Hi-P INTERNATIONAL LIMITED
赫 比 国 际 有 限 公 司

STRENGTHENING OUR CAPABILITIES
DIVERSIFYING OUR GROWTH

2013
ANNUAL REPORT

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

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

The Group has 14 manufacturing plants globally located across five locations in the People's Republic of China (Shanghai, Chengdu, Tianjin, Xiamen and Suzhou), and in Poland, Singapore and Thailand. Hi-P has marketing and engineering support centers in China, Singapore, Taiwan and the USA.

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive:

Yao Hsiao Tung
(Executive Chairman and Chief Executive Officer)

Wong Huey Fang
(Executive Director and Chief Administrative Officer)

Non-Executive:

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

AUDIT COMMITTEE

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

NOMINATING COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARIES

Tay Chee Wah (Appointed on 15 January 2013)
Chan Wai Mei (Appointed on 7 May 2013)

REGISTERED OFFICE

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

SHARE REGISTRAR

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

AUDITOR

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

AUDIT PARTNER-IN-CHARGE

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

CHAIRMAN'S STATEMENT

"Despite the challenging 12 months, we remain focused on our fundamental strategy of improving growth momentum, prudent cost management and enhancing the coordination among our three business units.

Overall, we strive to deliver returns that meet our shareholders' expectations. Accordingly, we expect lower revenue but higher profit in FY2014 as compared to FY2013."

Dear Shareholders,

YEAR IN REVIEW

The past year was characterised by market volatility and uncertain business sentiments. The financial year under review has been one of the most challenging for the Group since the economic recession in 2001.

The results reflected the volatile business environment in which we operate. The Board and I are fully cognisant of the need to effectively execute our recovery strategies in order to overcome the business environment we now face.

For the financial year ended 31 December 2013, we recorded a net profit attributable to shareholders of S$6.4 million in FY2013, compared to S$18.0 million previously. Our revenue of S$1.26 billion was 8.2% higher than what was achieved in FY2012.

Our performance was sub-optimal due to the following internal and external factors:

- One of our major customers' smartphone market share drastically declined.
- Slower ramp-up of new programs due to steeper learning curve to adopt new production lines and more lower-margin high assembly projects.
- Consolidation of our Tianjin plant to Suzhou, which resulted in impairment losses on property, plant and equipment, and higher labour cost as compensations were given out to employees.
- Increased competition but slowing smartphone and tablet industry growth.

Despite the challenging 12 months, we remain focused on our fundamental strategy of improving growth momentum, prudent cost management and enhancing the coordination among our three business units. Overall, we strive to deliver returns that meet our shareholders' expectations.

STRATEGIES FOR RECOVERY

We have established measures for better cost control since the last quarter of 2013. In addition to our recent consolidation efforts to relocate our Tianjin plant to Suzhou in the first half of 2014, we have formed a special taskforce to assess each business site's cost management. This includes costs associated with manpower, utilization and yield rates, and other production expenses. With continuous close monitoring of our expenditure, we will be able to effectively and efficiently allocate our resources and budgets.

While we are consolidating our production base to improve our cost efficiencies, concurrently, we have to ensure the smooth execution and delivery of upcoming programs. With every new product, there is a learning curve to create a quality end-product. As the product gets more complex, more time is required to adopt the development phase. In order to enhance our productivity, we need to shorten the time spent on the adoption process. To that end, we have implemented processes to regulate the production at the different levels. These processes will be reviewed periodically at each level to ensure that they are beneficial and relevant to each new project.

For our wireless segment, we will be working with a new customer who targets low-end smartphones primarily for the emerging markets. We have confidence in this particular customer to grow its market share, and we expect to benefit positively when the customer scales up its production.

Lastly and most importantly, we are working tirelessly to strengthen our marketing efforts so as to diversify our customer base. To fill the void left by one of our major smartphone customers, we have signed on several new customers in the consumer electronics space for production and assembly of their new products. In general, consumer electronics have longer product cycles versus smartphones, enabling us to reduce production volatility. This will in turn lead to a more balanced and stable revenue mix over the mid to long term.

While we are continuously exploring opportunities with new clients to create a stable and sustainable customer mix, we would like to seek shareholders' patience as contributions from these new customers will not be immediate.

OUR OUTLOOK

According to renowned technology research firm, IDC, it is predicted that sales of tablets and smartphones will slowdown in 2014, with lower growth of 18.0% and 19.3% respectively in 2014. Growth in the tablets and smartphone space will be mainly driven by emerging markets and lower-end smartphone. This represents a shift in product mix to lower-end devices.

Separately, Gartner predicted that the consumer electronics industry will contribute US$43.8 billion of the overall US$332.4 billion semiconductor revenue in 2014, representing 3.5% growth. Electronic devices that will drive the growth include TVs, set-top boxes, video game consoles, and other devices in the Internet of Things and wearables.

IDC also predicted that The Internet of Things (IoT) connectivity drive will create a market worth up to US$8.9 trillion by 2020. The research firm expected IoT to grow at a compound annual growth rate (CAGR) of 7.9% between the last quarter of 2013 and 2020, to reach US$8.9 trillion. IoT covers anything from smart meters and machine-to-machine telematics to internet-enabled fridges and coffee machines.

Based on the above market trends and predictions, we will continue to work closely with our new and existing customers in both the wireless and consumer electronics spaces to seek more opportunities for the production of the lower-end smartphones and the trending consumer electronic devices. To negate the overall slowing smartphone growth and volatility in that space, we will continue to concentrate efforts to expand our consumer electronics customer base which traditionally provides us a stable revenue stream.

Looking ahead, I am positive that with the Group's strong foundation in contract manufacturing, we will be able to overcome the challenges as we continue to diversify our customer base, improve upon our cost structure through automation and lean manufacturing. To that end, we expect lower revenue but higher profit in FY2014 as compared to FY2013.

Our long-term goal is to achieve a sustainable growth rate and be one of the top contract manufacturers in Asia, by providing a one-stop solution to fulfill our customers' needs – from industrial design, component manufacturing to high-level assembly. Last but not least, we will strive to deliver value to our shareholders through profitability and growth.

APPRECIATION & DIVIDEND

I would like to take this opportunity to extend my utmost appreciation to the shareholders, Board of Directors, customers, suppliers and business associates for your loyalty, trust and commitment.

I am pleased to announce that the Board has recommended a first and final dividend of 0.6 Singapore cents per ordinary share, subject to shareholders' approval, at the upcoming Annual General Meeting. I look forward to meeting you at our Annual General Meeting on 29 April 2014.

Mr Yao Hsiao Tung
Executive Chairman and Chief Executive Officer
Hi-P International Limited
3 April 2014

OPERATIONS AND FINANCIAL REVIEW

"Our revenue increased in FY2013 due to the change in product mix with more high component assembly projects. As part of our costs saving measures, we made provisions to consolidate our plant in Tianjin to Suzhou. This has pushed down our net profit for the year but will streamline our processes moving forward."

The Group's revenue increased by 8.2% from S$1,166.7 million in FY2012 to S$1,262.5 million in FY2013. The increase was mainly due to the change in product mix and increase in high component content assembly projects.

Gross profit decreased by 0.3% from S$97.9 million in FY2012 to S$97.6 million in FY2013. This was mainly due to:

- Change in product mix
- Increased inventory provisions for slow moving projects
- Increased depreciation as a result of higher capital expenditure
- Increased labour cost

Total selling & distribution and administrative expenses increased by 5.3% from S$85.8 million in FY2012 to S$90.4 million in FY2013, mainly due to higher marketing costs incurred for the diversification of customers and products, and higher staff costs. The increase was partially offset by the decrease in provision for warranty costs and reversals of provisions for doubtful debts.

Net interest income decreased by 78.5% from S$2.8 million in FY2012 to S$0.6 million in FY2013, mainly due to lower net cash position across FY2013.

Other income decreased by 16.6% from S$13.3 million in FY2012 to S$11.1 million in FY2013 mainly due to lower income from trade and other payables written off, and lower service income from trial runs conducted for customers in FY2013.

Other expenses increased by 28.3% from S$5.9 million in FY2012 to S$7.6 million in FY2013, mainly due to impairment loss of S$8.4 million on property, plant and equipment as a result of the consolidation and relocation of our Tianjin plant to our Suzhou plant as well as fire damage of S$3.8 million at one of the Group's manufacturing plants in Shanghai. These were partially offset by net foreign exchange gain of S$0.8 million as a result of the appreciation of USD against SGD, and net fair value gain on derivatives used for currency hedging of S$6.9 million which arose mainly from the lower forward rate, as compared with the contract rate for selling USD and buying RMB, caused by depreciation of USD against RMB.

The Group recorded an income tax expense of S$4.8 million in FY2013, representing an effective tax rate of 42.8% (FY2012: 20.4%). The higher effective tax rate was mainly due to deferred tax assets that were not recognized on provisions made in connection with the consolidation and relocation of our Tianjin plant to our plant in Suzhou, due to uncertainty of their recoverability.

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

Net cash generated from operating activities before working capital changes was S$127.2 million (FY2012: S$102.2 million). Net cash generated from operating activities was S$82.0 million in FY2013 (FY2012: net cash used in operating activities was S$13.3 million).

Net cash used in investing activities was S$67.8 million (FY2012: S$142.7 million) mainly due to net cash outflow for purchase of property, plant and equipment amounting to S$66.2 million.

Net cash used in financing activities was S$58.0 million (FY2012: net cash generated from financing activities was S$71.0 million) mainly due to net repayment of loans and borrowings of S$43.9 million.

The Group's financial position remains strong with cash and cash equivalents including cash and cash equivalents of disposal group classified as held for sales and short term deposits pledged of S$138.9 million as at 31 December 2013. Debt was S$103.2 million, resulting in a net cash position of S$35.7 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.

MDM WONG HUEY FANG

MDM WONG HUEY FANG is an Executive Director and Chief Administrative Officer of the Group. She was appointed to the Board in January 1988. Her key responsibilities include managing our Group's administrative and public relations functions. Prior to joining our Group in 1985, Mdm 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 in April 1987. Mr Yeo graduated with a Bachelor's Degree in Accountancy from Nanyang University. He also holds a Masters of Business Administration (Business Law) from Nanyang Technological University. Mr Yeo is a member of the Institute of Singapore Chartered Accountants. He also serves as a member to Nanyang Business School Undergraduate Advisory Board.

MRS JENNIFER YEO

MRS JENNIFER YEO (Mdm Leong Lai Peng) is an Independent Director of the Company. She was appointed to the Board in November 2006. Mdm Leong chairs the board of directors of Yeo-Leong & Peh LLC, the successor of the partnership and before that the sole proprietorship which she set up in 1987. She graduated from the National University of Singapore in 1981 with LL.B (Honours) and from Boston University in 1985 with LL.M in Banking Law Studies. She was admitted to the Singapore Bar in 1982 and is also a Solicitor of England and Wales. She is a fellow of the Singapore Institute of Arbitrators and the Chartered Institute of Arbitrators. Mdm Leong is the director of Viva Foundation for Children with Cancer, which she founded in 2006. It is a Singapore charity with the status of Institution of Public Character.

MR CHESTER LIN CHIEN

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

MR GERALD LIM THIEN SU, PBM

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

MANAGEMENT TEAM

SAMUEL YUEN CHUNG SANG
Chief Financial Officer

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

GARY HO HOCK YONG
Chief Operating Officer
(OEM & Flex Business Unit)

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

Hi-P GROUP OF COMPANIES

HOLDING COMPANY

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

SUBSIDIARIES – SINGAPORE

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

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

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

SUBSIDIARIES – NORTH CHINA

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

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

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

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

SUBSIDIARIES – SOUTH CHINA

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

SUBSIDIARIES – EAST CHINA

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

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

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

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

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

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

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

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

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

Hi-P (Suzhou) Electronics Co., Ltd.
No. 199, Factory 1, Jin Feng Road
Suzhou National New & Hi-Tech Industrial
Development Zone, Jiangsu, the PRC

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

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

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

SUBSIDIARIES – WEST CHINA

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

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

SUBSIDIARIES – AMERICA

Hi-P North America, Inc.
P.O. Box 59806, Schaumburg
IL 60159-0806

High Precision Moulding and Tools, S.A. de C.V.
Tenacatita no.2 El Tapatio Tlaquepaque,
Jalisco, Mexico
CP. 45588

SUBSIDIARIES – OTHER

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

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

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

ASSOCIATED CO.

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

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

CORPORATE GOVERNANCE REPORT

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

BOARD MATTERS

Principle 1: Board's Conduct of its Affairs

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

Executive Directors

Mr Yao Hsiao Tung
Mdm Wong Huey Fang

Non-executive Director

Mr Yeo Tiong Eng

Independent Directors

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

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

(a) 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 risks to be assessed and managed;

(c) reviewing management performance;

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

(e) nominating Directors to the Board;

(f) appointing of key personnel;

CORPORATE GOVERNANCE REPORT

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

(h) assuming responsibility for corporate governance.

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

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

The Directors objectively make decisions at all times as fiduciaries in the interest of the Company.

Formal Board meetings are held at least once every quarter to oversee the business affairs of the Group, and to approve, if applicable, any financial or business objectives and strategies. Ad-hoc meetings are convened when circumstances require. The Company's Articles of Association allow a Board meeting to be conducted by way of tele-conference and video-conference.

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

	Board		Audit Committee		Nominating Committee		Remuneration Committee	
Name	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Mr Yao Hsiao Tung	5	5	–	–	–	–	–	–
Mdm Wong Huey Fang	5	5	–	–	–	–	–	–
Mr Yeo Tiong Eng	5	5	4	4	2	2	–	–
Mr Chester Lin Chien	5	5	–	–	2	2	2	2
Mdm Leong Lai Peng	5	5	4	4	2	2	2	2
Mr Gerald Lim Thien Su	5	5	4	4	–	–	2	2

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

Management would conduct briefings and orientation programmes to familiarise newly appointed Directors with the various businesses, operations and processes of the Group.

CORPORATE GOVERNANCE REPORT

Principle 2: Board Composition and Guidance

The Board comprises six Directors, one of whom is a non-executive Director and three of whom are independent Directors. Details of the Board composition are as follows:

Name of Directors	Board Membership	Date of First Appointment	Date of Last Re-election	Audit Committee	Nominating Committee	Remuneration Committee
Mr Yao Hsiao Tung	Executive Chairman and Chief Executive Officer	21.05.83	29.04.13	–	–	–
Mr Yeo Tiong Eng	Non-executive Director	01.04.87	29.04.13	Member	–	–
Mdm Wong Huey Fang	Executive Director and Chief Administrative Officer	21.01.88	23.04.12	–	–	–
Mr Chester Lin Chien	Independent Director	04.08.04	29.04.13	–	Chairman	Member
Mdm Leong Lai Peng	Independent Director	09.11.06	23.04.12	Member	Member	Chairman
Mr Gerald Lim Thien Su	Independent Director	01.11.10	29.04.13	Chairman	Member	Member

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

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

The Board will constantly examine its size and, with a view to determining the impact of the number upon effectiveness, decide on what it considers an appropriate size for the Board, which facilitates effective decision-making. The composition of the Board will be reviewed on an annual basis by the Nominating Committee to ensure that the Board has the appropriate mix of expertise and experience. Each Director has been appointed on the strength of his calibre, experience and stature and is expected to bring their experience and expertise to contribute to the development of the Group's strategy and the performance of its business.

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

Non-executive and independent Directors constructively challenge and help develop proposals on strategy, review the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.

CORPORATE GOVERNANCE REPORT

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

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

Key information regarding the Directors' academic and professional qualifications and other appointments is set out on page 5 of this Report.

Principle 6: Access to Information

To assist the Board in fulfilling its responsibilities, the Board is provided with management reports such as board papers and related materials containing relevant background or explanatory information required to support the decision-making process. The Management will continue to improve its process in providing complete, adequate and timely information to the Board prior to each Board meeting. The Board is also provided with management accounts of the Group's performance, position and prospects on a quarterly basis.

The Board has separate and independent access to senior management and the Company Secretary at all times. The Company Secretary attends all Board meetings and ensures that all Board procedures are followed. The Company Secretary also ensures that the Company complies with the requirements of the Companies Act and the SGX-ST. The appointment and removal of the Company Secretary is a matter of the Board as a whole.

If any of the Directors require independent professional advice in the furtherance of their duties, the cost of such professional advice will be borne by the Company.

Principle 3: Chairman and Chief Executive Officer

The Board recognizes the Code's recommendation that the Chairman and the Chief Executive Officer ("CEO") should be separate persons for appropriate balance of power and authority. However, the Board is also of the view that adopting a single leadership structure, i.e. where the CEO and the Chairman of the Board is the same person, would effectively improve the efficiency in decision-making and execution process of the Group. Furthermore, four out of the six Board members are independent and/or non-executive Directors and all the Board committees are chaired by independent Directors. As such, the Board believes that there is still a good balance of power and authority within the Board and no individual or small group can dominate the Board's decision-making process.

Mr Yao Hsiao Tung is the Group's Chairman and CEO who is responsible for providing guidance on the corporate and business direction of the Group, scheduling, setting agenda and chairing of Board meetings, monitoring the quality, quantity and timeliness of information flow between the Board and

CORPORATE GOVERNANCE REPORT

the management, as well as managing the day-to-day operations of the Group with the help of senior management. Mr Yao is the founder of the Group and has played a key role in developing the Group's business. Through the Group's business development in the last few years, Mr Yao has demonstrated his vision, strong leadership and enthusiasm in the Group's business.

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

BOARD COMMITTEES

Nominating Committee ("NC")

Principle 4: Board Membership
Principle 5: Board Performance

The current NC comprises the following three members, two of whom are independent Directors:

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

Where a vacancy arises under any circumstances, or where it is considered that the Board would benefit from the services of a new director with particular skills, the NC, in consultation with the Board, determines the selection criteria and selects candidates with the appropriate expertise and experience for the position.

The NC has adopted a formal process for the evaluation of the performance of the Board. In 2004, the Group implemented the Board-approved evaluation process and performance criteria to assess the performance of the Board. The performance criteria includes an evaluation of the size and composition of the Board, the Board's access to information, accountability, Board processes and Board performance in relation to discharging its principal responsibilities in terms of the financial indicators as set out in the Code. The Board assessment also takes into consideration both qualitative and quantitative criteria, such as return on equity, success of the strategic and long-term objectives set by the Board.

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

The NC assessed the Board's performance as a whole in FY2013 and is of the view that the performance of individual members of the Board and the Board as a whole was satisfactory. Mr Chester Lin Chien is currently a director of Europtronic Group Ltd, a public company listed on the mainboard of SGX-ST and a director of ST Technology Co., Ltd, a public company listed on the Gretai Securities Market in Taiwan. Except for Mr Chester Lin Chien as above stated, none of the other Directors currently holds, or had in the preceding three years from the date of this Report, held any directorship in any other listed company, other than their directorships in the Company.

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

With regard to the responsibility of determining annually, and as and when circumstances require, if a Director is independent, each NC member will not take part in determining his own re-nomination or independence. Each Director is required to submit a return of independence to the Company Secretary as to his independence, who will submit the returns to the NC. The NC shall review the returns and determine the independence of each of the Directors and recommend to the Board. An Independent Director shall

CORPORATE GOVERNANCE REPORT

notify the NC immediately, if as a result of a change in circumstances, he no longer meets the criteria for independence. The NC shall review the change in circumstances and make its recommendations to the Board. During the year, the NC has reviewed and determined that Mr Chester Lin Chien, Mdm Leong Lai Peng and Mr Gerald Lim Thien Su are independent.

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

Mdm Wong Huey Fang and Mdm Leong Lai Peng are subject to retirement pursuant to the Company's Articles of Association at the forthcoming AGM. The NC recommended that Mdm Wong Huey Fang and Mdm Leong Lai Peng be nominated for re-election at the forthcoming AGM. The NC also recommended Mr Yao Hsiao Tung and Mr Chester Lin Chien, who are over the age of 70, for re-appointment at the forthcoming AGM.

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

In making the recommendation, the NC had considered the Directors' overall contribution and performance. Key information regarding the Directors' academic and professional qualifications and other information is set out on page 5 of this Report.

Remuneration Committee ("RC")

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

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

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

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

(a) recommending to the Board a framework of remuneration for the Board and key executives of the Group (as required by law and/or the Code) which shall include the disclosure of details of the Company's remuneration policy, level and mix of remuneration, procedure for setting remuneration and details of the specific remuneration packages 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;

CORPORATE GOVERNANCE REPORT

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

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

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

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

The Company sets remuneration packages which:

(a) align interests of executive Directors with those of shareholders in promoting the long term success of the Company;

(b) link rewards to corporate and individual performance;

(c) are competitive and sufficient to attract, retain and motivate Directors and key executives with adequate experience and expertise to manage the business and operations of the Group; and

(d) take into consideration the remuneration and employment conditions within the same industry and in comparable companies.

The remuneration paid and payable to the Directors during the financial year ended 31 December 2013 are as follows:

Remuneration Bands and Names of Directors	Salary %	Performance Bonus %	Director's Fee %	Others %	Total %
S$1,200,000 – S$1,300,000					
Mr Yao Hsiao Tung	69	25	5	1	100
S$200,000 – S$300,000					
Mdm Wong Huey Fang	78	9	13	–	100
Below S$100,000					
Mr Yeo Tiong Eng	–	–	100	–	100
Mr Chester Lin Chien	–	–	100	–	100
Mdm Leong Lai Peng	–	–	100	–	100
Mr Gerald Lim Thien Su	–	–	100	–	100

CORPORATE GOVERNANCE REPORT

The remuneration paid to key executives who are not Directors or the CEO of the Company during the financial year ended 31 December 2013 is as follows:

Remuneration Bands and Names of Officers	Salary %	Performance Bonus %	Others %	Total %
S$500,000 – S$600,000				
Mr Gary Ho Hock Yong	78	13	9	100
S$400,000 – S$500,000				
Mr Samuel Yuen Chung Sang	84	14	2	100

Due to competitive factors, the names of the top five executive officers (other than those disclosed above), their respective remuneration bands and aggregate remuneration paid in FY2013 are not disclosed.

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

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

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

Other than the brother of Mr Yao Hsiao Tung, there are no employees of the Group who are immediate family members of a Director or CEO, whose remuneration exceeded S$50,000 during the year.

The Company has a share option scheme known as Hi-P Employee Share Option Scheme (the "ESOS") and a share award scheme known as Hi-P Employee Share Award Scheme (the "ESAS") which were approved by shareholders of the Company on 7 October 2003 and 23 April 2009 respectively. Both the ESOS and ESAS comply with the relevant rules as set out in Chapter 8 of the Listing Manual. Further information on the ESOS and ESAS can be found on pages 24 to 29 of this Report.

The ESOS expired on 7 October 2013 and a new Hi-P Employee Share Option Scheme 2014 will be proposed for shareholders' approval at an Extraordinary General Meeting to be held on 29 April 2014. Further information on the Hi-P ESOS 2014 can be found in the Circular dated 11 April 2014 to Shareholders.

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

CORPORATE GOVERNANCE REPORT

Audit Committee ("AC")

Principle 12: Audit Committee

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

(a) Mr Gerald Lim Thien Su (Chairman);

(b) Mr Yeo Tiong Eng; and

(c) Mdm Leong Lai Peng.

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

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

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

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

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

(f) reviewing interested person transactions;

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

The AC has reviewed the volume of non-audit services to the Group by the external auditors, and being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, is pleased to recommend their re-appointment. The breakdown of their fees for audit and non-audit services is found on note 9 to the financial statements on page 68. The AC is satisfied that the Group has complied with Rule 712 and Rule 715 of the Listing Manual in relation to the appointment of auditing firms.

Whistle-blowing Policy

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

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

Principle 11: Risk Management and Internal Controls

Risk Management

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

During the year under review, in addition to the work carried out by the external auditor and internal auditor, the Board also engaged Messrs PricewaterhouseCoopers LLP to review the risk matrices documented by the Company which assists management to address the financial, operational and compliance risks of the key operating units of the Group. The process involved the identification of the major financial, operational and compliance risks in the various business units as well as the countermeasures in place or required to mitigate such risks. These are summarized and documented using a comfort matrix of key risks, for review by the Board. The summary of comfort 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

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

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

Internal Controls

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

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

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

The Board of Directors and the Audit Committee have reviewed the adequacy of the Group's internal controls, including financial, operational and compliance controls. Based on the internal controls established and maintained by the Group, the internal and external auditors' reports, the summary of comfort matrix of the Group's key risks referred to above under "Risk Management" and reviews performed by the management, the Board, with the concurrence of the Audit Committee, are of the opinion that a system of internal controls are in place and adequate as at 31 December 2013 in addressing the financial, operational and compliance risks of the Group in the current business environment.

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

Principle 13: Internal Audit

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

CORPORATE GOVERNANCE REPORT

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

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

COMMUNICATION WITH SHAREHOLDERS

Principle 10: Accountability

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

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

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

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

The AGM of the Company is a principal forum for dialogue and interaction with all shareholders. All shareholders will receive the Annual Report and the notice of AGM. At the AGM, shareholders will be given the opportunity to voice their views and to direct questions regarding the Group to the Directors including the chairpersons of each of the Board committees. The external auditors are also present to assist the Directors in addressing any relevant queries from the shareholders. Shareholders are encouraged to attend the AGM of the Company to ensure a high level of accountability and to stay informed of the Company's strategy and goals. The Board allows all shareholders to exercise its voting rights by participation and voting at general meetings.

CORPORATE GOVERNANCE REPORT

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

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

Securities Transactions
(Listing Manual Rule 1207(19))

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

Material Contracts
(Listing Manual Rule 1207(8))

Save for the service agreements between Mr Yao Hsiao Tung and Mdm Wong Huey Fang with the Company and the interested person transactions disclosed in this Annual Report, there were no material contracts of the Company or its subsidiaries involving the interest of the Chief Executive Officer or any Director or controlling shareholders subsisting at the end of the financial year ended 31 December 2013.

Interested Person Transactions
(Listing Manual Rule 907)

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

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
Molex International Inc & its group of companies		
– Purchases of Goods and Services	S$7,520,754	N.A.
– Sales of Goods and Services	S$840,035	N.A.

FINANCIAL CONTENTS

DIRECTORS' REPORT

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Hi-P International Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet of the Company for the financial year ended 31 December 2013.

1. Directors

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

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

2. Arrangements to enable directors to acquire shares and debentures

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

3. Directors' interests in shares and debentures

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

	Direct interest		Deemed interest	
Name of director	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
Ordinary shares of the Company				
Yao Hsiao Tung	492,520,480	492,520,480	–	–
Wong Huey Fang	1,351,000	1,351,000	–	–
Yeo Tiong Eng	500,000	500,000	–	–
Chester Lin Chien	2,000,000	2,000,000	–	–
Leong Lai Peng	200,000	300,000	–	–
Share options of the Company				
Yao Hsiao Tung	7,522,650	7,745,309	–	–
Wong Huey Fang	1,113,421	1,134,091	–	–
Share awards of the Company				
Yao Hsiao Tung	–	111,329	–	–
Wong Huey Fang	–	15,502	–	–

DIRECTORS' REPORT

3. Directors' interests in shares and debentures (Continued)

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2014.

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

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

4. Directors' contractual benefits

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

5. Share options and share awards

Share options

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

Other information regarding the Option Scheme is 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 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. 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.

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

DIRECTORS' REPORT

5. Share options and share awards (Continued)

Share options (Continued)

37,085,900 options were granted to directors and employees of the Company and its subsidiaries since the commencement of the Option Scheme to the end of the financial year under review.

Details of all options to acquire ordinary shares of the Company granted pursuant to the Option Scheme as at 31 December 2013 are as follows:

Date of grant of options	Exercise price per share	Options outstanding as at 1 January 2013	Options granted during the year	Options exercised during the year	Options cancelled/ lapsed during the year	Options outstanding as at 31 December 2013	Exercise period
19/07/2004	$1.39	2,002,000	–	–	–	2,002,000	19/07/2005 to 18/07/2014
12/05/2005	$1.47	20,000	–	–	(20,000)	–	12/05/2006 to 11/05/2015
12/08/2005	$1.48	20,000	–	–	–	20,000	12/08/2006 to 11/08/2015
25/04/2006	$1.11	411,000	–	–	(31,000)	380,000	25/04/2007 to 24/04/2016
12/01/2010	$0.74	2,899,500	–	–	(146,000)	2,753,500	12/01/2011 to 11/01/2020
29/04/2010	$0.67	2,965,000	–	–	–	2,965,000	29/04/2011 to 28/04/2020
11/03/2011	$1.21	4,201,000	–	–	(719,000)	3,482,000	11/03/2012 to 10/03/2021
5/05/2011	$1.20	2,973,000	–	–	–	2,973,000	5/05/2012 to 4/05/2021
9/04/2012	$0.96	5,449,862	–	–	(880,584)	4,569,278	9/04/2013 to 8/04/2022
4/05/2012	$0.90	1,360,693	–	–	–	1,360,693	4/05/2013 to 3/05/2022
12/04/2013	$0.703	–	499,719	–	(49,360)	450,359	12/04/2014 to 11/04/2023
30/04/2013	$0.699	–	243,329	–	–	243,329	30/04/2014 to 29/04/2023
		22,302,055	743,048	–	(1,845,944)	21,199,159	

During the financial year, 499,719 options were granted by the Company under the Option Scheme to its employees (other than to participants who are directors, controlling shareholder of the Company and associates of the controlling shareholder).

DIRECTORS' REPORT

5. Share options and share awards (Continued)

Share options (Continued)

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

Name	Options granted during financial year ended 31 December 2013	Aggregate options granted since commencement of scheme to 31 December 2013	Aggregate options exercised since commencement of scheme to 31 December 2013	Aggregate options outstanding as at 31 December 2013
Yao Hsiao Tung (Director and Controlling Shareholder)	222,659	7,745,309	–	7,745,309
Wong Huey Fang (Director and Associate of Mr Yao Hsiao Tung)	20,670	1,485,091	(351,000)	1,134,091
Yao Hsiao Kuang (Associate of Mr Yao Hsiao Tung)	–	262,622	–	262,622
Total	243,329[1]	9,493,022	(351,000)	9,142,022

1 These options were granted on 30 April 2013 at an exercise price of $0.699 per share. 50% of such options granted will be exercisable on and from the 1st anniversary of the date of grant and the balance 50% will be exercisable on and from the 2nd anniversary of the date of grant, until the expiry of the 10th anniversary from the date of grant unless they have been cancelled or have lapsed prior to that date.

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

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

DIRECTORS' REPORT

5. Share options and share awards (Continued)

Share awards

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

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

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

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

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

219,274 share awards were granted to the directors and employees of the Company and its subsidiaries since the commencement of the Award Scheme till the end of the financial year.

Details of all share awards of the Company granted pursuant to the Award Scheme as at 31 December 2013 are as follows:

Date of grant of share awards	Share awards outstanding as at 1 January 2013	Share awards granted during the year	Share awards vested during the year	Share awards cancelled/ lapsed during the year	Share awards outstanding as at 31 December 2013
12/04/2013	–	88,574	–	(7,357)	81,217
30/04/2013	–	130,700	–	–	130,700
	–	219,274	–	(7,357)	211,917

DIRECTORS' REPORT

5. Share options and share awards (Continued)

Share awards (Continued)

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

During the financial year, 88,574 share awards were granted by the Company to its employees (other than to participants who are directors, controlling shareholder of the Company and associates of the controlling shareholder).

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

Name	Share awards granted during financial year ended 31 December 2013	Aggregate share awards granted since commencement of scheme to 31 December 2013	Aggregate share awards vested since commencement of scheme to 31 December 2013	Aggregate share awards outstanding as at 31 December 2013
Yao Hsiao Tung (Director and Controlling Shareholder)	111,329	111,329	–	111,329
Wong Huey Fang (Director and Associate of Mr Yao Hsiao Tung)	15,502	15,502	–	15,502
Yao Hsiao Kuang (Associate of Mr Yao Hsiao Tung)	3,869	3,869	–	3,869
Total	130,700[2]	130,700	–	130,700

[2] These share awards were granted on 30 April 2013. 50% of such share awards granted will vest on the 1st anniversary of the date of grant and the balance 50% will vest on the 2nd anniversary of the date of grant.

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

- Other than Mr Yao Hsiao Tung, Mdm Wong Huey Fang and Mr Yao Hsiao Kuang, no other directors or controlling shareholder of the Company or their associates are participants of the Award Scheme.
- No participant of the Award Scheme has received 5% or more of the total number of awards available under the Award Scheme.

DIRECTORS' REPORT

5. Share options and share awards (Continued)

Share awards (Continued)

- The total number of award shares which may be issued or issuable pursuant to awards granted under the Award Scheme when added to the aggregate number of shares that are issued or issuable pursuant to the exercise of options granted under the Option Scheme, 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 2013 do not exceed 15% of the total number of issued shares of the Company.

6. Audit committee

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

7. Auditor

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

On behalf of the board of directors:

Yao Hsiao Tung
Executive Chairman
Chief Executive Officer

Yeo Tiong Eng
Director

3 April 2014

STATEMENT BY DIRECTORS

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

(a) the accompanying balance sheets, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and the results of the business, changes in equity and cash flows of the Group for the year ended on that date; and

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

On behalf of the board of directors:

Yao Hsiao Tung
Executive Chairman
Chief Executive Officer

Yeo Tiong Eng
Director

3 April 2014

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

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

Report on the Financial Statements

We have audited the accompanying financial statements of Hi-P International Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 33 to 117 which comprise the balance sheets of the Group and the Company as at 31 December 2013, and the consolidated statement of changes in equity, consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and the results, changes in equity and cash flows of the Group for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

3 April 2014

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	2013 $'000	2012 $'000
Revenue	4	**1,262,467**	1,166,741
Cost of sales		**(1,164,916)**	(1,068,890)
Gross profit		**97,551**	97,851
Other items of income			
Interest income	5	**2,685**	6,789
Other income	6	**11,091**	13,306
Other items of expense			
Selling and distribution expenses		**(9,720)**	(7,303)
Administrative expenses		**(80,699)**	(78,528)
Financial costs	7	**(2,076)**	(3,953)
Other expenses	8	**(7,615)**	(5,935)
Share of results of associates		**(30)**	325
Profit before tax	9	**11,187**	22,552
Income tax expense	11	**(4,785)**	(4,599)
Profit for the year		**6,402**	17,953
Attributable to:			
Owners of the Company		**6,398**	17,948
Non-controlling interests		**4**	5
		6,402	17,953
Earnings per share attributable to owners of the Company (cents per share)			
Basic	13	**0.78**	2.12
Diluted	13	**0.78**	2.12

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 2013

	2013 $'000	2012 $'000
Profit for the year	**6,402**	17,953
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation	**27,770**	(16,729)
Share of other comprehensive income of associates	**143**	(98)
Other comprehensive income for the year, net of tax	**27,913**	(16,827)
Total comprehensive income for the year	**34,315**	1,126
Attributable to:		
Owners of the Company	**34,254**	1,165
Non-controlling interests	**61**	(39)
Total comprehensive income for the year	**34,315**	1,126

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

BALANCE SHEETS

AS AT 31 DECEMBER 2013

	Note	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Non-current assets					
Property, plant and equipment	14	**346,382**	363,912	**16,028**	17,084
Intangible assets	15	**5,689**	12	**12**	12
Land use rights	16	**12,564**	1,365	**–**	–
Investment in subsidiaries	17	**–**	–	**253,155**	252,978
Investment in associates	18	**1,930**	1,886	**984**	984
Other receivables	20	**–**	–	**91,082**	89,047
Other long term asset	22	**151**	223	**–**	–
Deferred tax assets	27	**21,121**	12,740	**–**	–
		387,837	380,138	**361,261**	360,105
Current assets					
Inventories	19	**163,417**	145,509	**3,369**	3,784
Trade and other receivables	20	**322,540**	328,469	**9,168**	48,617
Prepaid operating expenses		**11,048**	16,050	**104**	597
Derivatives	21	**2,650**	1,401	**7**	1,190
Short term deposits pledged	23	**6,970**	11,491	**–**	–
Cash and cash equivalents	23	**131,621**	166,017	**16,344**	18,249
		638,246	668,937	**28,992**	72,437
Assets of disposal group classified as held for sale	12	**389**	2,113	**–**	–
		638,635	671,050	**28,992**	72,437
Current liabilities					
Trade and other payables	24	**239,349**	277,900	**10,421**	11,329
Accrued operating expenses		**59,671**	32,189	**4,140**	6,048
Provisions	25	**7,063**	3,918	**–**	–
Loans and borrowings	26	**101,632**	142,228	**12,624**	80,223
Income tax payable		**16,379**	10,597	**–**	150
Derivatives	21	**119**	678	**119**	678
		424,213	467,510	**27,304**	98,428
Liabilities directly associated with disposal group classified as held for sale	12	**156**	453	**–**	–
		424,369	467,963	**27,304**	98,428
Net current assets/(liabilities)		**214,266**	203,087	**1,688**	(25,991)
Non-current liabilities					
Loans and borrowings	26	**1,601**	2,073	**–**	–
Deferred tax liabilities	27	**1,443**	1,402	**–**	–
		3,044	3,475	**–**	–
Net assets		**599,059**	579,750	**362,949**	334,114

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

BALANCE SHEETS

AS AT 31 DECEMBER 2013

	Note	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Equity attributable to owners of the Company					
Share capital	28(a)	**119,725**	119,725	**119,725**	119,725
Treasury shares	28(b)	**(50,361)**	(44,285)	**(50,361)**	(44,285)
Accumulated profits	29	**469,249**	474,409	**284,880**	250,947
Other reserves	29	**55,425**	25,088	**8,705**	7,727
Reserve of disposal group classified as held for sale	12	**4,037**	3,890	**–**	–
		598,075	578,827	**362,949**	334,114
Non-controlling interests		**984**	923	**–**	–
Total equity		**599,059**	579,750	**362,949**	334,114

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 2013

	Attributable to owners of the Company							
Group	Share capital (Note 28(a)) $'000	Treasury shares (Note 28(b)) $'000	Other reserves (Note 29) $'000	Reserve of disposal group classified as held for sale (Note 12) $'000	Accumulated profits $'000	Total equity attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
Opening balance at 1 January 2012	119,725	(44,235)	43,175	–	477,068	595,733	962	596,695
Profit for the year	–	–	–	–	17,948	17,948	5	17,953
Other comprehensive income								
Foreign currency translation	–	–	(16,685)	–	–	(16,685)	(44)	(16,729)
Share of other comprehensive income of associates	–	–	(98)	–	–	(98)	–	(98)
Other comprehensive income for the year, net of tax	–	–	(16,783)	–	–	(16,783)	(44)	(16,827)
Total comprehensive income for the year	–	–	(16,783)	–	17,948	1,165	(39)	1,126
Contributions by and distributions to owners								
Employee share option scheme – Equity compensation benefits (Note 29(d))	–	–	1,804	–	–	1,804	–	1,804
Purchase of treasury shares (Note 28(b))	–	(1,095)	–	–	–	(1,095)	–	(1,095)
Treasury shares reissued pursuant to employee share option scheme (Note 28(b))	–	1,045	30	–	–	1,075	–	1,075
Dividends on ordinary shares (Note 31)	–	–	–	–	(19,824)	(19,824)	–	(19,824)
Total transactions with owners in their capacity as owners	–	(50)	1,834	–	(19,824)	(18,040)	–	(18,040)
Others								
Transfer from retained earnings to statutory reserve fund (Note 29(a))	–	–	783	–	(783)	–	–	–
Disposal of associates	–	–	(31)	–	–	(31)	–	(31)
Reserve attributable to disposal group classified as held for sale (Note 12)	–	–	(3,890)	3,890	–	–	–	–
Total others	–	–	(3,138)	3,890	(783)	(31)	–	(31)
Closing balance at 31 December 2012	119,725	(44,285)	25,088	3,890	474,409	578,827	923	579,750

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 2013

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

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	2013 $'000	2012 $'000
Cash flows from operating activities			
Profit before tax		**11,187**	22,552
Adjustments for:			
Depreciation of property, plant and equipment	14	**86,561**	69,749
Amortisation of intangible assets	15	**916**	–
Amortisation of land use rights	16	**263**	–
Impairment loss on property, plant and equipment	14	**12,923**	428
Net loss on disposal of property, plant and equipment	8	**257**	549
Property, plant and equipment written off	8	**211**	1,295
Inventory provisions	19	**13,577**	5,299
Inventories written back	19	**(2,060)**	(1,137)
Provision for warranty costs		**3,014**	3,962
(Write-back)/impairment loss on doubtful receivables	9	**(293)**	164
Bad debts recovered	9	**(68)**	(42)
Trade/other payables written off	6	**(429)**	(1,801)
Equity compensation expense	9	**978**	1,804
Interest expense	7	**2,076**	3,953
Interest income	5	**(2,685)**	(6,789)
Net fair value gain on derivatives- unrealised		**(1,807)**	(2,601)
Net loss on disposal of investment in subsidiaries	8	**–**	1,516
Gain on disposal of investment in an associate	8	**–**	(9)
Net unrealised exchange difference		**2,591**	3,643
Share of results of associates		**30**	(325)
Operating cash flows before changes in working capital		**127,242**	102,210
Changes in working capital			
Increase in inventories		**(19,982)**	(30,404)
Decrease/(increase) in trade and other receivables		**14,757**	(48,075)
Decrease/(increase) in prepaid operating expenses and other long term asset		**6,027**	(468)
Decrease in trade and other payables		**(64,580)**	(33,667)
Increase/(decrease) in accrued operating expenses		**26,298**	(326)
Increase in amounts due from related parties		**(211)**	(132)
Total changes in working capital		**(37,691)**	(113,072)
Cash flows generated from/(used in) operations		**89,551**	(10,862)
Income taxes paid		**(7,571)**	(2,389)
Net cash flows generated from/(used in) operating activities		**81,980**	(13,251)
Cash flows from investing activities			
Dividends received from an associated company		**150**	–
Interest received		**2,525**	6,657
Proceeds from disposal of property, plant and equipment		**2,886**	2,504
Purchase of property, plant and equipment	a	**(66,187)**	(151,002)
Acquisition of intangible assets	a	**(472)**	–
Acquisition of land use rights		**(6,732)**	(1,365)
Proceeds from disposal of an associate		**–**	500
Net cash flows used in investing activities		**(67,830)**	(142,706)

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 2013

	Note	2013 $'000	2012 $'000
Cash flows from financing activities			
Decrease in short term fixed deposits pledged		**4,521**	64,160
Dividends paid on ordinary shares	31	**(9,908)**	(19,824)
Purchase of treasury shares	28(b)	**(6,076)**	(1,095)
Proceeds from re-issuance of treasury shares	28(b)	**–**	1,075
Interest paid	7	**(2,076)**	(3,953)
Repayment of loans and borrowings		**(110,856)**	(44,668)
Proceeds from loans and borrowings		**66,925**	75,893
Repayments of obligations under finance lease		**(558)**	(567)
Net cash flows (used in)/generated from financing activities		**(58,028)**	71,021
Net decrease in cash and cash equivalents		**(43,878)**	(84,936)
Effect of exchange rate changes on cash and cash equivalents		**8,741**	(12,055)
Cash and cash equivalents at beginning of year		**167,071**	264,062
Cash and cash equivalents at end of year	b	**131,934**	167,071

Note to the Consolidated Cash Flow Statement

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

	Note	2013 $'000	2012 $'000
Current year additions	14, 15	**77,254**	166,510
Less: Payable to creditors		**(32,164)**	(35,936)
		45,090	130,574
Payments for prior year purchases		**21,569**	20,428
Net cash outflow for purchase		**66,659**	151,002

(b) Reconciliation of cash and cash equivalents at 31 December

	2013 $'000	2012 $'000
Cash and cash equivalents at end of period (Note 23)	**131,621**	166,017
Cash and cash equivalents of disposal group classified as held for sale (Note 12)	**313**	1,054
	131,934	167,071

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

1. Corporate information

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

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

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

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

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

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2013. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. Summary of significant accounting policies (Continued)

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Revised FRS 27 *Separate Financial Statements*	1 January 2014
Revised FRS 28 *Investments in Associates and Joint Ventures*	1 January 2014
FRS 110 *Consolidated Financial Statements*	1 January 2014
FRS 111 *Joint Arrangements*	1 January 2014
FRS 112 *Disclosure of Interests in Other Entities*	1 January 2014
Amendments to FRS 32 *Offsetting Financial Assets and Financial Liabilities*	1 January 2014
Amendments to FRS 36 *Recoverable Amount Disclosures for Non-Financial Assets*	1 January 2014
Amendments to FRS 39 *Novation of Derivatives and Continuation of Hedge Accounting*	1 January 2014
Amendments to the transition guidance of FRS 110 Consolidated Financial Statements, FRS 111 Joint Arrangements and FRS 112 Disclosure of Interests in Other Entities	1 January 2014
Amendments to FRS 110, FRS 112 and FRS 27: Investment Entities	1 January 2014
Improvements to FRSs:	1 July 2014
– Amendments to FRS 103 *Business Combinations*	
– Amendments to FRS 108 *Operating Segments*	
– Amendment to FRS 16 *Property, Plant and Equipment*	
– Amendment to FRS 24 *Related Party Disclosures*	
– Amendment to FRS 38 *Intangible Assets*	
– Amendment to FRS 113 *Fair Value Measurement*	

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

2.4 Basis of consolidation and business combinations

a) Basis of consolidation

Basis of consolidation from 1 January 2010

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. Summary of significant accounting policies (Continued)

2.4 Basis of consolidation and business combinations (Continued)

a) Basis of consolidation (Continued)

Basis of consolidation from 1 January 2010 (Continued)

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.

Basis of consolidation prior to 1 January 2010

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. Summary of significant accounting policies (Continued)

2.4 Basis of consolidation and business combinations (Continued)

a) Basis of consolidation (Continued)

Basis of consolidation prior to 1 January 2010 (Continued)

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

b) Business combinations

Business combinations from 1 January 2010

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. Summary of significant accounting policies (Continued)

2.4 Basis of consolidation and business combinations (Continued)

b) Business combinations (Continued)

Business combinations from 1 January 2010 (Continued)

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

Business combinations prior to 1 January 2010

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

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

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

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

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

2.5 Foreign currency

The 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. Summary of significant accounting policies (Continued)

2.5 Foreign currency (Continued)

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

b) Consolidated financial statements

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

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

2.6 Subsidiaries

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. Summary of significant accounting policies (Continued)

2.7 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to owners of the Company.

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

2.8 Associates

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

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

The profit or loss reflects the share of the results of operations of the associates. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associates.

The Group's share of the profit or loss of its associates is the profit attributable to equity holders of the associate and, therefore is the profit or loss after tax and non-controlling interests in the subsidiaries of associates.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. Summary of significant accounting policies (Continued)

2.8 Associates (Continued)

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

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

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

2.9 Related parties

A related party is defined as follows:

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

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group or the Company or of a parent of the Company.

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

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. Summary of significant accounting policies (Continued)

2.9 Related parties (Continued)

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

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.10 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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

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

Factory buildings and leasehold improvements	10 – 57 years
Renovation	3 – 10 years
Plant and machinery	1 – 10 years
Motor vehicles	5 – 6 years
Office equipment, furniture and fittings	3 – 10 years

Construction-in-progress are not depreciated as these assets are not yet available for use.

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. Summary of significant accounting policies (Continued)

2.10 Property, plant and equipment (Continued)

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

2.11 Intangible asset

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

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

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

a) Club membership

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

b) Licensed right

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

2.12 Land use rights

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. Summary of significant accounting policies (Continued)

2.13 Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. These calculations are corroborated by valuation multiples or other available fair value indicators.

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

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.14 Financial assets

Initial recognition and measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. Summary of significant accounting policies (Continued)

2.14 Financial assets (Continued)

Subsequent measurement

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

a) *Financial assets at fair value through profit or loss*

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

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

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

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

b) *Loan and receivables*

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. Summary of significant accounting policies (Continued)

2.14 Financial assets (Continued)

De-recognition

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

Regular way purchase or sale of a financial asset

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

2.15 Impairment of financial assets

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

a) *Financial assets carried at amortised cost*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. Summary of significant accounting policies (Continued)

2.15 Impairment of financial assets (Continued)

a) Financial assets carried at amortised cost (Continued)

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

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

b) Financial assets carried at cost

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

2.16 Inventories

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

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

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

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

2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term fixed deposits.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. Summary of significant accounting policies (Continued)

2.18 Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

a) *Financial liabilities at fair value through profit or loss*

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

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

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

b) *Financial liabilities at amortised cost*

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

De-recognition

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. Summary of significant accounting policies (Continued)

2.18 Financial liabilities (Continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.19 Financial guarantee

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

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

2.20 Provisions

General

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

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

Warranty provisions

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. Summary of significant accounting policies (Continued)

2.21 Employee benefits

a) *Defined contribution plans*

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

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

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

b) *Employee leave entitlement*

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

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. Summary of significant accounting policies (Continued)

2.21 Employee benefits (Continued)

c) *Employee share option schemes* (Continued)

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

d) *Employee share award schemes*

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

2.22 Leases

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. Summary of significant accounting policies (Continued)

2.22 Leases (Continued)

a) Finance lease

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

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

b) Operating lease

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

2.23 Assets of disposal group classified as held for sale

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. Summary of significant accounting policies (Continued)

2.24 Revenue

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

a) Sale of goods

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

b) Service income

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

c) Interest income

Interest income is recognised using the effective interest method.

d) Dividend income

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

2.25 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. Summary of significant accounting policies (Continued)

2.25 Taxes (Continued)

a) Current income tax (Continued)

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

b) Deferred tax

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. Summary of significant accounting policies (Continued)

2.25 Taxes (Continued)

b) Deferred tax (Continued)

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

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

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

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

c) Sales tax

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. Summary of significant accounting policies (Continued)

2.26 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 38, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.27 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.

2.28 Treasury shares

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

2.29 Contingencies

A contingent liability is:

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. Summary of significant accounting policies (Continued)

2.29 Contingencies (Continued)

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

2.30 Government grants

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

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

2.31 Transfers between levels of the fair value hierarchy

Transfers between levels of the fair value hierarchy are deemed to have occurred on the date of the event or change in circumstances that caused the transfers.

3. Significant accounting judgements and estimates

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

3.1 Judgement made in applying accounting policies

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

3. Significant accounting judgements and estimates (Continued)

3.1 Judgement made in applying accounting policies (Continued)

a) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payables and net deferred tax assets as at 31 December 2013 were $16,379,000 (2012: $10,597,000) and $19,678,000 (2012: $11,338,000) respectively.

b) Deferred tax assets

Deferred tax assets are recognised for all temporary differences to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognised temporary differences at 31 December 2013 was $132,026,000 (2012: $64,663,000) and the unrecognised tax losses as at 31 December 2013 was $138,518,000 (2012: $121,868,000).

c) Determination of functional currency

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

3.2 Key sources of estimation uncertainty

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

3. Significant accounting judgements and estimates (Continued)

3.2 Key sources of estimation uncertainty (Continued)

a) *Useful lives of intangible assets*

The costs of intangible assets are amortized on a straight-line basis over their estimated economic useful lives ranging from 3 to 5 years. The economic useful lives are estimated by taking into consideration the technology life cycle. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's intangible assets at the end of each reporting period is disclosed in Note 15 to the financial statements.

b) *Impairment of property, plant and equipment*

The Group determines whether property, plant and equipment are impaired at least on an annual basis. When impairment indicator exists, the computation of impairment requires an estimation of the value in use of the cash-generating units which required the Group to make an estimate of the expected cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the property, plant and equipment as at 31 December 2013 was $346,382,000 (2012: $363,912,000). More details are given in Note 14.

c) *Provision for warranty*

The Group recognises provision for warranty at the point of recording related revenue. The Group accrues provision for warranty based on the best estimate of amounts necessary to settle future warranty claims on products sold as of each balance sheet date. Continuous release of products that are more technologically complex could result in additional allowances being required in future periods.

4. Revenue

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

5. Interest income

	Group	
	2013	2012
	$'000	$'000
Interest income from loans and receivables:		
– bank balances and short term deposits	**2,685**	6,789

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

6. Other income

	Group 2013 $'000	Group 2012 $'000
Sale of scrap materials	**4,120**	4,315
Sale of molding samples	**394**	547
Compensation from customers	**2,259**	2,103
Incentives from government[1]	**3,329**	2,673
Service income from trial runs conducted for customers	**560**	1,458
Trade/other payables written off	**429**	1,801
Others	**–**	409
	11,091	13,306

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

7. Financial costs

	Group 2013 $'000	Group 2012 $'000
Interest expense on		
– Bankers' guarantees, term loans and other bank facilities	**1,857**	3,686
– Obligations under finance leases	**219**	267
	2,076	3,953

8. Other expenses

	Group 2013 $'000	Group 2012 $'000
Net loss on disposal of property, plant and equipment	**257**	549
Property, plant and equipment written off	**211**	1,295
Impairment loss on property, plant and equipment	**12,923**	428
Net fair value gain on derivatives	**(6,941)**	(4,537)
Net foreign exchange (gain)/loss	**(850)**	6,292
Net (gain)/loss on sale of raw materials	**(114)**	311
Net loss on disposal of investment in subsidiaries	**–**	1,516
Gain on disposal of investment in an associate	**–**	(9)
Allowance on non-cancellable purchase commitments	**1,548**	–
Others	**581**	90
	7,615	5,935

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

9. Profit before tax

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

	Group	
	2013	**2012**
	$'000	$'000
Audit fees:		
– Auditors of the Company	**745**	697
– Other auditors	**122**	113
Non-audit fees:		
– Auditors of the Company	**427**	557
– Other auditors	**113**	80
Total audit and non-audit fees	**1,407**	1,447
Depreciation of property, plant and equipment	**86,561**	69,749
Amortisation of intangible assets	**916**	–
Amortisation of land use rights	**263**	–
Directors' fees	**358**	358
Directors' remuneration (Note 10)		
– Directors of the Company[1]	**1,486**	1,192
Impairment loss on property, plant and equipment	**12,923**	428
Net loss on disposal of property, plant and equipment	**257**	549
Property, plant and equipment written off	**211**	1,295
Inventory provisions	**13,577**	5,299
Provision for warranty costs	**3,014**	3,962
Bad debts recovered	**(68)**	(42)
(Write back)/impairment loss on doubtful receivables		
– Trade receivables	**(281)**	149
– Other receivables	**(12)**	15
Inventories recognised as an expense in cost of sales (Note 19)	**751,359**	699,244
Equity compensation expense (Note 10)	**978**	1,804
Operating lease expenses (Note 32(b))	**18,691**	18,787
Other personnel expenses (Note 10)	**296,350**	258,472

[1] Amount includes performance bonus amounting to approximately $236,000 (2012: $111,000) pursuant to the Service Agreement entered into with directors.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

10. Personnel expenses

	Group 2013 $'000	Group 2012 $'000
Wages, salaries and bonus	**233,240**	202,876
Defined contribution plans	**31,137**	26,273
Other short-term benefits	**33,459**	30,515
Equity compensation expense (Employee share option and award scheme (Notes 9 and 29(d)))	**978**	1,804
	298,814	261,468

The personnel expenses are inclusive of executive directors' remuneration.

Equity compensation benefits are disclosed in Note 30.

11. Income tax expense

a) Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2013 and 2012 are:

	Group 2013 $'000	Group 2012 $'000
Current income tax		
– Current income taxation	**13,245**	9,613
– Provision for Flat Rate Business Tax ("IETU")	**197**	470
– Over provision in respect of previous years	**(995)**	(5,865)
	12,447	4,218
Deferred tax		
– Origination and reversal of temporary differences	**(9,162)**	(2,249)
– (Excess provision)/provision for IETU	**(215)**	139
– Effect of changes in tax rates	**286**	1,629
– Under provision in respect of previous years	**1,429**	862
	(7,662)	381
Income tax expense recognised in profit or loss	**4,785**	4,599

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

11. Income tax expense (Continued)

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 2013 and 2012 are as follows:

	Group	
	2013	**2012**
	$'000	$'000
Accounting profit before tax	**11,187**	22,552
Income tax expense at statutory rate of 17%	**1,902**	3,834
Tax effect of different tax rates of overseas operations	**911**	3,109
Tax effect of exempt income and rebate	**(1,642)**	(524)
Tax effect of non deductible expenses	**403**	3,226
Tax effect of income not subject to taxation	**(2,355)**	(3,658)
Deferred tax assets not recognized	**4,836**	1,022
Under/(over) provision in respect of previous years	**434**	(5,003)
(Excess provision)/provision for IETU	**(18)**	609
Withholding tax	**129**	552
Effect of changes in tax rates	**286**	1,629
Share of results of associates	**44**	25
Others	**(145)**	(222)
Income tax expense recognised in profit or loss	**4,785**	4,599

12. Disposal group classified as held for sale

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

As at 31 December 2013, the assets and liabilities related to Hi-P Mexico have been presented in the balance sheet as "Assets of disposal group classified as held for sale" and "Liabilities directly associated with disposal group classified as held for sale".

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

12. Disposal group classified as held for sale (Continued)

Balance sheet disclosure

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

	Group	
	2013	**2012**
	$'000	$'000
Assets		
Trade and other receivables	**75**	1,054
Prepaid operating expenses	**1**	5
Cash and cash equivalents	**313**	1,054
Assets of disposal group classified as held for sale	**389**	2,113
Liabilities		
Trade and other payables	**91**	10
Accrued operating expenses	**65**	226
Income tax payable	**–**	13
Deferred tax liabilities	**–**	204
Liabilities directly associated with disposal group classified as held for sale	**156**	453
Net assets of disposal group classified as held for sale	**233**	1,660
Reserve		
Foreign currency translation reserve	**4,037**	3,890

13. Earnings per share

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

13. Earnings per share (Continued)

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

	Group	
	2013	**2012**
Profit for the year attributable to owners of the Company ($'000)	**6,398**	17,948
Weighted average number of ordinary shares for basic earnings per share computation ('000)	**821,066**	845,516
Dilution effects of share awards/share options ('000)	**217**	1,288
Weighted average number of ordinary shares for the effect of dilution ('000)	**821,283**	846,804
Basic earnings per share (cents)	**0.78**	2.12
Diluted earnings per share (cents)	**0.78**	2.12

There were 21,199,159 (2012: 16,437,555) options granted to the directors and employees of the Company and its subsidiaries since the commencement of the Option Scheme which have not been included in the calculation of diluted earnings per share as the stock option exercise prices are above the market price.

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

NOTES TO THE FINANCIAL STATEMENTS

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14. Property, plant and equipment

Group	Factory buildings and leasehold improvements $'000	Construction -in-progress $'000	Renovation $'000	Plant and machinery $'000	Motor vehicles $'000	Office equipment, furniture and fittings $'000	Total $'000
Cost							
At 1 January 2012	63,566	25,558	60,661	369,408	1,101	35,800	556,094
Additions	41	64,385	8,287	90,803	89	2,905	166,510
Reclassification	162	(69,147)	25,975	42,571	–	439	–
Disposals	–	–	(4,211)	(22,074)	(44)	(728)	(27,057)
Written off	–	–	(4,444)	(2,212)	–	(1,024)	(7,680)
Translation difference	(1,485)	(998)	(2,997)	(14,688)	(27)	(1,383)	(21,578)
At 31 December 2012 and 1 January 2013	**62,284**	**19,798**	**83,271**	**463,808**	**1,119**	**36,009**	**666,289**
Additions	**-**	**43,081**	**9,297**	**15,552**	**68**	**2,663**	**70,661**
Reclassification	**3,311**	**(20,521)**	**6,419**	**9,010**	**-**	**1,781**	**-**
Reclassification to land use rights	**(4,918)**	**-**	**-**	**-**	**-**	**-**	**(4,918)**
Disposals	**-**	**-**	**(770)**	**(14,794)**	**-**	**(600)**	**(16,164)**
Written off	**(51)**	**-**	**(5,233)**	**(2,441)**	**-**	**(414)**	**(8,139)**
Translation difference	**2,568**	**621**	**4,962**	**26,121**	**40**	**1,983**	**36,295**
At 31 December 2013	**63,194**	**42,979**	**97,946**	**497,256**	**1,227**	**41,422**	**744,024**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

14. Property, plant and equipment (Continued)

Group	Factory buildings and leasehold improvements $'000	Construction -in-progress $'000	Renovation $'000	Plant and machinery $'000	Motor vehicles $'000	Office equipment, furniture and fittings $'000	Total $'000
Accumulated depreciation and impairment loss							
At 1 January 2012	11,884	–	39,218	192,597	837	27,166	271,702
Charge for the year	3,839	–	8,753	51,959	96	5,102	69,749
Impairment loss provided/(written back)	–	–	729	(315)	–	14	428
Disposals	–	–	(4,099)	(19,189)	(35)	(681)	(24,004)
Written off	–	–	(3,445)	(1,934)	–	(1,006)	(6,385)
Translation difference	5	–	(1,439)	(5,877)	(26)	(1,776)	(9,113)
At 31 December 2012 and 1 January 2013	**15,728**	**-**	**39,717**	**217,241**	**872**	**28,819**	**302,377**
Charge for the year	**3,864**	**-**	**12,373**	**65,233**	**107**	**4,984**	**86,561**
Impairment loss provided	**-**	**-**	**5,751**	**7,167**	**-**	**5**	**12,923**
Reclassification	**-**	**-**	**73**	**-**	**-**	**(73)**	**-**
Reclassification to land use rights	**(417)**	**-**	**-**	**-**	**-**	**-**	**(417)**
Disposals	**-**	**-**	**(767)**	**(11,663)**	**-**	**(591)**	**(13,021)**
Written off	**(14)**	**-**	**(5,213)**	**(2,293)**	**-**	**(408)**	**(7,928)**
Translation difference	**841**	**-**	**2,477**	**12,698**	**33**	**1,098**	**17,147**
At 31 December 2013	**20,002**	**-**	**54,411**	**288,383**	**1,012**	**33,834**	**397,642**
Net carrying amount							
At 31 December 2013	**43,192**	**42,979**	**43,535**	**208,873**	**215**	**7,588**	**346,382**
At 31 December 2012	46,556	19,798	43,554	246,567	247	7,190	363,912

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

14. Property, plant and equipment (Continued)

Company	Factory buildings and leasehold improvements $'000	Renovation $'000	Plant and machinery $'000	Motor vehicles $'000	Office equipment, furniture and fittings $'000	Total $'000
Cost						
At 1 January 2012	16,936	944	21,050	480	3,266	42,676
Additions	–	48	1,356	–	73	1,477
Disposals	–	–	(781)	–	(4)	(785)
Written off	–	–	(180)	–	(68)	(248)
At 31 December 2012 and 1 January 2013	**16,936**	**992**	**21,445**	**480**	**3,267**	**43,120**
Additions	**-**	**104**	**1,342**	**-**	**55**	**1,501**
Disposals	**-**	**-**	**(66)**	**-**	**(2)**	**(68)**
Written off	**(50)**	**(80)**	**(381)**	**-**	**(174)**	**(685)**
At 31 December 2013	**16,886**	**1,016**	**22,340**	**480**	**3,146**	**43,868**
Accumulated depreciation						
At 1 January 2012	3,903	641	16,839	236	2,988	24,607
Charge for the year	315	117	1,745	86	117	2,380
Disposals	–	–	(699)	–	(4)	(703)
Written off	–	–	(180)	–	(68)	(248)
At 31 December 2012 and 1 January 2013	**4,218**	**758**	**17,705**	**322**	**3,033**	**26,036**
Charge for the year	**314**	**99**	**1,858**	**86**	**114**	**2,471**
Disposals	**-**	**-**	**(18)**	**-**	**(2)**	**(20)**
Written off	**(13)**	**(80)**	**(381)**	**-**	**(173)**	**(647)**
At 31 December 2013	**4,519**	**777**	**19,164**	**408**	**2,972**	**27,840**
Net carrying amount						
At 31 December 2013	**12,367**	**239**	**3,176**	**72**	**174**	**16,028**
At 31 December 2012	12,718	234	3,740	158	234	17,084

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

14. Property, plant and equipment (Continued)

Assets held under finance leases

During the current and prior financial year, the Group has not acquired any property, plant and equipment by means of finance leases.

The carrying amount of renovation held by the Group under finance leases at the end of reporting period was $1,599,000 (2012: $1,975,000).

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

Assets mortgaged under entrusted loans arrangement

The Group's plant & machinery with a carrying amount of $10,091,000 was mortgaged to Agricultural Bank of China in 2012 for the entrusted loans arranged. The mortgage has been duly discharged on 14 August 2013.

Impairment of assets

During the financial year, a subsidiary of the Group in Shanghai recognised an impairment loss of $3,810,000 (2012: $Nil) on renovation and machineries damaged when a fire broke out on 19 February 2013. The impairment loss, representing the full write-down of damaged assets, was recognised in "Other expenses" (Note 8) line item in profit or loss for the financial year ended 31 December 2013. The expected cashflow for the assets were estimated to be $Nil due to the fire. Accordingly under both the fair value less cost of disposal and value in use methods, the recoverable amount is estimated to be $Nil without having to go into the other parameter.

The Group has also recognised an impairment loss of $8,446,000 (2012: $Nil) in relation to consolidation and relocation of Tianjin plant to another plant in Suzhou. The impairment loss, representing the write-down of these assets to the recoverable amount, was recognised in "Other expenses" (Note 8) line item in profit or loss for the financial year ended 31 December 2013.

During the financial year, some subsidiaries of the Group carried out a review of the recoverable amount of its property, plant and equipment because some plant and machinery had been persistently idle, and full impairment loss of $667,000 (2012: $428,000) was recognised in the "Other expenses" (Note 8) line item in profit or loss for the financial year ended 31 December 2013.

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15. Intangible assets

	Group Licensed Rights $'000	Club Membership $'000	Total $'000
Cost:			
At 1 January 2012, 31 December 2012 and 1 January 2013	–	36	36
Additions	6,593	–	6,593
At 31 December 2013	**6,593**	**36**	**6,629**
Accumulated amortisation and Impairment loss:			
At 1 January 2012, 31 December 2012 and 1 January 2013	–	24	24
Charge for the year	916	–	916
At 31 December 2013	**916**	**24**	**940**
Net carrying amount:			
At 31 December 2013	**5,677**	**12**	**5,689**
At 31 December 2012	–	12	12

	Company Club Membership $'000	Total $'000
Cost:		
At 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	36	36
Accumulated amortisation and impairment:		
At 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	24	24
Net carrying amount:		
At 31 December 2013	**12**	**12**
At 31 December 2012	12	12

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15. Intangible assets (Continued)

Licensed rights

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

Club membership

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

Amortisation expense

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

16. Land use rights

	Group	
	2013	**2012**
	$'000	$'000
Cost:		
At 1 January	**1,365**	–
Additions	**6,732**	1,365
Reclassification from property, plant and equipment	**4,918**	–
Translation differences	**236**	–
At 31 December	**13,251**	1,365
Accumulated amortisation:		
Amortisation for the year	**263**	–
Reclassification from property, plant and equipment	**417**	–
Translation differences	**7**	–
At 31 December	**687**	–
Net carrying amount	**12,564**	1,365
Amount to be amortised:		
– Not later than one year	**268**	155
– Later than one year but not later than five years	**1,073**	621
– Later than five years	**11,223**	6,992

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 are expected to reside. The land use rights have a useful life of 50 years.

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17. Investment in subsidiaries

	Company	
	2013	**2012**
	$'000	$'000
Shares, at cost	**312,632**	311,832
Amount due from a subsidiary	**25,556**	25,556
	338,188	337,388
Impairment losses	**(85,033)**	(84,410)
	253,155	252,978
Movement in impairment losses:		
At 1 January	**84,410**	84,410
Additional provision during the year	**623**	–
At 31 December	**85,033**	84,410

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

Management performed an impairment test for investment in Hi-P Mexico as this subsidiary has ceased business operations and is held for sale. An impairment loss of $623,000 (2012: Nil) was recognised for the year ended 31 December 2013 to write down this subsidiary to its recoverable amount. The recoverable amount of the investment in Hi-P Mexico has been determined based on fair value less costs of disposal.

NOTES TO THE FINANCIAL STATEMENTS

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17. Investment in subsidiaries (Continued)

Details of subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation and place of business	Equity interest held by the Group		Cost of investment	
			2013	2012	2013	2012
			%	%	$'000	$'000
Held by the Company						
Hi-P Shanghai Electronics Co., Ltd. ***	Manufacture of molds	People's Republic of China	**100**	100	**10,737**	10,737
Hi-P (Shanghai) Automation Engineering Co., Ltd. ***	Development, design and manufacture of automated machinery and equipment	People's Republic of China	**100**	100	**8,489**	8,489
Hi-P Precision Plastic Manufacturing (Shanghai) Co., Ltd. ***	Spray painting	People's Republic of China	**100**	100	**3,769**	3,769
Hi-P (Shanghai) Housing Appliance Co., Ltd. ***2	Manufacture of molds, related housing appliance plastic components and equipment, water treatment equipment	People's Republic of China	**100**	100	**15,001**	15,001
Hi-P (Suzhou) Precision Mold & Die Co., Ltd. ***	Manufacture and sale of molds and plastic components	People's Republic of China	**100**	100	**4,258**	4,258
Hi-P (Xiamen) Precision Plastic Manufacturing Co., Ltd. ***	Manufacture and sale of plastic product modules	People's Republic of China	**100**	100	**12,849**	12,849
High Precision Moulding and Tools, S.A. de C.V. **1	Dormant	Mexico	**100**	100	**38,379**	38,379

NOTES TO THE FINANCIAL STATEMENTS

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17. Investment in subsidiaries (Continued)

Name of company	Principal activities	Country of incorporation and place of business	Equity interest held by the Group 2013 %	Equity interest held by the Group 2012 %	Cost of investment 2013 $'000	Cost of investment 2012 $'000
Held by the Company						
Hi-P Poland SP. ZO.O.**	Manufacture and sale of molds and plastic components	Poland	**100**	100	**3,342**	3,342
Hi-P (Chengdu) Precision Plastic Manufacturing Co., Ltd.***	Manufacture of molds	People's Republic of China	**100**	100	**8,568**	8,568
Hi-P (Chengdu) Mold Base Manufacturing Co., Ltd. ***	Manufacture of mold base and components	People's Republic of China	**100**	100	**5,070**	5,070
Hi-P (Thailand) Co., Ltd. **	Manufacture and sale of molds and plastic components	Thailand	**100**	100	**2,992**	2,992
Hi-P Tianjin Electronics Co., Ltd. ***2	Manufacture and sale of molds, plastic, electric components and electronic communication equipment	People's Republic of China	**100**	100	**30,957**	30,957
Hi-P (Tianjin) Technology Co., Ltd. ***	Manufacture and sale of molds, plastic and electric components	People's Republic of China	**100**	100	**24,764**	24,764
Hi-P (Suzhou) Electronics Co., Ltd. ***	Manufacture and sale of trays	People's Republic of China	**100**	100	**8,311**	8,311
Hi-P Lens Technology (Shanghai) Co., Ltd. ***	Manufacture and production of in-mold decoration lenses and provide related technology consultation and services	People's Republic of China	**100**	100	**4,588**	4,588

NOTES TO THE FINANCIAL STATEMENTS

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17. Investment in subsidiaries (Continued)

Name of company	Principal activities	Country of incorporation and place of business	Equity interest held by the Group 2013 %	2012 %	Cost of investment 2013 $'000	2012 $'000
Held by the Company						
Hi-P (Shanghai) Technology Co., Ltd.***2	Manufacture and sale of molds, plastic components and equipment, provide related maintenance services and technology consultation and develop, design and sale of molds and special tools	People's Republic of China	**100**	100	**14,367**	14,367
Hi-P (Shanghai) Precision Mold & Die Co., Ltd. ***	Manufacture of molds	People's Republic of China	**100**	100	**6,506**	6,506
Hi-P (Tianjin) Precision Mold & Die Co., Ltd. ***	Manufacture of molds	People's Republic of China	**100**	100	**7,590**	7,590
Hi-P North America, Inc. ***	Provision of engineering support services	United States of America	**100**	100	**676**	676
Hi-P GmbH 1#	Dormant	Germany	**100**	100	**51**	51
Hi-P (Singapore) Technology Pte. Ltd. *	Manufacture of metal precision components	Singapore	**100**	100	**1,500**	1,500
Hi-P (Shanghai) Stamping Mold & Component Industries Co., Ltd. ***2	Design and manufacture of metal and non-metal stamping, molds and electric components	People's Republic of China	**100**	100	**11,260**	11,260
Qingdao Haier Hi-P Science Technology Co., Ltd. ***	Manufacture and sale of plastic product modules	People's Republic of China	**70**	70	**2,544**	2,544
Hi-P Electronics Pte. Ltd. *@	Sales and purchases of tools, moulds, plastic and metal components, equipment, commodities, and scrap material	Singapore	**100**	100	**1,000**	200

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17. Investment in subsidiaries (Continued)

Name of company	Principal activities	Country of incorporation and place of business	Equity interest held by the Group 2013 %	Equity interest held by the Group 2012 %	Cost of investment 2013 $'000	Cost of investment 2012 $'000
Held by the Company						
Hi-P Flex Pte. Ltd. *	Investment holding	Singapore	**100**	100	**42,130**	42,130
Hi-P (Shanghai) Precision Metal Co., Ltd. ***2	Manufacture of precision stamped metal components and precision tools and die design and fabrication	People's Republic of China	**100**	100	**1,840**	1,840
Hi-P Technology Co., Ltd. #	International sales and marketing activities	The Republic of Taiwan	**100**	100	**263**	263
Hi-P (Nantong) Technology Co., Ltd. ***2	Manufacture and sale of electronic telecommunication devices, housing appliances, automated equipment and related components, provide related maintenance services and technology consultation and develop, design and sale of molds and special tools	People's Republic of China	**100**	100	**40,831**	40,831

NOTES TO THE FINANCIAL STATEMENTS

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17. Investment in subsidiaries (Continued)

Name of company	Principal activities	Country of incorporation and place of business	Equity interest held by the Group 2013 %	Equity interest held by the Group 2012 %	Cost of investment 2013 $'000	Cost of investment 2012 $'000
Held through a subsidiary						
Hi-P (Suzhou) Electronics Technology Co., Ltd.***[2]	Manufacture, SMT, assembly and trading of flexible printed circuit boards and flexible rigid printed circuit boards. Manufacture, assembly and sales of molds and plastic components	People's Republic of China	**100**	100	**–**	–
					312,632	311,832

* Audited by Ernst & Young LLP, Singapore.
** Audited by member firms of Ernst & Young Global in respective countries.
*** Audited by local auditors in respective countries.
# Not required to be audited by the laws of its country of incorporation.
@ During the financial year, the Company increased its investment in Hi-P Electronics Pte. Ltd. by $800,000 through re-investment of dividend income declared by Hi-P Electronics Pte. Ltd. in September 2013.

[1] These companies are undergoing liquidation as at year end.
[2] These companies are audited by EY member firms for consolidation purpose.

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18. Investment in associates

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	$'000	$'000	$'000
Unquoted equity shares, at cost	**984**	984	**984**	984
Share of post-acquisition reserves	**822**	778	**–**	–
Amortisation of goodwill acquired	**124**	124	**–**	–
	1,930	1,886	**984**	984

Details of associates are as follows:

Name of company	Principal activities	Country of incorporation and place of business	Effective equity interest held by the Group		Cost of investment by the Company	
			2013	**2012**	**2013**	**2012**
			%	%	$'000	$'000
Held by the Company						
Express Tech Mfg Pte. Ltd. *	Manufacture and sale of plastic products and engineering parts	Singapore	**30**	30	**503**	503
Design Exchange Pte. Ltd. **	Provision of product design and development services from concept ideation to mass production support	Singapore	**40**	40	**481**	481
					984	984

* Audited by Ascent CPA.
** Audited by Wong, Lee & Associate.

The Group has not recognised losses relating to Design Exchange Pte. Ltd. where its share of losses exceeds the Group's interest in this associate. The Group's cumulative share of unrecognised losses at the end of the reporting period was $69,000 (2012: $2,000), of which $67,000 (2012: $2,000) was the share of the current year's losses. The Group has no obligation in respect of those losses.

NOTES TO THE FINANCIAL STATEMENTS

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18. Investment in associates

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

	2013 $'000	2012 $'000
Assets and liabilities:		
Current assets	**13,441**	11,286
Non-current assets	**977**	703
Total assets	**14,418**	11,989
Current liabilities	**7,954**	4,895
Non-current liabilities	**204**	274
Total liabilities	**8,158**	5,169
Results:		
Revenue	**10,026**	9,636
Profit for the year	**115**	518

19. Inventories

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Balance sheet:				
Work-in-progress (at cost)	**57,110**	48,915	**1,691**	1,826
Raw materials (at cost)	**64,544**	44,408	**389**	295
Finished goods (at cost or net realisable value)	**41,763**	52,186	**1,289**	1,663
	163,417	145,509	**3,369**	3,784

	Group	
	2013 $'000	2012 $'000
Income statement:		
Inventories recognised as an expense in cost of sales inclusive of the following charge:	**751,359**	699,244
– Inventories written back	**(2,060)**	(1,137)
– Inventory provision	**13,577**	5,299

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

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20. Trade and other receivables

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	$'000	$'000	$'000
Trade and other receivables (current):				
Trade receivables	**277,310**	291,675	**6,501**	7,001
Other receivables	**5,765**	7,275	**–**	1
USD loans to subsidiaries	**–**	–	**–**	29,621
Amounts due from subsidiaries	**–**	–	**2,437**	11,547
Dividend receivable from an associate	**–**	150	**–**	150
Amounts due from related companies	**998**	788	**–**	–
Input tax/VAT	**35,912**	26,243	**200**	223
Refundable deposits	**2,555**	2,338	**30**	74
	322,540	328,469	**9,168**	48,617
Other receivables (non-current):				
USD loans to subsidiaries	**–**	–	**91,082**	89,047
Total trade and other receivables (current and non-current)	**322,540**	328,469	**100,250**	137,664
Add: Cash and cash equivalents and short term deposits pledged (Note 23)	**138,591**	177,508	**16,344**	18,249
Total loans and receivables	**461,131**	505,977	**116,594**	155,913

Trade and other receivables

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

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

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	$'000	$'000	$'000
United States Dollar	**260,033**	278,746	**6,501**	7,001
Euro	**2,990**	6,068	**–**	–

USD loans to subsidiaries

Loans to subsidiaries are unsecured and bear interest at 2% (2012: 2% to 6%) per annum. The loans are repayable within 3 years to 4 years (2012: 1 year to 5 years) and to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS

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20. Trade and other receivables (Continued)

Related party balances

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

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

Receivables that are past due but not impaired

The Group has trade receivables amounting to $52,919,000 (2012: $42,140,000) that are past due at the end of reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group	
	2013	**2012**
	$'000	$'000
Trade receivables past due:		
Lesser than 30 days	**43,950**	36,544
30 to 60 days	**5,445**	2,781
61 to 90 days	**3,191**	986
More than 90 days	**333**	1,829
	52,919	42,140

Receivables that are impaired

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

	Group Individually impaired	
	2013	**2012**
	$'000	$'000
Trade receivables – nominal amounts	**435**	874
Less: Allowance for impairment	**(435)**	(874)
	–	–
Movement in allowance accounts for trade receivables:		
At 1 January	**874**	942
(Write-back)/charge for the year	**(281)**	149
Written off	**(178)**	(201)
Exchange differences	**20**	(16)
At 31 December	**435**	874

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20. Trade and other receivables (Continued)

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

At the end of reporting period, the Group has provided an allowance of $14,000 (2012: $13,000) for impairment of the unsecured amounts due from related companies with a net amount of $998,000 (2012: $788,000).

21. Derivatives

	2013			2012		
	Contract/ Notional Amount USD'000	**Assets** $'000	**Liabilities** $'000	**Contract/ Notional Amount** USD'000	**Assets** $'000	**Liabilities** $'000
Group						
Forward currency contracts	**122,500**	**2,650**	**(119)**	177,159	1,401	(678)
Total financial assets/ (liabilities) at fair value through profit or loss classified as held for trading		**2,650**	**(119)**		1,401	(678)
Company						
Forward currency contracts	**18,000**	**7**	**(119)**	162,000	1,190	(678)
Total financial assets/ (liabilities) at fair value through profit or loss classified as held for trading		**7**	**(119)**		1,190	(678)

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

22. Other long term asset

Other long term asset relates to prepayment by subsidiaries of the Group for upgrading the electric capacity of factories in Tianjin and Shanghai. The prepayments made will be amortised over a period of 3 and 5 years (2012: 3 and 5 years) respectively.

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23. Cash and cash equivalents and short term deposits pledged

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	$'000	$'000	$'000
Cash at banks and in hand	**81,548**	126,416	**16,344**	18,249
Short term fixed deposits	**57,043**	51,092	**–**	–
Cash and short term deposits	**138,591**	177,508	**16,344**	18,249
Less: short term deposits pledged	**(6,970)**	(11,491)	**–**	–
Cash and cash equivalents	**131,621**	166,017	**16,344**	18,249

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short term fixed deposits are made for varying periods of between 1 day and 6 months depending on the immediate cash requirements of the Group, and earned interest at the respective short term fixed deposit rates. The average effective interest rates as at 31 December 2013 for the Group and the Company were 1.69% (2012: 2.62%) and 0.24% (2012: 0.36%) respectively.

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

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	$'000	$'000	$'000
United States Dollar	**27,519**	55,234	**2,823**	4,609
Renminbi	**8,344**	–	**–**	–
Euro	**6,344**	3,664	**18**	18

24. Trade and other payables

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	$'000	$'000	$'000
Trade and other payables (current):				
Trade payables	**189,283**	217,877	**3,023**	3,478
Other payables	**50,066**	60,023	**227**	139
Amounts due to subsidiaries	**–**	–	**2,113**	4,626
USD loan from a subsidiary	**–**	–	**5,058**	3,086
Total trade and other payables	**239,349**	277,900	**10,421**	11,329
Add:				
– Accrued operating expenses	**59,671**	32,189	**4,140**	6,048
– Loans and borrowings (Note 26)	**103,233**	144,301	**12,624**	80,223
Total financial liabilities carried at amortised cost	**402,253**	454,390	**27,185**	97,600

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31 DECEMBER 2013

24. Trade and other payables (Continued)

Trade payables

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

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

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	$'000	$'000	$'000
United States Dollar	**38,251**	67,319	**1,917**	1,805
Singapore Dollar	**7**	–	**–**	–
Renminbi	**–**	121	**–**	–
Euro	**1,860**	2,575	**–**	–
New Taiwan Dollar	**22**	9	**22**	9
Japanese Yen	**1**	67	**–**	–
Hongkong Dollar	**8**	–	**–**	–
Sterling Pound	**257**	58	**–**	–
Swiss Franc	**11**	6	**–**	–

USD loan from a subsidiary

USD loan from a subsidiary is unsecured and bear interest of 2% (2012: 2%) per annum. The loan is repayable on or before 31 December 2014 and to be settled in cash.

Other payables

Other payables include amounts due to creditors in relation to the purchase of property, plant and equipment. These balances are non-interest bearing and have an average term of 30 to 90 days.

Other payables include an amount of $6,103,000 (2012: $11,491,000) pertaining to a (2012: 2) China subsidiary of the Group which has arrangements with a China bank that appoints its overseas agent bank to settle trade payable owing by the subsidiary. These other payables bear interest at 2.30% (2012: 0.81% to 0.91%) per annum with repayment period of 1 year (2012: 3 months). Fixed deposit of $6,970,000 (2012: $11,491,000) which earns interest at 3.30% (2012: 1.11%) per annum has been held as collateral against these payables.

Amounts due to subsidiaries

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

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25. Provisions

	Group	
	2013	**2012**
	$'000	$'000
At 1 January	**3,918**	–
Arose during the financial year	**3,014**	3,918
Translation differences	**131**	–
At 31 December	**7,063**	3,918

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.

26. Loans and borrowings

		Group		Company	
		2013	**2012**	**2013**	**2012**
	Maturity	$'000	$'000	$'000	$'000
Current:					
Short term loans	2014	**100,992**	141,687	**12,624**	80,223
Obligations under finance lease	2014	**640**	541	**–**	–
		101,632	142,228	**12,624**	80,223
Non-current:					
Obligations under finance lease	2015 – 2017	**1,601**	2,073	**–**	–
Total loans and borrowings		**103,233**	144,301	**12,624**	80,223

Short term loans (unsecured)

The Group and the Company have drawn down short term loans at fixed rates of interest for hedging and general working capital purposes. The weighted average interest rate as at 31 December 2013 for the Group and the Company were 1.29% (2012: 1.26%) and 1.30% (2012: 1.28%) per annum respectively. The loans are repayable in 2014.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

26. Loans and borrowings (Continued)

Obligations under finance lease

These obligations are secured by a charge over the leased assets (Note 14). The effective interest rate on the finance lease is 9.0% (2012: 9.0%) per annum. These obligations are denominated in the functional currency of the relevant entity in the Group.

The Group has finance leases for certain items of renovation (Note 14). These leases have terms of renewal but no purchase options and escalation clauses. There are no restrictions placed upon the Group by entering into these leases. Renewals are at the option of the specific entity that holds the lease.

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

	Group	
	Total minimum lease payments	**Present value of payments**
2013	$'000	$'000
Within one year	**816**	**640**
After one year but not more than five years	**1,768**	**1,601**
Total minimum lease payments	**2,584**	**2,241**
Less: amounts representing finance charges	**(343)**	**–**
Present value of minimum lease payments	**2,241**	**2,241**
2012		
Within one year	754	541
After one year but not more than five years	2,390	2,073
Total minimum lease payments	3,144	2,614
Less: amounts representing finance charges	(530)	–
Present value of minimum lease payments	2,614	2,614

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27. Deferred tax

Deferred tax as at 31 December relates to the following:

	Group			
	Consolidated balance sheet		Consolidated income statement	
	2013	**2012**	**2013**	**2012**
	$'000	$'000	$'000	$'000
Deferred tax assets				
Provisions and allowances	**10,278**	7,226	**(2,520)**	3,417
Unutilised tax losses	**11,219**	5,413	**(5,330)**	(3,198)
Differences in depreciation for tax purposes	**(371)**	101	**349**	77
Other items	**(5)**	–	**5**	61
	21,121	12,740		
Deferred tax liabilities				
Differences in depreciation for tax purposes	**(251)**	(185)	**72**	17
Fair value adjustments on acquisition of subsidiary	**(1,182)**	(1,182)	**–**	–
Interest income accrued from fixed deposits	**(2)**	(17)	**(14)**	(150)
Other items	**(8)**	(18)	**(9)**	18
	(1,443)	(1,402)		
Deferred tax expense			**(7,447)**	242

Unrecognised tax losses

At the end of reporting period, the Group has tax losses of approximately $138,518,000 (2012: $121,868,000) that are available for offset against future taxable profits of the companies in which the losses arose for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

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

Countries	**Number of years**
People's Republic of China	5
Thailand	5
Mexico	10
Poland	5

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27. Deferred tax (Continued)

Unrecognised temporary differences relating to investments in subsidiaries

At the end of reporting period, the Group has recognised withholding tax liabilities of $5,851,000 (2012: $5,781,000) 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% (2012: 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 $117,013,000 (2012: $115,624,000). Such withholding tax liability is estimated to be $5,851,000 (2012: $5,781,000).

Tax consequences of proposed dividends

There are no income tax consequences (2012: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 31).

28. Share capital and treasury shares

a) Share capital

	Group and Company			
	2013		2012	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid ordinary shares:				
At 1 January and 31 December	**887,175**	**119,725**	887,175	119,725

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

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

NOTES TO THE FINANCIAL STATEMENTS

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28. Share capital and treasury shares (Continued)

b) Treasury shares

	Group and Company			
	2013		2012	
	No. of shares '000	$'000	No. of shares '000	$'000
At 1 January	**(61,473)**	**(44,285)**	(61,288)	(44,235)
Acquired during the financial year	**(7,480)**	**(6,076)**	(1,638)	(1,095)
Reissued pursuant to employee share option scheme:				
– For cash on exercise of employee share options (Note 30)	**–**	**–**	1,453	1,075
– Transferred from employee share option reserve	**–**	**–**	–	313
– Gain transferred to gain or loss on reissuance of treasury shares	**–**	**–**	–	(343)
	–	**–**	1,453	1,045
At 31 December	**(68,953)**	**(50,361)**	(61,473)	(44,285)

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

The Company acquired 7,480,000 (2012: 1,638,000) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was $6,076,000 (2012: $1,095,000) and this is presented as a component within shareholders' equity.

29. Other reserves and accumulated profits

Other reserves

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Statutory reserve fund (a)	**50,616**	48,967	**–**	–
Foreign currency translation reserve (b)	**(4,065)**	(31,775)	**–**	–
Capital reserve (c)	**169**	169	**–**	–
Employee share option and award reserve (d)	**8,705**	7,727	**8,705**	7,727
	55,425	25,088	**8,705**	7,727

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

29. Other reserves and accumulated profits (Continued)

Other reserves (Continued)

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	
	2013	**2012**
	$'000	$'000
At 1 January	**48,967**	48,202
Transfer from retained earnings	**1,644**	783
Share of other comprehensive income of associates	**5**	5
Reversal of other comprehensive income upon disposal of an associate	**–**	(23)
At 31 December	**50,616**	48,967

b) Foreign currency translation reserve

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

	Group	
	2013	**2012**
	$'000	$'000
At 1 January	**(31,775)**	(11,089)
Net effect of exchange differences arising from translation of financial statements of foreign operations	**27,857**	(16,788)
Reversal of exchange differences upon disposal of an associate	**–**	(8)
Reserve attributable to disposal group classified as held for sale	**(147)**	(3,890)
At 31 December	**(4,065)**	(31,775)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

29. Other reserves and accumulated profits (Continued)

Other reserves (Continued)

c) Capital reserve

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

	Group	
	2013	**2012**
	$'000	$'000
At 1 January and 31 December	**169**	169

d) Employee share option and award reserve

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

	Group and Company	
	2013	**2012**
	$'000	$'000
At 1 January	**7,727**	5,893
Equity compensation expense	**1,043**	2,000
Forfeited during the year	**(65)**	(196)
Exercised during the year	**–**	30
At 31 December	**8,705**	7,727

Accumulated profits

	Company	
	2013	**2012**
	$'000	$'000
At 1 January	**250,947**	255,091
Profit net of tax and total comprehensive income for the year	**43,841**	15,680
Dividends on ordinary shares (Note 31)	**(9,908)**	(19,824)
At 31 December	**284,880**	250,947

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

30. Equity compensation benefits

Share options

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

Other information regarding the Option Scheme is set out below:

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

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

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

(iv) The options are only settled by equity.

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

	No. 2013 '000	**WAEP 2013** $	**No. 2012** '000	**WAEP 2012** $
Outstanding at 1 January	**22,302**	**1.01**	18,754	1.01
– Granted	**743**	**0.70**	8,367	0.95
– Lapsed or forfeited	**(1,846)**	**1.04**	(3,366)	0.99
– Exercised	**–**	**–**	(1,453)	0.74
Outstanding at 31 December	**21,199**	**1.00**	22,302	1.01
Exercisable at 31 December	**16,552**	**1.02**	11,905	0.99

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

30. Equity compensation benefits (Continued)

Share options (Continued)

The range of exercise prices for options outstanding at the end of the year was $0.67 to $1.48 (2012: $0.67 to $1.48). The weighted average remaining contractual life for these options is 6.59 years (2012: 7.58 years).

There were 743,048 (2012: 8,366,852) options granted during the financial year ended 31 December 2013.

The fair value of the share options granted is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used for the years ended 31 December 2013 and 2012 are shown below:

	2013	**2012**
Expected volatility (%)	**42.65**	43.66
Risk-free interest rate (%)	**0.75**	0.90
Expected dividend yield (%)	**1.71**	3.00
Expected life of options (years)	**5.75**	6.01
Weighted average share price ($)	**0.70**	0.95

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

Share awards

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

30. Equity compensation benefits (Continued)

Share awards (Continued)

Other information regarding the Award Scheme is set out below:

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

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

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

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

	No. 2013 '000
Outstanding at 1 January	–
– Granted	219
– Lapsed or forfeited	(7)
Outstanding at 31 December	212

There were 219,274 share awards granted during the financial year ended 31 December 2013.

The fair value of the share awards granted is 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 years ended 31 December 2013 is shown below:

	2013
Risk-free interest rate (%)	0.18
Expected dividend yield (%)	1.71
Expected life of awards (years)	2.00

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

31. Dividends

	Group and Company 2013 $'000	Group and Company 2012 $'000
Declared and paid during the financial year		
Dividend on ordinary shares:		
• Final exempt one-tier dividend for 2012: 1.2 cents (2011: 2.4 cents) per share	**9,908**	19,824
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 2013: 0.6 cents (2012: 1.2 cents) per share	**4,909**	9,908

32. Commitments

a) Capital commitments

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

	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Capital commitments in respect of property, plant and equipment	**10,955**	13,631	**128**	732

b) Operating lease commitments

The Group and the Company have entered into commercial leases on plant and machinery, land use rights, motor vehicles, office equipment, factory sites, offices and staff accommodation. The lease terms range from 1 year to 30 years with options to purchase or renew at the end of the lease terms. Operating lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2013 amounted to $18,691,000 (2012: $18,787,000) (Note 9).

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32. Commitments (Continued)

b) Operating lease commitments (Continued)

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

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	$'000	$'000	$'000
Within one year	**15,204**	14,235	**266**	267
Later than one year but not later than five years	**17,503**	19,196	**982**	953
Later than five years	**1,616**	7,514	**1,610**	1,751
	34,323	40,945	**2,858**	2,971

33. Contingencies

Guarantees

The Company granted corporate guarantees of $111,768,000 (2012: $12,524,000) in favour of third party suppliers for purchases made by subsidiaries as at 31 December 2013.

The Company granted corporate guarantees of $95,942,000 (2012: $43,396,000) in favour of banks for credit facilities provided to subsidiaries as at 31 December 2013.

Certain subsidiaries utilised the bankers' guarantees of the Company of $Nil (2012: $1,012,000) in favour of third party suppliers for purchases made by subsidiaries as at 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS

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34. Related party transactions

a) Sale and purchase of goods and services

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

	Group	
	2013	**2012**
	$'000	$'000
Income		
Sales to a corporate shareholder and companies related to the shareholder	**840**	108
Expenses		
Purchase of materials from a corporate shareholder and companies related to the shareholder	**7,521**	3,575
Services rendered from an associate	**–**	4
Services rendered from companies related to directors	**8**	22

b) Compensation expenses of key management personnel

	Group	
	2013	**2012**
	$'000	$'000
Directors' fees	**110**	110
Defined contribution plans	**149**	168
Other short-term employee benefits	**6,301**	6,024
Equity compensation expense	**610**	1,231
Total compensation expenses of key management personnel	**7,170**	7,533
Comprise amounts for:		
Directors of the Company	**1,917**	1,959
Other key management personnel	**5,253**	5,574
	7,170	7,533

The remuneration of key management personnel are determined by the Remuneration Committee taking into consideration the performance of individuals and market trends.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

34. Related party transactions (Continued)

b) Compensation expenses of key management personnel (Continued)

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

During the year ended 31 December 2013, 243,329 (2012: 1,256,071) options and 126,831 (2012: Nil) awards were granted to the aforementioned executive directors. Nil (2012: Nil) options were exercised by the executive directors during the year.

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

35. Financial risk management objectives and policies

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

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

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

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

a) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of standby-credit facilities.

The Group's and the Company's liquidity risk management policy is to manage liquidity risk on a group basis, to maintain sufficient liquid financial assets and stand-by credit facilities with several banks and take up short-term loans for short-term working capital requirements. At end of reporting period, the Group has sufficient standby credit facilities with several banks. At 31 December 2013, there were outstanding short term loans with a balance of USD80 million (2012: USD115 million).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

35. Financial risk management objectives and policies (Continued)

a) *Liquidity risk* *(Continued)*

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

Analysis of financial instruments by remaining contractual maturities

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

	2013				2012			
Group	**1 year or less** $'000	**1 to 5 years** $'000	**Over 5 years** $'000	**Total** $'000	**1 year or less** $'000	**1 to 5 years** $'000	**Over 5 years** $'000	**Total** $'000
Financial assets								
Trade and other receivables	**286,628**	**-**	**-**	**286,628**	302,226	–	–	302,226
Derivatives	**2,650**	**-**	**-**	**2,650**	1,401	–	–	1,401
Short term deposits pledged	**7,271**	**-**	**-**	**7,271**	11,491	–	–	11,491
Cash and cash equivalents	**131,621**	**-**	**-**	**131,621**	166,017	–	–	166,017
Total undiscounted financial assets	**428,170**	**-**	**-**	**428,170**	481,135	–	–	481,135
Financial liabilities								
Trade and other payables	**239,349**	**-**	**-**	**239,349**	277,900	–	–	277,900
Accrued operating expenses	**59,671**	**-**	**-**	**59,671**	32,189	–	–	32,189
Derivatives	**119**	**-**	**-**	**119**	678	–	–	678
Loans and borrowings	**101,878**	**1,768**	**-**	**103,646**	142,480	2,390	–	144,870
Total undiscounted financial liabilities	**401,017**	**1,768**	**-**	**402,785**	453,247	2,390	–	455,637
Total net undiscounted financial assets/ (liabilities)	**27,153**	**(1,768)**	**-**	**25,385**	27,888	(2,390)	–	25,498

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

35. Financial risk management objectives and policies (Continued)

a) *Liquidity risk* (Continued)

	2013				2012			
	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Company								
Financial assets								
Trade and other receivables	**10,790**	**94,545**	**-**	**105,335**	48,394	–	89,047	137,441
Derivatives	**7**	**-**	**-**	**7**	1,190	–	–	1,190
Cash and cash equivalents	**16,344**	**-**	**-**	**16,344**	18,249	–	–	18,249
Total undiscounted financial assets	**27,141**	**94,545**	**-**	**121,686**	67,833	–	89,047	156,880
Financial liabilities								
Trade and other payables	**10,522**	**-**	**-**	**10,522**	11,329	–	–	11,329
Accrued operating expenses	**4,140**	**-**	**-**	**4,140**	6,048	–	–	6,048
Derivatives	**119**	**-**	**-**	**119**	678	–	–	678
Loans and borrowings	**12,637**	**-**	**-**	**12,637**	80,262	–	–	80,262
Total undiscounted financial liabilities	**27,418**	**-**	**-**	**27,418**	98,317	–	–	98,317
Total net undiscounted financial (liabilities)/ assets	**(277)**	**94,545**	**-**	**94,268**	(30,484)	–	89,047	58,563

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

	2013				2012			
	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Company								
Financial guarantees	**207,458**	**252**	**-**	**207,710**	56,932	–	–	56,932

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

35. Financial risk management objectives and policies (Continued)

b) *Foreign currency risk*

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily SGD, Renminbi (RMB), Polish Zloty (PLN) and Thai Baht (THB). The foreign currencies in which these transactions are denominated are mainly United States Dollar (USD). Approximately 95% (2012: 91%) of the Group's sales and 63% (2012: 60%) of the Group's purchases are denominated in USD respectively. The Group's net transactional currency exposure for 2013 is approximately USD609 million (2012: USD496 million). As at end of reporting period, the Group's net USD receivables and payables are approximately USD94 million (2012: USD83 million). The USD weakened against RMB but strengthened against SGD generally in 2013.

The Group and the Company also hold cash and short-term deposits denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are mainly in RMB and 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. The Group had approximately 34% of hedging in 2013 (2012: 49%) for its transactional currency arising from USD sales and purchases.

The Group has drawn-down USD80 million (2012: USD115 million) short term loans as at 31 December 2013 partly for hedging purpose.

Sensitivity analysis for foreign currency risk

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

	Group Profit net of tax	
	2013	**2012**
	$'000	$'000
USD/RMB – strengthened 3.0% (2012: 0.3%)	**475**	56
– weakened 3.0% (2012: 0.3%)	**(475)**	(56)
USD/SGD – strengthened 3.0% (2012: 5.0%)	**3,083**	4,181
– weakened 3.0% (2012: 5.0%)	**(3,083)**	(4,181)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

35. Financial risk management objectives and policies (Continued)

c) *Credit risk*

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

The Group's objective is to seek continual revenue growth while minimizing losses incurred due to increased credit risk exposure. The Group trades only with recognized and creditworthy third parties with credit verification procedures. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Excessive risk concentration

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

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

Exposure to credit risk

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

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

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

– a nominal amount of $111,768,000 (2012: $12,524,000) and $95,942,000 (2012: $43,396,000) relating to corporate guarantees by the Company in favour to third party suppliers for purchases made by the subsidiaries and in favour to banks for credit facilities provided to subsidiaries respectively; and

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

35. Financial risk management objectives and policies (Continued)

c) *Credit risk (Continued)*

Exposure to credit risk (Continued)

– a nominal amount of $Nil (2012: $1,012,000) relating to bankers' guarantees utilised by certain subsidiaries in favour of third party suppliers for purchases made by subsidiaries.

Credit risk concentration profile

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

	Group			
	2013		**2012**	
	$'000	% of total	$'000	% of total
By country:				
Europe	**18,190**	**7%**	17,926	6%
USA and other parts of American Continent	**92,113**	**33%**	103,116	35%
People's Republic of China	**146,464**	**53%**	140,592	48%
Singapore	**996**	**#**	2,015	1%
Malaysia	**1,053**	**#**	1,478	1%
Other countries	**18,494**	**7%**	26,548	9%
	277,310	**100%**	291,675	100%

– Amount less than 1%

At the end of reporting period, approximately 78% (2012: 75%) of the Group's trade receivables were due from 4 (2012: 3) major end customers who are multinational conglomerates.

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

36. Fair value of financial instruments

a) *Fair value hierarchy*

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

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

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

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

b) *Assets and liabilities measured at fair value*

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

36. Fair value of financial instruments (Continued)

b) *Assets and liabilities measured at fair value (Continued)*

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

c) *Level 2 fair value measurements*

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

Determination of fair value

Derivatives (Note 21): Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties as well as foreign exchange spot and forward rates.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

36. Fair value of financial instruments (Continued)

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

Determination of fair value

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

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

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

	Group				Company			
	Carrying amount		Fair value		Carrying amount		Fair value	
	2013	2012	2013	2012	2013	2012	2013	2012
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets:								
Amount due from a subsidiary (Note 17)	**-**	–	**-**	–	**25,556**	25,556	*	*
Financial liabilities:								
Obligations of finance lease (non-current) (Note 26)	**1,601**	2,073	**1,530**	1,941	**-**	–	**-**	–

* Amount due from a subsidiary (Note 17)

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

Determination of fair value

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

37. Capital management

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

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

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions. To manage the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, repurchase shares or issue new shares. For the year ended 31 December 2013, the Group has declared a final dividend payment of $4.9 million (2012: $9.9 million) to shareholders (as disclosed in Note 31).

As disclosed in Note 29(a), some subsidiaries of the Group are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiaries for the financial years ended 31 December 2013 and 2012.

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

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

	Group	
	2013	**2012**
	$'000	$'000
Cash and short term deposits (Note 23)	**138,591**	177,508
Less: Loans and borrowings (Note 26)	**(103,233)**	(144,301)
Net cash	**35,358**	33,207
Equity attributable to owners of Company	**598,075**	578,827
Less: Statutory reserve fund (Note 29(a))	**(50,616)**	(48,967)
Total capital	**547,459**	529,860

38. Segment information

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

38. Segment information (Continued)

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.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

38. Segment information (Continued)

2012	PPIM $'000	MDF $'000	Assembly $'000	Eliminations $'000	Notes	Consolidated $'000
Revenue:						
Sales to external customers	559,942	44,163	562,636	–		1,166,741
Inter-segment sales	70,685	53,057	–	(123,742)	A	–
	630,627	97,220	562,636	(123,742)		1,166,741
Results:						
Profit from operations	3,701	1	8,318	–		12,020
Interest income						6,789
Other income						13,306
Financial costs						(3,953)
Other expenses						(5,935)
Share of results of associates						325
Profit before tax						22,552
Income tax expense						(4,599)
Profit, net of tax						17,953
Other information						
Depreciation of property, plant and equipment	60,287	6,922	2,540	–		69,749
Provision for warranty costs	–	–	3,962	–		3,962
Inventory provisions	1,632	1	3,666	–		5,299
Impairment loss of property, plant and equipment	132	–	296	–		428
Other non-cash expenses	1,101	–	1,237	–	B	2,338

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

A Inter-segment revenues are eliminated on consolidation.

B Other non-cash expenses consist of doubtful receivables, physical inventory (write back)/written off, equity compensation expenses, net loss on disposal of property, plant and equipment, trade/other payables written off, net loss on disposal of investment in a subsidiary and gain on disposal of investment in an associate as presented in the respective notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

38. Segment information (Continued)

Geographical information

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

	Revenue		Non-current assets	
	2013	**2012**	**2013**	**2012**
	$'000	$'000	$'000	$'000
Asia				
People's Republic of China	**374,541**	337,882	**333,175**	337,399
Singapore	**7,210**	6,832	**24,165**	18,808
Malaysia	**5,878**	7,704	**–**	–
Taiwan	**64,301**	101,051	**–**	–
Others	**45,189**	54,576	**1,205**	1,861
	497,119	508,045	**358,545**	358,068
Europe	**130,883**	151,809	**6,070**	7,196
United States and the rest of Americas	**634,465**	506,887	**20**	13
	1,262,467	1,166,741	**364,635**	365,277

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

Information about major customers

The Group has 3 (2012: 3) major end customers for PPIM segment with revenue amounting to $433,112,000 (2012: $414,460,000) and 3 (2012: 2) major end customers for Assembly segment with revenue amounting to $475,731,000 (2012: $309,974,000).

39. Events occurring after the reporting period

On 28 March 2014, compensation from insurer amounting to S$3,910,000 was received by a subsidiary of the Group in Shanghai for renovation, machineries and inventories that were damaged by the fire which broke out on 19 February 2013. The financial statements for the year ended 31 December 2013 have not been adjusted for the financial effect of this compensation from insurer.

40. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on 3 April 2014.

STATISTICS OF SHAREHOLDINGS

AS AT 17 MARCH 2014

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholdings
1 – 999	10	0.44	1,472	0.00
1,000 – 10,000	1,338	58.71	8,087,038	0.99
10,001 – 1,000,000	913	40.06	46,888,517	5.73
1,000,001 – and above	18	0.79	763,244,473	93.28
Grand Total	2,279	100.00	818,221,500	100.00

TWENTY LARGEST SHAREHOLDERS AS AT 17 MARCH 2014

No.	Name of Shareholder	No. of Shares	% of Shareholdings[1]
1	YAO HSIAO TUNG	492,520,480*	60.19
2	MOLEX INTERNATIONAL INC	178,236,020	21.78
3	DBS NOMINEES PTE LTD	24,665,000	3.02
4	RAFFLES NOMINEES (PTE) LTD	20,146,361	2.47
5	CITIBANK NOMINEES SINGAPORE PTE LTD	16,976,700	2.07
6	UNITED OVERSEAS BANK NOMINEES PTE LTD	8,445,600	1.03
7	DBSN SERVICES PTE LTD	4,165,743	0.51
8	HSBC (SINGAPORE) NOMINEES PTE LTD	3,133,560	0.38
9	RODERICK SER PHUAY KEE	2,573,000	0.31
10	CHESTER LIN CHIEN	2,000,000#	0.25
11	WEE BEE HOON	1,587,000	0.19
12	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	1,504,000	0.18
13	ONG ENG LOKE	1,445,000	0.18
14	WONG HUEY FANG	1,351,000^	0.17
15	SZETO TZEN	1,282,000	0.16
16	PHILLIP SECURITIES PTE LTD	1,092,000	0.13
17	OCBC SECURITIES PRIVATE LTD	1,061,009	0.13
18	ESTATE OF KUEK SER BENG, DECEASED	1,060,000	0.13
19	CITIBANK CONSUMER NOMINEES PTE LTD	901,000	0.11
20	MAYBANK KIM ENG SECURITIES PTE LTD	895,634	0.11
	TOTAL	**765,041,107**	**93.50**

Note:

1 Based on 818,221,500 shares (excluding shares held as treasury shares) as at 17 March 2014.

* Mr Yao Hsiao Tung's shares are held (1) 489,520,480 under CDP direct account (2) 3,000,000 under Raffles Nominees (Pte) Ltd.

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

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

STATISTICS OF SHAREHOLDINGS

AS AT 17 MARCH 2014

SHAREHOLDERS' INFORMATION

No. of issued shares (excluding treasury shares)	:	818,221,500
No. and percentage of treasury shares	:	68,953,500 (8.43%)
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 17 March 2014.

Name	Direct interest	%[3]	Deemed Interest	%[3]
Yao Hsiao Tung (Note 1)	492,520,480	60.19	–	–
Molex International Inc	178,236,020	21.78	–	–
Molex Incorporated (Note 2)	–	–	178,236,020	21.78

Notes:

1. Mr Yao Hsiao Tung's shares are held:
   (1) 489,520,480 under CDP direct account (2) 3,000,000 under Raffles Nominees (Pte) Ltd.
2. Molex International Inc is a subsidiary of Molex Incorporated. As such, Molex Incorporated is deemed to have an interest in the 178,236,020 shares held by Molex International Inc.
3. Percentage shareholding is based on the Company's total issued shares of 818,221,500 shares as at 17 March 2014 (excluding treasury shares).

Free Float

As at 17 March 2014, approximately 17.52% of the total issued shares (excluding treasury shares) of the Company was held in the hands of the public (based on information available to the Company).

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

Treasury Shares

As at 17 March 2014, the Company held 68,953,500 treasury shares, representing 8.43% of the total issued shares excluding treasury shares.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Hi-P International Limited (the "Company") will be held at Ficus 3 Room, Level 2, Jurong Country Club, 9 Science Centre Road, Singapore 609078 on Tuesday, 29 April 2014 at 3.00 p.m for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Accounts of the Company for the year ended 31 December 2013 together with the Auditor's Report thereon. **(Resolution 1)**

2. To declare a first and final tax exempt one-tier dividend of 0.6 cents per ordinary share for the year ended 31 December 2013. [2012: 1.2 cents per ordinary share] **(Resolution 2)**

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

4. To re-elect Mdm Leong Lai Peng retiring pursuant to Article 91 of the Company's Articles of Association.
   [See Explanatory Note (ii)] **(Resolution 4)**

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

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

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

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

6. To approve the payment of Directors' fees of S$358,000.00 for the year ended 31 December 2013. (2012: S$358,000.00) **(Resolution 7)**

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

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

NOTICE OF ANNUAL GENERAL MEETING

SPECIAL BUSINESS

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

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

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

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

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

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

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

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

   (ii) new shares arising from 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)**

NOTICE OF ANNUAL GENERAL MEETING

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

"That, pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be and are hereby authorised to offer and grant awards in accordance with the Hi-P Employee Share Award Scheme (the "Award Scheme") and to allot and issue such number of fully paid shares as may be required to be issued pursuant to the vesting of the awards under the Award Scheme provided always that the aggregate number of shares issued or issuable pursuant to the Award Scheme, which together with the aggregate number of shares issued or issuable pursuant to the Hi-P Employee Share Option Scheme and any other share schemes of the Company, shall not exceed fifteen per cent. (15%) of the total number of issued shares excluding treasury shares of the Company on the day preceding the date of grant of any award."
[See Explanatory Note (vi)] **(Resolution 10)**

By Order of the Board

Yao Hsiao Tung
Executive Chairman and Chief Executive Officer

Singapore, 11 April 2014

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

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

(ii) If re-elected under Resolution 4, Mdm Leong Lai Peng retiring pursuant to Article 91 of the Company's Articles of Association, will continue in office as Independent Director of the Board of Directors of the Company.

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

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

(v) The Ordinary Resolution 9 proposed in item 9 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company. The aggregate number of shares (including any shares issued pursuant to the convertible securities) which the Directors may allot and issue under this Resolution will not exceed fifty per cent. (50%) of the total number of issued shares excluding treasury shares (as defined in Resolution 9) of the Company. For issues of shares and convertible securities other than on a pro-rata basis to all shareholders, the aggregate number of shares to be issued shall not exceed twenty per cent. (20%) of the total number of issued shares excluding treasury shares (as defined in Resolution 9) of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue shares pursuant to any convertible securities issued under this authority.

(vi) The Ordinary Resolution 10 proposed in item 10 above, if passed, will empower the Directors of the Company, to grant awards and to allot and issue shares pursuant to the vesting of awards under the Hi-P Employee Share Award Scheme, which together with the allotment and issue of shares pursuant to the Hi-P Employee Share Option Scheme and any other share schemes of the Company, do not exceed in total fifteen per cent. (15%) of the total number of issued shares excluding treasury shares of the Company on the day preceding the date of grant of any award.

Notes:

1. Detailed information of Mdm Wong Huey Fang, Mdm Leong Lai Peng, Mr Yao Hsiao Tung and Mr Chester Lin Chien can be found under the "Directors Profile" section in the Company's Annual Report 2013.

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

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

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

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HI-P INTERNATIONAL LIMITED

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

PROXY FORM

IMPORTANT

1. For investors who have used their CPF monies to buy Hi-P International Limited shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We ______________________________ (Name)
______________ (NRIC/Passport Number) of ______________
______________________________(Address) being a member/members of HI-P INTERNATIONAL LIMITED (the "Company") hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting of the Company (the "Meeting") to be held at Ficus 3 Room, Level 2, Jurong Country Club, 9 Science Centre Road, Singapore 609078 on Tuesday, 29 April 2014 at 3.00 p.m and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any matter arising at the Meeting.

No.	Resolutions Relating to:	For	Against
1.	Directors' Report and Accounts for the year ended 31 December 2013		
2.	Payment of first and final dividend		
3.	Re-election of Mdm Wong Huey Fang		
4.	Re-election of Mdm Leong Lai Peng		
5.	Re-appointment of Mr Yao Hsiao Tung		
6.	Re-appointment of Mr Chester Lin Chien		
7.	Approval of Directors' fees for the year ended 31 December 2013		
8.	Re-appointment of Messrs Ernst & Young LLP as Auditor		
9.	Authority to issue and allot shares pursuant to Section 161 of the Companies Act, Cap. 50		
10.	Authority to grant awards and issue shares under the Hi-P Employee Share Award Scheme		

Dated this ______________ day of ______________ 2014

Total No. of Shares	No. of Shares
In CDP Register	
In Register of Members	

____
Signature(s) of Member(s)
or, Common Seal of Corporate Member

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES

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

2. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.

3. A proxy need not be a member of the Company.

4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all shares held by the member.

5. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at **11 International Business Park, Singapore 609926**, not less than 48 hours before the time set for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

GENERAL:

The Company shall be entitled to reject a proxy form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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