in December 2019, Mr Zhang worked in Delphi and Aptiv (a spin-off of Delphi) in various plant management positions. He has also worked in Hi-P from January 2003 to January 2013 during which he held various roles, including Project Manager, Production Manager, Operation Manager, Operation Senior Manager, Assistant General Manager and General Manager. Mr Zhang holds a Bachelor's Degree in Material Engineering from Shanghai JiaoTong University.

* *Please refer to page 5*

Hi-P GROUP OF COMPANIES
as at 31 December 2019

HOLDING COMPANY

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

SUBSIDIARIES – SINGAPORE

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

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

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

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

South East Asia Moulding Company Pte. Ltd.
26 Pioneer Crescent, #06-10,
West Park Bizcentral,
Singapore 628558

South East Asia Moulding Company(UK) Pte. Ltd.
26 Pioneer Crescent, #06-10,
West Park Bizcentral,
Singapore 628558

SUBSIDIARIES - NORTH CHINA

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

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

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

SUBSIDIARIES - SOUTH CHINA

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

SUBSIDIARIES - EAST CHINA

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

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

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

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

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

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

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

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

Huglomerate (Shanghai) International Trading Co., Ltd.
No.28 Xin Jinqiao Road,
11F Xin Jinqiao Building,
Pudong New District, Shanghai, the PRC

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

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

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

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

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

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

SUBSIDIARIES - WEST CHINA

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

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

SUBSIDIARIES – AMERICA

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

SUBSIDIARIES – OTHER

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

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

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

ASSOCIATED COMPANIES

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

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

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

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

JOINT VENTURE COMPANY

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

CORPORATE GOVERNANCE REPORT

Hi-P International Limited ("**Company**") is committed to achieving a high standard of corporate governance within the Company and its subsidiaries (collectively, the "**Group**"). The Company continues to evaluate and put in place effective self-regulatory corporate practices to protect its shareholders' interests and enhance long-term shareholders' value. The board of directors of the Company ("**Board**") is pleased to report on the Company's corporate governance processes and activities as required by the Code of Corporate Governance 2018 issued by the Monetary Authority of Singapore on 6 August 2018 ("**Code**"). For easy reference, sections of the Code under discussion are specifically identified. However, this Corporate Governance Report should be read as a whole as other sections of this Report may also have an impact on the specific disclosures.

Board Matters

Principle 1: The Board's Conduct of Affairs

The directors of the Company ("**Directors**") objectively discharge their duties and responsibilities at all times as fiduciaries in the interest of the Company and hold the management of the Company ("**Management**") accountable for performance. The Board comprises the following members:

Executive Directors
Mr. Yao Hsiao Tung
Madam Wong Huey Fang

Non-Executive Director
Mr. Yeo Tiong Eng

Independent Directors
Mr. Gerald Lim Thien Su *(Lead Independent Director)*
Madam Leong Lai Peng
Mr. Chester Lin Chien
Mr. Seow Choke Meng (appointed on 18 December 2019)
Mr. Ho Kheong Chun (appointed on 18 December 2019)

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

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

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

(c) reviewing management performance;

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

(e) nominating directors to the Board;

(f) appointing key personnel;

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

(h) assuming responsibility for corporate governance; and

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

CORPORATE GOVERNANCE REPORT

Matters which are specifically reserved to the Board for decision are those involving a conflict of interest for a substantial shareholder or a director, material acquisition and disposal of assets, corporate or financial restructuring, share issuance, dividends, financial results and corporate strategies, matters as specified under the Singapore Exchange Securities Trading Limited ("**SGX-ST**") interested person transaction policy, and any other matters as prescribed under the relevant legislations and regulations, as well as the provisions of the Company's Constitution. The Company has in place a written financial authority matrix which requires transactions exceeding certain thresholds limits to be approved by the Board.

To assist in the execution of its responsibilities, the Board has formed three committees, namely, Audit Committee ("**AC**"), Remuneration Committee ("**RC**") and Nominating Committee ("**NC**"). These committees function within written terms of reference and operating procedures to ensure good corporate governance in the Company and within the Group. The Board has delegated the authority to make relevant decisions to these committees but without abdicating its responsibility. Each committee has the authority to examine particular issues and reports back to the Board with their recommendations. The ultimate responsibility for final decision on all matters lies with the entire Board. Please refer to the various Principles in this Report for further information on the activities of the respective Board committees.

The Board and its committees meet regularly based on schedules planned one year ahead so as to ensure maximum attendance by all participants. Formal Board meetings are held at least once every quarter to oversee the business affairs of the Group, and to approve, if applicable, any financial or business objectives and strategies. Ad-hoc meetings are convened when circumstances require. The Company's Constitution allows a Board meeting to be conducted by way of tele-conference and video-conference. On occasions when Directors were unable to attend meetings in person, tele-conference and web-conference were used. Please refer to Principle 4 in this Report for discussion on the multiple board representations of Directors.

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

	Board		Audit Committee		Nominating Committee		Remuneration Committee		General Meetings[(1)]
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	4	4	–	–	–	–	–	–	2
Madam Wong Huey Fang	4	4	–	–	–	–	–	–	2
Mr. Yeo Tiong Eng	4	4	–	–	–	–	–	–	2
Mr. Chester Lin Chien	4	4	4	4	2	2	1	1	2
Madam Leong Lai Peng	4	3	4	3	2	2	1	1	0
Mr. Gerald Lim Thien Su	4	4	4	4	2	2	1	1	2
Mr. Seow Choke Meng[(2)]	–	–	–	–	–	–	–	–	–
Mr. Ho Kheong Chun[(2)]	–	–	–	–	–	–	–	–	–

Notes:

(1) Comprising the Annual General Meeting and the Extraordinary General Meeting of the Company held on 29 April 2019.

(2) Mr. Seow Choke Meng and Mr. Ho Kheong Chun were appointed as independent directors of the Company with effect from 18 December 2019.

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. During the year under review, the Directors received briefings covering, *inter alia*, accounting and regulatory updates as well as changes to listing rules of the SGX-ST, Companies Act and corporate governance rules.

Upon appointment of each director, a formal letter of appointment containing, *inter alia*, the roles and responsibilities of directors, will be provided to every new director. Management would conduct briefings and orientation programmes to familiarise newly appointed Directors with the various businesses, operations and processes of the Group. During the year under review, two new directors, namely, Mr. Seow Choke Meng and Mr. Ho Kheong Chun, have been appointed to the Board. As both Mr. Seow and Mr. Ho were appointed in end December 2019, and in light of the COVID-19 outbreak, the Company will arrange for them to visit the Group's operational facilities to gain a better understanding of the Group's operations in year 2020 after the said outbreak ceases. The Company will also conduct an orientation programme to provide them with extensive background information about the Group's structure, core values, strategic direction and businesses to enable them to assimilate into their new role. It will also allow the new directors to get acquainted with the Management, thereby facilitating Board interaction and independent access to the Management.

All Directors who are appointed and who have no prior experience as a director of a listed company in Singapore will undergo training via courses conducted by the Singapore Institute of Directors or other training institution in areas such as accounting, legal and industry specific knowledge, where appropriate, in connection with their duties at the Company's expense. Both Mr. Seow Choke Meng and Mr. Ho Kheong Chun have prior experience as a director of listed company in Singapore. Notwithstanding the foregoing, given that Mr. Ho last held the listed company directorship several years ago, he will be attending training courses conducted by the Singapore Institute of Directors to familiarize himself with the roles and responsibilities of a director of a public listed company in Singapore.

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

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

CORPORATE GOVERNANCE REPORT

Principle 2: Board Composition and Guidance

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

Name of Directors	Board Membership	Date of First Appointment	Date of Last Re-election/ Re-appointment	Audit Committee	Nominating Committee	Remuneration Committee
Mr. Yao Hsiao Tung	Executive Chairman and Chief Executive Officer	21 May 1983	20 April 2018	–	–	–
Mr. Yeo Tiong Eng	Non-Executive Director Independent Director Executive Director Non-Executive Director	1 April 1987 Re-designated w.e.f. 30 January 2015 Re-designated w.e.f. 14 November 2016 Re-designated w.e.f. 1 June 2018	26 April 2017	–	–	–
Madam Wong Huey Fang	Executive Director and Chief Administrative Officer	21 January 1988	29 April 2019	–	–	–
Mr. Chester Lin Chien	Independent Director	4 August 2004	20 April 2018	Member	Chairman	Member
Madam Leong Lai Peng	Independent Director	9 November 2006	29 April 2019	Member	Member	Chairman
Mr. Gerald Lim Thien Su	Lead Independent Director	1 November 2010	26 April 2017	Chairman	Member	Member
Mr. Seow Choke Meng	Independent Director	18 December 2019	-	–	–	–
Mr. Ho Kheong Chun	Independent Director	18 December 2019	-	–	–	–

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

CORPORATE GOVERNANCE REPORT

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

The proportions of Independent Directors and Non-Executive Directors on the Board comply with the Code.

The Board has adopted a Board Diversity Policy in the year under review. The Company's Board Diversity Policy endorses the principle that the Board should have an appropriate mix of skills, knowledge and experience required to effectively oversee and support the management of the Company. Selection of candidates will be based on a range of diversity perspectives, including the balance of skills, knowledge, experience, age and gender. The Board periodically examines its size and, with a view to determining the impact of the number upon effectiveness, decide on what it considers an appropriate size for the Board, which facilitates effective decision-making. The composition of the Board will be reviewed on an annual basis by the NC to ensure that the Board has the appropriate balance and diversity of skill, knowledge, experience and gender. The NC's policy in such review and the making of any recommendation to the Board take into account a candidate's track record, age, gender, experience, capabilities and other relevant factors. Each Director has been appointed on the strength of his/her calibre, experience and stature and is expected to bring his/her experience and expertise to contribute to the development of the Group's strategy and the performance of its business.

The Board, taking into account the scope and nature of the Company's operations and the requirements of the business, considers its current size to be adequate for effective decision-making. The current Board has a good mix of core competencies in the areas of industry knowledge, accounting and finance, legal, business and management experience. The Executive Directors possess good industry knowledge while the Non-Executive Directors, who are professionals and experts in their own fields, are able to take a broader view of the Group's activities, contribute their valuable experiences and provide independent judgment during Board deliberations. The Board currently has two female directors, namely Madam Wong Huey Fang and Madam Leong Lai Peng, in recognition of the importance and value of gender diversity. Female directors of the Company represent a quarter of the total Board membership. In addition, the Board consists of directors with ages ranging from fifties to eighties, who have served on the Board for different tenures. The members of the Board with their combined business, management and professional experience, knowledge and expertise, provide the core competencies to allow for diverse and objective perspective on the Group's vision, mission and business.

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

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

CORPORATE GOVERNANCE REPORT

Mr. Chester Lin Chien, Madam Leong Lai Peng and Mr. Gerald Lim Thien Su were appointed as Directors on 4 August 2004, 9 November 2006 and 1 November 2010 respectively and have served the Board for more than nine years. The NC had reviewed the independence of Mr. Chester Lin Chien, Madam Leong Lai Peng and Mr. Gerald Lim Thien Su and was of the view that Mr. Chester Lin Chien, Madam Leong Lai Peng and Mr. Gerald Lim Thien Su had demonstrated strong independent character and judgment in discharging their duties and responsibilities as Independent Directors over the years. They had expressed their views, debated issues, constructively challenged Management and sought clarification where deemed necessary. There is also no relationship which is likely to affect or could appear to affect their judgment.

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

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

Key information regarding the Directors is set out on pages 5 and 6 of this Annual Report.

Principle 3: Chairman and Chief Executive Officer

Provision 3.1 has not been complied with as Mr. Yao Hsiao Tung is the Executive Chairman of the Board and Chief Executive Officer of the Company. The Board recognizes the Code's recommendation that the Chairman and the Chief Executive Officer should be separate persons to ensure an appropriate balance of power and authority, increased accountability, and greater capacity of the Board for independent decision making. However, the Board is also of the view that adopting a single leadership structure, i.e. where the Chief Executive Officer and the Chairman of the Board are the same person, brings certain benefits to the Company.

Mr. Yao is the founder of the Group and has played a key role in developing the Group's business. His deep industry knowledge has helped him to steer the Board's attention towards important strategic matters, and his familiarity with the Company's vision, mission and strategic projects has helped him ensure that the Board receives the right level and quantity of information to evaluate the Company's progress against its strategic objectives. Mr. Yao 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. 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.

With Mr. Yao's leadership, the Board has also maintained a consensus style of decision-making. Directors are encouraged to express any views and reservations they may have and issues brought before the Board are not forced prematurely to a vote. The Company respects all directors' separate and independent access to Management, although such is usually not needed because of Mr. Yao and the Management team's candidness towards the Board.

The majority of the Board members are Independent Directors and all the Board committees are chaired by the Independent Directors. The Board believes that there is a good balance of power and authority within the Board and no individual or small group can dominate the Board's decision-making process. Furthermore, Mr. Gerald Lim Thien Su has been appointed as the Lead Independent Director and he is available to shareholders where they have concerns and for which contact through the normal channels of the chairman, the chief executive officer or the chief financial officer has failed to resolve or is inappropriate. Led by the Lead Independent Director, the Independent Directors met or discussed periodically without the presence of other Directors and senior management, and the Lead Independent Director provided feedback to the Chairman after such meetings.

The Board is thus 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.

Principle 4: Board Membership

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

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

Mr. Gerald Lim, the Lead Independent Director of the Company, is also a member of the NC, which complies with the provision of the Code.

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

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

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

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

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

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

(f) procuring that a majority of the Board shall comprise Independent Directors in view that the Chairman and Chief Executive Officer is the same person;

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

Where a vacancy arises under any circumstances, or where it is considered that the Board would benefit from the services of a new director with particular skills, the NC, in consultation with the Board, determines the selection criteria and selects candidates with the appropriate expertise and experience for the position. The NC may recourse to both internal sources as well as external sources to draw up a list of potential candidates. Shortlisted candidates would be required to furnish their curriculum vitae stating in detail their qualification, working experience and employment history. In addition, they may be required to complete certain prescribed forms to enable the NC to assess the candidate's independence, if applicable. During the year under review, two new directors (namely, Mr. Ho Kheong Chun and Mr. Seow Choke Meng) have been appointed to the Board as Independent Directors. The NC reached out to Singapore Institute of Directors to engage its Board Appointment Service and invited the Board for recommendation of candidates for the purpose of drawing up the list of potential candidates. Knowledge of contract manufacturing industry and corporate governance practices, prior experience as a listed entity director in Singapore, were among other things, the criteria used to identify and evaluate the potential new directors.

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

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

Mr. Yeo Tiong Eng and Mr. Gerald Lim Thien Su are subject to retirement pursuant to Article 91 of the Company's Constitution 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. Each of Mr. Yeo Tiong Eng and Mr. Gerald Lim Thien Su had abstained from the discussion and taking a decision in respect of his re-election at the forthcoming AGM. Please see their relevant details as required to be disclosed pursuant to Rule 720(6) of the Listing Manual of the SGX-ST in the section "***Additional Information on Directors Seeking Re-election***" below.

Separately, Mr. Seow Choke Meng and Mr. Ho Kheong Chun are subject to retirement pursuant to Article 97 of the Company's Constitution at the forthcoming AGM. The NC recommended that Mr. Seow Choke Meng and Mr. Ho Kheong Chun be nominated for re-election at the forthcoming AGM. Each of Mr. Seow Choke Meng and Mr. Ho Kheong Chun had abstained from the discussion and taking a decision in respect of his re-election at the forthcoming AGM. Please see their relevant details as required to be disclosed pursuant to Rule 720(6) of the Listing Manual of the SGX-ST in the section "***Additional Information on Directors Seeking Re-election***" below.

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

In making the recommendation, the NC had considered the Directors' overall contribution and performance with reference to their attendance and participation at meetings of the Board and Board committees. Key information regarding the Directors' academic and professional qualifications and other information is set out on pages 5 and 6 of this Annual Report.

During the year under review, there was no alternate directors appointed to the Board.

The NC ensures that new Directors are aware of their duties and obligations. For re-appointment of directors, the NC takes into consideration the competing time commitments faced by Directors and their ability to devote appropriate time and attention to the Company.

The Board has previously concurred with the NC's recommendation that the maximum number of listed company board representations which a Director may have should not exceed five. Mr. Gerald Lim Thien Su was a director of Blackgold Natural Resources Limited, a public company listed on the Catalist of the SGX-ST from 10 March 2015 until 31 July 2019. Mr. Seow Choke Meng is currently a director of Ho Bee Land Limited, a public company listed on the Mainboard of the SGX-ST. Save and except for the foregoing directorships of Mr. Gerald Lim Thien Su and Mr. Seow Choke Meng, none of the other Directors currently holds, or had in the year under review, held any directorship in any other listed company, other than their directorships in the Company.

Mr. Seow Choke Meng is a business consultant of Singapore Press Holdings Limited ("**SPH**") and holds several key positions of SPH-related entities (namely, Sin Chew Jit Poh (Singapore) Limited, Focus Publishing Ltd, Times Properties Private Limited and SPH Silver Care Pte Ltd). He has also been active in grassroot, charitable and cultural organisations, such as Ulu Pandan Citizen's Consultative Committee, Chinese Development Assistance Council, National Council of Social Service, Ren Ci Hospital and Singapore Chinese Cultural Centre). For more details about his directorship or commitments, please see page 35 of this Annual Report. Notwithstanding his positions in various organisations, Mr. Seow has confirmed to the NC and the Board his ability to provide sufficient time and attention to his duties as a director of the Company.

Mr. Gerald Lim Thien Su regarded his role as the Chairman of Phillip Insurance Investments Pte. Ltd. as a principal commitment. Notwithstanding it, Mr Gerald Lim has confirmed to the NC and the Board his ability to provide sufficient time and attention to his duties as a director of the Company.

Save as disclosed above and in this Annual Report, none of the other Directors had in the year under review, any principal commitment which affected his/her discharging of duties and responsibilities as a Director.

In view of the above, and taking into consideration the Directors' board representations and other principal commitments, level of attendance and participation at Board and Board committee meetings, the NC and the Board are satisfied that all Directors were able to and have devoted sufficient time and attention in carrying out their duties as directors. The Board has experienced minimal competing time commitments among its Board members as Board and Board committee meetings are planned and scheduled in advance.

Principle 5: Board Performance

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

The assessment process involves and includes input from the Board members, applying the performance criteria recommended by the NC and approved by the Board. The Board as a whole is required to complete a Board Evaluation Questionaire designed to seek their view on the various aspects of the Board performance so as to assess the overall effectiveness of the Board. The Directors' input is reviewed by the NC. Areas where the Board's performance and effectiveness could be enhanced and recommendations for improvement are then submitted to the Board for discussion and for implementation.

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

CORPORATE GOVERNANCE REPORT

Following the assessments conducted for the year under review, the Board is of the view that the Board and its Board committees operate effectively and each Director is contributing to the overall effectiveness of the Board. No external facilitator has been engaged by the Company for the purpose of evaluation of the Board and Board committees during the year under review. The NC is of the view that the Directors will not be evaluated individually as each member of the Board contributes in different areas to the success of the Company, and accordingly, it would be more appropriate to assess the Board as a whole and each Board committee.

Remuneration Committee

Principle 6: Procedures for Developing Remuneration Policies
Principle 7: Level and Mix of Remuneration
Principle 8: Disclosure on Remuneration

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

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

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

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

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

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

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

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

In carrying out the above, the RC may obtain independent external legal and other professional advice on remuneration matters as it deems necessary. The expenses of such advice shall be borne by the Company. There being no specific necessity, the RC has not engaged any remuneration consultant during the year under review.

The RC considers all aspects of remuneration of the Directors as well as key management personnel. On an annual basis, the RC reviews and approves annual increments, variable bonus, share awards and/or share options to be granted to Directors and key management personnel. The RC also reviews the Company's obligations arising in the event of termination of Executive Directors and key executives' contracts of service to ensure such contracts of service contain fair and reasonable termination clauses.

The Company sets remuneration packages which:

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

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

The framework for Directors' fees for the financial year ended 31 December 2019 ("**FY2019**") is set out below:

Role	Member	Chairman
Board	S$40,000 per annum	S$70,000 per annum
Audit Committee	S$15,000 per annum	S$25,000 per annum
Nominating Committee	S$9,000 per annum	S$15,000 per annum
Remuneration Committee	S$9,000 per annum	S$15,000 per annum
Lead Independent Director	S$10,000 per annum	

Shareholders' approval will be sought at the forthcoming AGM of the Company to be held, for the payment of Directors' fees proposed for the FY2019 amounting to S$404,068 (FY2018: S$397,667).

The remunerations paid to the Directors during the FY2019 are as follows:-

	Cash-based						Share-based	
Names of Directors	Salary %	Bonus %	Director's fee %	Others[(1)] %	Total %	Total Amount (S$'000)	Number of options granted	Number of share awards granted
Mr. Yao Hsiao Tung[(3)]	85	7	5	3[(2)]	100	1,415	–	–
Madam Wong Huey Fang	66	20	10	4	100	402	–	–
Mr. Yeo Tiong Eng	–	–	100	–	100	43	–	–
Mr. Chester Lin Chien	–	–	100	–	100	79	–	–
Madam Leong Lai Peng	–	–	100	–	100	79	–	–
Mr. Gerald Lim Thien Su	–	–	100	–	100	87	–	–
Mr. Seow Choke Meng[(4)]	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr. Ho Kheong Chun[(4)]	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

Notes:

(1) Include contribution to central provident fund, car-related benefits and medical insurance benefits.

(2) Based on his service agreement with the Company, Mr. Yao Hsiao Tung is entitled to a special retirement benefit in acknowledgement of his contribution to the Company as the Board may in its absolute and sole discretion deem appropriate. The said benefit is not ascertainable until his retirement.

(3) Mr. Yao Hsiao Tung is also the Chief Executive Officer and a substantial shareholder of the Company.

(4) Mr. Seow Choke Meng and Mr. Ho Kheong Chun were appointed on 18 December 2019.

All key management personnel of the Company who are not Directors or the Chief Executive Officer of the Company, and the remuneration paid to them during the FY2019, have been set out as follows:

Names of Officers	Cash-based					Share-based	
	Salary %	Bonus %	Others(1) %	Total %	Total Amount (S$'000)	Number of options granted	Number of share awards granted
Mr. Samuel Yuen Chung Sang	48	49	3	100	902	–	192,000(5)
Mr. Mark Su Lii-Yun(2)	52	17	31	100	302	–	–
Mr. Jeffrey Tan Yong Keong(3)	44	53	3	100	990	–	200,000(5)
Mr. Julius Zhang ZhiJun(4)	9	88	3	100	69	–	–
					2,263		

Notes:

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

(2) Mr. Mark Su Lii-Yun has resigned with effect from 1 April 2019. Please see the Company's SGXNet announcement dated 31 March 2019 for more details.

(3) Mr. Jeffrey Tan Yong Keong was promoted to Executive Vice President on 18 March 2020. Please see the Company's SGXNet announcement dated 18 March 2020 for more details.

(4) Mr. Julius Zhang ZhiJun joined the Company with effect from 16 December 2019, and was promoted to Deputy Executive Vice President of Greater China Operations on 18 March 2020. Please see the Company's SGXNet announcement dated 18 March 2020 for more details.

(5) 50% of the said share awards were vested on 5 April 2019, with the balance 50% to vest on the day on which he reaches the age of 65.

Mr. Yao Hsiao Kuang is the brother of Mr. Yao Hsiao Tung and brother in-law of Madam Wong Huey Fang. His remuneration in FY2019 was in the band of between S$600,000 to S$650,000. Other than the brother of Mr. Yao Hsiao Tung and brother in-law of Madam Wong Huey Fang as aforementioned, there were no employees of the Group who are immediate family members of a Director, Chief Executive Officer or a substantial shareholder of the Company, whose remuneration exceeded S$100,000 during FY2019.

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

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

In addition to monthly salary, key management personnel also receive bonus (which may include performance bonus that comprises cash and/or options/awards granted pursuant to the 2003 ESOS, the 2014 ESOS and/or the ESAS 2018). The performance bonus is dependent on individual performance as measured by their respective key performance indicators, as well as the performance of the Group as a whole.

Save as disclosed in this Annual Report, there are no termination, retirement and post-employment benefits (other than CPF contributions) granted to Directors, the Chief Executive Officer or the key management personnel. Separately, the Board is of the view that as the Group pays an annual incentive bonus based on the performance of the Group/Company (and not possible future results) and results that have actually been delivered by its Executive Directors and key management, "claw back" provisions in their service contracts may not be relevant or appropriate.

The Company has a share option scheme known as Hi-P Employee Share Option Scheme ("**2003 ESOS**") which was approved by shareholders of the Company on 7 October 2003. The 2003 ESOS expired on 6 October 2013, and the Company had adopted a new Hi-P Employee Share Option Scheme 2014 on 29 April 2014 ("**2014 ESOS**"). Notwithstanding the expiry of the 2003 ESOS, any outstanding and unexercised options held by option holders prior to such expiry will continue to remain valid. In addition, the Company also has a share award scheme known as Hi-P Employee Share Award Scheme 2018 ("**ESAS 2018**") which was approved by shareholders of the Company on 20 April 2018. The 2003 ESOS, the 2014 ESOS and the ESAS 2018 comply with the relevant rules as set out in Chapter 8 of the Listing Manual of the SGX-ST. Further information on the 2003 ESOS, the 2014 ESOS and the ESAS 2018 can be found on pages 43 to 47 of this Annual Report.

The 2003 ESOS, the 2014 ESOS and the ESAS 2018 provide and will provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. The schemes are administered by the RC.

Audit Committee

Principle 10: Audit Committee

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

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

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

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

(a) reviewing and evaluating financial and operating results and accounting policies;

(b) reviewing audit plan of external auditors, their evaluation of the system of internal accounting controls and their audit report;

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

(d) reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls and risk management systems which review can be carried out internally or with the assistance of any competent third parties and ensure co-ordination between internal and external auditors and Management;

(e) reviewing the assistance given by the Management to external auditors;

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

(g) reviewing interested person transactions;

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

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

The Board is satisfied that the AC members, collectively, have relevant accounting and related financial management expertise or experience and are appropriately qualified to discharge their responsibilities. 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. In the year under review, the AC met four times and all the Executive Directors and Non-Executive Directors were invited to attend the meetings.

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

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

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

The AC also considered the report from the external auditor, including their findings on the key areas of audit focus. Significant matters that were discussed with Management and the external auditor have been included as key audit matters ("**KAMs**") in the audit report for FY2019 (please refer to pages 48 - 50 of this Annual Report).

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

External Auditor Fees for FY2019	**S$'000**
Total Audit Fees	826
Total Non-Audit Fees	411
Total Fees	**1,237**

The non-audit fees constituted approximately 49.8% of the audit fees. The AC noted that a significant portion of the fees for non-audit services provided by the auditor for FY2019 was in respect of permitted tax advisory service and is non-recurring. The external auditor have confirmed to the AC that it is independent within the meaning of Singapore Accountants (Public Accountants) Rules and the requirements of the Companies Act for the purpose of its audit for the financial statements of the Company for FY2019. Taking into account the nature and extent of the non-audit services provided and the foregoing, the AC is of the opinion that the non-audit fees paid to the auditor for FY2019 would not compromise the independence and objectivity of the external auditor, and is pleased to recommend their re-appointment. The AC is satisfied that the Group has complied with Rule 712 and Rule 715 of the Listing Manual of the SGX-ST in relation to the appointment of auditing firms. Accordingly, the Company has complied with the Rule 1207(6) of the Listing Manual of the SGX-ST.

Internal Audit

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

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

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

Whistle-blowing Policy

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

The AC oversees the administration of the policy while the Whistle-Blowing Committee administers the policy. Quarterly reports will be submitted to the AC stating the number and nature of complaints received, the results of the investigation, follow up actions and the unresolved complaints. The AC reports to the Board on such matters at the Board meetings. Should the AC receive reports relating to serious offences and/or criminal activities in the Group, the AC and the Board have access to the appropriate external advice where necessary. Where appropriate or required, a report shall be made to the relevant government authorities for further investigation or action.

Principle 9: Risk Management and Internal Controls

The Board, assisted by the AC, has oversight of the internal controls and risk management systems of the Group. Having considered the Group's business operations as well as its existing internal controls and risk management systems, the Board is of the opinion that a separate board risk committee is not required for the time being. During the year under review, the Board, with the help of the Group's in-house internal control team, reviewed the risk matrices documented by the Company which assisted Management to address the financial, operational and compliance risks of the key operating units of the Group. The process involved the identification of the major financial, operational and compliance risks in the various business units as well as the countermeasures in place or required to mitigate such risks. These are summarized and documented using a risk management matrix of key risks, for review by the Board. The summary of risk management matrix provides an overview of the Group's key risks, how they are managed, the key personnel responsible for each identified risk type and the various assurance mechanisms in place.

CORPORATE GOVERNANCE REPORT

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

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

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

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, reviews performed by Management, and the assurance by the Chief Executive Officer and Chief Financial Officer, the Board, with the concurrence of the AC, are of the opinion that the internal control (including financial, operational, compliance and information technology controls) and risk management systems of the Group were adequate and effective as at 31 December 2019.

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. Management will continue to review and strengthen the Group's control environment and devote resources and expertise towards improving its internal policies and procedures to maintain high level of governance and internal controls.

Shareholder Rights and Engagement

Principle 11: Shareholder Rights and Conduct of General Meetings

General meetings have been and are still the principal forum for dialogue and interaction with all shareholders. All shareholders will receive the annual report, circular to shareholders (if any) and the notice of general meetings of the Company. The Company's annual report to shareholders, together with the notice of general meetings, letter to shareholders, if applicable, are disseminated through the SGXNet and are delivered to all shareholders within the mandatory period, providing shareholders with adequate time to review the documents thoroughly. The Company also publishes the notice of general meetings in a major local news publication. Full copies of the said notices, together with the annual report and/or circulars to shareholders, are also lodged with the SGX-ST.

The Company's Constitution allows a member of the Company to appoint one or two proxies to attend and vote at its general meetings. The resolutions tabled at the general meetings are on each substantially separate issue, including treating the election or re-election of each director as a separate subject matter. Detailed information on each item in the annual general meeting agenda is provided in the explanatory notes to the notice of annual general meeting in the Annual Report.

At the general meetings, shareholders will be given opportunity to voice their views and to direct questions regarding the Group to the Directors including the chairpersons of each of the Board committees. The Executive Chairman, the Chairpersons of the Audit Committee and Nominating Committee and other board members were present at the AGM held on 29 April 2019. Although Mrs Jennifer Yeo, the Remuneration Committee Chairwoman, could not attend the last AGM, the other members of Remuneration Committee were present at the AGM. The Directors' attendance at the general meetings for the year under review is disclosed on page 10 of this Annual Report. The Company's external auditor, Ernst & Young LLP, were also present at the last AGM and were available to assist the Directors in addressing any relevant queries from the shareholders relating the conduct of audit and the preparation and content of the auditors' report. Shareholders are encouraged to attend the general meetings of the Company to ensure a high level of accountability and to stay informed of the Company's strategy and goals. At these meetings, shareholders are able to engage the Board and the Management on the Group's business activities, financial performance and other business-related matters. The Company could also gather views or inputs and address shareholders' concern at general meetings.

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

The Company's Constitution allows the Directors to approve and implement, subject to such security measures as may be deemed necessary or expedient, such voting methods to allow members who are unable to vote in person at any general meeting, the option to vote in absentia, including but not limited to voting by mail, electronic mail or facsimile. Accordingly, voting in absentia at the general meetings may only be possible following careful study to ensure that integrity of the information and authentication of the identity of shareholders through the web is not compromised.

The Company Secretary prepares minutes of general meetings, which incorporate substantial comments or queries from shareholders relating to the agenda of the meetings, and response from the Board and Management. The minutes for the general meetings held on 29 April 2019 for the year under review have been published on the Company's corporate website.

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

The Board has recommended a final tax exempt one-tier dividend of 2.0 Singapore cents per ordinary share for the FY2019. The Company will be seeking the approval of shareholders at the forthcoming AGM to be held for the declaration of the said proposed final dividend.

Principle 12: Engagement with Shareholders

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. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure to all others as promptly as possible.

The Company does not have a formal written investor relations policy. However, it has not stopped the Company from engaging its shareholders and promoting regular, effective and fair communication with shareholders. The Company has engaged an external investor relations (IR) team who focuses on facilitating the communications with all stakeholders, including shareholders, regulators, analysts and media etc. on a regular basis, to attend to their queries or concerns as well as to keep the investors apprised of the Group's corporate developments and financial performance. The contact details of the IR team has been set out on the Company's corporate website to enable shareholders to contact the Company easily. The IR team has its procedures in place for addressing investors' queries or complaints as soon as possible.

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

Principle 13: Engagement with Stakeholders

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

The Company regularly engages its stakeholders through various medium and channels to ensure that the business interests are aligned with those of the stakeholders, to understand and address their concerns so as to improve services and products' standards, as well as to sustain business operations for long term growth. Stakeholders identified by the Company include customers, employees, trade unions, regulators, shareholders, suppliers and local communities.

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

As a commitment to its stakeholders, the Company has disclosed its practices and performance on these material ESG matters in its third Sustainability Report, which will be available on the Company's website by 31 May 2020. The report is prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core Option and contains the five primary components in compliance with Rule 711B of the Listing Manual of the SGX-ST.

The Company maintains a current corporate website www.hi-p.com to communicate and engage with stakeholders. The said corporate website contains various information pertaining to the Group and the Company which serves as an important resource for investors and all stakeholders. The website of the Company is updated from time to time.

Securities Transactions
(Listing Manual Rule 1207(19))

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

Material Contracts
(Listing Manual Rule 1207(8))

Save for the service agreements of the Executive Directors with the Company, there were no material contracts of the Company or its subsidiaries involving the interest of the Chief Executive Officer, each Director or controlling shareholder, which were either subsisting at the end of FY2019 or if not then subsisting, entered into since the end of the previous financial year.

Interested Person Transactions
(Listing Manual Rule 907)

There were no interested person transactions entered into during FY2019 which require disclosure under Rule 907 of the Listing Manual of the SGX-ST.

Additional Information on Directors Seeking Re-election

Mr. Yeo Tiong Eng and Mr. Gerald Lim Thien Su are the Directors seeking re-election pursuant to Article 91 of the Company's Constitution; and separately, Mr. Seow Choke Meng and Mr. Ho Kheong Chun are the Directors seeking re-election pursuant to Article 97 of the Company's Constitution at the forthcoming AGM to be held (collectively, the "**Retiring Directors**" and each a "**Retiring Director**").

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

	MR. YEO TIONG ENG	MR. GERALD LIM THIEN SU
Date of Appointment	1 April 1987	1 November 2010
Date of last re-appointment	26 April 2017	26 April 2017
Age	67	62
Country of principal residence	Singapore	Singapore

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	MR. YEO TIONG ENG	MR. GERALD LIM THIEN SU
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee and has reviewed and considered the qualification, work experience and suitability of Mr. Yeo Tiong Eng for re-appointment as Non-Executive Director of the Company. The Board has concluded that Mr. Yeo possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee and has reviewed and considered the qualification, work experience and suitability of Mr. Gerald Lim Thien Su for re-appointment as Independent Director of the Company. The Board has concluded that Mr. Gerald Lim possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Non-Executive Director	Lead Independent Director, Chairman of the Audit Committee and member of the Nominating Committee and Remuneration Committee
Professional qualifications	Bachelor's Degree in Accountancy, Nanyang University Master of Business Administration (Business Law), Nanyang Technological University	Bachelor of Business Administration, National University of Singapore Master of Arts, George Washington University
Working experience and occupation(s) during the past 10 years	2016 to 2018: Executive Director of Hi-P International Limited 2008 to 2013: Vice-President Finance, Molex Far East South Management Pte Ltd 1987 to present: Director of Hi-P International Limited	2016 to present: Chairman, Phillip Insurance Investments Pte. Ltd. 2012 to 2016: Chief Executive Officer, Marsh South East Asia/Trade Credit, Financial & Political Risks, Asia 2009 to 2012: Chief Executive Officer, AON Singapore
Shareholding interest in the listed issuer and its subsidiaries	500,000 ordinary shares in the capital of the Company	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/ or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No

	MR. YEO TIONG ENG	MR. GERALD LIM THIEN SU
Conflict of interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments Including Directorships		
Past (for the last 5 years)	The Excalibur Corporation Pte Ltd Crescendas Mec (S) Pte. Ltd.	Singapore College of Insurance Limited Blackgold Natural Resources Limited OUE Lippo Healthcare Limited Phillip Life Assurance (Cambodia) PLC
Present	Industrial & Services Co-operative Society Ltd	Lim & Lye Associates Pte Ltd Tampines Central Community Foundation Limited St Francis Methodist School Ltd. Royal Andaman Singapore Pte. Ltd. Phillip Insurance Investments Pte. Ltd. Philip AU Group Pte. Ltd. AU Group Pte. Ltd. Phillip General Insurance (Cambodia) PLC PCMA Holdings Pte. Ltd. Kent Ridge Health Private Limited Balkan Holdings Pte. Ltd. Phillip Insurance Middle East Pte. Ltd. Phillip Middle East Insurance Brokers LLC

	MR. YEO TIONG ENG	MR. GERALD LIM THIEN SU
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No

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

	MR. YEO TIONG ENG	MR. GERALD LIM THIEN SU
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :—		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No

	MR. YEO TIONG ENG	MR. GERALD LIM THIEN SU
in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?		
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Disclosure applicable to the appointment of Director only.		
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A.	N.A.

	MR. SEOW CHOKE MENG	MR. HO KHEONG CHUN
Date of Appointment	18 December 2019	18 December 2019
Date of last re-appointment	-	-
Age	70	68
Country of principal residence	Singapore	Singapore

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	MR. SEOW CHOKE MENG	MR. HO KHEONG CHUN
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee and has reviewed and considered the qualification, work experience and suitability of Mr. Seow Choke Meng for re-appointment as Non-Executive Independent Director of the Company. The Board has concluded that Mr. Seow possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee and has reviewed and considered the qualification, work experience and suitability of Mr. Ho Kheong Chun for re-appointment as Independent Director of the Company. The Board has concluded that Mr. Ho possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Non-Executive Independent Director	Non-Executive Independent Director
Professional qualifications	Bachelor of Science (Honours), University of Singapore	Technician Engineering Course, Singapore Polytechnic (1971) Material management and accounting extension course, University of Singapore (1970)
Working experience and occupation(s) during the past 10 years	2018 to present: Business Consultant, Singapore Press Holdings Limited ("**SPH**") 2015 - 2017: Business Consultant, Chinese Media Group & Times Properties, SPH 2011 - 2014: Executive Vice President, Cultural Industry Promotion, Chinese Newspapers cum Times Properties, SPH 1991 - 2011: Executive Vice President, Editorial Services, Chinese Newspapers Division, SPH	2010 – 2012: Executive Director, Amtek Engineering Ltd 2007 – 2010: Executive Director, Amtek Engineering Pte Ltd
Shareholding interest in the listed issuer and its subsidiaries	Nil	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No

	MR. SEOW CHOKE MENG	MR. HO KHEONG CHUN
Conflict of interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments Including Directorships		
Past (for the last 5 years)	Singapore Chinese Chamber of Commerce Foundation Singapore News and Publications Limited Sun Yat Sen Nanyang Memorial Hall Company Limited SG Domain Pte Ltd. CM Domain Pte. Ltd.	Amtek Holdings Pte Ltd
Present	Ho Bee Land Limited Ho Bee Foundation Times Development Pte. Ltd. Times Properties Private Limited Sin Chew Jit Poh (Singapore) Limited Focus Publishing Ltd SPH Silver Care Pte. Ltd. National Healthcare Group Pte Ltd Straco Leisure Pte. Ltd. Singapore Chinese Cultural Centre Ren Ci Hospital TTSH Community Fund Kwang Wai Shiu Hospital Chinese Development Assistance Council, Board of Trustee National Council of Social Service, Board member Singapore Chinese Chamber of Commerce & Industry, Honorary Council Member Ulu Pandan Citizen's Consultative Committee, Vice Chairman	Nil

	MR. SEOW CHOKE MENG	MR. HO KHEONG CHUN
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No

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

CORPORATE GOVERNANCE REPORT

	MR. SEOW CHOKE MENG	MR. HO KHEONG CHUN
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :—		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No
in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?		

	MR. SEOW CHOKE MENG	MR. HO KHEONG CHUN
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Disclosure applicable to the appointment of Director only.		
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A.	N.A.

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DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Hi-P International Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet of the Company for the financial year ended 31 December 2019.

1. Opinion of the directors

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheet of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

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

Yao Hsiao Tung (Executive Chairman)	
Wong Huey Fang	
Yeo Tiong Eng	
Chester Lin Chien	
Leong Lai Peng	
Gerald Lim Thien Su	
Seow Choke Meng	(Appointed on 18 December 2019)
Ho Kheong Chun	(Appointed on 18 December 2019)

3. Arrangements to enable directors to acquire shares and debentures

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

4. Directors' interests in shares and debentures

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

	Direct interest		Deemed interest	
Name of director	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
Ordinary shares of the Company				
Yao Hsiao Tung	590,118,410	673,496,144	80,845,734[1]	–
Wong Huey Fang	1,386,982	1,737,982	–	–
Yeo Tiong Eng	500,000	500,000	–	–
Chester Lin Chien	1,800,000	1,800,000	–	–
Leong Lai Peng	300,000	300,000	–	–
Options to subscribe for ordinary shares in the Company				
Yao Hsiao Tung	6,892,328	4,360,382	–	–
Wong Huey Fang	858,816	507,816	–	–

Note

1 Mr. Yao Hsiao Tung's deemed interest arises by virtue of his controlling interest in YHT Investments Pte. Ltd. (which in turns held 80,845,734 shares in the capital of the Company). 80,845,734 shares held by YHT Investments Pte. Ltd. in the capital of the Company was transferred to Mr. Yao Hsiao Tung during the financial year.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2020.

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

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

5. Share options and share awards

Share options

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

Other information regarding the Option Schemes are set out below:

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

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

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

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

Share options (cont'd)

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

Details of all options to acquire ordinary shares of the Company granted pursuant to the Option Schemes outstanding as at 31 December 2019 are as follows:

Date of grant of options	Exercise price per share	Options outstanding as at 1 January 2019	Options granted during the year	Options exercised during the year	Options lapsed during the year	Options outstanding as at 31 December 2019	Exercise period
29/04/2010	$0.67	2,883,000	–	(2,883,000)	–	–	29/04/2011 to 28/04/2020
11/03/2011	$1.21	233,700	–	(182,700)	–	51,000	11/03/2012 to 10/03/2021
5/05/2011	$1.20	2,897,000	–	–	–	2,897,000	5/05/2012 to 4/05/2021
9/04/2012	$0.96	415,088	–	(62,165)	(20,129)	332,794	9/04/2013 to 8/04/2022
4/05/2012	$0.90	1,256,071	–	–	–	1,256,071	4/05/2013 to 3/05/2022
30/04/2013	$0.699	243,329	–	–	–	243,329	30/04/2014 to 29/04/2023
12/05/2015	$0.57	494,582	–	(22,784)	–	471,798	12/05/2016 to 11/05/2025
		8,422,770	–	(3,150,649)	(20,129)	5,251,992	

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

Share options (cont'd)

During the financial year, no options were granted by the Company under the 2014 ESOS to its employees (2018: Nil).

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

	Options granted during financial year ended 31 December 2019	Aggregate options granted since commencement of scheme to 31 December 2019	Aggregate options exercised since commencement of scheme to 31 December 2019	Aggregate options expired since commencement of scheme to 31 December 2019	Aggregate options outstanding as at 31 December 2019
Yao Hsiao Tung (Director and Controlling Shareholder)	–	8,192,382	(2,532,000)	(1,300,000)	4,360,382
Wong Huey Fang (Director and Associate of Mr. Yao Hsiao Tung)	–	1,509,816	(702,000)	(300,000)	507,816
Yao Hsiao Kuang (Associate of Mr. Yao Hsiao Tung)	–	262,622	(262,622)	–	–
Total	–	9,964,820	(3,496,622)	(1,600,000)	4,868,198

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

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

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

Share awards

The Hi-P Employee Share Award Scheme 2018 (the "Hi-P ESAS 2018") was approved and adopted at the Company's Extraordinary General Meeting held on 20 April 2018. The Hi-P ESAS 2018 applies to executive directors and employees of the Group who have attained the age of 21 years on or before the date of grant. Non-executive directors of the Group, controlling shareholders and their associates shall not be eligible to participate in the Hi-P ESAS 2018. The Hi-P ESAS 2018 is administered by the Remuneration Committee, comprising Madam Leong Lai Peng (Chairman), Mr. Chester Lin Chien and Mr. Gerald Lim Thien Su.

Other information relating to the Hi-P ESAS 2018 is set out below:

(i) Awards are granted at the discretion of the Remuneration Committee. The selection of a participant, the approved proportion of shares comprising the award, and other conditions of the award shall be determined at the absolute discretion of the Remuneration Committee.

(ii) No minimum vesting periods are prescribed under the Hi-P ESAS 2018 and the length of the vesting period(s) is determined on a case-by-case basis by the Remuneration Committee.

(iii) The Hi-P ESAS 2018 shall continue to be in force at the discretion of the Remuneration Committee, subject to a maximum period of ten (10) years from the date of adoption of the Hi-P ESAS 2018.

An aggregate of 7,228,960 share awards were granted to the employees of the Company and its subsidiaries since the commencement of the Hi-P ESAS 2018 till the end of the financial year.

Details of all share awards of the Company granted pursuant to the Hi-P ESAS 2018 as at 31 December 2019 are as follows:

Date of grant of share awards	Share awards outstanding as at 1 January 2019	Share awards granted during the year	Share awards vested during the year	Share awards lapsed during the year	Share awards outstanding as at 31 December 2019
1/08/2018	910,000	–	–	(130,000)	780,000
31/03/2019	–	1,860,000	(930,000)	(78,000)	852,000
2/12/2019	–	3,548,960	(1,267,485)	–	2,281,475
	910,000	5,408,960	(2,197,485)	(208,000)	3,913,475

During the financial year, 5,408,960 (2018: 1,820,000) share awards were granted by the Company to its employees. Out of which, 1,860,000 share awards are vested in 2 stages, namely 50% on 5 April 2019 and the balance 50% on the day on which the relevant employees reach the age of 65; whereas the other 3,548,960 share awards are vested at the following stages: 1,267,485 share awards were vested on 2 December 2019; 1,140,736 share awards will vest on 31 October 2020; 633,743 share awards will vest on 31 October 2021 and 506,996 share awards will vest on 31 October 2022.

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

Share awards (cont'd)

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

- No directors, controlling shareholder of the Company or the associates of the Company's controlling shareholder are participants of the Hi-P ESAS 2018.
- No participant of the Hi-P ESAS 2018 received 5% or more of the total number of awards available under the Hi-P ESAS 2018.
- The total number of award shares which may be issued or issuable pursuant to awards granted under the Hi-P ESAS 2018 when added to the aggregate number of shares that are issued or issuable pursuant to the exercise of options granted under the Option Schemes, shall not exceed 15% of the total number of issued shares of the Company on the day preceding the date of grant of any award.

The total number of share options and share awards granted as at 31 December 2019 do not exceed 15% of the total number of issued shares of the Company.

6. **Audit committee**

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

7. **Auditor**

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

On behalf of the board of directors:

Yao Hsiao Tung
Executive Chairman
Chief Executive Officer

Yeo Tiong Eng
Director

30 March 2020

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2019
Independent Auditor's Report to the Members of Hi-P International Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Hi-P International Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2019, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

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

Key audit matters

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

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

Key audit matters (cont'd)

Acquisition of South East Asia Moulding Company Pte. Ltd. and its subsidiary

During the financial year, the Group acquired 100% of the total issued and paid-up capital of South East Asia Moulding Company Pte. Ltd. and its subsidiary (collectively, "SEAMCO"), for a total cash consideration of $42 million. The Group conducted a purchase price allocation ("PPA") exercise for which fair value of the identifiable assets and liabilities are included in the financial statements of the Group. Given the significant management judgement required in the measurement of the fair value of the acquired identifiable assets and liabilities, we considered the accounting for the acquisition of SEAMCO to be a key audit matter. Our audit procedures included, amongst others:

- Performed inquiries with management on the identification of identifiable assets and liabilities including contractual customer relationship and favourable lease agreements.

- Reviewed and assessed the reasonableness of the assumptions used by the management in the estimation of the fair values of the acquired identifiable assets and liabilities based on the nature of the assets and liabilities. We also reviewed and assessed the reasonableness of the assumptions used by the management in determining that there are no incremental intangible assets to be recognised.

Assessed the adequacy and appropriateness of the disclosures in Note 17 to the financial statements.

Recoverability of deferred tax assets

As at 31 December 2019, the Group recognised deferred tax assets of $26 million. The Group operates in various countries (Singapore, People's Republic of China, Thailand and Poland), which are subject to their respective local tax regulations. The recognition and measurement of the deferred income tax asset is significant to our audit because it involves significant management judgement relating to forecasts of future profitability that will be affected by expected future market or economic conditions. Our audit procedures included, amongst others:

- Compared the consistency of management's profit forecasts with those included in the rolling budget approved by senior management. We evaluated management's assumptions on the profit forecasts by comparing them against recent profit trends and externally available information. We also assessed the historical accuracy of management's assumptions and estimation process by comparing the forecasted results against actual results of operations.

- Tested the completeness and reasonableness of the amounts recognised as deferred tax assets, including the review of correspondence with the tax authorities and other income tax positions. Our internal tax specialists supported us in the review of deferred taxation.

- Assessed the adequacy of the Group's disclosures on deferred tax positions and assumptions used in Note 31 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2019
Independent Auditor's Report to the Members of Hi-P International Limited

Key audit matters (cont'd)

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

As disclosed in Notes 17 and 22 to the financial statements, the Company has investments in subsidiaries of $444 million and loans to subsidiaries of $47 million as at 31 December 2019. These investments represent 91% of the Company's total assets and are subject to impairment and expected credit loss assessments at year end. These assessments are significant to our audit because they involve significant management judgement relating to projected future cash flows that are affected by expected future market and economic conditions. Our audit procedures included, amongst others:

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

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

- Assessed the adequacy of the Company's disclosures on the investments in subsidiaries and loans to subsidiaries and related credit risk information in Notes 3.1(c) and 40(a) to the financial statements.

Other information

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

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

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

Responsibilities of management and directors for the financial statements

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2019
Independent Auditor's Report to the Members of Hi-P International Limited

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

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

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

Report on other legal and regulatory requirements

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

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

30 March 2020

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2019

	Note	2019 $'000	2018 $'000
Revenue	4	1,367,669	1,402,117
Cost of sales		(1,179,817)	(1,197,923)
Gross profit		187,852	204,194
Other items of income			
Interest income	5	3,990	5,919
Other income	6	10,693	17,535
Other items of expense			
Selling and distribution expenses		(12,313)	(10,538)
Administrative expenses		(78,985)	(73,284)
Finance costs	7	(6,761)	(6,655)
Reversal of impairment losses on financial assets, net	9	99	883
Other expenses	8	816	(13,888)
Share of results of associates		(1,282)	484
Share of results of a joint venture		(14)	(164)
Profit before tax	9	104,095	124,486
Income tax expense	11	(23,785)	(23,564)
Profit for the year		80,310	100,922
Attributable to:			
Owners of the Company		80,310	100,948
Non-controlling interests		–	(26)
		80,310	100,922
Earnings per share attributable to owners of the Company (cents per share)			
Basic	12	10.00	12.54
Diluted	12	9.94	12.50

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 2019

	2019	2018
	$'000	$'000
Profit for the year	80,310	100,922
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation	(16,456)	(17,170)
Share of other comprehensive income of associates	(439)	(91)
Share of other comprehensive income of a joint venture	(9)	(19)
Other comprehensive income for the year, net of tax	(16,904)	(17,280)
Total comprehensive income for the year	63,406	83,642
Attributable to:		
Owners of the Company	63,406	83,666
Non-controlling interests	–	(24)
Total comprehensive income for the year	63,406	83,642

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

BALANCE SHEETS

As at 31 December 2019

	Note	Group		Company	
		2019	2018	2019	2018
		$'000	$'000	$'000	$'000
Non-current assets					
Property, plant and equipment	13	296,918	293,573	15,892	15,798
Investment properties	14	184	293	–	–
Intangible assets	15	34,899	12	12	12
Land use rights	16	–	10,806	–	–
Right-of-use assets	30	37,555	–	5,252	–
Investment in subsidiaries	17	–	–	444,312	392,046
Investment in associates	18	23,458	21,345	503	503
Investment in a joint venture	19	184	207	–	–
Other investments	20	7,732	4,968	–	–
Restricted bank deposits	24	–	495	–	–
Deferred tax assets	31	25,692	21,925	–	–
		426,622	353,624	465,971	408,359
Current assets					
Inventories	21	157,724	176,925	4,022	3,794
Trade and other receivables	22	361,995	395,953	66,582	99,405
Prepaid operating expenses		8,901	10,266	489	250
Derivatives	23	385	–	–	–
Restricted bank deposits	24	3,093	1,263	–	–
Cash and cash equivalents	24	329,592	286,653	5,319	10,325
		861,690	871,060	76,412	113,774
Assets held for sale	25	3,299	–	–	–
		864,989	871,060	76,412	113,774
Total assets		1,291,611	1,224,684	542,383	522,133
Current liabilities					
Trade and other payables	26	400,125	356,684	5,754	5,878
Notes payable	27	560	879	–	–
Contract liabilities	4(c)	28,510	22,413	113	126
Accrued operating expenses	26	78,850	80,826	11,196	34,028
Provisions	28	425	302	–	–
Loans and borrowings	29	122,103	168,252	25,000	38,650
Lease liabilities related to right-of-use assets	30	10,179	–	63	–
Deferred capital grants	32	838	758	102	89
Income tax payable		24,289	21,686	825	3,098
		665,879	651,800	43,053	81,869
Net current assets		199,110	219,260	33,359	31,905

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

BALANCE SHEETS

As at 31 December 2019

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Non-current liabilities					
Other payables	26	–	–	96,636	103,371
Lease liabilities related to right-of-use assets	30	15,488	–	5,283	–
Deferred tax liabilities	31	11,346	4,092	2,566	2,452
Deferred capital grants	32	4,494	4,781	68	72
		31,328	8,873	104,553	105,895
Total liabilities		697,207	660,673	147,606	187,764
Net assets		594,404	564,011	394,777	334,369
Equity attributable to owners of the Company					
Share capital	33(a)	119,725	119,725	119,725	119,725
Treasury shares	33(b)	(61,486)	(65,019)	(61,486)	(65,019)
Accumulated profits	34	501,093	467,966	329,026	274,088
Other reserves	34	35,072	41,339	7,512	5,575
Total equity		594,404	564,011	394,777	334,369
Total equity and liabilities		1,291,611	1,224,684	542,383	522,133

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 2019

	Attributable to owners of the Company				
Group	Share capital (Note 33(a)) $'000	Treasury shares (Note 33(b)) $'000	Other reserves (Note 34) $'000	Accumulated profits $'000	Total equity attributable to owners of the Company $'000
Opening balance at 1 January 2019	119,725	(65,019)	41,339	467,966	564,011
Profit for the year	–	–	–	80,310	80,310
Other comprehensive income					
Foreign currency translation	–	–	(16,456)	–	(16,456)
Share of other comprehensive income of associates	–	–	(439)	–	(439)
Share of other comprehensive income of a joint venture	–	–	(9)	–	(9)
Other comprehensive income for the year, net of tax	–	–	(16,904)	–	(16,904)
Total comprehensive income for the year	–	–	(16,904)	80,310	63,406
Contributions by and distributions to owners					
Employee share award scheme – Equity compensation benefits (Note 34(d))	–	–	3,763	–	3,763
Purchase of treasury shares (Note 33(b))	–	(519)	–	–	(519)
Treasury shares reissued pursuant to employee share option and award schemes (Notes 33(b) and 34(d))	–	4,052	(1,826)	–	2,226
Dividends on ordinary shares (Note 36)	–	–	–	(38,483)	(38,483)
Total transactions with owners in their capacity as owners	–	3,533	1,937	(38,483)	(33,013)
Others					
Transfer from retained earnings to statutory reserve fund (Note 34(a))	–	–	8,700	(8,700)	–
Total others	–	–	8,700	(8,700)	–
Closing balance at 31 December 2019	119,725	(61,486)	35,072	501,093	594,404

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 2019

Group	Share capital (Note 33(a)) $'000	Treasury shares (Note 33(b)) $'000	Other reserves (Note 34) $'000	Accumulated profits $'000	Total equity attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
	Attributable to owners of the Company						
Opening balance at 1 January 2018 – FRS framework	119,725	(56,547)	44,247	421,095	528,520	965	529,485
Effects of the adoption of SFRS(I)	–	–	–	(318)	(318)	–	(318)
Opening balance at 1 January 2018 – SFRS(I) framework	119,725	(56,547)	44,247	420,777	528,202	965	529,167
Profit for the year	–	–	–	100,948	100,948	(26)	100,922
<u>Other comprehensive income</u>							
Foreign currency translation	–	–	(17,172)	–	(17,172)	2	(17,170)
Share of other comprehensive income of associates	–	–	(91)	–	(91)	–	(91)
Share of other comprehensive income of a joint venture	–	–	(19)	–	(19)	–	(19)
Other comprehensive income for the year, net of tax	–	–	(17,282)	–	(17,282)	2	(17,280)
Total comprehensive income for the year	–	–	(17,282)	100,948	83,666	(24)	83,642
<u>Contributions by and distributions to owners</u>							
Employee share award scheme							
– Equity compensation benefits (Note 34(d))	–	–	1,179	–	1,179	–	1,179
Purchase of treasury shares (Note 33(b))	–	(9,764)	–	–	(9,764)	–	(9,764)
Treasury shares reissued pursuant to employee share option and award schemes (Notes 33(b) and 34(d))	–	1,292	(276)	–	1,016	–	1,016
Dividends on ordinary shares (Note 36)	–	–	–	(40,288)	(40,288)	–	(40,288)
Total contributions by and distributions to owners	–	(8,472)	903	(40,288)	(47,857)	–	(47,857)
<u>Changes in ownership interests in subsidiaries</u>							
Liquidation of a subsidiary	–	–	–	–	–	(941)	(941)
Total changes in ownership interests in subsidiaries	–	–	–	–	–	(941)	(941)
Total transactions with owners in their capacity as owners	–	(8,472)	903	(40,288)	(47,857)	(941)	(48,798)
<u>Others</u>							
Expiry/ lapse of employee share options (Note 34(d))	–	–	(133)	133	–	–	–
Transfer from retained earnings to statutory reserve fund (Note 34(a))	–	–	13,604	(13,604)	–	–	–
Total others	–	–	13,471	(13,471)	–	–	–
Closing balance at 31 December 2018	119,725	(65,019)	41,339	467,966	564,011	–	564,011

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Profit before tax		104,095	124,486
Adjustments for:			
Depreciation of property, plant and equipment	13	70,375	68,545
Amortisation of deferred capital grants	32	(907)	(778)
Amortisation of intangible assets	15	223	–
Amortisation of land use rights	16	–	262
Depreciation of investment properties	14	103	103
Depreciation of right-of-use assets	30	14,902	–
Impairment losses on property, plant and equipment	13	369	7,945
Losses/ (gains) on disposal of property, plant and equipment, net	(a)	181	(3,435)
Gains on disposal of assets held for sale, net	8	(2,824)	–
Property, plant and equipment written off	8	28	791
Inventory provisions	21	887	1,059
Inventories written back	21	(296)	(617)
(Reversal of provisions)/ provisions for warranty costs	28	(23)	20
Provision for onerous contract	28	123	146
Reversal of impairment losses on financial assets – trade receivables, net	9	(99)	(883)
Bad debts written off	9	32	3
(Reversal of allowances)/ allowances on non-cancellable purchase commitments	9	(2,009)	815
Trade/ other payables waived	6	(111)	(351)
Equity compensation expenses	10	3,763	1,179
Finance costs	7	6,761	6,655
Interest income	5	(3,990)	(5,919)
Fair value gains on derivatives – unrealised, net		(385)	–
Gain from dilution of interest from a subsidiary to an associate	6	–	(6,123)
Fair value inventory adjustment following sale		646	–
Unrealised exchange differences, net		(840)	723
Loss on liquidation of a subsidiary	8	–	404
Share of results of associates		1,282	(484)
Share of results of a joint venture		14	164
Operating cash flows before changes in working capital		192,300	194,710
Changes in working capital			
Decrease/ (increase) in inventories		16,293	(4,630)
Decrease in trade and other receivables		40,805	59,331
Decrease in notes receivable		–	7,551
Decrease/ (increase) in prepaid operating expenses		1,274	(4,074)
Increase/ (decrease) in trade and other payables and contract liabilities		25,291	(55,596)
Decrease in notes payable		(320)	(698)
Increase/ (decrease) in accrued operating expenses		1,361	(7,999)
Increase in restricted bank deposits		(1,335)	–
Total changes in working capital		83,369	(6,115)
Cash flows generated from operations		275,669	188,595
Income taxes paid		(24,873)	(21,165)
Net cash flows generated from operating activities		250,796	167,430

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 2019

	Note	2019 $'000	2018 $'000
Cash flows from investing activities			
Interest received		4,133	5,733
Purchase of property, plant and equipment	(b)	(69,411)	(61,192)
Proceeds from disposal of property, plant and equipment		3,792	10,548
Proceeds from disposal of assets held for sale		5,894	–
Acquisition of subsidiaries, net of cash acquired	17	(35,470)	–
Net cash outflow on liquidation of a subsidiary		–	(118)
Investment in associates		(4,038)	(9,618)
Dividend received from an associate		150	150
Purchase of other investment		(3,032)	(5,228)
Proceeds from capital grants	32	831	–
Net cash flows used in investing activities		(97,151)	(59,725)
Cash flows from financing activities			
Decrease in restricted bank deposits		–	3,158
Dividends paid on ordinary shares	36	(38,483)	(40,288)
Purchase of treasury shares	33(b)	(519)	(9,764)
Proceeds from re-issuance of treasury shares to employees	33(b)	2,226	1,016
Finance costs paid		(6,792)	(6,621)
Net repayments of loans and borrowings		(45,598)	(39,626)
Repayments of principal obligations under lease liabilities related to right-of-use assets		(15,150)	–
Repayments of principal obligation under hire purchase arrangement		(24)	(64)
Net cash flows used in financing activities		(104,340)	(92,189)
Net increase in cash and cash equivalents		49,305	15,516
Effect of exchange rate changes on cash and cash equivalents		(6,366)	(6,777)
Cash and cash equivalents at beginning of year		286,653	277,914
Cash and cash equivalents at end of year	24	329,592	286,653

Notes to the Consolidated Cash Flow Statement

(a) The net loss on disposal of property, plant and equipment was increased by an elimination of unrealised profits arising from disposal of equipment by one of the Company's subsidiaries to an associate, amounting to $54,000 (2018: net gain reduced by an elimination of unrealised profits of $1,302,000 arising from disposal of equipment by one of the Company's subsidiaries to the joint venture and other non-cash items of $181,000).

(b) Purchase of property, plant and equipment

	Note	2019 $'000	2018 $'000
Current year additions	13	86,597	71,921
Less: Payable to creditors		(34,234)	(17,530)
		52,363	54,391
Payments for prior years purchases		17,048	6,801
Net cash outflow for purchase		69,411	61,192

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

1. Corporate information

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

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

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

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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 Adoption of new and amended standards and interpretations

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 amended standards which are relevant to the Group and are effective for annual financial period beginning on or after 1 January 2019.

Except for the adoption of SFRS(I) 16 *Leases* described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group or the Company.

SFRS(I) 16 *Leases*

SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement Contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under SFRS(I) 16 is substantially unchanged from SFRS(I) 1-17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in SFRS(I) 1-17. Therefore, SFRS(I) 16 did not have an impact for leases where the Group is the lessor.

The Group adopted SFRS(I) 16 using modified retrospective method of adoption with the date of initial application of 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying SFRS(I) 1-17 and SFRS(I) INT 4 at the date of initial application.

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

2.2 Adoption of new and amended standards and interpretations (cont'd)

SFRS(I) 16 *Leases* (cont'd)

The Group has lease contracts for leasehold land, leasehold properties, plant and machinery, office equipment and motor vehicles. Before the adoption of SFRS(I) 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Upon adoption of SFRS(I) 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

(a) *Leases previously classified as finance leases*

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under SFRS(I) 1-17). The requirements of SFRS(I) 16 were applied to these leases from 1 January 2019.

(b) *Leases previously accounted for as operating leases*

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets.

The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the following practical expedients wherein it:

- applied the short-term leases exemption with lease term that ends within 12 months as of 1 January 2019
- applied a single discount rate to a portfolio of leases with reasonably similar characteristics
- relied on its assessment of whether leases are onerous immediately before the date of initial application
- excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application

Based on the above, as at 1 January 2019, the Group recognised an equal amount of right-of-use assets and lease liabilities of $39,569,000 for its leases previously classified as operating leases (excluding short-term leases and leases for which underlying assets are of low value).

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

2.2 Adoption of new and amended standards and interpretations (cont'd)

SFRS(I) 16 *Leases* (cont'd)

(b) *Leases previously accounted for as operating leases (cont'd)*

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	$'000
Operating lease commitments as at 31 December 2018	41,695
Less: Commitments relating to short-term leases	(945)
Less: Commitments relating to low-value assets	(5)
Less: Commitments relating to service fee	(3,086)
	37,659
Weighted average incremental borrowing rate	4.50%
Discounted using the incremental borrowing rate at 1 January 2019	35,735
Add: Lease payments relating to renewal periods not included in lease commitments as at 31 December 2018	3,479
Exchange differences	355
Lease liabilities as at 1 January 2019	39,569

2.3 Standards issued but not yet effective

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

Description	*Effective for annual periods beginning on or after*
Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 *Definition of Material*	1 January 2020
Amendments to SFRS(I) 3 *Definition of a Business*	1 January 2020
Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

The directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application.

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

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

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

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

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

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

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

– De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;

– De-recognises the carrying amount of any non-controlling interest;

– De-recognises the cumulative translation differences recorded in equity;

– Recognises the fair value of the consideration received;

– Recognises the fair value of any investment retained;

– Recognises any surplus or deficit in profit or loss;

– Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in "Administrative expenses" line item in profit or loss.

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.

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

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

(b) Business combinations and goodwill (cont'd)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SFRS(I) 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with SFRS(I) 9. Other contingent consideration that is not within the scope of SFRS(I) 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.5 Transactions with non-controlling interests

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

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

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

2.6 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.

2.7 Subsidiaries

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

In the Company's balance sheet, investment in subsidiaries are accounted for at cost less impairment losses.

2.8 Joint arrangement

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

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

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

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

2.8 Joint arrangement (cont'd)

The Group has no interest in joint operation.

Joint venture

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

2.9 Joint venture and associates

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

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

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

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

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

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

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

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

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

2.10 Property, plant and equipment

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

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 - 8 years
Office equipment, furniture and fittings	3 - 10 years

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

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

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

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

2.11 Investment properties

Investment properties comprise condominium units owned by the Group that are held to earn rentals and are initially measured at cost, including transaction costs.

Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is computed on a straight-line basis over the estimated useful lives of 20 years.

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

2.12 Intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets other than goodwill 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.

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

2.12 Intangible assets (cont'd)

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at 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.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. 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) Contractual customer relationship

Contractual customer relationship was acquired in a business combination and is amortised on a straight line basis over its useful life of 8 years.

(b) Favourable lease agreements

Favourable lease agreements were acquired in a business combination and are amortised on a straight line basis over its useful lives ranging from 7 months to 20 months.

(c) 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.

(d) Club membership

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

2.13 Leases

Policy applicable beginning 1 January 2019

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) As lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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

2.13 Leases (cont'd)

Policy applicable beginning 1 January 2019 (cont'd)

(a) As lessee (cont'd)

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of leases liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Land use rights	50 years
Leasehold land	37 years
Leasehold properties	Above 1 - 5 years
Plant and machinery	8 years
Office equipment	2 - 5 years
Motor vehicles	3 - 4 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policy in Note 2.14 on impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable and variable lease payments that depend on an index or a rate. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties of terminating the lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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

2.13 Leases (cont'd)

Policy applicable beginning 1 January 2019 (cont'd)

(b) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising from operating leases is accounted as other income in the statement of profit or loss due to its non-operating nature.

Policy applicable prior to 1 January 2019

(a) As lessee

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

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

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

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.

(b) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases.

2.14 Impairment of non-financial assets

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

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

Impairment losses are recognised in profit or loss.

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

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

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

2.15 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) Financial assets

Initial recognition and measurement

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

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

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

Subsequent measurement

Investments in debt instruments

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

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

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

2.15 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement (cont'd)

Investments in equity instruments

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

Derivatives

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

De-recognition

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

(b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On de-recognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

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

2.16 Impairment of financial assets

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

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

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

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

2.17 Inventories

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

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

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

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

2.18 Cash and cash equivalents

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

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

2.19 Assets held for sale

Non-current assets are classified as assets held for sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

2.20 Financial guarantee

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

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of expected credit loss determined in accordance with the policy set out in Note 2.16 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee.

2.21 Provisions

General

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

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

Warranty provision

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

2.22 Government grants

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

Government grants related to an asset

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

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

2.22 Government grants (cont'd)

Government grants related to income

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

2.23 Employee benefits

(a) *Defined contribution plans*

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

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

(b) *Employee leave entitlement*

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

(c) *Employee share option schemes*

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

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

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

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

2.23 Employee benefits (cont'd)

(d) Employee share award schemes

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

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

2.24 Revenue

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

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

(a) Sale of goods

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

The amount of revenue recognised is based on the estimated transaction price, which comprises the contractual price, net of the estimated volume rebates. The Group recognises the expected volume rebates as refund liabilities. These liabilities are measured using the expected value method and are updated at the end of each reporting period.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Dividend income

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

(d) Rental income

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

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

2.25 Taxes

(a) Current income tax

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

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

(b) Deferred tax

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

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

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

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint venture, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

2.25 Taxes (cont'd)

(b) Deferred tax (cont'd)

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(c) Sales tax

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

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

2.26 Share capital and share issuance expenses

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

2.27 Treasury shares

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

2.28 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

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

2.28 Contingencies (cont'd)

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

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

(ii) The amount of the obligation cannot be measured with sufficient reliability.

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

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

3. Significant accounting judgements and estimates

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

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements or the balance sheet of the Company:

(a) 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 amount of the Group's deferred tax assets as at 31 December 2019 were $25,692,000 (2018: $21,925,000).

The carrying value of recognised tax losses at 31 December 2019 was $45,092,000 (2018: $28,771,000) and the unrecognised tax losses as at 31 December 2019 was $115,787,000 (2018: $114,822,000).

If the Group was able to recognise all unrecognised deferred tax assets, profit would increase by $28,161,000 (2018: $27,900,000).

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

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

(b) Acquisition of South East Asia Moulding Company Pte. Ltd. and its subsidiary

During the financial year, the Group acquired 100% equity interest in SEAMCO. The Group conducted a purchase price allocation exercise by allocating the purchase price to various identifiable assets and liabilities acquired from the new business. Significant management judgement is required in identifying and ascribing value to acquired assets and assumed liabilities. Please refer to Note 17 for more details.

(c) Impairment of investments in and loans to subsidiaries

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

Where such indicators exist, management will prepare discounted future cash flows to determine the recoverable value based on assumptions such as forecasted revenue, profit margin, terminal growth and discount rate.

The carrying value of the investments in subsidiaries for the Company as at 31 December 2019 was $444,312,000 (2018: $392,046,000) (Note 17).

In respect of loans to subsidiaries, the Company assessed expected credit loss using the probability of default approach. This takes into consideration the collectability and assessment of the credit risks of the loans. The carrying value of the loans to subsidiaries for the Company as at 31 December 2019 was $46,877,000 (2018: $81,788,000) (Note 22).

(d) Determining the lease term of contracts with renewal options – Group as lessee

The Group determines the lease terms as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has lease contracts that include extension options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew.

The Group has included the renewal period as part of the lease term for lease of leasehold land in view of its upcoming renewal in August 2025 and significant costs required to obtain replacement asset without business disruptions. The renewal periods for other leases are not included as part of the lease term as these are not reasonably certain to be exercised and the applicable renewal period is indefinite.

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

(a) Useful lives of plant and machinery

The cost of plant and machinery is depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 1 to 10 (2018: 1 to 10) years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. If the expected useful lives of these assets increase by 10% from management's estimates, the Group's profit before tax for the year ended 31 December 2019 will increase by 5% (2018: 4%).

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

(b) Provision for expected credit losses of trade receivables

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

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

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

The carrying amount of the Group's trade receivables as at 31 December 2019 was $319,640,000 (2018: $335,017,000).

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

3.2 Key sources of estimation uncertainty (cont'd)

(c) Inventory provision

The Group reviews periodically for any excess stocks and decline in net realisable value below cost.

An allowance is recorded against the stocks balance for such declines.

In determining the amount of allowance or write down, the Group considers factors including the aging analysis, the consumption patterns and future saleability of the stocks. Such an evaluation process requires judgement and affects the carrying amount of stocks at the end of the reporting year. Possible changes in these estimates could result in revisions to the stated value of the stocks. The carrying amount of the Group's inventories as at 31 December 2019 was $157,724,000 (2018: $176,925,000). More details are given in Note 21. If the net realisable value varies by 1% from management's estimates, the Group's provision will increase by $1,577,000 (2018: $1,769,000).

(d) Useful lives of intangible assets

The cost of contractual customer relationship and favourable lease arrangements are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 7 months to 8 years. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future amortisation charges could be revised. If the expected useful lives of these assets increase by 10% from management's estimates, the Group's profit before tax for the year ended 31 December 2019 will increase by less than 1% (2018: Nil).

The carrying amount of the Group's intangible assets at the end of each reporting period is disclosed in Note 15 to the financial statements.

(e) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the future cash flows from the cash-generating unit, to choose a suitable pre-tax discount rate to calculate the present value of the cash flow projections and to estimate a forecasted growth rate to extrapolate cash flow projections beyond the eight-year period. The carrying amount of the Group's goodwill at the end of the reporting period is disclosed in Note 15 to the financial statements.

4. Revenue

(a) *Disaggregation of revenue*

	Precision plastic injection molding		Mold design and fabrication		Assembly		Total revenue	
	2019	2018	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Primary geographical markets								
People's Republic of China	523,021	626,731	17,336	6,310	93,563	78,840	633,920	711,881
Taiwan	43,421	65,614	108	765	842	2,403	44,371	68,782
Japan	32,036	4,331	538	611	2,979	3,543	35,553	8,485
Thailand	23,123	31,139	497	834	5,990	8,341	29,610	40,314
Malaysia	21,806	6,137	–	35	4,216	2,849	26,022	9,021
Philippines	9,408	10,849	–	–	110	25	9,518	10,874
Singapore	5,328	2,931	28	441	3,551	9,922	8,907	13,294
Australia	24,426	4,230	337	75	16,327	7,959	41,090	12,264
Europe	24,472	35,929	16,478	4,285	47,681	50,334	88,631	90,548
United Kingdom	2,916	1,067	16	358	6,509	3,636	9,441	5,061
United States and the rest of Americas	145,626	153,338	69,309	82,710	213,325	192,490	428,260	428,538
Other countries	8,578	1,094	10	39	3,758	1,922	12,346	3,055
	864,161	943,390	104,657	96,463	398,851	362,264	1,367,669	1,402,117
Timing of transfer of goods								
At a point in time	864,161	943,390	104,657	96,463	398,851	362,264	1,367,669	1,402,117

4. Revenue (cont'd)

(b) Judgement and methods used in estimating revenue

In estimating the variable consideration for sale of goods, the Group uses the expected value method to predict the volume rebates by customers.

(c) Contract liabilities

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Contract liabilities	28,510	22,413	113	126

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances from customers. These are recognised as revenue as the Group performs under the contract.

Significant changes in contract liabilities are explained as follows:

	Group	
	2019	**2018**
	$'000	$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	22,413	33,329

(d) Refund liabilities

	Group	
	2019	**2018**
	$'000	$'000
Arising from volume rebates	3,015	1,482

Refund liabilities are included in "Accrued operating expenses" line item (Note 26) in the balance sheet.

5. Interest income

	Group	
	2019	**2018**
	$'000	$'000
Interest income from debt instruments at amortised cost:		
- Bank balances and short-term deposits	3,990	5,919

6. Other income

	Group	
	2019	**2018**
	$'000	$'000
Incentives from government[1]	4,019	4,109
Gain from dilution of interest from a subsidiary to an associate (Note 18)	–	6,123
Sale of scrap materials	3,745	5,091
Compensation from customers	–	1,140
Rental income from lease of factory building	2,432	382
Service income from testing/ rework conducted for customers	122	171
Trade/ other payables waived	111	351
Insurance claims	80	113
Rental income from investment properties (Note 14)	68	55
Others	116	–
	10,693	17,535

[1] *Incentives from government include mainly subsidies received from the China government to ease the business costs, and subsidies received from the Singapore government for childcare & paternity leave grants, Special Employment Credit ("SEC") for older employees and Wage Credit Scheme ("WCS").*

7. Finance costs

	Group	
	2019	**2018**
	$'000	$'000
Bank charges	228	290
Interest expense on:		
- Term loans and other bank facilities carried at amortised cost	2,555	4,316
- Account receivables factoring	2,430	2,042
- Obligations under lease liabilities related to right-of-use-assets	1,545	–
- Obligation under hire purchase arrangement	3	7
	6,761	6,655

8. Other expenses

	Group	
	2019	**2018**
	$'000	$'000
Fair value losses on derivatives, net	1,152	2,394
Foreign exchange (gains)/ losses, net	(170)	5,750
Direct expenses in relation to rental income	375	46
Impairment losses on property, plant and equipment (Note 13)	369	7,945
Losses/ (gains) on disposal of property, plant and equipment, net	181	(3,435)
Gains on disposal of assets held for sale, net	(2,824)	–
Provision for onerous contract (Note 28)	123	146
Onerous contract charges taken directly to profit or loss	7	–
Property, plant and equipment written off	28	791
Gains on sale of raw materials, net	(189)	(202)
Loss on liquidation of a subsidiary (Note 17)	–	404
Others	132	49
	(816)	13,888

9. Profit before tax

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

	Group	
	2019	**2018**
	$'000	$'000
Audit fees:		
- Auditor of the Company	380	313
- Affiliates of auditor of the Company	446	457
- Other auditors[2]	56	77
Non-audit fees:		
- Auditor of the Company	269	216
- Affiliates of auditor of the Company	142	287
- Other auditors[2]	–	128
Total audit and non-audit fees[1]	1,293	1,478

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

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

9. Profit before tax (cont'd)

	Group 2019 $'000	Group 2018 $'000
Depreciation of property, plant and equipment (Note 13)	70,375	68,545
Amortisation of deferred capital grants (Note 32)	(907)	(778)
Amortisation of intangible assets (Note 15)	223	–
Amortisation of land use rights (Note 16)	–	262
Depreciation of right-of-use assets (Note 30)	14,902	–
Depreciation of investment properties (Note 14)	103	103
Directors' fees (Note 39(b))	404	398
Directors' remuneration	1,707	1,838
(Reversal of provisions)/ provisions for warranty costs	(23)	20
Reversal of impairment losses on financial assets, net		
- Trade receivables (Note 22)	(99)	(883)
Bad debts written off	32	3
(Reversal of allowance)/ allowance on non-cancellable purchase commitments	(2,009)	815
Inventories recognised as an expense in cost of sales (Note 21)	671,197	677,772
Operating lease expenses	7,070	19,433

10. Personnel expenses

	Group 2019 $'000	Group 2018 $'000
Wages, salaries and bonus	320,218	322,913
Defined contribution plans	52,643	53,159
Other short-term benefits	33,237	34,939
Equity compensation expense (Note 34(d))	3,763	1,179
Total personnel expenses	409,861	412,190

The total personnel expenses include executive directors' remuneration.

11. Income tax expense

(a) Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2019 and 2018 are:

	Group	
	2019	**2018**
	$'000	$'000
Current income tax		
- Current income taxation	26,362	27,146
- Effect of changes in tax rates	–	(5,613)
- Over provision in respect of previous years	(1,505)	(473)
	24,857	21,060
Deferred tax		
- Origination and reversal of temporary differences	1,772	(4,811)
- Effect of changes in tax rates	–	7,393
- Under recognition of deferred tax assets in respect of previous years	(2,844)	(78)
	(1,072)	2,504
Income tax expense recognised in profit or loss	23,785	23,564

(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 2019 and 2018 are as follows:

	Group	
	2019	**2018**
	$'000	$'000
Accounting profit before tax	104,095	124,486
Tax at domestic rates applicable to profits in the countries where the Group operates	17,870	22,564
Tax effect of exempt income, enhanced tax deduction and rebate	(2,244)	(2,455)
Tax effect of non-deductible expenses	3,328	2,099
Tax effect of income not subject to taxation	(578)	(2,349)
Deferred tax assets not recognized	7,226	3,706
Utilisation of deferred tax assets not recognised in prior years	(552)	(5,911)
Under recognition of deferred tax assets/ over provision of income tax in respect of previous years	(4,349)	(551)
Withholding tax	3,260	4,681
Effect of changes in tax rates[1]	–	1,780
Others	(176)	–
Income tax expense recognised in profit or loss	23,785	23,564

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

12. Earnings per share

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

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

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

	Group	
	2019	**2018**
Profit for the year attributable to owners of the Company ($'000)	80,310	100,948
Weighted average number of ordinary shares for basic earnings per share computation ('000)*	802,803	804,893
Effects of dilution of share options and awards ('000)	5,438	2,391
Weighted average number of ordinary shares for the effect of dilution ('000)*	808,241	807,284
Basic earnings per share (cents)	10.00	12.54
Diluted earnings per share (cents)	9.94	12.50

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

For 2018, 3,130,700 share options granted under the existing Option Schemes have not been included in the calculation of diluted earnings per share because they were anti-dilutive as their exercise prices were above the market price.

Since the end of the financial year, none of the eligible employees have exercised the options to acquire ordinary shares (2018: certain eligible employees have exercised the options to acquire 267,649 ordinary shares). There have been no other significant transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

13. Property, plant and equipment

Group	Long term factory building	Medium term factory buildings and leasehold improvements	Construction-in-progress	Renovation	Plant and machinery	Motor vehicles	Office equipment, furniture and fittings	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost:								
At 1 January 2018	16,886	78,258	4,371	109,285	640,673	1,507	41,492	892,472
Additions	–	–	46,607	4,314	18,352	–	2,648	71,921
Reclassification	–	–	(29,194)	10,990	17,265	–	939	–
Transfer to investment properties (Note 14)	–	(422)	–	–	–	–	–	(422)
Disposals	–	–	–	(211)	(72,829)	(2)	(2,078)	(75,120)
Written off	–	–	–	(3,562)	(2,150)	–	(953)	(6,665)
Translation differences	–	(2,599)	(771)	(3,751)	(19,276)	(26)	(1,254)	(27,677)
At 31 December 2018 and 1 January 2019	16,886	75,237	21,013	117,065	582,035	1,479	40,794	854,509
Additions	24	–	65,161	4,481	12,916	–	4,015	86,597
Acquisition of subsidiaries (Note 17)	–	–	8	288	4,793	–	183	5,272
Transfer to assets held for sale (Note 25)	–	–	–	–	(45,267)	–	–	(45,267)
Reclassification	–	15,252	(70,478)	11,514	39,487	–	4,225	–
Disposals	–	–	(9)	(36)	(35,452)	–	(1,639)	(37,136)
Written off	–	–	–	(2,204)	(2,402)	–	(1,910)	(6,516)
Translation differences	–	(1,991)	(1,132)	(3,204)	(13,957)	(21)	(1,045)	(21,350)
At 31 December 2019	16,910	88,498	14,563	127,904	542,153	1,458	44,623	836,109

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

Group	Long term factory building	Medium term factory buildings and leasehold improvements	Construction-in-progress	Renovation	Plant and machinery	Motor vehicles	Office equipment, furniture and fittings	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Accumulated depreciation and impairment loss:								
At 1 January 2018	5,775	32,570	–	66,947	434,984	931	36,134	577,341
Depreciation charge for the year	314	4,287	–	11,559	49,155	257	2,973	68,545
Impairment loss (Note 8)	–	–	–	396	7,549	–	–	7,945
Transfer to investment properties (Note 14)	–	(23)	–	–	–	–	–	(23)
Disposals	–	–	–	(211)	(67,307)	(2)	(1,970)	(69,490)
Written off	–	–	–	(3,130)	(1,797)	–	(947)	(5,874)
Translation differences	–	(1,271)	–	(2,360)	(12,792)	(17)	(1,068)	(17,508)
At 31 December 2018 and 1 January 2019	6,089	35,563	–	73,201	409,792	1,169	35,122	560,936
Depreciation charge for the year	314	4,115	–	12,728	49,259	194	3,765	70,375
Impairment loss (Note 8)	–	–	–	14	355	–	–	369
Transfer to assets held for sale (Note 25)	–	–	–	–	(38,896)	–	–	(38,896)
Disposals	–	–	–	(36)	(31,542)	–	(1,639)	(33,217)
Written off	–	–	–	(2,178)	(2,400)	–	(1,910)	(6,488)
Translation differences	–	(821)	–	(2,316)	(9,943)	(17)	(791)	(13,888)
At 31 December 2019	6,403	38,857	–	81,413	376,625	1,346	34,547	539,191
Net carrying amount:								
At 31 December 2019	10,507	49,641	14,563	46,491	165,528	112	10,076	296,918
At 31 December 2018	10,797	39,674	21,013	43,864	172,243	310	5,672	293,573

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

Company	Long term factory building	Construction-in-progress	Renovation	Plant and machinery	Motor vehicles	Office equipment, furniture and fittings	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost:							
At 1 January 2018	16,886	–	1,132	23,774	686	3,163	45,641
Additions	–	94	300	1,302	–	230	1,926
Disposals	–	–	–	(681)	–	(7)	(688)
Written off	–	–	–	(1,171)	–	(145)	(1,316)
At 31 December 2018 and 1 January 2019	16,886	94	1,432	23,224	686	3,241	45,563
Additions	24	303	14	1,472	–	456	2,269
Disposals	–	–	–	(282)	–	–	(282)
Written off	–	–	–	(472)	–	(61)	(533)
At 31 December 2019	16,910	397	1,446	23,942	686	3,636	47,017
Accumulated depreciation:							
At 1 January 2018	5,775	–	1,039	19,402	460	3,019	29,695
Depreciation charge for the year	314	–	45	1,474	137	104	2,074
Disposals	–	–	–	(681)	–	(7)	(688)
Written off	–	–	–	(1,171)	–	(145)	(1,316)
At 31 December 2018 and 1 January 2019	6,089	–	1,084	19,024	597	2,971	29,765
Depreciation charge for the year	314	–	55	1,501	89	216	2,175
Disposals	–	–	–	(282)	–	–	(282)
Written off	–	–	–	(472)	–	(61)	(533)
At 31 December 2019	6,403	–	1,139	19,771	686	3,126	31,125
Net carrying amount:							
At 31 December 2019	10,507	397	307	4,171	–	510	15,892
At 31 December 2018	10,797	94	348	4,200	89	270	15,798

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

Asset held under hire purchase arrangement

As at 31 December 2018, a motor vehicle with carrying amount of $68,000 was held by the Group under hire purchase and the leased asset was pledged as security. The lease liability was fully settled in 2019 and accordingly the pledge has been discharged.

Impairment of assets

An impairment loss of $369,000 (2018: $7,945,000), representing the write-down of assets to the recoverable amount was recognised in "Other expenses" (Note 8) line item in profit or loss. The impairment loss recognised in 2019 was mainly in relation to the plant and machinery which were obsolete or damaged beyond repair in some subsidiaries of the Group, where their recoverable amounts were estimated to be zero, considering the condition and specialised nature of the plant and machinery.

For 2018, included in the impairment loss was an amount of $7,000,000 which related to plant and machinery of an operation that has been incurring losses. The recoverable amount of the plant and machinery was based on its value in use and the pre-tax discount rate used was 14%.

14. Investment properties

	Group	
	2019	**2018**
	$'000	$'000
Balance sheet		
Cost:		
At 1 January	422	–
Transfer from property, plant and equipment (Note 13)	–	422
Translation differences	(12)	–
At 31 December	410	422
Accumulated depreciation:		
At 1 January	129	–
Transfer from property, plant and equipment (Note 13)	–	23
Depreciation charge for the year	103	103
Translation differences	(6)	3
At 31 December	226	129
Net carrying amount	184	293

14. Investment properties (cont'd)

	Group 2019	Group 2018
	$'000	$'000
Income statement		
Rental income from investment properties	68	55
Direct operating expenses (including repairs and maintenance) generating rental income	(3)	–

Transfer from property, plant and equipment

In 2018, the Group transferred 24 condominium units that was held as owner-occupied properties to investment properties as the Group has commenced leasing of the condominium units to external party.

The investment properties held by the Group as at 31 December 2019 and 2018 were as follows:

Description and location	Existing use	Tenure	Unexpired lease term 2019	Unexpired lease term 2018
24 condominium units at No. 3 & 4, Lane 1616, Zhang Jiang Road, Pudong New District, Shanghai, the PRC	Residential	Leasehold	51 years	52 years

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

Valuation of investment properties

Investment properties are measured using cost model, at cost less accumulated depreciation. The fair value of the investment property as at 31 December 2019 was determined to be $18,487,000 (2018: $20,565,000). The valuation of residential investment properties was based on comparable market transactions that consider similar properties that have been transacted in the open market.

15. Intangible assets

Group	Goodwill $'000	Contractual customer relationship $'000	Favourable lease agreements $'000	Licensed rights $'000	Club membership $'000	Total $'000
Cost:						
At 1 January 2018	–	–	–	1,922	36	1,958
Written off	–	–	–	(1,255)	–	(1,255)
At 31 December 2018 and 1 January 2019	–	–	–	667	36	703
Acquisition of subsidiaries (Note 17)	14,996	19,849	265	–	–	35,110
Written off	–	–	–	(667)	–	(667)
At 31 December 2019	14,996	19,849	265	–	36	35,146
Accumulated amortisation:						
At 1 January 2018	–	–	–	1,922	24	1,946
Written off	–	–	–	(1,255)	–	(1,255)
At 31 December 2018 and 1 January 2019	–	–	–	667	24	691
Amortisation	–	207	16	–	–	223
Written off	–	–	–	(667)	–	(667)
At 31 December 2019	–	207	16	–	24	247
Net carrying amount:						
At 31 December 2019	14,996	19,642	249	–	12	34,899
At 31 December 2018	–	–	–	–	12	12

Company	Club membership $'000
Cost:	
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	36
Accumulated amortisation and impairment loss:	
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	24
Net carrying amount:	
At 31 December 2018 and 31 December 2019	12

15. Intangible assets (cont'd)

Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to the newly acquired business unit as a cash-generating unit ("CGU") for impairment testing.

The recoverable amount of the CGU has been determined based on value in use calculations using cash flow projections from financial forecast covering an eight-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rate used to extrapolate cash flow projections beyond 8 years were 11.6% and 0% respectively.

Key assumptions used in the value in use calculations are as follows:

(a) Pre-tax discount rates of 11.6% – Discount rates represent the current market assessment of the risks regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is derived from its weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on a security that the market generally considers to be free of the risk of default. The cost of debt is based on Singapore's prime lending rate plus 2% premium at the valuation date. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated based on the asset beta of listed companies in the same industry.

(b) Budgeted EBITDA margin – EBITDA margins are based on average values achieved in two years preceding the start of the budget period.

Sensitivity to changes in assumptions

With regards to the assessment of value in use for the CGU, management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

Contractual customer relationship

Contractual customer relationship was acquired through business combination in 2019. It represents the relationship established through customer contracts which arises from contractual rights. The remaining useful life of the contractual customer relationship is 7 years 11 months.

The amortisation of contractual customer relationship is recorded within the "Administrative expenses" line item in profit or loss.

16. Land use rights

	Group	
	2019	**2018**
	$'000	$'000
Cost:		
At 1 January	12,767	13,095
Translation differences	–	(328)
Effects of adoption of SFRS(I) 16 (Note 30)	(12,767)	–
At 31 December	–	12,767
Accumulated amortisation:		
At 1 January	1,961	1,743
Amortisation for the year	–	262
Translation differences	–	(44)
Effects of adoption of SFRS(I) 16 (Note 30)	(1,961)	–
At 31 December	–	1,961
Net carrying amount	–	10,806
Amount to be amortised:		
- Not later than one year	–	262
- Later than one year but not later than five years	–	1,048
- Later than five years	–	9,496

The Group has land use rights over two plots of state-owned land in People's Republic of China ("PRC") where the Group's manufacturing and storage facilities reside. The land use rights have a useful life of 50 years and a remaining tenure of 38 years and 43 years (2018: 39 years and 44 years) respectively. The tenure of the land use rights gives rise to a right-of-use asset that provides the Group the right to use the asset in exchange for a consideration. This was transferred to right-of-use assets as at 1 January 2019 arising from the adoption of SFRS(I) 16.

17. Investment in subsidiaries

	Company	
	2019	**2018**
	$'000	$'000
Shares, at cost	462,873	410,607
Amount due from a subsidiary	16,379	16,749
	479,252	427,356
Impairment losses	(34,940)	(35,310)
	444,312	392,046

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

At 1 January	35,310	44,465
Reversal	–	(9,155)
Exchange differences	(370)	–
At 31 December	34,940	35,310

The Company assesses at each reporting date whether there is an indication that the investment in subsidiaries may be impaired. If any indication exists, the Company makes an estimate of their recoverable amounts. The recoverable amounts of investments in these subsidiaries have been determined based on a value-in-use calculated using discounted future cash flows of the relevant subsidiaries that are based on cash flows forecast from rolling budgets approved by senior management. The pre-tax discount rate applied to the cash flow projection and the forecasted growth rate used to extrapolate cash flow projections were 12% (2018: 12%) and 0% (2018: 0%) respectively. In 2018, a reversal of impairment of $9,155,000 was recognised following the assessment.

The amount due from a subsidiary included as part of the Company's net investment in the subsidiary is unsecured, non-interest bearing and not expected to be repayable in the foreseeable future.

17. Investment in subsidiaries (cont'd)

Composition of the Group

Details of subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation and place of business	Effective equity interest held by the Group		Cost of investment	
			2019	2018	2019	2018
			%	%	$'000	$'000
Held by the Company						
Hi-P Shanghai Electronics Co., Ltd. ***	Manufacture of molds and property leasing	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. ***[1]	Research & development, design and manufacture of molds for metal and non-metal products, electrical appliances, automotive and tele-communication related products; manufacture and assembly of precision plastic products and its production equipment; sales of aforementioned products and water treatment	People's Republic of China	100	100	15,001	15,001
Hi-P (Suzhou) Precision Mold & Die Co., Ltd. ***[3]	Manufacture and sale of molds and plastic components	People's Republic of China	100	100	17,894	4,258
Hi-P (Xiamen) Precision Plastic Manufacturing Co., Ltd. ***[1, 2]	Manufacture and sale of plastic product modules, electrical appliances, automotive parts, and tools; design, research & development, manufacture and sale of robots and smart devices	People's Republic of China	100	100	12,849	12,849
Hi-P Poland SP. ZO.O. **[4]	Manufacture and sale of molds and plastic components	Poland	100	100	4,791	3,342

17. Investment in subsidiaries (cont'd)

Composition of the Group (cont'd)

Name of company	Principal activities	Country of incorporation and place of business	Effective equity interest held by the Group		Cost of investment	
			2019	2018	2019	2018
			%	%	$'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; manufacture of walkie talkie; manufacture and assembly of razors, air-conditioner parts and coffee machines; import of instant beverage products	Thailand	100	100	2,992	2,992
Hi-P Tianjin Electronics Co., Ltd. ***	Manufacture and sale of molds, plastic, electric components and electronic communication equipment	People's Republic of China	100	100	30,957	30,957
Hi-P (Tianjin) Technology Co., Ltd. ***	Technical development service for electronic products; wholesale and import/ export of electronic, electrical & telecommunication equipments, home appliances	People's Republic of China	100	100	24,764	24,764
Hi-P (Suzhou) Electronics Co., Ltd. ***	Manufacture and sale of trays, mobile phones & telecommunication products, digital cameras & related electronic products, electric toothbrush, assembly of coffee machines & parts, SMT assembly, and provide related maintenance and after-sale services	People's Republic of China	100	100	29,252	29,252
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

17. Investment in subsidiaries (cont'd)

Composition of the Group (cont'd)

Name of company	Principal activities	Country of incorporation and place of business	Effective equity interest held by the Group		Cost of investment	
			2019	2018	2019	2018
			%	%	$'000	$'000
Held by the Company (cont'd)						
Hi-P (Shanghai) Technology Co., Ltd. ***[1]	Manufacture and sale of molds, plastic components and equipment, provide related maintenance services and technology consultation and develop, design and sale of molds and special tools	People's Republic of China	100	100	42,540	42,540
Hi-P (Shanghai) Precision Mold & Die Co., Ltd. ***[1, 5]	Research & development, design, manufacture and sales of precision molds for metal and non-metal products	People's Republic of China	100	100	29,687	6,506
Hi-P (Tianjin) Precision Mold & Die Co., Ltd. ***	Manufacture of molds	People's Republic of China	100	100	7,590	7,590
Hi-P North America, Inc. ^	Provision of engineering support services	United States of America	100	100	676	676
Hi-P (Singapore) Technology Pte. Ltd. *	General wholesale trade (including general importers and exporters)	Singapore	100	100	1,500	1,500
Hi-P (Shanghai) Metal Industries Co., Ltd. ***[1]	Design and manufacture of metal and non-metal stamping, molds and electric components	People's Republic of China	100	100	42,546	42,546
Hi-P Electronics Pte. Ltd. *	Wholesale of electronic components	Singapore	100	100	1,000	1,000
Hi-P Flex Pte. Ltd. *[6]	Investment holding	Singapore	100	100	56,130	42,130
Hi-P (Shanghai) Precision Metal Co., Ltd. ***	Manufacture of precision stamped metal components and precision tools and die design and fabrication	People's Republic of China	100	100	1,840	1,840
Hi-P Technology Co., Ltd. #	International sales and marketing activities	The Republic of Taiwan	100	100	263	263

17. Investment in subsidiaries (cont'd)

Composition of the Group (cont'd)

Name of company	Principal activities	Country of incorporation and place of business	Effective equity interest held by the Group 2019 %	2018 %	Cost of investment 2019 $'000	2018 $'000
Held by the Company (cont'd)						
Hi-P (Nantong) Technology Co., Ltd.***[1]	Manufacture, wholesale, import & export and sale of electronic telecommunication devices, housing appliances, automated equipment and related components, provide related maintenance services and technology consultation and develop, design and sale of molds and special tools	People's Republic of China	100	100	84,973	84,973
Hi-P Holdings Pte. Ltd. *	Investment holding	Singapore	100	100	700	700
Hi-P (Nantong) Electronics Technology Co., Ltd.***	Research & development, design, assembly, manufacture, wholesale, import & export and sale of electronic telecommunication devices, electronics, electrical & automotive parts, house appliances, automated equipment, tools and other auxiliary equipment, provide maintenance services, technology consultation and transfer of technical know-how in own possession	People's Republic of China	100	100	13,707	13,707
Held through subsidiaries						
Hi-P (Suzhou) Electronics Technology Co., Ltd. ***[1, 7]	Research & development, manufacture and trading of hand phone casing, computer keyboard and related components; wholesale of tools; lease of factory building and building management	People's Republic of China	100	100	–	–
Huglomerate (Shanghai) International Trading Co., Ltd. ***	Sales and purchases of electronics, computer and communication devices, sales and purchases of housing appliances, provide investment and management consulting services	People's Republic of China	100	100	–	–

17. Investment in subsidiaries (cont'd)

Composition of the Group (cont'd)

Name of company	Principal activities	Country of incorporation and place of business	Effective equity interest held by the Group		Cost of investment	
			2019	2018	2019	2018
			%	%	$'000	$'000
Held through subsidiaries (cont'd)						
South East Asia Moulding Company Pte. Ltd. *[8]	Manufacture and repair of other general purpose machinery and equipment except electrical and electronic N.E.C.	Singapore	100	–	–	–
South East Asia Moulding Company(UK) Pte. Ltd. *[8]	Manufacture and repair of other general purpose machinery and equipment except electrical and electronic N.E.C.	Singapore	100	–	–	–
					462,873	410,607

* *Audited by Ernst & Young LLP, Singapore.*

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

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

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

^ *Reviewed by local auditors in respective countries.*

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

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

[3] *The Company has increased its investment in Hi-P (Suzhou) Precision Mold & Die Co., Ltd. by USD10,000,000 in January 2019.*

[4] *The Company has increased its investment in Hi-P Poland SP. ZO.O. by PLN4,000,000 in June 2019.*

[5] *The Company has increased its investment in Hi-P (Shanghai) Precision Mold & Die Co., Ltd. by USD17,000,000 in January 2019.*

[6] *The Company has increased its investment in Hi-P Flex Pte. Ltd. by $14,000,000 in February 2019.*

[7] *Hi-P Flex Pte. Ltd., a wholly-owned subsidiary of the Company, has increased its investment in Hi-P (Suzhou) Electronics Technology Co., Ltd. by USD10,000,000 in February 2019.*

[8] *On 31 October 2019, the Company has through its wholly-owned subsidiary, Hi-P Holdings Pte. Ltd., acquired 100% equity interest in South East Asia Moulding Company Pte. Ltd. ("SEAMSG"). SEAMSG holds 100% of the issued share capital of South East Asia Moulding Company(UK) Pte. Ltd. (together with SEAMSG, the "SEAMCO").*

17. Investment in subsidiaries (cont'd)

(a) Acquisition of subsidiaries

The Group has acquired SEAMCO in order to increase its product offering, strengthen its technological abilities and enable the Group to further expand its capabilities in precision engineering by tapping on the strength, skills and resources of SEAMCO. The acquisition is also expected to provide the Group with new revenue source to strengthen its financial performance.

The fair value of assets and liabilities of SEAMCO as at the acquisition date were:

	Fair value recognised on acquisition
	$'000
Property, plant and equipment (Note 13)	5,272
Right-of-use assets (Note 30)	1,697
Contractual customer relationship (Note 15)	19,849
Favourable lease arrangements (Note 15)	265
Inventories	2,787
Trade and other receivables	12,301
Prepaid operating expenses	77
Cash and bank balances	2,480
	44,728
Trade and other payables	(9,055)
Accrued operating expenses	(1,107)
Provisions (Note 28)	(272)
Lease liabilities related to right-of-use assets (Note 30)	(609)
Income tax payable	(2,639)
Deferred tax liabilities	(4,052)
	(17,734)
Total identifiable net assets fair value	26,994
Goodwill arising from acquisition (Note 15)	14,996
	41,990
<u>Consideration transferred for the acquisition of SEAMCO</u>	
Cash paid	37,950
Deferred cash settlement	4,040
	41,990
<u>Effect of the acquisition of SEAMCO on cash flows</u>	
Total consideration for 100% equity interest acquired	41,990
Less: Deferred cash settlement	(4,040)
	37,950
Less: Cash and cash equivalents of subsidiaries acquired	(2,480)
	35,470

17. Investment in subsidiaries (cont'd)

(a) Acquisition of subsidiaries (cont'd)

Transaction costs

Transaction costs related to the acquisition of $207,000 have been recognised in the "Administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2019.

Trade and other receivables

Trade and other receivables acquired comprise trade receivables with fair value of $10,645,000, which also represent the contractual gross amount. It is expected that the full contractual amount can be collected.

Goodwill arising from acquisition

The goodwill of $14,996,000 comprises the value of expected synergies, revenue growth, future market development and the assembled workforce of SEAMCO. None of the goodwill recognised is expected to be deductible for income tax purposes.

Impact of the acquisition on profit or loss

For the period since acquisition, SEAMCO has contributed $5,390,000 of revenue and $2,546,000 loss to the Group in 2019. If the business combination had taken place at the beginning of the year, the Group's revenue would have been $1,412,630,000 and the Group's profit net of tax would have been $86,392,000.

(b) Liquidation of a subsidiary

In 2018, Qingdao Haier Hi-P Science Technology Co., Ltd. has completed its voluntary liquidation. The value of assets and liabilities of Qingdao Haier Hi-P Science Technology Co., Ltd. recorded up to the date of liquidation as at 31 May 2018, and the effects of the voluntary liquidation were:

	2018
	$'000
Amounts due from non-controlling interest	823
Amounts due from related companies	2,197
Cash and bank balances	118
Carrying value of net assets	3,138
Cash consideration	2,197
Amounts due from related companies	(2,197)
Cash and cash equivalents of the subsidiary	(118)
Net cash outflow on liquidation of a subsidiary	(118)
Loss on liquidation:	
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity on loss of control of subsidiary	(404)
Loss on liquidation (Note 8)	(404)

18. Investment in associates

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Express Tech Mfg Pte. Ltd.[1]	3,426	3,049	503	503
Hi-Flex (Suzhou) Electrionics Co., Ltd.[2]	11,648	13,336	–	–
CINO Technology (Shenzhen) Ltd.	7,818	4,198	–	–
Shenzhen U Drinks Gourment Food Co., Ltd.	566	762	–	–
	23,458	21,345	503	503

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 2019	
			2019	2018
			%	%
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
Held through a direct wholly-owned subsidiary				
Hi-Flex (Suzhou) Electronics Co., Ltd. #4	Research & development, manufacture, assembly and sale of handset, digital camera, SMT assembly components, flexible printed circuits boards, high density circuit boards and provide related technical and after sales service	People's Republic of China	40	40
Held through an indirect wholly-owned subsidiary				
CINO Technology (Shenzhen) Ltd. +3	Research & development, manufacture and sale of home appliances, automation equipments, toolings, plastic products, pre-packed drinks; installation and maintenance of equipments; development of technical know-how and related services; investment consultation	People's Republic of China	40	20
Shenzhen U Drinks Gourmet Food Co., Ltd. ^	Research and development, manufacturing and sales of capsule drinks	People's Republic of China	40	40

* *Audited by Ascent Accounting Corporation PAC.*

\# *Audited by* 苏州东信会计师事务所有限公司

\+ *Audited by* 深圳市永铭会计师事务所（普通合伙）

^ *Audited by* 深圳星源会计师事务所（特殊普通合伙）

18. Investment in associates (cont'd)

[1] *Dividends received from Express Tech Mfg Pte. Ltd. since the date of acquisition of $1,200,000 has been accounted for in share of post-acquisition reserves as at 31 December 2019 (31 December 2018: $1,050,000).*

[2] *Share of post-acquisition reserves included an elimination of unrealised profits arising from disposal of property, plant and machinery by one of the Company's subsidiaries to an associate, amounting to $54,000 as at 31 December 2019 (31 December 2018: $1,302,000).*

[3] *One of the Company's indirect wholly-owned subsidiaries - Huglomerate (Shanghai) International Trading Co., Ltd. has on 25 February 2019 subscribed for additional 20% stake in CINO Technology (Shenzhen) Ltd. at the cost of RMB20,000,000 (equivalent to $4,038,000).*

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

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

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

Aggregate information about the Group's investments in associates that are not individually material are as follows:

	2019	**2018**
	$'000	$'000
Profit after tax, representing total comprehensive income	1,229	1,843

18. Investment in associates (cont'd)

The summarised financial information in respect of Hi-Flex (Suzhou) Electronics Co., Ltd. and CINO Technology (Shenzhen) Ltd. and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

	Hi-Flex (Suzhou) Electronics Co., Ltd.		CINO Technology (Shenzhen) Ltd	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Assets and liabilities:				
Current assets	39,951	39,007	14,549	10,086
Non-current assets	11,079	8,587	1,770	1,372
Total assets	51,030	47,594	16,319	11,458
Current liabilities, representing total liabilities	25,722	17,115	6,218	4,433
Net assets	25,308	30,479	10,101	7,025
Proportion of the Group's interest	40%	40%	40%	20%
Group's share of net assets	10,123	12,191	4,040	1,405
Goodwill on acquisition	2,449	2,449	3,778	2,793
Other adjustments	(924)	(1,304)	–	–
Carrying amount of the investment	11,648	13,336	7,818	4,198
Results:				
Revenue	70,592	9,960	14,157	17,189
(Loss)/profit for the year, net of tax	(4,464)	(657)	(643)	666

19. Investment in a joint venture

	Group	
	2019	**2018**
	$'000	$'000
Unquoted equity shares, at cost	484	484
Share of post-acquisition reserves	(300)	(277)
	184	207

Details of joint venture are as follows:

Name of company	Principal activities	Country of incorporation and place of business	Effective equity interest held by the Group		Cost of investment	
			2019	**2018**	**2019**	**2018**
			%	%	$'000	$'000
Held through a subsidiary						
RH Packaging Group Limited*	Provision of packaging solutions to the consumer electronics industry	People's Republic of China, Hong Kong	50	50	484	484
					484	484

* *Audited by SW CPA Limited.*

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

	2019	**2018**
	$'000	$'000
Assets:		
Current assets, representing total assets	367	413
Results:		
Revenue	–	8
Loss for the year, net of tax	(28)	(396)

20. Other investments

	Group 2019	Group 2018
	$'000	$'000
Unquoted equity securities at fair value through other comprehensive income ("FVOCI"):		
At 1 January	4,968	–
Acquired during the year	3,032	5,228
Translation differences	(268)	(260)
At 31 December	7,732	4,968

The Group has elected to measure these equity securities at FVOCI due to the Group's intention to hold these equity instruments for long-term appreciation.

During the financial year, the Group has acquired a 10% shareholding in a private company that is registered in the People's Republic of China and principally engaged in the business of batteries manufacturing.

21. Inventories

	Group 2019	Group 2018	Company 2019	Company 2018
	$'000	$'000	$'000	$'000
Balance sheet				
Raw materials (at cost)	33,056	43,707	481	483
Work-in-progress (at cost)	39,966	39,828	1,014	1,544
Finished goods (at cost or net realisable value)	84,702	93,390	2,527	1,767
	157,724	176,925	4,022	3,794

	Group 2019	Group 2018
	$'000	$'000
Income statement		
Inventories recognised as an expense in cost of sales	671,197	677,772
inclusive of the following charge/ (credit):		
- Inventories written back	(296)	(617)
- Inventory provisions	887	1,059

22. Trade and other receivables

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Trade and other receivables (current):				
Trade receivables (net of allowances)	319,640	335,017	12,565	11,276
Other receivables	13,771	9,244	–	3
Loans to subsidiaries	–	–	46,877	81,788
Amounts due from subsidiaries	–	–	6,806	6,037
Amounts due from an associate	534	9,735	–	–
Input tax/ VAT	22,456	39,415	311	280
Refundable deposits	5,594	2,542	23	21
	361,995	395,953	66,582	99,405
Add: Cash and cash equivalents and restricted bank deposits (Note 24)	332,685	288,411	5,319	10,325
Less: Input tax/ VAT	(22,456)	(39,415)	(311)	(280)
Total financial assets carried at amortised cost	672,224	644,949	71,590	109,450

Trade and other receivables

Trade and other receivables are non-interest bearing and are generally on 30 to 90 days' (2018: 30 to 120 days') terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

At the end of the reporting period, trade receivables from certain customers amounting to $7,847,000 (2018: $5,339,000) were insured by trade credit insurance underwritten by a reputable insurer in China. As at 31 December 2018, there were also bank guarantees and stand-by letters of credit obtained from certain customers for trade receivables amounting to $1,658,000 and $9,000 respectively at the end of the reporting period.

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
United States Dollar	272,658	313,866	12,565	11,267
Euro	6,360	4,024	–	–
Sterling Pound	440	383	–	–
Singapore Dollar	2	–	–	–

Loans to subsidiaries

Loans to subsidiaries are unsecured and bear interest at 3% for both USD and PLN loans and 3.7% for THB loan (2018: 3% for USD loan and 4% for RMB loan) per annum. The loans are repayable within 1 year (2018: 1 year) and to be settled in cash. RMB loan has been fully repaid during the financial year.

22. Trade and other receivables (cont'd)

Related party balances

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

– Amounts due from an associate are mainly non-trade (2018: trade) in nature, unsecured, non-interest bearing and are generally on 90 days' (2018: 60 days') term.

Expected credit losses

Set out below is the movement in the allowance for expected credit losses of trade receivables computed based on lifetime ECL:

	Group	
	2019	**2018**
	$'000	$'000
At 1 January	5,323	6,082
Effects of adoption of SFRS(I) 9	–	318
Adjusted loss allowance	5,323	6,400
Write-back for the year	(99)	(883)
Written off	–	(96)
Exchange differences	(116)	(98)
At 31 December	5,108	5,323

23. Derivatives

Derivatives comprise forward currency contracts that are used to hedge foreign currency risk arising from the Group's sales and purchases denominated in USD for which firm commitments existed at the end of the reporting period (Note 40(b)).

	2019			2018		
	Contract/ Notional Amount	**Assets**	**Liabilities**	**Contract/ Notional Amount**	**Assets**	**Liabilities**
	USD'000	$'000	$'000	USD'000	$'000	$'000
Group						
Forward currency contracts	50,000	385	–	–	–	–
Total financial assets at fair value through profit or loss		385	–		–	–

24. Cash and cash equivalents and restricted bank deposits

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Cash at banks and on hand	230,329	184,196	5,319	10,325
Short term fixed deposits	102,356	104,215	–	–
Cash and short term deposits	332,685	288,411	5,319	10,325
Less: Restricted bank deposits (current)	(3,093)	(1,263)	–	–
Restricted bank deposits (non-current)	–	(495)	–	–
Cash and cash equivalents	329,592	286,653	5,319	10,325

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between 1 day and 1 year depending on the immediate cash requirements of the Group, and earned interest at the respective short term fixed deposit rates. The average effective interest rates for the year ended 31 December 2019 for the Group and the Company were 1.28% (2018: 2.07%) and 0.32% (2018: 0.31%) respectively.

Restricted bank deposits were mainly held as security for preliminary purchase forecasts with a supplier (Note 38) (2018: for custom clearance and issuance of bank guarantees).

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
United States Dollar	120,514	109,902	3,190	7,532
Euro	3	377	–	–
Singapore Dollar	2,218	998	–	–
Sterling Pound	287	–	–	–

25. Assets held for sale

In September 2019, the Group has entered into a contract with a third party to sell some of the Computer Numerical Control ("CNC") machines. The carrying amount of these CNC machines will be recovered principally through sale transactions rather than through continuing use. Accordingly, these machines are presented as "Assets held for sale" in the balance sheet.

25. Assets held for sale (cont'd)

At 31 December 2019, the assets held for sale were stated at lower of the carrying amount and fair value less costs to sell.

	Group 2019 $'000
Transfer from property, plant and equipment (Note 13)	6,371
Disposals	(3,070)
Translation differences	(2)
At 31 December	3,299

26. Trade and other payables

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Trade and other payables (current):				
Trade payables	344,513	311,181	4,335	4,366
Other payables	48,487	36,626	742	244
Deferred cash settlement for acquisition of subsidiaries (Note 17)	4,040	–	–	–
Output tax	1,474	2,254	70	69
Amounts due to subsidiaries	–	–	607	1,199
Amounts due to an associate	1,611	6,623	–	–
Total trade and other payables	400,125	356,684	5,754	5,878
Other payables (non-current):				
Loans from a subsidiary	–	–	96,636	103,371
Total trade and other payables (current and non-current)	400,125	356,684	102,390	109,249
Add: Accrued operating expenses	78,850	80,826	11,196	34,028
Notes payable (Note 27)	560	879	–	–
Loans and borrowings (Note 29)	122,103	168,252	25,000	38,650
Less: Output tax	(1,474)	(2,254)	(70)	(69)
Refund liabilities (Note 4(d))	(3,015)	(1,482)	–	–
Total financial liabilities carried at amortised cost	597,149	602,905	138,516	181,858

Trade payables

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

26. Trade and other payables (cont'd)

Trade payables (cont'd)

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

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
United States Dollar	70,846	77,235	3,006	2,792
Singapore Dollar	423	–	–	–
Euro	2,997	3,077	–	3
Thai Baht	3	4	3	4
New Taiwan Dollar	7	23	7	23
Japanese Yen	1,409	195	–	–
Hong Kong Dollar	20	14	–	–
Sterling Pound	922	79	–	–
Swiss Franc	16	36	–	–

Other payables

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

Amounts due to subsidiaries

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

Loans from a subsidiary

Loans from a subsidiary are unsecured, bear interest at 2.1% (2018: 2.7%) per annum as at 31 December 2019 and to be settled in cash. The loan interest rate is reviewed from time to time and adjusted accordingly upon mutual agreements between the Company and the relevant subsidiary. The maturity date for loan repayment has been extended from 1 September 2020 to 1 September 2022 during the financial year.

Amounts due to an associate

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

27. Notes payable

The notes payable of $560,000 (2018: $879,000) are settled on 180 days' term, non-interest bearing and secured by corporate guarantee issued by the Company.

28. Provisions

	Group			
	Warranties	Provision for onerous contract	Provision for restoration costs	Total
	$'000	$'000	$'000	$'000
At 1 January 2018	40	1,328	–	1,368
Arose during the financial year	20	146	–	166
Utilised	(6)	(1,225)	–	(1,231)
Translation differences	(1)	–	–	(1)
At 31 December 2018 and 1 January 2019	53	249	–	302
Arose during the financial year	–	123	–	123
Acquisition of subsidiaries (Note 17)	–	–	272	272
Unused amount reversed	(23)	–	–	(23)
Utilised	–	(249)	–	(249)
At 31 December 2019	30	123	272	425

Warranties

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

Provision for onerous contract

As at 31 December 2019, the provision for onerous contract relates to the expected loss from a sale contract (2018: rental contract for which the rental expense exceeded the economic benefits derived from sub-letting the premise).

29. Loans and borrowings

	Maturity	Group		Company	
		2019	2018	2019	2018
		$'000	$'000	$'000	$'000
Current:					
Short term loans	2020	96,352	93,966	25,000	38,626
Export invoice financing facilities	2020	21,546	74,262	–	–
Other borrowing	2020	4,205	–	–	–
Obligation under hire purchase arrangement	2020	–	24	–	24
Total loans and borrowings		122,103	168,252	25,000	38,650

29. Loans and borrowings (cont'd)

Short term loans

The Group and the Company have drawn down short term loans at fixed rates of interest for general working capital and capital expenditure purposes. The weighted average interest rate for the loans outstanding as at 31 December 2019 for the Group and the Company were 2.08% (2018: 2.65%) and 2.04% (2018: 2.34%) per annum respectively. The loans are repayable in 2020. Short term loan amounting to $1,568,000 (2018: $22,892,000), which was drawn down by a subsidiary, is secured by a corporate guarantee issued by the Company.

Export invoice financing facilities

One of the Group's subsidiaries has obtained export invoice financing facilities. The weighted average interest rate for the loan outstanding as at 31 December 2019 was 2.09% (2018: 2.93%) per annum. The export invoice financing is repayable in 2020.

Other borrowing

One of the Group's subsidiaries has drawn-down bank facility for general working capital purposes. The facility is interest bearing at EURIBOR + 2% and secured by a corporate guarantee issued by the Company and is repayable in 2020.

Obligation under hire purchase arrangement

The lease obligation was secured by a charge over the leased asset (Note 13). The effective interest rate on the lease was 4.48% per annum. The obligation was denominated in the functional currency of the Company. The lease liability was fully settled in 2019 and the ownership of the motor vehicle was transferred to the Company at the end of the lease term.

Future minimum lease payments under hire purchase arrangement together with the present value of the net minimum lease payments were as follows:

	Group and Company	
	Total minimum lease payments	Present value of payments
	$'000	$'000
2018		
Within one year	27	24
After one year but not more than five years	–	–
Total minimum lease payments	27	24
Less: Amounts representing finance charges	(3)	–
Present value of minimum lease payments	24	24

29. Loans and borrowings (cont'd)

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

Group	1 January 2019	Cash flows	Non-cash changes: Additions	Non-cash changes: Foreign exchange movement	Non-cash changes: Re-classification due to passage of time	31 December 2019
	$'000	$'000	$'000	$'000	$'000	$'000
Short term loans	93,966	3,035	–	(649)	–	96,352
Export invoice financing facilities	74,262	(52,837)	–	121	–	21,546
Other borrowing	–	4,204	–	1	–	4,205
Obligation under hire purchase arrangement						
- current	24	(24)	–	–	–	–
	168,252	(45,622)	–	(527)	–	122,103
Lease liabilities related to right-of-use assets						
- current (Note 30)	16,215	(15,150)	1,261	(503)	8,356	10,179
- non-current (Note 30)	23,354	–	938	(448)	(8,356)	15,488
Total	207,821	(60,772)	2,199	(1,478)	–	147,770

Group	1 January 2018	Cash flows	Non-cash changes: Foreign exchange movement	Non-cash changes: Re-classification due to passage of time	31 December 2018
	$'000	$'000	$'000	$'000	$'000
Short term loans	153,000	(61,761)	2,727	–	93,966
Export invoice financing facilities	52,155	22,135	(28)	–	74,262
Obligation under hire purchase arrangement					
- current	58	(64)	1	29	24
- non-current	29	–	–	(29)	–
Total	205,242	(39,690)	2,700	–	168,252

30. Right-of-use assets/ lease liabilities

Group as a lessee

The Group has lease contracts for land use rights, leasehold land, leasehold properties, plant and machinery, office equipment and motor vehicles. The applicable lease terms are discussed in Note 2.13. Generally, the Group is restricted from assigning and subleasing the leased assets.

The Group also has certain leases of machinery and warehouse with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Group	Land use rights	Leasehold land	Leasehold properties	Plant and machinery	Office equipment	Motor vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost:							
Effects of adoption of SFRS(I) 16 on 1 January 2019	12,767	5,042	34,407	–	26	94	52,336
Additions	–	326	989	257	18	–	1,590
Acquisition of subsidiaries (Note 17)	–	–	–	1,697	–	–	1,697
Translation differences	(264)	–	(1,189)	(30)	–	(1)	(1,484)
At 31 December 2019	12,503	5,368	34,207	1,924	44	93	54,139
Accumulated depreciation:							
Effects of adoption of SFRS(I) 16 on 1 January 2019	1,961	–	–	–	–	–	1,961
Depreciation charge for the year	254	142	14,391	67	17	31	14,902
Translation differences	(42)	–	(232)	(5)	–	–	(279)
At 31 December 2019	2,173	142	14,159	62	17	31	16,584
Net carrying amount:							
At 31 December 2019	10,330	5,226	20,048	1,862	27	62	37,555

30. Right-of-use assets/ lease liabilities (cont'd)

Group as a lessee (cont'd)

Company	Leasehold land	Office equipment	Total
	$'000	$'000	$'000
Cost:			
Effects of the adoption of SFRS(I) 16 on 1 January 2019	5,042	23	5,065
Additions	326	18	344
At 31 December 2019	5,368	41	5,409
Accumulated depreciation:			
Depreciation charge for the year	142	15	157
Net carrying amount:			
At 31 December 2019	5,226	26	5,252

Set out below are the carrying amounts of lease liabilities related to right-of-use assets and the movements during the period:

	Group	Company
	$'000	$'000
Effects of the adoption of SFRS(I) 16 on 1 January 2019	39,569	5,065
Additions	1,590	344
Acquisition of subsidiaries (Note 17)	609	–
Accretion of interest	1,545	269
Payments	(16,695)	(332)
Translation differences	(951)	–
As at 31 December 2019	25,667	5,346

	Group	Company
	$'000	$'000
Current	10,179	63
Non-current	15,488	5,283
As at 31 December 2019	25,667	5,346

The maturity analysis of lease liabilities is disclosed in Note 40(c).

30. Right-of-use assets/ lease liabilities (cont'd)

Group as a lessee (cont'd)

The following are the amounts recognised in profit or loss:

	Group
	2019
	$'000
Depreciation of right-of-use assets	14,902
Interest expense on lease liabilities	1,545
Expense relating to short-term leases (included in cost of sales)	6,926
Expense relating to short-term leases (included in administrative expenses)	140
Expense relating to leases of low-value assets (included in administrative expenses)	4
Income from subleasing right-of-use assets	(106)
Total amount recognised in profit or loss	23,411

The Group had total cash outflows for leases of $23,765,000 in 2019.

Group as a lessor

The Group has entered into commercial property leases on its investment properties and factory space. These leases are non-cancellable and have remaining lease terms of between 1 year and 4 years. Rental income recognised by the Group during the year is $2,500,000 (2018: $437,000).

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

	Group	
	2019	**2018**
	$'000	$'000
Within one year	2,338	2,353
Later than one year but not later than five years	2,007	4,416
	4,345	6,769

31. Deferred tax

Deferred tax as at 31 December relates to the following:

	Group			
	Consolidated balance sheet		Consolidated income statement	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Deferred tax assets				
Provisions and allowances	16,611	16,133	(1,017)	2,356
Unutilised tax losses	9,810	7,195	(2,628)	(912)
Differences in depreciation for tax purposes	(1,072)	(1,849)	(790)	1,794
Deferred capital grant	343	445	102	159
Other items	–	1	1	(1)
	25,692	21,925		
Deferred tax liabilities				
Differences in depreciation for tax purposes	(4,154)	(3,375)	178	1,201
Provisions and allowances	(2,506)	720	3,215	(1,081)
Fair value adjustments on acquisition of subsidiaries	(4,349)	(1,009)	(42)	8
Unutilised tax losses	24	–	(24)	–
Deferred capital grant	145	–	(145)	–
WIP capitalisation	(230)	(230)	–	(202)
Interest income accrued from shareholder's loans and entrusted loans	(276)	(198)	78	(818)
	(11,346)	(4,092)		
Deferred tax (income)/ expense			(1,072)	2,504

	Company			
	Balance sheet		Income statement	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Deferred tax liabilities				
Differences in depreciation for tax purposes	(2,310)	(2,254)	56	28
Interest income accrued from shareholder's loans	(256)	(198)	58	(278)
	(2,566)	(2,452)		
Deferred tax expense/ (income)			114	(250)

31. Deferred tax (cont'd)

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately $115,787,000 (2018: $114,822,000) 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 unrecognised tax losses with expiry date are as follows:

Year incurred	Expiry date	Unrecognised tax losses $'000
2015	31 December 2020	12,569
2016	31 December 2021	17,011
2017	31 December 2022	15,243
2018	31 December 2023	48,099
2019	31 December 2024	22,865

Unrecognised temporary differences relating to investments in subsidiaries

At the end of the reporting period, the Group has recognised withholding tax liabilities of $8,692,000 (2018: $9,132,000) 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% (2018: 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 $173,838,000 (2018: $182,641,000). Such withholding tax liability is estimated to be $8,692,000 (2018: $9,132,000).

Tax consequences of proposed dividends

There are no income tax consequences (2018: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 36).

32. Deferred capital grants

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Cost:				
At 1 January	7,490	7,731	320	320
Received during the year	831	–	250	–
Translation differences	(194)	(241)	–	–
At 31 December	8,127	7,490	570	320
Accumulated amortisation:				
At 1 January	1,951	1,227	159	66
Amortisation for the year	907	778	241	93
Translation differences	(63)	(54)	–	–
At 31 December	2,795	1,951	400	159
Net carrying amount:				
Current	838	758	102	89
Non-current	4,494	4,781	68	72
	5,332	5,539	170	161

Deferred capital grants relate to:

– government grants received by three of its subsidiaries in People's Republic of China for: (a) the acquisition of equipment to promote technology advancement and transfer; and (b) the capital investment to promote economic development in Nantong. There are no unfulfilled conditions or contingencies attached to these grants. The capital grants are amortised over a period ranging from 5 years to 9 years for acquisition of equipment, latest till July 2028 and 47 years for the capital investment till November 2062; and

– government grants received by the Company from Economic Development Board Singapore and e2i for the acquisition of equipments to promote technology advancement. The capital grants are amortised over the useful lives of the qualifying equipments purchased, ranging from 3 years to 10 years, latest till March 2027.

33. Share capital and treasury shares

(a) Share capital

	Group and Company			
	2019		2018	
	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

33. Share capital and treasury shares (cont'd)

(a) Share capital (cont'd)

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.

(b) Treasury shares

	Group and Company			
	2019		2018	
	No. of shares '000	$'000	No. of shares '000	$'000
At 1 January	(86,505)	(65,019)	(79,585)	(56,547)
Acquired during the financial year	(589)	(519)	(8,692)	(9,764)
Reissued pursuant to employee share option and award schemes:				
- For cash on exercise of employee share options (Note 35(iv))	3,151	2,226	898	1,016
- Transferred from employee share option reserve	–	620	–	294
- Transferred from employee share award reserve	2,233	3,497	874	1,110
- Gain transferred to gain or loss on reissuance of treasury shares	–	(2,291)	–	(1,128)
	5,384	4,052	1,772	1,292
At 31 December	(81,710)	(61,486)	(86,505)	(65,019)

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

The Company acquired 589,000 (2018: 8,691,800) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was $519,000 (2018: $9,764,000) and this is presented as a component within shareholders' equity.

34. Accumulated profits and other reserves

Accumulated profits

	Company	
	2019	2018
	$'000	$'000
At 1 January	274,088	209,528
Profit net of tax and total comprehensive income for the year	93,421	104,715
Dividends on ordinary shares (Note 36)	(38,483)	(40,288)
Expiry/ lapse of employee share options and awards	–	133
At 31 December	329,026	274,088

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

Other reserves

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Statutory reserve fund (a)	73,769	65,069	–	–
Foreign currency translation reserve (b)	(46,378)	(29,474)	–	–
Capital reserve (c)	169	169	–	–
Employee share option and award reserve (d)	7,512	5,575	7,512	5,575
	35,072	41,339	7,512	5,575

(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	
	2019	**2018**
	$'000	$'000
At 1 January	65,069	51,465
Transfer from retained earnings	8,700	13,604
At 31 December	73,769	65,069

(b) Foreign currency translation reserve

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

	Group	
	2019	**2018**
	$'000	$'000
At 1 January	(29,474)	(12,192)
Net effect of exchange differences arising from translation of financial statements of foreign operations	(16,904)	(17,282)
At 31 December	(46,378)	(29,474)

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

Other reserves (cont'd)

(c) Capital reserve

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

	Group	
	2019	**2018**
	$'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 35). 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	
	2019	**2018**
	$'000	$'000
At 1 January	5,575	4,805
Equity compensation expense	3,763	1,179
Expiry/ lapse of employee share options and awards	–	(133)
Exercised/ vested during the year	(1,826)	(276)
At 31 December	7,512	5,575

35. Equity compensation benefits

Share options

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

35. Equity compensation benefits (cont'd)

Share options (cont'd)

Other information regarding the Option Schemes are set out below:

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

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

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

(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:

	2019		2018	
	No.	**WAEP**	**No.**	**WAEP**
	'000	**$**	'000	**$**
Outstanding at 1 January	8,423	0.91	9,821	0.93
- Exercised	(3,151)	0.71	(898)	1.13
- Lapsed	(20)	0.96	(500)	0.91
Outstanding at 31 December	5,252	1.03	8,423	0.91
Exercisable at 31 December	5,252	1.03	8,423	0.91

The exercise prices for options outstanding at the end of the year range from $0.57 to $1.21 (2018: $0.57 to $1.21). The weighted average remaining contractual life for these options is 2.09 years (2018: 2.47 years).

There were no (2018: Nil) options granted during the financial year ended 31 December 2019.

35. Equity compensation benefits (cont'd)

Share awards

The Hi-P Employee Share Award Scheme 2018 (the "Hi-P ESAS 2018") was approved and adopted at the Company's Extraordinary General Meeting held on 20 April 2018. The Hi-P ESAS 2018 applies to executive directors and employees of the Group who have attained the age of 21 years on or before the date of grant. Non-executive directors of the Group, controlling shareholders and their associates shall not be eligible to participate in the Hi-P ESAS 2018. The Hi-P ESAS 2018 is administered by the Remuneration Committee, comprising Madam Leong Lai Peng (Chairman), Mr. Chester Lin Chien and Mr. Gerald Lim Thien Su.

Other information relating to the Hi-P ESAS 2018 is set out below:

(i) Awards are granted at the discretion of the Remuneration Committee. The selection of a participant, the approved proportion of shares comprising the award, and other conditions of the award shall be determined at the absolute discretion of the Remuneration Committee.

(ii) No minimum vesting periods are prescribed under the Hi-P ESAS 2018 and the length of the vesting period(s) is determined on a case-by-case basis by the Remuneration Committee.

(iii) The Hi-P ESAS 2018 shall continue to be in force at the discretion of the Remuneration Committee, subject to a maximum period of ten (10) years from the date of adoption of the Hi-P ESAS 2018.

During the financial year, 5,408,960 (2018: 1,820,000) share awards were granted by the Company to its employees. Out of which, 1,860,000 share awards are vested in 2 stages, namely 50% on 5 April 2019 and the balance 50% on the day on which the relevant employees reach the age of 65; whereas the other 3,548,960 share awards are vested at the following stages: 1,267,485 share awards were vested on 2 December 2019; 1,140,736 share awards will vest on 31 October 2020; 633,743 share awards will vest on 31 October 2021 and 506,996 share awards will vest on 31 October 2022.

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

	2019 No. '000	**2018 No. '000**
Outstanding at 1 January	910	–
- Granted	5,409	1,820
- Lapsed	(208)	–
- Vested	(2,198)	(910)
Outstanding at 31 December	3,913	910

35. Equity compensation benefits (cont'd)

Share awards (cont'd)

The fair value of the share awards granted was estimated at the grant date, taking into account the terms and conditions upon which the awards were granted. The inputs to the estimation for the year ended 31 December 2019 is shown below:

	2019	2018
Expected volatility (%)	Not relevant as it is time-based vesting without performance conditions	Not relevant as it is time-based vesting without performance conditions
Risk-free interest rate (%)	Not relevant as it is time-based vesting without performance conditions	Not relevant as it is time-based vesting without performance conditions
Expected dividend yield (%)	3.00 and 3.10 for grants issued in April and December 2019 respectively	3.00
Weighted average share price ($)	1.53 and 1.60 for grants issued in April and December 2019 respectively	1.27

36. Dividends

	Group and Company	
	2019	2018
	$'000	$'000
Declared and paid during the financial year		
Dividend on ordinary shares:		
■ Final exempt one-tier dividend for 2018: 4.0 cents (2017: 4.0 cents) per share	32,050	32,281
■ Interim exempt one-tier dividend for 2019: 0.8 cents (2018: 1.0 cents) per share	6,433	8,007
	38,483	40,288
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 2019: 2.0 cents (2018: 4.0 cents) per share	16,109	32,050

37. Commitments

(a) *Capital commitments*

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Capital commitments in respect of property, plant and equipment	20,510	31,125	1,000	650
Capital commitment in respect of investment in an associate	–	4,038	–	–
	20,510	35,163	1,000	650

(b) *Other commitments*

The Group has an existing lease contract that has not yet commenced as at 31 December 2019. The future lease payments for this non-cancellable lease contract is $538,000, payable within 1 year.

38. Contingencies

Legal claims

On 10 May 2019, a third party PRC supplier has commenced a legal action in Mainland China against a PRC subsidiary of the Group claiming payment for preliminary purchase forecasts given by the subsidiary. A bank deposit amounting to RMB16,000,000 (equivalent to approximately $3,093,000) has been restricted for use pending the final outcome of this legal action (Note 24).

Due to jurisdictional issue, the aforesaid matter is in the midst of being transferred to Shanghai Pudong New Area People's Court. The timing of further hearing has yet to be confirmed as at the date of this report. Based on the existing contract terms, the preliminary forecasts should not be interpreted nor be deemed to impose upon the subsidiary any binding obligations to purchase the products from that PRC supplier. Hence it is viewed as not probable that the action will succeed and accordingly no provision for any liability has been made in the financial statements. In the event the action brought against the subsidiary is successful, the estimated maximum payout would be RMB15,569,000 (equivalent to approximately $3,009,000) plus interest.

Guarantees

The Company granted corporate guarantees of $7,805,000 (2018: $26,703,000) in favour of banks for credit facilities provided to subsidiaries as at 31 December 2019.

39. 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	
	2019	**2018**
	$'000	$'000
Income		
Sales of property, plant and equipment to an associate	149	8,787
Sales of materials to an associate	47	6,873
Rental income from an associate	2,288	382
Reversal of sales of property, plant and equipment and tools to a joint venture	–	(245)
Expenses		
Purchase of materials from an associate	4,495	5,933
Purchase of materials from a joint venture	–	86
Service rendered from a company related to a director	–	1

(b) Compensation expenses of key management personnel

	Group	
	2019	**2018**
	$'000	$'000
Directors' fees	404	398
Defined contribution plans	196	136
Wages, salaries, bonus and other short-term employee benefits	8,634	8,241
Equity compensation expense	1,005	646
Total compensation expenses of key management personnel	10,239	9,421
Comprise amounts for:		
Directors of the Company	2,111	2,236
Other key management personnel	8,128	7,185
	10,239	9,421

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

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

During the years ended 31 December 2019 and 2018, neither options nor awards were granted to directors. 2,883,000 (2018: Nil) options were exercised by directors while no (2018: Nil) share awards were vested to directors during the year.

40. Financial risk management objectives and policies

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

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

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

(a) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents, restricted bank deposits and derivatives), the Group and the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

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

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. The credit-worthiness of customers, receivables that are past due and aggregate risks to individual customers are regularly reviewed and monitored by the credit department and key management team (which comprises the CFO, the respective operation and function heads).

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

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

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

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

(a) Credit risk (cont'd)

- Actual or expected significant changes in the operating results of the debtors
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- Significant changes in the expected performance and behaviour of the debtors including changes in the payment status of debtors.

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

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

- There is significant difficulty of the issuer or debtor
- A breach of contract, such as a default or past due event
- It is becoming probable that the debtors will enter bankruptcy or other financial re-organisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

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

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

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due. The loss allowance provision as at 31 December 2019 was determined as follows, the expected credit losses below also incorporate forward-looking information such as industry-wide default rate forecasted by external credit rating company.

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

(a) Credit risk (cont'd)

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

31 December 2019	Current	Less than 30 days past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	More than 120 days past due	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Expected credit loss rate	0.09%	0.16%	0.47%	0.68%	0.83%	100%	
Estimated total gross	247,293	60,775	8,256	3,525	173	4,726	324,748
Expected credit loss	219	99	39	24	1	4,726	5,108

31 December 2018	Current	Less than 30 days past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	More than 120 days past due	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Expected credit loss rate	0.09%	0.30%	0.85%	0.96%	0.81%	100%	
Estimated total gross	256,505	73,945	3,638	642	776	4,834	340,340
Expected credit loss	224	222	31	6	6	4,834	5,323

During the financial year, the Group wrote-off $32,000 (2018: $3,000) of trade receivables as the Group does not expect to receive future cash flows from and there are no recoveries from collection of cash flows previously written off.

Excessive risk concentration

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

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

Exposure to credit risk

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

– A nominal amount of $7,805,000 (2018: $26,703,000) relating to a corporate guarantee provided by the Company in favour of banks for credit facilities provided to subsidiaries

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

(a) Credit risk (cont'd)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country of its trade receivables due from billing customers on an ongoing basis. The credit risk concentration profile of the Group's trade receivables (net of allowances) at the end of the reporting period was as follows:

	Group			
	2019		2018	
	$'000	% of total	$'000	% of total
By country:				
People's Republic of China	164,962	52%	203,227	60%
Taiwan	9,220	3%	16,108	5%
Japan	4,228	1%	955	#
Thailand	7,471	2%	7,339	2%
Malaysia	7,190	2%	2,664	1%
Philippines	6,495	2%	2,407	1%
Singapore	5,332	2%	2,602	1%
Australia	3,884	1%	2,698	1%
Europe	18,083	6%	15,168	5%
United Kingdom	3,468	1%	1,492	#
USA and other parts of American Continent	85,370	27%	80,089	24%
Other countries	3,937	1%	268	#
	319,640	100%	335,017	100%

less than 1%

At the end of the reporting period, approximately:

– 79% (2018: 78%) of the Group's trade receivables (net of allowances) were due from 7 (2018: 6) major end customers who are mainly multinational conglomerates. The credit risk concentration is considered low in view of the diversified concentration profile by country and by major customer presented above.

– Less than 1% (2018: 2%) of the Group's trade and other receivables were due from related parties while 81% (2018: 88%) of the Company's receivables were balances with related parties.

Amounts due from subsidiaries and related parties

The Company assessed the latest performance and financial performance of the counterparties, adjusted for the outlook of the industry in which the counterparties operate in, and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Company measured the impairment loss allowance using the 12-month ECL and determined that the ECL is insignificant.

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

(b) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily SGD and Renminbi (RMB). The foreign currencies in which these transactions are denominated are mainly United States Dollar (USD). Approximately 91% (2018: 93%) of the Group's sales and 36% (2018: 39%) of the Group's purchases are denominated in USD respectively. The Group's trade receivables and trade payables at the end of the reporting period have similar exposures.

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

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

Sensitivity analysis for foreign currency risk

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

	Group	
	Profit before tax	
	2019	2018
	$'000	$'000
USD/ RMB – strengthened 1% (2018: 1%)	+1,986	+1,909
– weakened 1% (2018: 1%)	-1,986	-1,909
USD/ SGD – strengthened 1% (2018: 1%)	+514	+989
– weakened 1% (2018: 1%)	-514	-989
RMB/ SGD – strengthened 1% (2018: 1%)	-655	-47
– weakened 1% (2018: 1%)	+655	+47

(c) Liquidity risk

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

The Group's and the Company's liquidity risk management policy is to manage liquidity risk on a group basis, to maintain sufficient liquid financial assets and stand-by credit facilities with several banks and take up short-term loans for short-term working capital requirements. At the end of the reporting period, the Group has sufficient stand-by credit facilities with several banks. At 31 December 2019, the Group was at net cash position of $211 million (2018: $120 million).

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

(c) Liquidity risk (cont'd)

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

Analysis of financial instruments by remaining contractual maturities

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

	1 year or less $'000	**1 to 5 years** $'000	**Over 5 years** $'000	**Total** $'000
Group				
2019				
Financial assets				
Trade and other receivables	339,539	–	–	339,539
Derivatives	385			385
Restricted bank deposits	3,093	–	–	3,093
Cash and cash equivalents	329,592	–	–	329,592
Total undiscounted financial assets	672,609	–	–	672,609
Financial liabilities				
Trade and other payables	398,651	–	–	398,651
Notes payable	560	–	–	560
Accrued operating expenses	75,835	–	–	75,835
Loans and borrowings	122,194	–	–	122,194
Lease liabilities related to right-of-use assets	10,954	11,837	10,067	32,858
Total undiscounted financial liabilities	608,194	11,837	10,067	630,098
Total net undiscounted financial assets/ (liabilities)	64,415	(11,837)	(10,067)	42,511
Group				
2018				
Financial assets				
Trade and other receivables	356,538	–	–	356,538
Restricted bank deposits	1,263	–	495	1,758
Cash and cash equivalents	286,653	–	–	286,653
Total undiscounted financial assets	644,454	–	495	644,949
Financial liabilities				
Trade and other payables	354,430	–	–	354,430
Notes payable	879	–	–	879
Accrued operating expenses	79,344	–	–	79,344
Loans and borrowings	168,409	–	–	168,409
Total undiscounted financial liabilities	603,062	–	–	603,062
Total net undiscounted financial assets	41,392	–	495	41,887

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

(c) Liquidity risk (cont'd)

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

	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Company				
2019				
Financial assets				
Trade and other receivables	67,470	–	–	67,470
Cash and cash equivalents	5,319	–	–	5,319
Total undiscounted financial assets	72,789	–	–	72,789
Financial liabilities				
Trade and other payables	7,727	100,044	–	107,771
Accrued operating expenses	11,196	–	–	11,196
Loans and borrowings	25,011	–	–	25,011
Lease liabilities related to right-of-use assets	339	1,332	10,067	11,738
Total undiscounted financial liabilities	44,273	101,376	10,067	155,716
Total net undiscounted financial assets/ (liabilities)	28,516	(101,376)	(10,067)	(82,927)
Company				
2018				
Financial assets				
Trade and other receivables	100,557	–	–	100,557
Cash and cash equivalents	10,325	–	–	10,325
Total undiscounted financial assets	110,882	–	–	110,882
Financial liabilities				
Trade and other payables	8,600	105,236	–	113,836
Accrued operating expenses	34,028	–	–	34,028
Loans and borrowings	38,671	–	–	38,671
Total undiscounted financial liabilities	81,299	105,236	–	186,535
Total net undiscounted financial assets/ (liabilities)	29,583	(105,236)	–	(75,653)

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

(c) Liquidity risk (cont'd)

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

	1 year or less	1 to 5 years	Over 5 years	Total
	$'000	$'000	$'000	$'000
Company				
2019				
Financial guarantees	7,805	–	–	7,805
2018				
Financial guarantees	26,703	–	–	26,703

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

41. Capital management

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

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions. To manage the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, repurchase shares or issue new shares. For the year ended 31 December 2019, the Group has declared an interim dividend payment of $6.4 million (2018: $8.0 million) and proposed a final dividend payment of $16.1 million (2018: $32.1 million) respectively to shareholders (as disclosed in Note 36).

No changes were made in the objectives, policies and processes during the years ended 31 December 2019 and 2018.

As disclosed in Note 34(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 2019 and 2018.

41. Capital management (cont'd)

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

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

	Group	
	2019	**2018**
	$'000	$'000
Cash and short term deposits (Note 24)	332,685	288,411
Loans and borrowings (Note 29)	(122,103)	(168,252)
Net cash	210,582	120,159
Equity attributable to owners of Company	594,404	564,011

42. Fair value of assets and liabilities

(a) Fair value hierarchy

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

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

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.

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

(b) Assets and liabilities measured at fair value

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

Group	2019 $'000 Fair value measurements at the end of the reporting period using Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurements				
Assets:				
Other investments (Note 20)*	–	–	7,732	7,732
Derivatives (Note 23)				
- Forward currency contracts	–	385	–	385

Group	2018 $'000 Fair value measurements at the end of the reporting period using Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurements				
Asset:				
Other investment (Note 20)*	–	–	4,968	4,968

* Other investments (Note 20) relates to unquoted equity securities acquired in May 2018 and April 2019 respectively. The fair value has been determined by the reference of its interests in the net asset value of the companies.

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

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

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

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

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

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

	Group			
	Carrying amount		**Fair value**	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Assets:				
Investment properties (Note 14)	184	293	18,487	20,565
Assets held for sale (Note 25)	3,299	–	3,528	–

	Company			
	Carrying amount		**Fair value**	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Liability:				
Loans from a subsidiary (non-current) (Note 26)	96,636	103,371	96,204	103,786

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

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

Determination of fair value

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

Assets held for sale (Note 25): Fair value has been determined based on selling price in a contract signed with a third party buyer.

Loans from a subsidiary (Note 26): Fair value for loans from a subsidiary has been determined using discounted estimated cash flows. The discount rates used are the current market incremental lending rates for similar types of lending, borrowing and leasing arrangements.

43. Segment information

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

i. Precision plastic injection molding ("PPIM")

ii. Mold design and fabrication ("MDF")

iii. Provision of sub-product assembly and full-product assembly services ("Assembly")

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

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

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

43. Segment information (cont'd)

2019	PPIM $'000	MDF $'000	Assembly $'000	Eliminations $'000	Notes	Consolidated $'000
Revenue:						
Sales to external customers	864,163	104,655	398,851	–		1,367,669
Inter-segment sales	3,168	75,441	–	(78,609)	A	–
	867,331	180,096	398,851	(78,609)		1,367,669
Results:						
Profit from operations	84,767	6,293	5,593	–		96,653
Interest income						3,990
Other income						10,693
Finance costs						(6,761)
Other expenses						816
Share of results of associates						(1,282)
Share of results of a joint venture						(14)
Profit before tax						104,095
Income tax expense						(23,785)
Profit, net of tax						80,310
Other information:						
Depreciation of property, plant and equipment	63,371	4,718	2,286			70,375
Amortisation of deferred capital grants	(907)	–	–			(907)
Amortisation of intangible assets	223	–	–			223
Depreciation of right-of-use assets	12,592	1,023	1,287			14,902
Depreciation of investment properties	103	–	–			103
Reversal of provision for warranty costs	–	–	(23)			(23)
Inventory provisions/ (reversal of inventory provisions)	2,116	(661)	(568)			887
Inventories written back	(296)	–	–			(296)
Property, plant and equipment written off	23	2	3			28
Impairment losses/ (reversal of impairment losses) on property, plant and equipment	354	18	(3)			369
Reversal of impairment losses on financial assets, net	(99)	–	–			(99)
Bad debts written off	32	–	–			32
Reversal of allowances on non-cancellable purchase commitments	(1,033)	–	(976)			(2,009)
Trade/ other payables waived	(111)	–	–			(111)
Provision for onerous contract	123	–	–			123
Other non-cash items	1,406	(64)	(222)		B	1,120

43. Segment information (cont'd)

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

43. Segment information (cont'd)

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

A Inter-segment revenues are eliminated on consolidation.

B Other non-cash expenses consist of equity compensation expenses, net gains on disposal of property, plant and equipment and net loss on liquidation of a subsidiary as presented in the respective notes to the financial statements.

Geographical information

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

	Revenue		Non-current assets	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
People's Republic of China	633,920	711,881	302,137	285,298
Taiwan	44,371	68,782	–	–
Japan	35,553	8,485	–	–
Thailand	29,610	40,314	5,189	1,865
Malaysia	26,022	9,021	–	–
Philippines	9,518	10,874	–	–
Singapore	8,907	13,294	57,731	15,837
Australia	41,090	12,264	–	–
Europe	88,631	90,548	4,434	1,680
United Kingdom	9,441	5,061		
United States and the rest of Americas*	428,260	428,538	65	4
Other countries	12,346	3,055	–	–
	1,367,669	1,402,117	369,556	304,684

* For the year ended 31 December 2019, approximately $284,355,000 (2018: $181,217,000) of the total revenue billed to customers located in United States were shipped to United States.

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

Information about major customers

The Group has 5 (2018: 4) major end customers for PPIM segment with revenue amounting to $751,616,000 (2018: $770,935,000) and 7 (2018: 7) major end customers for Assembly segment with revenue amounting to $293,280,000 (2018: $248,946,000).

44. Events occurring after the reporting period

Investment in Hi-P (UK) Pte. Ltd.

On 5 March 2020, the Company has through its wholly-owned subsidiary, Hi-P Holdings Pte. Ltd., incorporated an indirect wholly-owned subsidiary, Hi-P (UK) Pte. Ltd., in the United Kingdom, with a share capital of GBP100,000. This subsidiary is engaged principally in the business of provision of engineering support services.

Additional Investment in Hi-P (Thailand) Co., Ltd.

On 20 March 2020, the Company has, by way of cash injection of THB 80 million, increased the share capital of its wholly-owned subsidiary, Hi-P (Thailand) Co., Ltd. from THB 70 million to THB 150 million. The Company continues to own 100% of this subsidiary after such increase in share capital.

45. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 30 March 2020.

STATISTICS OF SHAREHOLDINGS

As at 11 March 2020

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF SHAREHOLDINGS
1 - 99	16	0.54	550	0.00
100 - 1,000	216	7.28	169,875	0.02
1,001 - 10,000	1,791	60.32	10,696,024	1.33
10,001 - 1,000,000	926	31.19	37,224,486	4.62
1,000,001 and above	20	0.67	757,373,806	94.03
Grand Total	**2,969**	**100.00**	**805,464,741**	**100.00**

TWENTY LARGEST SHAREHOLDERS AS AT 11 MARCH 2020

	NAME OF SHAREHOLDER	NO. OF SHARES	% OF SHAREHOLDINGS[1]
1	YAO HSIAO TUNG	673,496,144	83.62
2	DBS NOMINEES PTE LTD	22,441,104	2.79
3	CITIBANK NOMINEES SINGAPORE PTE LTD	16,529,491	2.05
4	RAFFLES NOMINEES (PTE) LIMITED	14,860,977	1.85
5	UOB KAY HIAN PTE LTD	3,289,981	0.41
6	PHILLIP SECURITIES PTE LTD	3,096,300	0.38
7	BPSS NOMINEES SINGAPORE (PTE) LTD	2,818,000	0.35
8	OCBC SECURITIES PRIVATE LTD	2,671,309	0.33
9	MAYBANK KIM ENG SECURITIES PTE LTD	2,196,700	0.27
10	DBSN SERVICES PTE LTD	1,816,700	0.23
11	CHESTER LIN CHIEN	1,800,000[#]	0.22
12	WONG HUEY FANG	1,737,982[^]	0.22
13	UNITED OVERSEAS BANK NOMINEES PTE LTD	1,702,200	0.21
14	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	1,657,518	0.21
15	ONG ENG LOKE	1,397,000	0.17
16	SZETO TZEN	1,282,000	0.16
17	TENG TECK SENG	1,235,000	0.15
18	MERRILL LYNCH (SINGAPORE) PTE LTD	1,164,300	0.14
19	OCBC NOMINEES SINGAPORE PTE LTD	1,094,900	0.14
20	NG YEW NAM	1,086,200	0.13
	TOTAL	**757,373,806**	**94.03**

Notes:

1 Based on 805,464,741 shares (excluding shares held as treasury shares).

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

^ Madam Wong Huey Fang held (a) 737,982 shares under CDP direct account, and (b) 1,000,000 shares under Raffles Nominees (Pte) Limited.

STATISTICS OF SHAREHOLDINGS

As at 11 March 2020

Shareholders' Information

No. of issued shares (including treasury shares)	:	887,175,000
No. of issued shares (excluding treasury shares)	:	805,464,741
No. of treasury shares held	:	81,710,259
No. of subsidiary holdings held	:	Nil
Percentage of aggregate number of treasury shares and subsidiary holdings held against total number of issued shares (excluding treasury shares)	:	10.14%
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 11 March 2020.

Name	Direct interest	%[2]	Deemed interest	%
Yao Hsiao Tung[1]	673,496,144	83.62	–	–

Notes:

1. Mr. Yao Hsiao Tung has options to subscribe for an aggregate of 4,360,382 ordinary shares in the Company as at 11 March 2020.

2. Shareholding percentage is calculated based on the Company's total issued shares of 805,464,741 shares as at 11 March 2020 (excluding treasury shares).

Free Float

As at 11 March 2020, approximately 15.85% of the total issued shares (excluding treasury shares) of the Company was held in the hands of the the public (based on information available to the Company).

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

Treasury Shares

As at 11 March 2020, the Company held 81,710,259 treasury shares, representing 10.14% 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 Rose Room, Level 3, The Chevrons, 48 Boon Lay Way, Singapore 609961 on Monday, 15 June 2020 at 2.30 p.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2019 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a final tax exempt one-tier dividend of 2.0 Singapore cents per ordinary share for the financial year ended 31 December 2019. [2018: 4.0 Singapore cents per ordinary share] **(Resolution 2)**

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

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

5. To re-elect Mr. Seow Choke Meng retiring pursuant to Article 97 of the Company's Constitution. [See Explanatory Note (iii)] **(Resolution 5)**

6. To re-elect Mr. Ho Kheong Chun retiring pursuant to Article 97 of the Company's Constitution. [See Explanatory Note (iv)] **(Resolution 6)**

7. To approve the payment of Directors' fees of S$404,068 for the financial year ended 31 December 2019. [2018: S$397,667] **(Resolution 7)**

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

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

SPECIAL BUSINESS

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

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

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

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

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

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

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

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

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

By Order of the Board

Yao Hsiao Tung
Executive Chairman and Chief Executive Officer

Singapore, 9 April 2020

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 Constitution, will continue in office as Non-Executive Director.

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

(iii) If re-elected under Resolution 5, Mr. Seow Choke Meng, retiring pursuant to Article 97 of the Company's Constitution, will continue in office as Independent Director.

(iv) If re-elected under Resolution 6, Mr. Ho Kheong Chun, retiring pursuant to Article 97 of the Company's Constitution, will continue in office as Independent Director.

(v) The Ordinary Resolution 9 proposed in item 10 above, if passed, will empower the Directors from the date of the above Annual General Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company. The aggregate number of shares (including any shares issued pursuant to the convertible securities) which the Directors may allot and issue under this Resolution will not exceed fifty per cent. (50%) of the total number of issued shares excluding treasury shares (as defined in Resolution 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.

Notes:

1. Detailed information of Mr. Yeo Tiong Eng, Mr. Gerald Lim Thien Su, Mr. Seow Choke Meng and Mr. Ho Kheong Chun can be found under the sections "Board of Directors" and "Corporate Governance Report – Additional Information on Directors Seeking Re-election" in the Company's Annual Report 2019.

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

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

4. The instrument appointing a proxy or proxies must be deposited at the office of the Company's share registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) at 80 Robinson Road, #11-02 Singapore 068898 not less than forty-eight (48) hours before the time for holding the Meeting.

PERSONAL DATA PRIVACY:

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

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

IMPORTANT
1. Pursuant to Section 181(1C) of the Companies Act, Chapter 50 of Singapore, Relevant Intermediaries may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies.

Personal Data Privacy
By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 9 April 2020.

PROXY FORM

I/We ________________________ (Name) ________________________ (NRIC/Passport Number)

of ____ (Address)
being a member/members of HI-P INTERNATIONAL LIMITED (the "**Company**") hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

or failing him/her, the Chairman of the Annual General Meeting of the Company (the "**Meeting**") as my/our proxy/proxies to vote for me/us on my/our behalf, at the Meeting to be held at Rose Room, Level 3, The Chevrons, 48 Boon Lay Way, Singapore 609961 on Monday, 15 June 2020 at 2.30 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any matter arising at the Meeting.

All resolutions put to the vote at the Meeting shall be decided by way of poll.

No.	Resolutions Relating to:	Number of votes for **	Number of votes against **
1.	Directors' Statement and Audited Financial Statements for the year ended 31 December 2019		
2.	Declaration of final dividend		
3.	Re-election of Mr. Yeo Tiong Eng		
4.	Re-election of Mr. Gerald Lim Thien Su		
5.	Re-election of Mr. Seow Choke Meng		
6.	Re-election of Mr. Ho Kheong Chun		
7.	Approval of Directors' fees for the financial year ended 31 December 2019		
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 and Rule 806(2) of the Listing Manual		

** If you wish to exercise all your votes "For" or "Against", please indicate with an "X" within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this __________ day of ________________ 2020

Total No. of Shares	No. of Shares
In CDP Register	
In Register of Members	

____
Signature(s) of Member(s)
or, Common Seal of Corporate Member

[IMPORTANT: PLEASE READ NOTES OVERLEAF]

NOTES

1. A member (other than a Relevant Intermediary*) entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.

3. A member of the Company having a share capital who is a Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified). In such event, the Relevant Intermediary shall submit a list of its proxies together with the information required in this form of proxy including the number and class of shares in relation to which each proxy has been appointed, to the Company's share registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) at its office at 80 Robinson Road, #11-02 Singapore 068898.

   "**Relevant Intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Cap. 289) of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all shares held by the member.

5. The instrument appointing a proxy or proxies must be deposited at the office of the Company's share registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) at 80 Robinson Road, #11-02 Singapore 068898, not less than 48 hours before the time set for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

8. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF Investors and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

GENERAL:

The Company shall be entitled to reject a proxy form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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

Company Registration Number 198004817H

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