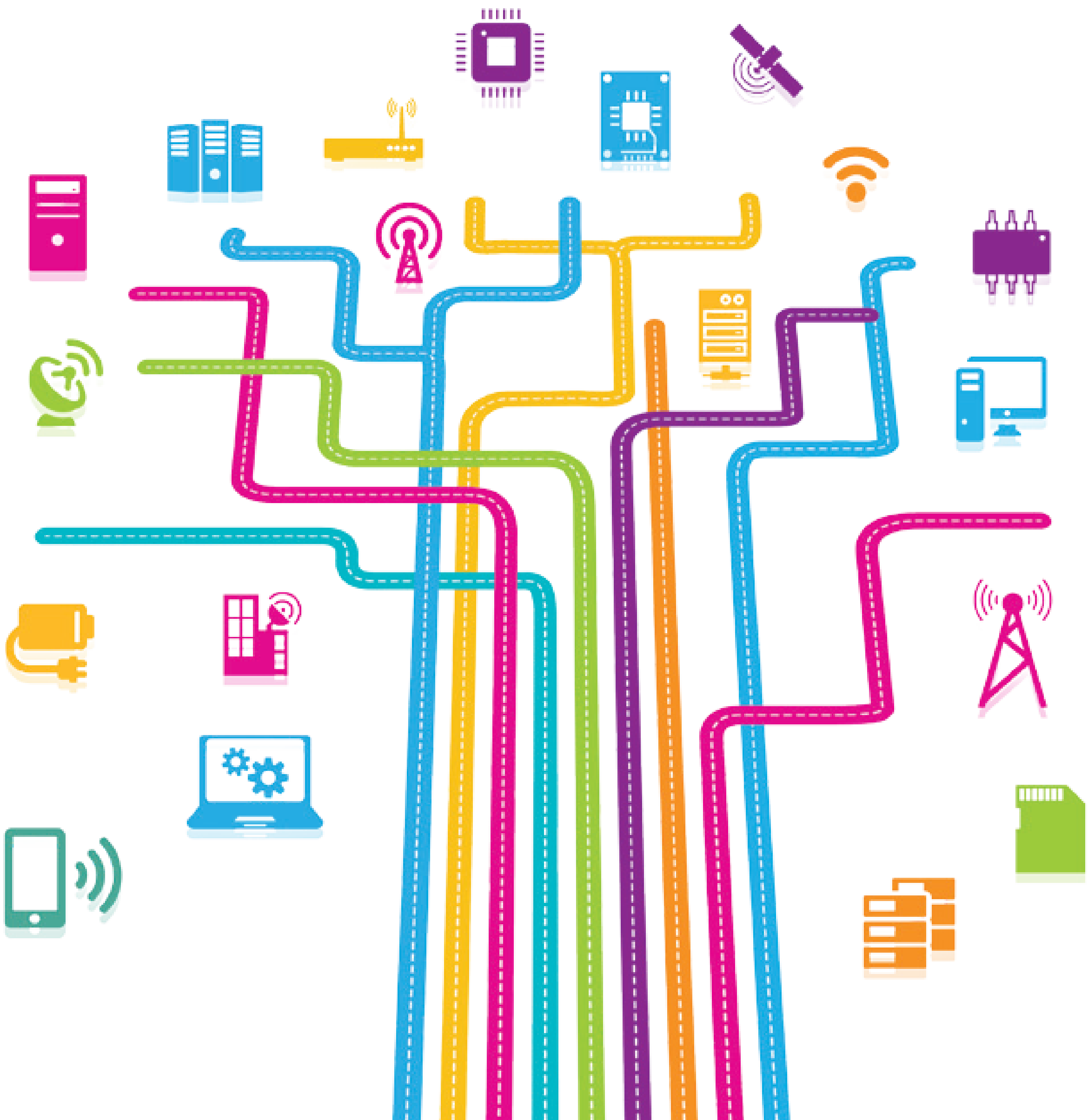
Hi-P INTERNATIONAL LIMITED
赫 比 国 际 有 限 公 司

INVEST. INNOVATE. IMPROVE.

ANNUAL REPORT 2015

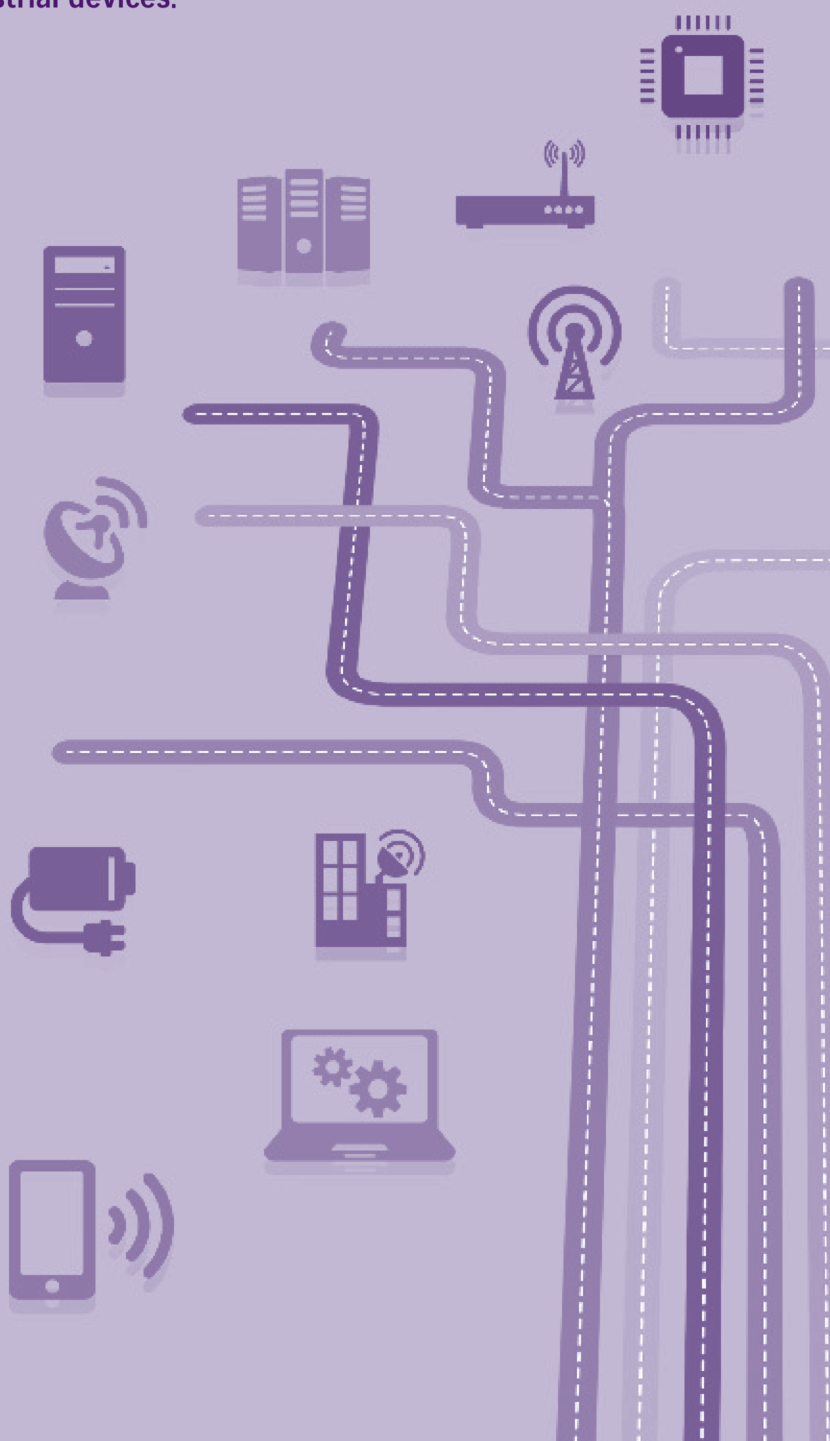


Hi-P International Limited ("Hi-P") started out in 1980 as a tooling specialist in Singapore and has since grown to become one of the region's largest and fastest-growing integrated contract manufacturers today. The Group provides a one stop solution to customers in various industries, including telecommunications, consumer electronics, computing & peripherals, lifestyle, medical and industrial devices from design, electro-mechanical parts, modules to complete product manufacturing services.

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

CONTENTS



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive:

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

Non-Executive:

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

AUDIT COMMITTEE

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

NOMINATING COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARIES

Chan Wan Mei
Chan Lai Yin (appointed w.e.f. 30 November 2015)
Tay Chee Wah (resigned w.e.f. 30 November 2015)

REGISTERED OFFICE

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

SHARE REGISTRAR

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

AUDITOR

Ernst & Young LLP
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

With the right skill set and talent, our investments will position us favourably to capture business opportunities with existing and new customers while achieving greater cost efficiencies and economies of scale.

Dear Shareholders,

The global economy was characterised by both uncertainty and volatility in 2015. On the back of strong economic data in the U.S., the Federal Reserve raised interest rates for the first time since the financial crisis. Europe however continued its sluggish growth while emerging markets suffered from a slowdown in global trade and falling commodity prices. Separately in Asia, China encountered a slowdown in growth as the nation transitions into a consumer-driven economy. As such, we had to navigate carefully in order to achieve our vision of being a recognised leader in integrated electro-mechanical solutions, focused on value creation and exceeding customer expectations.

Updates on Yota Arbitration

Despite the subdued economic environment in 2015, our core business continued to perform well. We were however affected by a one-off non-cash provisions stemming from our business dealings with Yota Devices Limited ("Yota"). This resulted in a net loss of S$45.4 million for the financial year ended 31 December 2015 ("FY2015"). On this matter, we wish to update that arbitration proceedings are still ongoing and will keep all shareholders informed when there are material developments.

As we move on to focus on our core business operations, all of us at Hi-P have rallied together to tackle the potentially challenging business headwinds we will face in 2016. Embracing the popular saying, "没有不景气，只有不争气" (*No economic downturn will prevail if we possess the right fighting spirit*), it reconciles with our Group's guiding spirit of contribution and ownership. We are confident in the long term prospects of the Group as we possess the right business strategy and unified fighting spirit.

Core Business Remains Robust

Focusing on the Group's core business, it remains robust as revenue increased 43.2% from S$951.4 million in FY2014 to a record of S$1,362.6 million for FY2015. This growth in revenue was driven by an increase in orders from key existing customers and new customers won during the course of the year.

If not for the one-off non-cash impact arising from the provisions on Yota's projects, the Group would have recorded a net profit of S$31.5 million. Our core business segments continue to remain robust with an ability to generate a strong positive operating cash flow of S$108.3 million in the fourth quarter of 2015.

Our plastics business continues to be robust as customers turn to us for our best-in-class manufacturing capabilities and precise mould designs. We have also adopted initiatives to position the company for sustainable future growth. From a business operations perspective, we continue to improve our processing capabilities in order to capture the prevailing trend for smart phones, tablets and other consumer electronic devices. Our capabilities allowed us to forge long-term partnerships with major existing customers as they co-invested with us on their projects, contributing to mutual success.

From the angle of business management, we have also appointed proven leaders to manage operations on the ground, particularly with metal computer numerical control ("CNC") processes. With the right skill sets and talent, our investments will position us favourably to capture business opportunities with existing and new customers while achieving greater cost efficiencies and economies of scale.

Our culture of being results-oriented remains as we strive to deliver quality precision products at the most competitive cost. Furthermore, we continue to invest in our manufacturing capabilities to deliver a higher level of product design innovation, flexibility and quality that will add value to our customers.

Increasing Diversification & Tightening Cost Controls

With a foundation for strong execution, it remains a cornerstone in the successful implementation of our corporate strategy. Our focus remains on intensifying business development efforts in order to increase the order allocation from existing customers and securing new MNC customers as we strive to diversify our customer base. This ensures our continued growth as we stay prepared for a challenging economic environment in 2016. In view of this, we have also taken steps to strengthen our credit risk management.

The Group maintains its goal of reducing costs across all business segments and improving operational efficiencies in order to adopt a leaner business model. In 2015, we consolidated our plastic operations in Jin Hai Road and Nan Hui, which successfully reduced overheads and enhanced our productivity.

Outlook

We expect the business environment to remain challenging with subdued economic activity across global markets. Nonetheless, we are cautiously optimistic about our business development efforts with new and existing customers as we strive forward as a leaner organisation with our cost control measures.

Although much uncertainty characterises the market in 2016, we believe we are serving the right product market which still has ample room for growth. According to independent technology research house Gartner, mobile shipments are on pace to increase in 2016. In addition, Gartner estimates that by the end of 2016, 82% of mobile phones will be smartphones, up 12% from 2015[1]. Another report from the International Data Corporation estimates that the worldwide wearable device market will reach a total of 111.1 million units shipped in 2016, up a strong 44.4% from the 80 million units expected to be shipped in 2015[2]. With our longstanding and proven track record of delivering products of the highest quality, I believe we are well positioned to ride on this positive momentum going into 2016.

Appreciation & Dividend

In closing, I would like to express my gratitude and heartfelt appreciation to our customers, suppliers and other business associates for their support. I would also like to thank our Board of Directors and employees for their hard work and dedication.

On behalf of the Board, I would also like to thank our valued shareholders for their continued confidence in management and their long term belief in the company. As a reward to our shareholders, I am pleased to announce that the Board has recommended a final dividend of 0.3 Singapore cents per share, bringing full year dividends for FY2015 to 0.6 Singapore cents.

Mr Yao Hsiao Tung
Executive Chairman and Chief Executive Officer
Hi-P International Limited
1 April 2016

[1] *Gartner, Worldwide Device Shipments to Grow 1.9 Percent in 2016, While End-User Spending to Decline for the First Time, 20 January 2016*

[2] *International Data Corporation, IDC Forecasts Worldwide Shipments of Wearables to Surpass 200 Million in 2019, Driven by Strong Smartwatch Growth, 17 December 2015*

OPERATIONS AND FINANCIAL REVIEW

"Our revenue increased by 43.2% to S$1.36 billion for FY2015 driven by an increase in orders from key existing and new customers.

We recorded a net loss of S$45.4 million for FY2015 mainly due to one-off non-cash provisions for Yota's projects. Otherwise, the Group would have recorded a net profit of S$31.5 million for FY2015."

On a full-year basis, the Group's revenue increased 43.2% year-on-year ("yoy") to a record of S$1.36 billion for FY2015, driven by an increase in orders from key existing customers and new customers.

The strong revenue growth however was affected by the Group's one-off inventory provision recognition amounting to S$60.3 million as a result of adjusting the carrying value of inventory that was prepared for Yota Devices Limited ("Yota"). If not for the impact arising from the inventory provision for Yota's projects, the Group would have recorded a gross profit of S$131.2 million for FY2015.

Other income decreased 41.2% yoy to S$11.6 million for FY2015. The higher other income in FY2014 was mainly contributed by insurance claim of S$5.2 million and S$3.9 million gain from liquidation of Hi-P Mexico.

Total selling, distribution and administrative expenses increased 36.0% yoy to S$96.5 million for FY2015. The increase was mainly due to impairment loss on doubtful receivables due from Yota of S$8.2 million, a reversal of warranty provision of S$6.9 million in FY2014 but none in FY2015, higher business development expenses incurred for new projects and higher staff costs.

Other expenses increased 350.0% yoy to S$17.1 million for FY2015 mainly due to allowance on non-cancellable purchase commitments for Yota's projects amounting to S$8.4 million. The increase was also due to higher property, plant and equipment written off and retrofitted the space for a new project. The net foreign exchange gain of S$2.6 million in FY2015 was mainly due to appreciation of USD against SGD and CNY. The net fair value loss on derivatives of S$2.7 million was due to changes in fair value and settlement of currency hedging contracts.

Despite a pre-tax loss, the Group recorded an income tax expense of S$12.6 million for FY2015 due to tax on profitable entities and certain deferred tax assets not being recognised.

As a result of the above factors, the Group recorded a net loss of S$45.4 million for FY2015. If not for the impact arising from the inventory provision (S$60.3 million), impairment loss on doubtful receivables (S$8.2 million) and allowance on non-cancellable purchase commitments (S$8.4 million) for Yota's projects, the Group would have recorded a net profit of S$31.5 million for FY2015.

Net cash generated from operating activities before working capital changes was S$167.4 million in FY2015 (FY2014: S$98.9 million). Net cash used in operating activities in FY2015 amounted to S$21.7 million (FY2014: net cash generated from operating activities was S$79.2 million).

Net cash used in investing activities was S$137.5 million in FY2015 (FY2014: S$105.4 million), mainly due to net cash outflow for purchase of property, plant and equipment amounting to S$144.6 million.

Net cash generated from financing activities was S$72.8 million in FY2015 (FY2014: S$102.2 million), mainly due to net proceeds from loans and borrowings amounting to S$91.6 million.

Current and non-current loans and borrowings increased 46.9% yoy to S$316.3 million as at 31 December 2015, mainly used for general working capital and capital expenditure purposes. Cash and cash equivalents and short term deposits pledged decreased 40.8% yoy to S$126.2 million as at 31 December 2015. The Group was in a net debt position of S$190.1 million as at 31 December 2015 (31 December 2014: net debt S$2.2 million).

BOARD OF DIRECTORS

MR YAO HSIAO TUNG

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

MADAM WONG HUEY FANG

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

MR YEO TIONG ENG

MR YEO TIONG ENG is an *Independent Director* of the Company. He was appointed to the Board as Non-Executive Director in April 1987 and re-designated to Independent Director with effect from 30 January 2015. Mr Yeo graduated with a Bachelor's Degree in Accountancy from Nanyang University. He also holds a Master of Business Administration (Business Law) from Nanyang Technological University. Mr Yeo was formerly a Vice-President Finance of Molex Global Commercial Products Division and is a member of the Institute of Singapore Chartered Accountants. He also served as a board member to Nanyang Business School Undergraduate Advisory Board from 2006 to 2014.

MRS JENNIFER YEO (Madam Leong Lai Peng)

MRS JENNIFER YEO (Madam Leong Lai Peng) is an *Independent Director* of the Company. She was appointed to the Board in November 2006. Madam 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 since 1999. She is a fellow of the Singapore Institute of Arbitrators and the Chartered Institute of Arbitrators. Madam Leong is the Chairman of Viva Foundation for Children with Cancer, which she founded in 2006 in Singapore and is a charity with the status of Institution of Public Character. She is also the founder Chairman of Viva China Children's Cancer Foundation Limited incorporated in Hong Kong in December 2014 as a Hong Kong charity with the mission to raise the cure rate of children with cancer in China and Hong Kong.

MR CHESTER LIN CHIEN

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

MR GERALD LIM THIEN SU

MR GERALD LIM THIEN SU, 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

TAY EWEE LIANG
Deputy Chief Executive Officer

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

SAMUEL YUEN CHUNG SANG
Chief Financial Officer

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

Hi-P GROUP OF COMPANIES

As at 31 December 2015

HOLDING COMPANY

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

SUBSIDIARIES – SINGAPORE

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

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

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

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

SUBSIDIARIES - NORTH CHINA

Hi-P Tianjin Electronics Co., Ltd.
Factory 8, No.29 XinYe 3rd Street
West Developing Zone of TEDA
Tianjin, the PRC

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

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

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

SUBSIDIARIES - SOUTH CHINA

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

SUBSIDIARIES - EAST CHINA

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

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

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

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

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

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

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

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

Hi-P (Shanghai) International Trading Co., Ltd.
No.28 Xin Jinqiao Road,
11F Xin Jinqiao Building, Pudong New
District, Shanghai China 201206, the PRC

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

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

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

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

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

SUBSIDIARIES - WEST CHINA

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

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

SUBSIDIARIES – AMERICA

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

SUBSIDIARIES – OTHER

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

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

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

ASSOCIATED COMPANY

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

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

CORPORATE GOVERNANCE REPORT

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

Board Matters

Principle 1: The Board's Conduct of Affairs

The Board comprises of the following members:

Executive Directors
Mr Yao Hsiao Tung
Madam Wong Huey Fang

Independent Directors
Mr Chester Lin Chien
Madam Leong Lai Peng
Mr Gerald Lim Thien Su
Mr Yeo Tiong Eng

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

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

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

(c) reviewing management performance;

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

(e) nominating directors to the Board;

(f) appointing key personnel;

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

(h) assuming responsibility for corporate governance; and

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

CORPORATE GOVERNANCE REPORT

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

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

The directors of the Company ("**Directors**") objectively discharge their duties and responsibilities at all times as fiduciaries in the interest of the Group.

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

During the year under review, the Board held five meetings and the attendance of each Director at every Board and board committees meeting is as follows:-

Name	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Mr. Yao Hsiao Tung	5	5	–	–	–	–	–	–
Madam Wong Huey Fang	5	5	–	–	–	–	–	–
Mr. Yeo Tiong Eng	5	5	4	4	1	1	–	–
Mr. Chester Lin Chien	5	5	–	–	1	1	1	1
Madam Leong Lai Peng	5	4	4	4	1	1	1	1
Mr. Gerald Lim Thien Su	5	5	4	4	–	–	1	1

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

Management would conduct briefings and orientation programmes to familiarise newly appointed Directors with the various businesses, operations and processes of the Group. During the year under review, the Company has arranged briefing for the Directors covering, *inter alia*, roles and responsibilities of directors, as well as listing rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). A formal letter of appointment containing *inter alia*, the role and responsibilities of directors, will be provided to every new director. No new director has been appointed to the Board during the year under review.

CORPORATE GOVERNANCE REPORT

Principle 2: Board Composition and Guidance

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

Name of Directors	Board Membership	Date of First Appointment	Date of Last Re-election/ Re-appointment	Audit Committee	Nominating Committee	Remuneration Committee
Mr. Yao Hsiao Tung	Executive Chairman and Chief Executive Officer	21 May 1983	28 April 2015	–	–	–
Mr. Yeo Tiong Eng	Non-executive Director Independent Director	1 April 1987 Re-designated with effect from 30 January 2015	28 April 2015	Member	Member	–
Madam Wong Huey Fang	Executive Director and Chief Administrative Officer	21 January 1988	29 April 2014	–	–	–
Mr. Chester Lin Chien	Independent Director	4 August 2004	28 April 2015	–	Chairman	Member
Madam Leong Lai Peng	Independent Director	9 November 2006	29 April 2014	Member	Member	Chairman
Mr. Gerald Lim Thien Su	Independent Director	1 November 2010	28 April 2015	Chairman	–	Member

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

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

The Board will constantly examine its size and, with a view to determining the impact of the number upon effectiveness, decide on what it considers an appropriate size for the Board, which facilitates effective decision-making. The composition of the Board will be reviewed on an annual basis by the NC to ensure that the Board has the appropriate balance and diversity of skill, experience, gender and knowledge. The NC's policy in such review and the making of any recommendation to the Board take into account a candidate's track record, age, experience, capabilities and other relevant factors. Each Director has been appointed on the strength of his/her calibre, experience and stature and is expected to bring his/her experience and expertise to contribute to the development of the Group's strategy and the performance of its business.

CORPORATE GOVERNANCE REPORT

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

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

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

Madam Leong Lai Peng was appointed as a Director on 9 November 2006 and has served the Board for more than nine years. The NC had rigorously reviewed Madam Leong Lai Peng's independence and, together with the Board, was of the view that Madam Leong Lai Peng had demonstrated strong independent character and judgement in discharging her duties and responsibilities as an independent Director over the years. Madam Leong Lai Peng had expressed her view, debated issues, constructively challenged Management and sought clarification where deemed necessary. There is no relationship which is likely to affect or could appear to affect her judgement.

Mr. Yeo Tiong Eng was appointed as a non-executive Director on 1 April 1987 and has served the Board for more than nine years since its first appointment to the Board in 1987. He was re-designated to independent Director of the Company with effect from 30 January 2015. The NC had rigorously reviewed Mr. Yeo Tiong Eng's independence and, together with the Board, was of the view that Mr. Yeo Tiong Eng had demonstrated strong independent character and judgement in discharging his duties and responsibilities as an independent Director since his re-designation to independent Director in January 2015. Mr. Yeo Tiong Eng had expressed his view, debated issues, constructively challenged Management and sought clarification where deemed necessary. There is no relationship which is likely to affect or could appear to affect his judgement.

Mr. Chester Lin, Madam Leong Lai Peng and Mr. Yeo Tiong Eng had each abstained from the discussion and taking a decision in respect of their own independence.

Taking into account the above, the NC had recommended that Mr. Chester Lin, Madam Leong Lai Peng and Mr. Yeo Tiong Eng continue to be considered as independent notwithstanding that they have served on the Board for more than nine years. The Board has accepted the NC's recommendation that Mr. Chester Lin, Madam Leong Lai Peng and Mr. Yeo Tiong Eng be considered independent.

Non-executive Directors communicate with each other without the presence of Management as and when the need arises.

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

Principle 6: Access to Information

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

CORPORATE GOVERNANCE REPORT

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

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

Principle 3: Chairman and Chief Executive Officer

The Board recognizes the Code's recommendation that the Chairman and the Chief Executive Officer should be separate persons for appropriate balance of power and authority. However, the Board is also of the view that adopting a single leadership structure, i.e. where the Chief Executive Officer and the Chairman of the Board are the same person, would effectively improve the efficiency in decision-making and execution process of the Group. Furthermore, four out of the six Board members are independent Directors and all the board committees are chaired by the independent Directors. The Board believes that there is still a good balance of power and authority within the Board and no individual or small group can dominate the Board's decision-making process. In view thereof, the Board has not appointed a lead independent director to date.

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

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

Board Committees

Nominating Committee ("NC")

Principle 4: Board Membership
Principle 5: Board Performance

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

No external facilitator has been engaged by the Company for the purpose of evaluation of the Board and board committees during the year under review.

The NC is of the view that the Directors will not be evaluated individually as each member of the Board contributes in different areas to the success of the Company, and accordingly, it would be more appropriate to assess the Board as a whole and each board committee.

Mr. Chester Lin Chien is currently a director of Europtronic Group Ltd., a public company listed on the mainboard of the SGX-ST. Mr. Gerald Lim Thien Su is currently a director of Blackgold Natural Resources Limited, a public company listed on the Catalist of the SGX-ST. Save and except for the foregoing directorships of Mr. Chester Lin Chien and Mr. Gerald Lim Thien Su, none of the other Directors currently holds, or had in the preceding three years from the date of this Report, held any directorship in any other listed company, other than their directorships in the Company.

Taking into consideration the Directors' board representations and other principal commitments, the NC is satisfied that sufficient time and attention has been given by the Directors to the Group. The Board has experienced minimal competing time commitments among its Board members as Board and board committee meetings are planned and scheduled in advance. The NC believes that putting a maximum limit on the number of directorship in listed company a Director can hold is arbitrary, given that time requirements for each vary, and thus should not be prescriptive.

The Company does not have alternate directors.

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

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

Madam Wong Huey Fang and Madam Leong Lai Peng are subject to retirement pursuant to the Company's Constitution at the forthcoming AGM. The NC recommended that Madam Wong Huey Fang and Madam Leong Lai Peng be nominated for re-election at the forthcoming AGM.

Mr. Yao Hsiao Tung and Mr. Chester Lin Chien are over the age of 70. In the Company's annual general meeting held on 28 April 2015, both of them were re-appointed as Directors of the Company in accordance with the then Section 153(6) of the Companies Act to hold office until the date of the forthcoming AGM, which is 28 April 2016. Accordingly, notwithstanding the repeal of Section 153 of the Companies Act with effect from 3 January 2016, the NC recommended that Mr. Yao Hsiao Tung and Mr. Chester Lin Chien be re-appointed at the forthcoming AGM and to hold office subject to retirement by rotation in accordance with the Company's Constitution.

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

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

CORPORATE GOVERNANCE REPORT

Remuneration Committee ("RC")

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

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

(a) Madam 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 *inter alia*, as follows:-

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

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

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

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

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

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

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

The Company sets remuneration packages which:

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

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

CORPORATE GOVERNANCE REPORT

The remunerations paid and payable to the Directors during the financial year ended 31 December 2015 ("**FY2015**") are as follows:-

Remuneration Bands and Names of Directors	Cash-based						Share-based	
	Salary %	Bonus %	Director's fee %	Others %	Total %	Total Amount (S$'000)	Number of options granted	Number of share awards granted
S$1,200,000 - S$1,300,000								
Mr. Yao Hsiao Tung	85	7	6	2*	100	1,202	447,073	–
S$300,000 – S$400,000								
Madam Wong Huey Fang	77	8	13	2	100	319	24,725	8,494
Below S$100,000								
Mr. Yeo Tiong Eng	–	–	100	–	100	56	–	–
Mr. Chester Lin Chien	–	–	100	–	100	58	–	–
Madam Leong Lai Peng	–	–	100	–	100	68	–	–
Mr. Gerald Lim Thien Su	–	–	100	–	100	66	–	–

* *Mr. Yao Hsiao Tung is entitled to a special retirement benefit in acknowledgement of his contribution to the Company as the Board may in its absolute and sole discretion deem appropriate. The said benefit is not ascertainable until his retirement.*

The remuneration paid to key executives who are not Directors or the Chief Executive Officer of the Company during FY2015 is as follows:

Remuneration Bands and Names of Officers	Cash-based				Share-based
	Salary %	Bonus %	Others %	Total %	Number of share awards granted
S$900,000 – S$1,000,000					
Mr. Tay Ewee Liang	55	39	6	100	–
S$500,000 – S$600,000					
Mr. Gary Ho Hock Yong	76	11	13	100	14,156*
Mr. Samuel Yuen Chung Sang	78	18	4	100	15,984

* *Mr. Gary Ho has tendered resignation with effect from 31 March 2016. Please see the Company's SGXNet announcement dated 15 March 2016 for more details. The said share awards have lapsed following Mr. Gary Ho's resignation.*

Due to competitive factors, confidentiality and/or sensitivity of remuneration matters, the names of the top five key executives (other than those disclosed above), their respective remuneration bands and aggregate remuneration paid in FY2015 are not disclosed.

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

CORPORATE GOVERNANCE REPORT

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

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

For key management personnel, in addition to their monthly salary, they also receive bonus (including performance bonus that comprises cash and/or options/awards granted pursuant to the 2003 ESOS, the ESAS and/or the 2014 ESOS). The performance bonus is dependent on individual performance as measured by their respective key performance indicators, as well as the performance of the Group as a whole. The performance conditions for FY2015 were not entirely met due to business and market conditions.

Save as disclosed in this Report, there are no termination, retirement and post-employment benefits (other than CPF contributions) granted to Directors, the Chief Executive Officer or the key management personnel.

Separately, the Board is of the view that as the Group pays an annual incentive bonus based on the performance of the Group/Company (and not possible future results) and results that have actually delivered by its executive Directors and key management, "claw back" provisions in the service contracts may not be relevant or appropriate.

The brother of Mr Yao Hsiao Tung is Mr Yao Hsiao Kuang and his remuneration in FY2015 was in the band of between S$200,000 to S$250,000.

Other than the brother of Mr Yao Hsiao Tung, there were no employees of the Group who are immediate family members of a Director or Chief Executive Officer, whose remuneration exceeded S$50,000 during FY2015.

The Company has a share option scheme known as Hi-P Employee Share Option Scheme ("**2003 ESOS**") and a share award scheme known as Hi-P Employee Share Award Scheme ("**ESAS**") which were approved by shareholders of the Company on 7 October 2003 and 23 April 2009 respectively. The 2003 ESOS expired on 6 October 2013, and the Company had adopted a new Hi-P Employee Share Option Scheme 2014 on 29 April 2014 ("**2014 ESOS**"). The 2003 ESOS, the ESAS and the 2014 ESOS comply with the relevant rules as set out in Chapter 8 of the Listing Manual of the SGX-ST. Further information on the 2003 ESOS, the ESAS and the 2014 ESOS can be found on pages 28 to 32 of this Annual Report.

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

Audit Committee ("AC")

Principle 12: Audit Committee

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

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

(g) reviewing interested person transactions;

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

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

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

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

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

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 65. The AC is satisfied that the Group has complied with Rule 712 and Rule 715 of the Listing Manual of the SGX-ST in relation to the appointment of auditing firms.

CORPORATE GOVERNANCE REPORT

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

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

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

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

CORPORATE GOVERNANCE REPORT

Internal Controls

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

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

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

The Board and AC have reviewed the adequacy of the Group's internal controls, including financial, operational and compliance controls. Based on the internal controls established and maintained by the Group, the internal and external auditors' reports, reviews performed by the Management, and the assurance from the Chief Executive Officer and the Chief Financial Officer, the Board, with the concurrence of the AC, are of the opinion that a system of internal controls are in place and adequate as at 31 December 2015 and effective in addressing the financial, operational, compliance and information technology controls, and risk management systems of the Group in the current business environment.

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

Principle 13: Internal Audit

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

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

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

Communication with Shareholders

Principle 10: Accountability

The Board's primary role is to protect and enhance long-term value and returns for shareholders 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 annual report, has a responsibility to present a fair assessment of the Group's financial performance, position and prospects, which responsibility extends to interim and other price sensitive public reports and reports to regulators (if required). Management currently provides the Board with detailed management accounts of the Group's performance, position and prospects on a quarterly basis as the Directors have access to Management at all times.

CORPORATE GOVERNANCE REPORT

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

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

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

The AGM of the Company is a principal forum for dialogue and interaction with all shareholders. All shareholders will receive the Annual Report and the notice of AGM. At the AGM, shareholders will be given 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. For the year under review, all resolutions at general meetings of the Company were voted by show of hands. However, moving forward, all resolutions at general meetings of the Company will be voted by poll as required by Rule 730A(2) of the Listing Manual.

The Company ensures that there are separate resolutions at general meetings on each distinct issue. The Company Secretary prepares minutes of general meetings, which incorporated substantial comments or queries from shareholders relating to the agenda of the meetings, and response from the Board and Management. The minutes are available to shareholders upon request.

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

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

Securities Transactions
(Listing Manual Rule 1207(19))

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

CORPORATE GOVERNANCE REPORT

Material Contracts
(Listing Manual Rule 1207(8))

Save for the service agreements between Mr Yao Hsiao Tung and Madam Wong Huey Fang with the Company 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 Directors or controlling shareholders subsisting at the end of FY2015.

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		
- Transaction for purchases of goods and services	S$460,192	N.A.
- Transaction for sales of goods and services	S$160,746	N.A.
VSN Mobil, Inc. (f.k.a. VSN Technologies, Inc.)		
- Transaction for sales of goods and services	N.A.	S$2,840,004

Corporate Social Responsibility

The interaction with the communities in which we operate, and our environmental and social interactions within such communities affect long-term organisational success. Our relationship with stakeholders drives the Group to conduct businesses responsibly. As a responsible corporate citizen within the broader value chain we operate in, we proactively engage our various stakeholders to drive value creation. To that end, we are guided by three (3) key sustainability pillars:

(A) Environmental Protection

FY2015 marked a new milestone for the Group as we achieved record revenue with a growth rate of 43.2% to S$1.36 billion as compared to previous corresponding year. In order to cater to the growing demand for our products and services, we need to ensure consistently efficient operations to minimise the adverse impact resulted on the environment.

CORPORATE GOVERNANCE REPORT

Within the broad context of environmental protection, our priorities lie in achieving a win-win outcome that reaps both environmental and economic benefits. This also ensures that we continue to adopt efficient production processes that result in low pollution and operating costs.

We are governed by four underlying principles, namely (a) conserving energy, (b) reducing consumption, (c) reducing pollution, and (d) increasing efficiency.

Placing this in perspective, various initiatives were introduced that successfully led to energy conservation as electricity consumption levels were reduced 18.0% year-on-year ("**yoy**"). For instance, inverter control air compressors were adopted for manufacturing phase which significantly lowered the fluctuation in production line gas consumption.

Separately for water conservation, we also made improvements with a 18.0% yoy reduction in consumption level while water emission levels similarly marked a 15.0% improvement. These positive results reflect the benefits of introducing new processes such as reverse osmosis water treatment that improved the reusable rates of water. With an established water reuse system that is chemical-free, it not only reduces the Group's overall water consumption levels but also lowers wastewater emissions.

With efforts dedicated to promoting a green environment, we sought to improve our manufacturing technologies and consciously chose recyclable raw materials where possible to minimise pollutant emissions. Corresponding to our reduction in wastewater emission levels, the COD emission was significantly reduced by 50.0%. This reiterated the positive impact from our continued investments in upgrading our existing pollution control facilities.

Lastly, we also actively promoted the recovery of raw materials for reuse purposes and use of environmentally-friendly materials. Collectively, these initiatives effectively reduce the environmental impact on society and also creates economic benefits in terms of cost savings.

(B) People

We place great emphasis on our employees as we want them to be proud ambassadors of the Group. We adhere to outlined social responsibility standards and relevant regulations that safeguard the interests of our employees. In addition, we ensure a working environment that is free from discrimination and respect employees' rights.

As a leading employer in the region and industry, we are committed to workforce diversity. Further to our objective of maintaining a diverse, inclusive and collaborative workplace environment, we adopt the principle of non-discrimination and offer equal opportunity to all potential hires regardless of race, age, religion, gender and marital status.

Family activities are organised periodically for all employees, thereby creating bonding opportunities between our employees and their children. We believe that this will create a more cohesive workforce, encouraging talent retention in the process.

(C) Workplace Safety and Health

We are committed to providing a safe and healthy work environment for all employees.

Our occupational disease incidence rate was zero for FY2015. To further quantify, loss time related to accidents declined 57%. This outstanding scorecard was possible as we carried out preventive measures such as the recruitment of voluntary staffs. For FY2015, we have a registered database of 1,476 voluntary firefighters and 222 emergency responders.

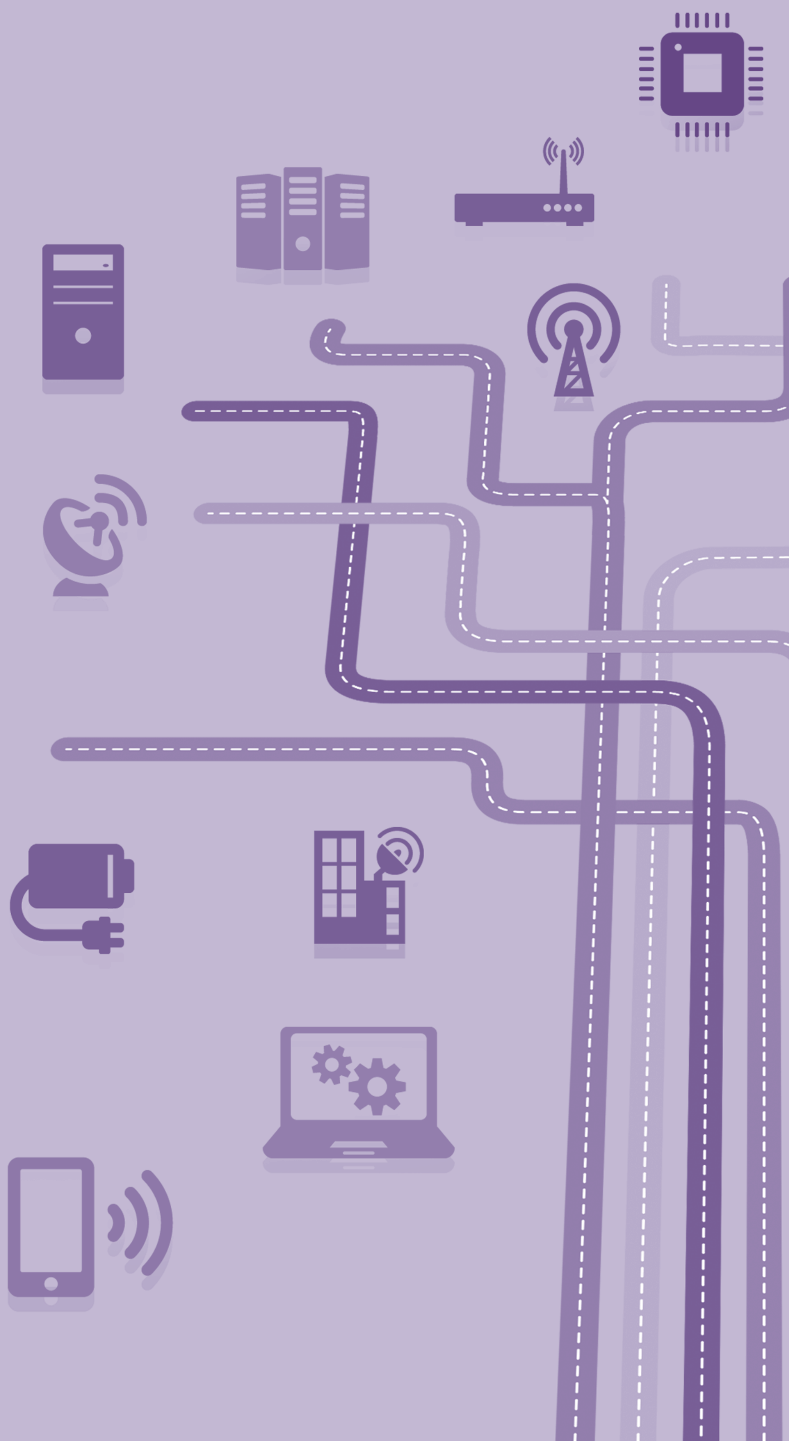
CORPORATE GOVERNANCE REPORT

With a strict compliance with regulations, all our employees involved in the production process participated in safety training programme. In addition, we invested resources on emergency planning system which comprises risk identification, assessment and control mechanisms. To tighten safety standards, we also implemented a workplace hazard detection system that encourages all employees participating in the production process to identify and report risks.

In years to come, we continue to think globally and fulfil our mission - partnering customers to add value and contribute to mutual success. With the Group's culture of being results and people-oriented, we continue to adopt a holistic approach in green manufacturing and developing the recycling ecosystem. This may eventually translate to lower production costs as we deploy an efficient resource allocation and integration system. All these measures may contribute to the progressive sharpening of our competitive edge in long run.

As the Group continues to grow its various business operations, we strive to fulfil the needs and requirements of various stakeholders while making a conscious effort to contribute positively to the environment and society. We have also adopted the Electronic Industry Citizenship Coalition (EICC) Code of Conduct, that is committed to supporting the rights and wellbeing of workers and communities worldwide that may be affected by the global electronics supply chain. Further to observing business ethics, social responsibilities and other relevant global treaties, we aspire to be a responsible corporate citizen, contributing to sustainable economic, societal and corporate successes.

FINANCIAL CONTENTS



DIRECTORS' STATEMENT

The directors 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 2015.

1. Opinion of the directors

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheet of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date; and

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

2. Directors

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

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

3. Arrangements to enable directors to acquire shares and debentures

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

DIRECTORS' STATEMENT

4. Directors' interests in shares and debentures

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

	Direct interest		Deemed interest	
Name of director	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
Ordinary shares of the Company				
Yao Hsiao Tung	492,576,144	492,679,966	6,597,289[(1)]	6,940,540[(2)]
Wong Huey Fang	1,358,751	1,372,495	853,828[(3)]	873,303[(4)]
Yeo Tiong Eng	500,000	500,000	–	–
Chester Lin Chien	2,000,000	2,000,000	–	–
Leong Lai Peng	300,000	300,000	–	–

Notes:

(1) Mr Yao Hsiao Tung's deemed interest arises by virtue of the options to subscribe for an aggregate of 6,445,309 shares and awards of 151,980 shares held by him.

(2) Mr Yao Hsiao Tung's deemed interest arises by virtue of the options to subscribe for an aggregate of 6,892,382 shares and awards of 48,158 shares held by him.

(3) Madam Wong Huey Fang's deemed interest arises by virtue of the options to subscribe for an aggregate of 834,091 shares and awards of 19,737 shares held by her.

(4) Madam Wong Huey Fang's deemed interest arises by virtue of the options to subscribe for an aggregate of 858,816 shares and awards of 14,487 shares held by her.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2016.

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.

DIRECTORS' STATEMENT

5. Share options and share awards

Share options

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

Other information regarding the Option Schemes are set out below:

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

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

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

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

DIRECTORS' STATEMENT

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

Share options (cont'd)

Details of all options to acquire ordinary shares of the Company granted pursuant to the Option Schemes as at 31 December 2015 are as follows:

Date of grant of options	Exercise price per share	Options outstanding as at 1 January 2015	Options granted during the year	Options exercised during the year	Options cancelled/ lapsed/ expired during the year	Options outstanding as at 31 December 2015	Exercise period
12/08/2005	$1.48	20,000	–	–	(20,000)	–	12/08/2006 to 11/08/2015
25/04/2006	$1.11	380,000	–	–	–	380,000	25/04/2007 to 24/04/2016
12/01/2010	$0.74	2,254,500	–	–	(548,000)	1,706,500	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	2,896,000	–	–	(449,000)	2,447,000	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	3,772,869	–	–	(666,157)	3,106,712	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	402,497	–	–	(63,380)	339,117	12/04/2014 to 11/04/2023
30/04/2013	$0.699	243,329	–	–	–	243,329	30/04/2014 to 29/04/2023
7/05/2014	$0.57	3,000,000	–	–	–	3,000,000	7/05/2015 to 6/05/2024
12/05/2015	$0.57	–	568,535	–	(26,570)	541,965	12/05/2016 to 11/05/2025
		20,267,888	568,535	–	(1,773,107)	19,063,316	

DIRECTORS' STATEMENT

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

Share options (cont'd)

During the financial year, 96,737 options were granted by the Company under the 2014 ESOS to its employee (other than to participants who are directors, controlling shareholder of the Company and associates of the controlling shareholder).

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

	Options granted during financial year ended 31 December 2015	Aggregate options granted since commencement of scheme to 31 December 2015	Aggregate options exercised since commencement of scheme to 31 December 2015	Aggregate options expired since commencement of scheme to 31 December 2015	Aggregate options outstanding as at 31 December 2015
Yao Hsiao Tung (Director and Controlling Shareholder)	447,073	8,192,382	–	(1,300,000)	6,892,382
Wong Huey Fang (Director and Associate of Mr Yao Hsiao Tung)	24,725	1,509,816	(351,000)	(300,000)	858,816
Yao Hsiao Kuang (Associate of Mr Yao Hsiao Tung)	–	262,622	–	–	262,622
Total	471,798	9,964,820	(351,000)	(1,600,000)	8,013,820

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

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

DIRECTORS' STATEMENT

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

Share awards

The Hi-P Employee Share Award Scheme (the "Award Scheme") was approved and adopted at the Company's Extraordinary General Meeting held on 23 April 2009. The Award Scheme applies to executive directors, employees of the Group who have attained the age of 21 years and are of level 6 and above (or such other employees as the Remuneration Committee may determine) and controlling shareholders and their associates. At the Extraordinary General Meeting held on 23 April 2009, shareholders also approved the participation of Mr Yao Hsiao Tung and Madam 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 Madam 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.

627,104 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 2015 are as follows:

Date of grant of share awards	Share awards outstanding as at 1 January 2015	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 2015
12/04/2013	30,937	–	(29,951)	(986)	–
30/04/2013	65,351	–	(65,351)	–	–
7/05/2014	212,482	–	(103,909)	(9,239)	99,334
12/05/2015	–	174,155	–	(4,902)	169,253
	308,770	174,155	(199,211)	(15,127)	268,587

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

DIRECTORS' STATEMENT

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

Share awards (cont'd)

During the financial year, 161,403 share awards were granted by the Company to its employees (other than to participants who are directors, controlling shareholder of the Company and associates of the controlling shareholder).

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

	Share awards granted during financial year ended 31 December 2015	Aggregate share awards granted since commencement of scheme to 31 December 2015	Aggregate share awards vested since commencement of scheme to 31 December 2015	Aggregate share awards outstanding as at 31 December 2015
Yao Hsiao Tung (Director and Controlling Shareholder)	–	207,644	(159,486)	48,158
Wong Huey Fang (Director and Associate of Mr Yao Hsiao Tung)	8,494	35,982	(21,495)	14,487
Yao Hsiao Kuang (Associate of Mr Yao Hsiao Tung)	4,258	10,603	(5,107)	5,496
Total	12,752[1]	254,229	(186,088)	68,141

1 These share awards were granted on 12 May 2015. 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, Madam Wong Huey Fang and Mr Yao Hsiao Kuang, no other directors or controlling shareholder of the Company or their associates are participants of the Award Scheme.
- No participant of the Award Scheme has received 5% or more of the total number of awards available under the Award Scheme.
- The total number of award shares which may be issued or issuable pursuant to awards granted under the Award Scheme when added to the aggregate number of shares that are issued or issuable pursuant to the exercise of options granted under the Option Schemes, shall not exceed 15% of the total number of issued shares of the Company on the day preceding the date of grant of any award.

The total number of share options and share awards granted as at 31 December 2015 do not exceed 15% of the total number of issued shares of the Company.

DIRECTORS' STATEMENT

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 has 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

1 April 2016

INDEPENDENT AUDITOR'S REPORT

for the financial year ended 31 December 2015

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 36 to 117 which comprise the balance sheets of the Group and the Company as at 31 December 2015, 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 financial statements 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 2015

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

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 financial position of the Group and of the Company as at 31 December 2015 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company 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 subsidiary corporations 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

1 April 2016

CONSOLIDATED INCOME STATEMENT

for the financial year ended 31 December 2015

	Note	2015 $'000	2014 $'000
Revenue	4	1,362,577	951,396
Cost of sales		(1,291,707)	(881,387)
Gross profit		70,870	70,009
Other items of income			
Interest income	5	2,367	2,373
Other income	6	11,578	19,677
Other items of expense			
Selling and distribution expenses		(12,035)	(7,560)
Administrative expenses		(84,512)	(63,453)
Financial costs	7	(4,494)	(1,688)
Other expenses	8	(17,110)	(3,802)
Share of results of associates		547	157
(Loss)/ profit before tax	9	(32,789)	15,713
Income tax expense	11	(12,634)	(5,244)
(Loss)/ profit for the year		(45,423)	10,469
Attributable to:			
Owners of the Company		(45,427)	10,464
Non-controlling interests		4	5
		(45,423)	10,469
(Loss)/ earnings per share attributable to owners of the Company (cents per share)			
Basic	12	(5.56)	1.28
Diluted	12	(5.56)	1.28

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 2015

	2015	2014
	$'000	$'000
(Loss)/ profit for the year	(45,423)	10,469
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation	6,977	6,264
Share of other comprehensive income of an associated company	27	41
Other comprehensive income for the year, net of tax	7,004	6,305
Total comprehensive income for the year	(38,419)	16,774
Attributable to:		
Owners of the Company	(38,446)	16,748
Non-controlling interests	27	26
Total comprehensive income for the year	(38,419)	16,774

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

BALANCE SHEETS

as at 31 December 2015

	Note	Group 2015 $'000	Group 2014 $'000	Company 2015 $'000	Company 2014 $'000
Non-current assets					
Property, plant and equipment	14	450,599	384,130	15,940	15,090
Intangible assets	15	3,161	4,531	12	12
Land use rights	16	12,438	12,498	–	–
Investment in subsidiaries	17	–	–	352,183	247,882
Investment in associates	18	2,476	2,089	984	984
Other receivables	20	–	–	76,338	117,115
Investment securities	13	477	–	–	–
Other long term asset	22	35	67	–	–
Deferred tax assets	27	26,325	26,566	–	–
		495,511	429,881	445,457	381,083
Current assets					
Inventories	19	242,802	223,082	6,205	4,168
Trade and other receivables	20	480,163	372,857	84,277	45,161
Prepaid operating expenses		9,632	9,319	426	194
Derivatives	21	–	134	–	–
Short term deposits pledged	23	–	4,958	–	–
Cash and cash equivalents	23	126,156	208,146	7,925	12,817
		858,753	818,496	98,833	62,340
Current liabilities					
Trade and other payables	24	377,388	339,013	10,363	8,199
Accrued operating expenses		81,518	68,354	7,686	7,567
Provisions	25	179	–	–	–
Deferred capital grant – current	28	705	–	–	–
Loans and borrowings	26	315,362	212,477	80,675	37,015
Income tax payable		12,906	12,379	2,061	530
Derivatives	21	860	3,352	–	611
		788,918	635,575	100,785	53,922
Net current assets/ (liabilities)		69,835	182,921	(1,952)	8,418
Non-current liabilities					
Deferred capital grant – non-current	28	2,703	–	–	–
Loans and borrowings	26	911	2,785	140	232
Deferred tax liabilities	27	4,049	3,088	1,959	1,770
		7,663	5,873	2,099	2,002
Net assets		557,683	606,929	441,406	387,499

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

BALANCE SHEETS

as at 31 December 2015

	Note	Group		Company	
		2015	2014	2015	2014
		$'000	$'000	$'000	$'000
Equity attributable to owners of the Company					
Share capital	29(a)	119,725	119,725	119,725	119,725
Treasury shares	29(b)	(51,512)	(51,035)	(51,512)	(51,035)
Accumulated profits	30	418,358	474,579	363,498	309,387
Other reserves	30	70,075	62,650	9,695	9,422
		556,646	605,919	441,406	387,499
Non-controlling interests		1,037	1,010	–	–
Total equity		557,683	606,929	441,406	387,499

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 2015

Group	Share capital (Note 29(a)) $'000	Treasury shares (Note 29(b)) $'000	Other reserves (Note 30) $'000	Accumulated profits $'000	Total equity attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
	Attributable to owners of the Company						
Opening balance at 1 January 2015	119,725	(51,035)	62,650	474,579	605,919	1,010	606,929
Loss for the year	–	–	–	(45,427)	(45,427)	4	(45,423)
Other comprehensive income							
Foreign currency translation	–	–	6,955	(1)	6,954	23	6,977
Share of other comprehensive income of an associated company	–	–	27	–	27	–	27
Other comprehensive income for the year, net of tax	–	–	6,982	(1)	6,981	23	7,004
Total comprehensive income for the year			6,982	(45,428)	(38,446)	27	(38,419)
Contributions by and distributions to owners							
Employee share option and award schemes – Equity compensation benefits (Note 30(d))	–	–	418	–	418	–	418
Purchase of treasury shares (Note 29(b))	–	(622)	–	–	(622)	–	(622)
Treasury shares reissued pursuant to employee share award scheme (Note 29(b))	–	145	(145)	–	–	–	–
Dividends on ordinary shares (Note 32)	–	–	–	(10,623)	(10,623)	–	(10,623)
Total transactions with owners in their capacity as owners	–	(477)	273	(10,623)	(10,827)	–	(10,827)
Others							
Transfer from retained earnings to statutory reserve fund (Note 30(a))	–	–	170	(170)	–	–	–
Total others	–	–	170	(170)	–	–	–
Closing balance at 31 December 2015	119,725	(51,512)	70,075	418,358	556,646	1,037	557,683

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 2015

Group	Share capital (Note 29(a))	Treasury shares (Note 29(b))	Other reserves (Note 30)	Reserve of disposal group classified as held for sale (Note 12)	Accumulated profits	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
	Attributable to owners of the Company							
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance at 1 January 2014	119,725	(50,361)	55,425	4,037	469,249	598,075	984	599,059
Profit for the year	–	–	–	–	10,464	10,464	5	10,469
Other comprehensive income								
Foreign currency translation	–	–	6,245	–	(2)	6,243	21	6,264
Share of other comprehensive income of an associated company	–	–	56	–	(15)	41	–	41
Other comprehensive income for the year, net of tax	–	–	6,301	–	(17)	6,284	21	6,305
Total comprehensive income for the year	–	–	6,301	–	10,447	16,748	26	16,774
Contributions by and distributions to owners								
Employee share option and award schemes – Equity compensation benefits (Note 30(d))	–	–	793	–	–	793	–	793
Purchase of treasury shares (Note 29(b))	–	(750)	–	–	–	(750)	–	(750)
Treasury shares reissued pursuant to employee share award scheme (Note 29(b))	–	76	(76)	–	–	–	–	–
Dividends on ordinary shares (Note 32)	–	–	–	–	(4,910)	(4,910)	–	(4,910)
Total transactions with owners in their capacity as owners	–	(674)	717	–	(4,910)	(4,867)	–	(4,867)
Others								
Transfer from retained earnings to statutory reserve fund (Note 30(a))	–	–	207	–	(207)	–	–	–
Reserves recognised in profit or loss following the liquidation of a subsidiary	–	–	–	(4,037)	–	(4,037)	–	(4,037)
Total others	–	–	207	(4,037)	(207)	(4,037)	–	(4,037)
Closing balance at 31 December 2014	119,725	(51,035)	62,650	–	474,579	605,919	1,010	606,929

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

CONSOLIDATED CASH FLOW STATEMENT

for the financial year ended 31 December 2015

	Note	2015 $'000	2014 $'000
Cash flows from operating activities			
(Loss)/ profit before tax		(32,789)	15,713
Adjustments for:			
Depreciation of property, plant and equipment	14	99,847	77,749
Amortisation of deferred capital grants	28	(118)	–
Amortisation of intangible assets	15	1,469	1,409
Amortisation of land use rights	16	282	266
Impairment loss on property, plant and equipment	14	2,423	1,551
Net loss on disposal of property, plant and equipment	8	172	24
Property, plant and equipment written off	8	5,067	1,540
Inventory provisions	19	74,425	9,516
Inventories written off/ (written back)	19	2,813	(508)
Provision/ (reversal of provision) for warranty costs	25	169	(6,942)
Impairment loss on/ (write-back of) doubtful receivables	9	8,730	(200)
Allowance/ (reversal of allowance) on non-cancellable purchase commitments	9	9,394	(180)
Trade/ other payables written off	6	(187)	(692)
Equity compensation expense	9	418	793
Financial costs	7	4,494	1,688
Interest income	5	(2,367)	(2,373)
Net fair value (gain)/ loss on derivatives- unrealised		(2,358)	5,749
Net unrealised exchange difference		(3,907)	(2,104)
Net gain on liquidation of investment in subsidiaries	6,8	–	(3,937)
Share of results of an associated company		(547)	(157)
Operating cash flows before changes in working capital		167,430	98,905
Changes in working capital			
Increase in inventories		(91,699)	(65,438)
Increase in trade and other receivables		(112,854)	(47,387)
(Increase)/ decrease in prepaid operating expenses and other long term asset		(430)	2,004
Increase in trade and other payables		21,777	86,389
Increase in accrued operating expenses		4,318	16,428
Total changes in working capital		(178,888)	(8,004)
Cash flows (used in)/ generated from operations		(11,458)	90,901
Income taxes paid		(10,245)	(11,750)
Net cash flows (used in)/ generated from operating activities		(21,703)	79,151

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 2015

	Note	2015 $'000	2014 $'000
Cash flows from investing activities			
Proceeds from capital grants		3,903	–
Consultancy fee paid for capital grant application		(392)	–
Interest received		2,944	1,942
Proceeds from disposal of property, plant and equipment		1,290	1,266
Purchase of property, plant and equipment	a	(144,647)	(108,336)
Acquisition of intangible assets	a	(99)	(251)
Acquisition of investment securities		(486)	–
Net cash flows used in investing activities		(137,487)	(105,379)
Cash flows from financing activities			
Decrease in short term fixed deposits pledged		4,958	2,012
Dividends paid on ordinary shares	32	(10,623)	(4,910)
Purchase of treasury shares	29(b)	(622)	(750)
Interest paid	7	(4,494)	(1,688)
Net proceeds from loans and borrowings		91,633	108,139
Repayments of obligations under finance lease		(8,068)	(647)
Net cash flows generated from financing activities		72,784	102,156
Net (decrease)/ increase in cash and cash equivalents		(86,406)	75,928
Effect of exchange rate changes on cash and cash equivalents		4,416	284
Cash and cash equivalents at beginning of year		208,146	131,934
Cash and cash equivalents at end of year		126,156	208,146

Notes to the Consolidated Cash Flow Statement

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

	Note	2015 $'000	2014 $'000
Current year additions	14, 15	167,495	113,893
Less: Payable to creditors		(34,183)	(18,662)
Acquired by means of finance leases		(12,942)	(4,690)
		120,370	90,541
Payments for prior year purchases		24,376	18,046
Net cash outflow for purchase		144,746	108,587

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

1. Corporate information

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

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

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

2. Summary of significant accounting policies

2.1 *Basis of preparation*

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

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

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

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2015. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2.3 *Standards issued but not yet effective*

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

Description	***Effective for annual periods beginning on or after***
Improvements to FRSs	
(a) Amendments to FRS 107 *Financial Instruments: Disclosures*	1 January 2016
(b) Amendments to FRS 19 *Employee Benefits*	1 January 2016
Amendments to FRS 1 *Disclosure initiative*	1 January 2016
Amendments to FRS 16 and FRS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to FRS 7 *Disclosure Initiative*	1 January 2017
Amendments to FRS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

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

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

Description	***Effective for annual periods beginning on or after***
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 109 *Financial instruments*	1 January 2018

Except for FRS 115 and FRS 109, the directors expect that the adoption of other standards above will have no material impact on the financial statements in the period of initial application. The nature and the impending changes in accounting policy on adoption of FRS 115 and FRS 109 are described below.

FRS 115 *Revenue from contracts with customers*

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes.

The Group currently measures one of its investments in unquoted equity securities at cost. Under FRS 109, the Group will be required to measure the investment at fair value. Any difference between the previous carrying amount and the fair value would be recognised in the opening retained earnings when the Group apply FRS 109.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

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

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

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

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

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

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

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

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

(b) Business combinations

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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

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

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

(b) *Business combinations (cont'd)*

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

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

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

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

2.5 Foreign currency

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

(a) *Transactions and balances*

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

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

2.5 Foreign currency (cont'd)

(b) Consolidated financial statements

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

2.6 Subsidiaries

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

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

2.7 Transactions with non-controlling interests

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

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

2.8 Associates (cont'd)

Under the equity method, the investment in associates are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of the results of operations of the associates. Distributions received from associates reduce the carrying amount of the investment. 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.

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

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

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

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

2.9 Property, plant and equipment

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

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

2.9 Property, plant and equipment (cont'd)

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

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

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

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

2.10 Intangible asset

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

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

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

(a) Club membership

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

(b) Licensed rights

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

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

2.11 Land use rights

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

2.12 Impairment of non-financial assets

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

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

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

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

2.13 Financial instruments

(a) Financial assets

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.

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

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

2.13 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement

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

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

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

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

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

(ii) Loan and receivables

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

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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

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

2.13 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Regular way purchase or sale of a financial asset

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

(b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

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

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

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

(ii) Financial liabilities at amortised cost

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

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

2.13 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

De-recognition

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

2.14 Impairment of financial assets

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

(a) Financial assets carried at amortised cost

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

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

2.14 Impairment of financial assets (cont'd)

(b) Financial assets carried at cost

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

2.15 Inventories

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

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

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

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

2.16 Cash and cash equivalents

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

2.17 Financial guarantee

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

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

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

2.18 Provisions

General

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

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

Warranty Provision

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

2.19 Employee benefits

(a) Defined contribution plans

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

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

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

(b) Employee leave entitlement

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

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

2.19 Employee benefits (cont'd)

(c) *Employee share option schemes*

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

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

(d) *Employee share award schemes*

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

2.20 Leases

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

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

2.20 Leases (cont'd)

(b) Operating lease

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

2.21 Revenue

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

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risks 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.

2.22 Taxes

(a) Current income tax

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

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

2.22 Taxes (cont'd)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

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

2.22 Taxes (cont'd)

(c) Sales tax

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

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

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

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

2.23 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.

2.24 Treasury shares

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

2.25 Contingencies

A contingent liability is:

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

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

2.26 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".

3. Significant accounting judgements and estimates

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

3.1 Judgement made in applying accounting policies

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

(a) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payables and net deferred tax assets as at 31 December 2015 were $12,906,000 (2014: $12,379,000) and $22,276,000 (2014: $23,478,000) 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 2015 was $139,190,000 (2014: $150,504,000) and the unrecognised tax losses as at 31 December 2015 was $205,771,000 (2014: $136,193,000).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

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

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

(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.

(a) Impairment of property, plant and equipment

The Group determines whether property, plant and equipment are impaired at least on an annual basis. When impairment indicator exists, the computation of impairment requires an estimation of the value in use of the cash-generating units which required the Group to make an estimate of the expected cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Group's property, plant and equipment as at 31 December 2015 was $450,599,000 (2014: $384,130,000). More details are given in Note 14.

(b) Impairment of loans and receivables

The Group assesses at end of each reporting period whether there is any objective evidence that a financial asset is impaired. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the debtor's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which debtor operates in.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's trade and other receivables as at 31 December 2015 was $480,163,000 (2014: $372,857,000). More details are given in Note 20. If the present value of estimated future cash flows varies by 1% from management's estimates, the Group's allowance for impairment will increase by $4,802,000 (2014: $3,729,000).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

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

3.2 Key sources of estimation uncertainty (cont'd)

(c) Inventory provision

The Group reviews periodically for any excess stocks and decline in net realisable value below cost. An allowance is recorded against the stocks balance for such declines. These reviews require the Group to consider the future saleability of the stocks.

In determining the amount of allowance or write down, the Group considers factors including the aging analysis and the consumption patterns. Such an evaluation process requires judgement and affects the carrying amount of stocks at the end of the reporting year. Possible changes in these estimates could result in revisions to the stated value of the stocks. The carrying amount of the Group's inventories as at 31 December 2015 was $242,802,000 (2014: $223,082,000). More details are given in Note 19. If the net realisable value varies by 1% from management's estimates, the Group's provision will increase by $2,428,000 (2014: $2,231,000).

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	
	2015	**2014**
	$'000	$'000
Interest income from loans and receivables:		
- Bank balances and short term deposits	2,367	2,373

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

6. Other income

	Group	
	2015	2014
	$'000	$'000
Sale of scrap materials	6,175	3,620
Sale of molding samples	45	587
Compensation from customers	1,377	1,979
Incentives from government[1]	3,346	1,220
Service income from testing/ rework conducted for customers	365	2,411
Trade/ other payables written off	187	692
Insurance claim	83	5,172
Gain on liquidation of investment in a subsidiary	–	3,996
	11,578	19,677

[1] Incentives from government include mainly subsidies received from government in China to ease the business costs, childcare leave grants, Special Employment Credit ("SEC") for older employees and Temporary Employment Credit ("TEC") from Singapore government.

7. Financial costs

	Group	
	2015	2014
	$'000	$'000
Interest expense on		
- Term loans and other bank facilities	3,561	1,515
- Obligations under finance leases	933	173
	4,494	1,688

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

8. Other expenses

	Group	
	2015	**2014**
	$'000	$'000
Property, plant and equipment written off	5,067	1,540
Impairment loss on property, plant and equipment	2,423	1,551
Net loss on disposal of property, plant and equipment	172	24
Net fair value loss on derivatives	2,683	5,179
Net foreign exchange gain	(2,646)	(4,019)
Net gain on sale of raw materials	(1,076)	(13)
Loss on liquidation of investment in a subsidiary	–	59
Allowance/ (reversal of allowance) on non-cancellable purchase commitments	9,394	(180)
Others	1,093	(339)
	17,110	3,802

9. (Loss)/ profit before tax

The following items have been included in arriving at (loss)/ profit before tax:

	Group	
	2015	**2014**
	$'000	$'000
Audit fees:		
- Auditor of the Company	698	736
- Other auditors[2]	130	126
Non-audit fees:		
- Auditor of the Company	266	215
- Other auditors[2]	25	12
Total audit and non-audit fees[1]	1,119	1,089

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

9. (Loss)/ profit before tax (cont'd)

	Group	
	2015	**2014**
	$'000	$'000
Depreciation of property, plant and equipment	99,847	77,749
Amortisation of deferred capital grants	(118)	–
Amortisation of intangible assets	1,469	1,409
Amortisation of land use rights	282	266
Directors' fees	358	358
Directors' remuneration (Note 10)		
- Directors of the Company [3]	1,411	1,463
Other personnel expenses (Note 10)	373,068	270,850
Equity compensation expense (Note 10)	418	793
Impairment loss on property, plant and equipment	2,423	1,551
Net loss on disposal of property, plant and equipment	172	24
Property, plant and equipment written off	5,067	1,540
Inventory provisions	74,425	9,516
Inventories written off/ (written back)	2,813	(508)
Provision/ (reversal of provision) for warranty costs	169	(6,942)
Impairment loss on/ (write back of) doubtful receivables		
- Trade receivables	8,793	(277)
- Other receivables	(63)	77
Allowance/ (reversal of allowance) on non-cancellable purchase commitments	9,394	(180)
Trade/ other payables written off	(187)	(692)
Inventories recognised as an expense in cost of sales (Note 19)	769,063	510,639
Operating lease expenses (Note 33(b))	26,477	19,858

[3] Amount includes bonus amounting to approximately $112,000 (2014: $143,000) pursuant to the Service Agreement entered into with directors.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

10. Personnel expenses

	Group	
	2015	**2014**
	$'000	$'000
Wages, salaries and bonus	306,141	218,546
Defined contribution plans	40,445	28,597
Other short-term benefits	27,893	25,170
Equity compensation expense (Employee share option and award schemes (Notes 9 and 30(d)))	418	793
Total personnel expenses	374,897	273,106

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

Equity compensation benefits are disclosed in Note 31.

11. Income tax expense

(a) Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2015 and 2014 are:

	Group	
	2015	**2014**
	$'000	$'000
Current income tax		
- Current income taxation	11,189	9,256
- Excess provision for Flat Rate Business Tax ("IETU")[1]	–	(19)
- Over provision in respect of previous years	(471)	(850)
	10,718	8,387
Deferred tax		
- Origination and reversal of temporary differences	3,846	(3,041)
- Effect of changes in tax rates	–	(325)
- (Over)/ under provision in respect of previous years	(1,930)	223
	1,916	(3,143)
Income tax expense recognised in profit or loss	12,634	5,244

[1] Flat Rate Business Tax ("IETU") has been introduced in 2009 as a minimum tax in Mexico. The rate of IETU is 17.5%. The tax is levied on broader taxable income and on a cash basis rather than on an accrual basis. The tax applies only to Mexican residents and to non-residents that have a permanent establishment in Mexico. IETU is levied on the difference between cash collections from the sales of goods, rendering of services and rental of property and cash payments for the acquisition of goods, services and rentals. Income tax paid can be credited against the IETU. IETU paid in excess of income tax for any tax year cannot be carried over.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

11. Income tax expense (cont'd)

(b) Relationship between tax expense and accounting (loss)/ profit

The reconciliation between the tax expense and the product of accounting (loss)/ profit multiplied by the applicable corporate tax rate for the years ended 31 December 2015 and 2014 are as follows:

	Group	
	2015	**2014**
	$'000	$'000
Accounting (loss)/ profit before tax	(32,789)	15,713
Income tax expense at statutory rate of 17%	(5,574)	2,671
Tax effect of different tax rates of overseas operations	(6,781)	(1,279)
Tax effect of exempt income and rebate	(2,534)	(2,842)
Tax effect of non-deductible expenses	4,729	785
Tax effect of income not subject to taxation	(2)	(1,383)
Deferred tax assets not recognized	24,322	8,269
Over provision in respect of previous years	(2,401)	(627)
Excess provision for IETU	–	(19)
Withholding tax	898	59
Effect of changes in tax rates[2]	–	(325)
Others	(23)	(65)
Income tax expense recognised in profit or loss	12,634	5,244

[2] In 2014, one of the subsidiaries in Shanghai obtained concessionary tax rate from China Tax Authority. Its tax rate has decreased from 25% to 15%.

12. (Loss)/ earnings per share

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

Diluted (loss)/ earnings per share are calculated by dividing (loss)/ 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

for the financial year ended 31 December 2015

12. (Loss)/ earnings per share (cont'd)

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

	Group	
	2015	**2014**
(Loss)/ profit for the year attributable to owners of the Company ($'000)	(45,427)	10,464
Weighted average number of ordinary shares for basic earnings per share computation ('000)	816,657	818,160
Dilution effects of share awards/ share options ('000)	269	626
Weighted average number of ordinary shares for the effect of dilution ('000)	816,926	818,786
Basic (loss)/ earnings per share (cents)	(5.56)	1.28
Diluted (loss)/ earnings per share (cents)	(5.56)	1.28

There were 19,063,316 (2014: 14,302,888) options granted to the directors and employees of the Company and its subsidiaries since the commencement of the Option Schemes which have not been included in the calculation of diluted earnings per share as the stock option exercise prices are above the market price.

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

13. Investment securities

	Group	
	2015	**2014**
	$'000	$'000
Non-current:		
Available-for-sale financial assets		
- Equity securities (unquoted)	477	–

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

14. Property, plant and equipment

Group	Long term factory building	Medium term factory buildings and leasehold improvements	Construction-in-progress	Renovation	Plant and machinery	Motor vehicles	Office equipment, furniture and fittings	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost								
At 1 January 2014	16,886	46,308	42,979	97,946	497,256	1,227	41,422	744,024
Additions	–	–	20,201	11,539	78,806	686	2,410	113,642
Reclassification	–	–	(4,768)	3,744	–	–	1,024	–
Disposals	–	–	–	(3,048)	(17,599)	(480)	(1,145)	(22,272)
Written off	–	–	–	(11,080)	(8,865)	–	(203)	(20,148)
Translation difference	–	21	1,754	2,228	8,723	15	743	13,484
At 31 December 2014 and 1 January 2015	16,886	46,329	60,166	101,329	558,321	1,448	44,251	828,730
Additions	–	–	5,302	10,558	147,835	513	3,188	167,396
Reclassification	–	34,990	(64,141)	26,890	–	–	2,261	–
Disposals	–	–	(455)	(6,719)	(17,358)	(361)	(1,174)	(26,067)
Written off	–	–	(92)	(17,938)	(6,228)	–	(563)	(24,821)
Translation difference	–	614	4,445	2,017	7,572	8	813	15,469
At 31 December 2015	16,886	81,933	5,225	116,137	690,142	1,608	48,776	960,707

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

Group	Long term factory building	Medium term factory buildings and leasehold improvements	Construction-in-progress	Renovation	Plant and machinery	Motor vehicles	Office equipment, furniture and fittings	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Accumulated depreciation and impairment loss								
At 1 January 2014	4,519	15,483	–	54,411	288,383	1,012	33,834	397,642
Charge for the year	314	3,578	–	10,836	58,482	132	4,407	77,749
(Reversal of impairment loss)/ impairment loss provided	–	–	–	(370)	1,925	–	(4)	1,551
Reclassification	–	–	–	219	(232)	–	13	–
Disposals	–	–	–	(2,991)	(16,410)	(458)	(1,123)	(20,982)
Written off	–	–	–	(9,897)	(8,510)	–	(201)	(18,608)
Translation difference	–	(95)	–	1,326	5,777	13	227	7,248
At 31 December 2014 and 1 January 2015	4,833	18,966	–	53,534	329,415	699	37,153	444,600
Charge for the year	314	5,067	–	15,675	73,977	179	4,635	99,847
Impairment loss provided	–	232	–	13	2,178	–	–	2,423
Disposals	–	–	–	(6,719)	(16,358)	(361)	(1,167)	(24,605)
Written off	–	–	–	(15,556)	(3,637)	–	(561)	(19,754)
Translation difference	–	2	–	1,328	5,683	14	570	7,597
At 31 December 2015	5,147	24,267	–	48,275	391,258	531	40,630	510,108
Net carrying amount								
At 31 December 2015	11,739	57,666	5,225	67,862	298,884	1,077	8,146	450,599
At 31 December 2014	12,053	27,363	60,166	47,795	228,906	749	7,098	384,130

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

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

Company	Long term factory building	Construction-in-progress	Renovation	Plant and machinery	Motor vehicles	Office equipment, furniture and fittings	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost							
At 1 January 2014	16,886	–	1,016	22,340	480	3,146	43,868
Additions	–	–	32	339	686	81	1,138
Disposals	–	–	–	–	(480)	–	(480)
Written off	–	–	–	(664)	–	(19)	(683)
At 31 December 2014 and 1 January 2015	16,886	–	1,048	22,015	686	3,208	43,843
Additions	–	275	5	2,242	–	85	2,607
Disposals	–	–	–	(359)	–	(2)	(361)
Written off	–	–	–	(1,675)	–	(119)	(1,794)
At 31 December 2015	16,886	275	1,053	22,223	686	3,172	44,295
Accumulated depreciation and impairment loss							
At 1 January 2014	4,519	–	777	19,164	408	2,972	27,840
Charge for the year	314	–	97	1,444	99	100	2,054
Disposals	–	–	–	–	(458)	–	(458)
Written off	–	–	–	(664)	–	(19)	(683)
At 31 December 2014 and 1 January 2015	4,833	–	874	19,944	49	3,053	28,753
Charge for the year	314	–	84	1,121	137	92	1,748
Disposals	–	–	–	(350)	–	(2)	(352)
Written off	–	–	–	(1,675)	–	(119)	(1,794)
At 31 December 2015	5,147	–	958	19,040	186	3,024	28,355
Net carrying amount							
At 31 December 2015	11,739	275	95	3,183	500	148	15,940
At 31 December 2014	12,053	–	174	2,071	637	155	15,090

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

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

Assets held under finance leases

During the current financial year, the Group acquired machineries with cost of $18,488,000 (2014: $6,285,000) by means of finance lease. During the previous financial year, the Company has also acquired a motor vehicle with cost of $581,000 by means of finance lease.

The carrying amount of leasehold improvements, motor vehicle and machineries held by the Group under finance leases at the end of the reporting period were $508,000 (2014: $982,000), $416,000 (2014: $533,000) and $20,999,000 (2014: $6,285,000) respectively.

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

Impairment of assets

During the financial year, the Group recognised a net impairment loss of $2,423,000 (2014: $1,551,000) in the "Other expenses" (Note 8) line item in profit or loss.

The impairment loss recognised during the financial year was mainly in relation to the plant and machinery which had been persistently idle or damaged beyond repair in some subsidiaries of the Group, where their recoverable amounts were estimated to be none, with minimal scrap value in view of the plant and machinery impaired were mainly custom made and project specific and no active market was available for these plant and machinery.

15. Intangible assets

Group	Licensed Rights	Club Membership	Total
	$'000	$'000	$'000
Cost:			
At 1 January 2014	6,593	36	6,629
Additions	251	–	251
At 31 December 2014 and 1 January 2015	6,844	36	6,880
Additions	99	–	99
At 31 December 2015	6,943	36	6,979
Accumulated amortisation and Impairment loss:			
At 1 January 2014	916	24	940
Charge for the year	1,409	–	1,409
At 31 December 2014 and 1 January 2015	2,325	24	2,349
Charge for the year	1,469	–	1,469
At 31 December 2015	3,794	24	3,818
Net carrying amount:			
At 31 December 2015	3,149	12	3,161
At 31 December 2014	4,519	12	4,531

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

15. Intangible assets (cont'd)

Company	Club Membership $'000
Cost:	
At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	36
Accumulated amortisation and Impairment loss:	
At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	24
Net carrying amount:	
At 31 December 2015	12
At 31 December 2014	12

Licensed rights

Licensed rights relate to the rights acquired that are essential to telecommunication standards, such as the third generation cellular ("3G") and 4G standards. The useful lives of the licenses range from 3 to 5 years and the remaining amortisation period ranges from 1 to 3 years (2014: 2 to 4 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

16. Land use rights

	Group 2015 $'000	Group 2014 $'000
Cost:		
At 1 January	13,466	13,251
Translation differences	235	215
At 31 December	13,701	13,466
Accumulated amortisation:		
At 1 January	968	687
Amortisation for the year	282	266
Translation differences	13	15
At 31 December	1,263	968
Net carrying amount	12,438	12,498
Amount to be amortised:		
- Not later than one year	280	274
- Later than one year but not later than five years	1,122	1,097
- Later than five years	11,036	11,127

The Group has land use rights over two plots of state-owned land in People's Republic of China ("PRC") where the Group's manufacturing and storage facilities reside. The land use rights have a useful life of 50 years and a remaining tenure of 42 years and 47 years (2014: 43 years and 48 years) respectively.

17. Investment in subsidiaries

	Company 2015 $'000	Company 2014 $'000
Shares, at cost	378,503	274,202
Amount due from a subsidiary	25,556	25,556
	404,059	299,758
Impairment losses	(51,876)	(51,876)
	352,183	247,882
Movement in impairment losses:		
At 1 January	51,876	85,033
Disposal	–	(33,157)
At 31 December	51,876	51,876

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

17. Investment in subsidiaries (cont'd)

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.

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	
			2015	2014	2015	2014
			%	%	$'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
Hi-P Poland SP. ZO.O. **	Manufacture and sale of molds and plastic components	Poland	100	100	3,342	3,342

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

17. Investment in subsidiaries (cont'd)

Name of company	Principal activities	Country of incorporation and place of business	Equity interest held by the Group		Cost of investment	
			2015	2014	2015	2014
			%	%	$'000	$'000
Held by the Company (cont'd)						
Hi-P (Chengdu) Precision Plastic Manufacturing Co., Ltd.***	Manufacture of molds	People's Republic of China	100	100	8,568	8,568
Hi-P (Chengdu) Mold Base Manufacturing Co., Ltd. ***	Manufacture of mold base and components	People's Republic of China	100	100	5,070	5,070
Hi-P (Thailand) Co., Ltd.**	Manufacture and sale of molds and plastic components	Thailand	100	100	2,992	2,992
Hi-P Tianjin Electronics Co., Ltd. ***	Manufacture and sale of molds, plastic, electric components and electronic communication equipment	People's Republic of China	100	100	30,957	30,957
Hi-P (Tianjin) Technology Co., Ltd. ***	Manufacture and sale of molds, plastic and electric components	People's Republic of China	100	100	24,764	24,764
Hi-P (Suzhou) Electronics Co., Ltd. ***[2]	Manufacture and sale of trays, mobile phones & telecommunication products, digital cameras & related electronic products, electric toothbrush, assembly of coffee machines & parts, SMT assembly, and provide related maintenance and after-sale services	People's Republic of China	100	100	8,311	8,311

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

17. Investment in subsidiaries (cont'd)

Name of company	Principal activities	Country of incorporation and place of business	Equity interest held by the Group		Cost of investment	
			2015	2014	2015	2014
			%	%	$'000	$'000
Held by the Company (cont'd)						
Hi-P Lens Technology (Shanghai) Co., Ltd. ***	Manufacture and production of in-mold decoration lenses and provide related technology consultation and services	People's Republic of China	100	100	4,588	4,588
Hi-P (Shanghai) Technology Co., Ltd. ***[2 3]	Manufacture and sale of molds, plastic components and equipment, provide related maintenance services and technology consultation and develop, design and sale of molds and special tools	People's Republic of China	100	100	42,540	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 (Singapore) Technology Pte. Ltd. *	General wholesale trade (including general importers and exporters), research and experimental development on electronics	Singapore	100	100	1,500	1,500

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

17. Investment in subsidiaries (cont'd)

Name of company	Principal activities	Country of incorporation and place of business	Equity interest held by the Group		Cost of investment	
			2015	2014	2015	2014
			%	%	$'000	$'000
Held by the Company (cont'd)						
Hi-P (Shanghai) Metal Industries Co., Ltd. ***[2][4]	Design and manufacture of metal and non-metal stamping, molds and electric components	People's Republic of China	100	100	42,546	11,260
Qingdao Haier Hi-P Science Technology Co., Ltd. ***	Manufacture and sale of plastic product modules	People's Republic of China	70	70	2,544	2,544
Hi-P Electronics Pte. Ltd. *	Sales and purchases of tools, moulds, plastic and metal components, equipment, commodities, and scrap material, research and experimental development on electronics	Singapore	100	100	1,000	1,000
Hi-P Flex Pte. Ltd. *	Investment holding	Singapore	100	100	42,130	42,130
Hi-P (Shanghai) Precision Metal Co., Ltd. ***	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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

17. Investment in subsidiaries (cont'd)

Name of company	Principal activities	Country of incorporation and place of business	Equity interest held by the Group		Cost of investment	
			2015	2014	2015	2014
			%	%	$'000	$'000
Held by the Company (cont'd)						
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 5	Manufacture, wholesale, import & export and sale of electronic telecommunication devices, housing appliances, automated equipment and related components, provide related maintenance services and technology consultation and develop, design and sale of molds and special tools	People's Republic of China	100	100	84,973	40,831
Hi-P Holdings Pte. Ltd. # 6	Investment holding	Singapore	100	100	700	–
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	–	–

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

17. Investment in subsidiaries (cont'd)

Name of company	Principal activities	Country of incorporation and place of business	Equity interest held by the Group		Cost of investment	
			2015	2014	2015	2014
			%	%	$'000	$'000
Held through a subsidiary (cont'd)						
Hi-P (Shanghai) International Trading Co., Ltd. ***1	Sales and purchases of electronics, computer and communication devices, sales and purchases of housing appliances, provide investment and management consulting services	People's Republic of China	100	–	–	–
					378,503	274,202

* Audited by Ernst & Young LLP, Singapore.

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

*** Audited by local auditors in respective countries.

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

^ Reviewed by local auditors in respective countries.

1 Hi-P (Shanghai) International Trading Co., Ltd. is a subsidiary newly set up in January 2015, which is wholly owned through Hi-P Holdings Pte. Ltd..

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

3 The Company has increased its investment in Hi-P (Shanghai) Technology Co., Ltd. by USD20,500,000 in 2015.

4 The Company has increased its investment in Hi-P (Shanghai) Metal Industries Co., Ltd. by USD23,000,000 in 2015.

5 The Company has increased its investment in Hi-P (Nantong) Technology Co. Ltd. by USD33,000,000 in 2015.

6 The Company has increased its investment in Hi-P Holdings Pte. Ltd. from $2 to $700,000 in 2015.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

18. Investment in associates

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Unquoted equity shares, at cost	984	984	984	984
Share of post-acquisition reserves	1,368	981	–	–
Amortisation of goodwill acquired	124	124	–	–
	2,476	2,089	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	
			2015	2014	2015	2014
			%	%	$'000	$'000
Held by the Company						
Express Tech Mfg Pte. Ltd.*	Manufacture and sale of plastic products and engineering parts and being an additive manufacturing service bureau	Singapore	30	30	503	503
Design Exchange Pte. Ltd. **	Provision of product design and development services from concept ideation to mass production support	Singapore	40	40	481	481
					984	984

* Audited by Ascent Accounting Corporation PAC.

** Audited by Credo Assurance LLP.

18. Investment in associates (cont'd)

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 $111,000 (2014: $118,000), after netting off share of current year profit of $15,000 (2014: net loss of $49,000). The Group has no obligation in respect of those losses.

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

	2015	2014
	$'000	$'000
Assets and liabilities:		
Current assets	17,963	12,890
Non-current assets	1,533	1,055
Total assets	19,496	13,945
Current liabilities	11,426	7,009
Non-current liabilities	–	124
Total liabilities	11,426	7,133
Results:		
Revenue	13,185	9,836
Profit for the year	1,653	438

19. Inventories

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Balance sheet:				
Work-in-progress (at cost)	86,574	84,834	2,507	1,645
Raw materials (at cost)	62,007	76,794	607	589
Finished goods (at cost or net realisable value)	94,221	61,454	3,091	1,934
	242,802	223,082	6,205	4,168

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

19. Inventories (cont'd)

	Group	
	2015	**2014**
	$'000	$'000
Income statement:		
Inventories recognised as an expense in cost of sales inclusive of the following charge/ (credit):	769,063	510,639
- Inventories written off/ (written back)	2,813	(508)
- Inventory provisions	74,425	9,516

20. Trade and other receivables

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	$'000	$'000	$'000
Trade and other receivables (current):				
Trade receivables	378,501	276,895	13,848	11,605
Other receivables	27,216	20,407	–	1
Loans to subsidiaries	–	–	62,024	15,193
Amounts due from subsidiaries	–	–	7,995	17,988
Amounts due from related companies	4,352	900	–	–
Input tax/ VAT	66,971	64,971	381	345
Refundable deposits	3,123	9,684	29	29
	480,163	372,857	84,277	45,161
Other receivables (non-current):				
Loans to subsidiaries	–	–	76,338	117,115
Total trade and other receivables (current and non-current)	480,163	372,857	160,615	162,276
Add: Cash and cash equivalents and short term deposits pledged (Note 23)	126,156	213,104	7,925	12,817
Total loans and receivables	606,319	585,961	168,540	175,093

Trade and other receivables

Trade and other receivables are non-interest bearing, except for trade receivables from a debtor which bears interest at 1% per annum above the base lending rate for the time being of the People's Bank of China on outstanding balances, and are generally on 30 to 120 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

20. Trade and other receivables (cont'd)

Trade and other receivables (cont'd)

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	$'000	$'000	$'000
United States Dollar	337,681	234,801	13,848	11,605
Euro	5,199	4,013	–	–

Loans to subsidiaries

Loans to subsidiaries are unsecured and bear interest ranging from 1% to 2% (2014: 2%) per annum. The loans are repayable within 1 year to 5 years (2014: 1 year to 5 years) and to be settled in cash.

The Company has waived USD10 million loan to Hi-P (Suzhou) Electronics Technology Co., Ltd. in August 2015.

Related party balances

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

- Amounts due from related companies are trade in nature, unsecured, non-interest bearing and mainly on 60 days' term, except for a balance of $3,493,000 (2014: $Nil), which is secured by a corporate guarantee as disclosed in Note 35. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables that are past due but not impaired

The Group has trade receivables (including trade receivables from related companies) amounting to $129,218,000 (2014: $58,395,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured, except for a balance of USD15 million which is secured by monies held in an escrow account, and the analysis of their aging at the end of the reporting period is as follows:

	Group	
	2015	**2014**
	$'000	$'000
Trade receivables past due :		
Lesser than 30 days	84,410	52,167
30 to 60 days	9,976	5,287
61 to 90 days	210	414
More than 90 days	34,622	527
	129,218	58,395

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

20. Trade and other receivables (cont'd)

Trade receivables that are impaired

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

	Group Individually impaired	
	2015	**2014**
	$'000	$'000
Trade receivables – nominal amounts	8,985	188
Less: Allowance for impairment	(8,985)	(188)
	–	–
Movement in allowance accounts for trade receivables:		
At 1 January	188	449
Impairment/ (write-back) for the year	8,793	(277)
Exchange differences	4	16
At 31 December	8,985	188

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

Amounts due from related companies

At the end of the reporting period, the Group has provided an allowance of $18,000 (2014: $14,000) for impairment of the unsecured amounts due from related companies with a net amount of $859,000 (2014: $900,000). The remaining balance of $3,493,000 that was past due at the end of the reporting period but not impaired is secured by a corporate guarantee as disclosed in Note 35.

Other receivables that are impaired

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

	Group Individually impaired	
	2015	**2014**
	$'000	$'000
Other receivables – nominal amounts	–	97
Less: Allowance for impairment	–	(97)
	–	–

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

20. Trade and other receivables (cont'd)

Other receivables that are impaired (cont'd)

	Group Individually impaired 2015 $'000	Group Individually impaired 2014 $'000
Movement in allowance accounts for other receivables:		
At 1 January	97	20
(Write-back)/ impairment for the year	(63)	77
Written off	(34)	–
At 31 December	–	97

The allowance written back mainly arose from doubtful debt recovered.

21. Derivatives

Group	**2015** Contract/ Notional Amount USD'000	**2015** Assets $'000	**2015** Liabilities $'000	**2014** Contract/ Notional Amount USD'000	**2014** Assets $'000	**2014** Liabilities $'000
Forward currency contracts	30,000	–	(860)	134,523	134	(3,352)
Total financial (liabilities)/assets at fair value through profit or loss classified as held for trading		–	(860)		134	(3,352)
Company						
Forward currency contracts	–	–	–	15,500	–	(611)
Total financial liabilities at fair value through profit or loss classified as held for trading		–	–		–	(611)

Forward currency contracts are used to hedge foreign currency risk arising from the Group's sales and purchases denominated in USD for which firm commitments existed at the end of the reporting period (Note 36(b)).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

22. Other long term asset

Other long term asset relates to prepayment by subsidiaries of the Group for upgrading the electric capacity of factories in Shanghai (2014: Shanghai). The prepayments made are amortised over a period of 5 years (2014: 5 years). The remaining amortisation period is 2 years (2014: 3 years).

23. Cash and cash equivalents and short term deposits pledged

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	$'000	$'000	$'000
Cash at banks and on hand	110,107	122,831	7,925	12,817
Short term fixed deposits	16,049	90,273	–	–
Cash and short term deposits	126,156	213,104	7,925	12,817
Less: Short term deposits pledged	–	(4,958)	–	–
Cash and cash equivalents	126,156	208,146	7,925	12,817

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short term fixed deposits are made for varying periods of between 1 day and 1 year depending on the immediate cash requirements of the Group, and earned interest at the respective short term fixed deposit rates. The average effective interest rates for the year ended 31 December 2015 for the Group and the Company were 0.80% (2014: 1.35%) and 0.08% (2014: 0.89%) respectively.

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	$'000	$'000	$'000
United States Dollar	54,495	45,349	4,888	6,312
Renminbi	2	8,534	–	–
Euro	2,207	3,283	21	25
Singapore Dollar	363	50,184	–	–
Japanese Yen	–	312	–	–

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

24. Trade and other payables

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	$'000	$'000	$'000
Trade and other payables (current):				
Trade payables	258,797	265,615	5,822	5,519
Other payables	118,591	73,398	1,334	221
Amounts due to subsidiaries	–	–	3,207	2,459
Total trade and other payables	377,388	339,013	10,363	8,199
Add: Accrued operating expenses	81,518	68,354	7,686	7,567
Loans and borrowings (Note 26)	316,273	215,262	80,815	37,247
Total financial liabilities carried at amortised cost	775,179	622,629	98,864	53,013

Trade payables

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

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	$'000	$'000	$'000
United States Dollar	96,118	60,754	3,803	3,698
Singapore Dollar	19	–	–	–
Renminbi	9	3	–	–
Euro	4,554	3,950	–	–
New Taiwan Dollar	13	7	13	7
Japanese Yen	26	1,326	–	–
Hongkong Dollar	8	7	–	–
Sterling Pound	231	501	–	–
Swiss Franc	15	69	–	–

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

24. Trade and other payables (cont'd)

Other payables

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

Amounts due to subsidiaries

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

25. Provisions

	Group	
	2015	**2014**
	$'000	$'000
At 1 January	–	7,063
Arose/ (reversal) during the financial year	169	(6,942)
Translation differences	10	(121)
At 31 December	179	–

A provision is recognised for expected warranty claims based on current sales levels and estimated level of repairs and returns and terms of warranty programs. A provision is reversed upon expiry of the related warranty given. In 2014, the provision was reversed upon expiry of the related warranty period.

26. Loans and borrowings

	Maturity	Group		Company	
		2015	**2014**	**2015**	**2014**
		$'000	$'000	$'000	$'000
Current:					
Short term loans	2016	305,121	209,130	80,617	36,991
Obligations under finance lease	2016	10,241	3,347	58	24
		315,362	212,477	80,675	37,015
Non-current:					
Obligations under finance lease	2017 - 2019	911	2,785	140	232
Total loans and borrowings		316,273	215,262	80,815	37,247

Short term loans (unsecured)

The Group and the Company have drawn down short term loans at fixed rates of interest for general working capital and capital expenditure purposes. The weighted average interest rate for the year ended 31 December 2015 for the Group and the Company were 1.50% (2014: 1.24%) and 1.61% (2014: 1.30%) per annum respectively. The loans are repayable in 2016.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

26. Loans and borrowings (cont'd)

Obligations under finance lease

These obligations are secured by a charge over the leased assets (Note 14). The effective interest rate on the finance lease ranges from 4.48% to 9.00% (2014: 4.48% to 9.00%) per annum. These obligations are mainly denominated in the functional currency of the relevant entity in the Group.

The Group has finance leases for certain items of machineries, leasehold improvements and a motor vehicle (Note 14). The leasehold improvements lease has terms of renewal but no purchase options and escalation clauses. There are no restrictions placed upon the Group by entering into these leases. Renewals are at the option of the specific entity that holds the lease. The leases of motor vehicle and machineries transfer ownership of the assets to the specific entities that hold the lease by the end of the lease term.

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

2015	**Group**		**Company**	
	Total minimum lease payments	**Present value of payments**	**Total minimum lease payments**	**Present value of payments**
	$'000	$'000	$'000	$'000
Within one year	10,598	10,241	65	58
After one year but not more than five years	957	911	156	140
Total minimum lease payments	11,555	11,152	221	198
Less: Amounts representing finance charges	(403)	–	(23)	–
Present value of minimum lease payments	11,152	11,152	198	198
2014				
Within one year	3,667	3,347	27	24
After one year but not more than five years	3,128	2,785	259	232
Total minimum lease payments	6,795	6,132	286	256
Less: Amounts representing finance charges	(663)	–	(30)	–
Present value of minimum lease payments	6,132	6,132	256	256

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

27. Deferred tax

Deferred tax as at 31 December relates to the following:

	Group			
	Consolidated balance sheet		Consolidated income statement	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Deferred tax assets				
Provisions and allowances	13,358	13,665	576	(3,032)
Unutilised tax losses	12,173	12,729	937	(1,210)
Differences in depreciation for tax purposes	(84)	184	268	(554)
Differences in timing for pre-operating expenses deduction	878	–	(878)	–
Other items	–	(12)	(12)	7
	26,325	26,566		
Deferred tax liabilities				
Differences in depreciation for tax purposes	(1,613)	(1,741)	(128)	1,490
Fair value adjustments on acquisition of subsidiary	(1,044)	(1,076)	(32)	(106)
WIP capitalisation	(1,041)	–	1,105	–
Interest income accrued from fixed deposits and shareholder's loans	(351)	(250)	101	248
Other items	–	(21)	(21)	14
	(4,049)	(3,088)		
Deferred tax expense/ (credit)			1,916	(3,143)

	Company			
	Balance sheet		Income statement	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Deferred tax liabilities				
Differences in depreciation for tax purposes	(1,608)	(1,522)	86	1,522
Interest income accrued from fixed deposits and shareholder's loans	(351)	(248)	103	248
	(1,959)	(1,770)		
Deferred tax expense			189	1,770

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

27. Deferred tax (cont'd)

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately $205,771,000 (2014: $136,193,000) that are available for offset against future taxable profits of the companies in which the losses arose for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

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

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

The unabsorbed tax losses with expiry date are as follow:

Year incurred	Expiry date	Unabsorbed tax losses $'000
2011	31 December 2016	10,314
2012	31 December 2017	27,426
2013	31 December 2018	7,699
2014	31 December 2019	43,472
2015	31 December 2020	50,997

Unrecognised temporary differences relating to investments in subsidiaries

At the end of the reporting period, the Group has recognised withholding tax liabilities of $5,521,000 (2014: $5,350,000) 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% (2014: 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 $110,420,000 (2014: $107,007,000). Such withholding tax liability is estimated to be $5,521,000 (2014: $5,350,000).

Tax consequences of proposed dividends

There are no income tax consequences (2014: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 32).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

28. Deferred capital grants

	Group	
	2015	2014
	$'000	$'000
Cost:		
At 1 January	–	–
Received during the year	3,511	–
Translation differences	15	–
At 31 December	3,526	–
Accumulated amortisation:		
At 1 January	–	–
Amortisation for the year	118	–
At 31 December	118	–
Net carrying amount:		
Current	705	–
Non-current	2,703	–
	3,408	–

Deferred capital grants relate to government grants received by one of its subsidiaries in People's Republic of China for the acquisition of equipment to promote technology advancement and transfer. There are no unfulfilled conditions or contingencies attached to these grants. The capital grants are amortised over a period of 5 years till October 2020.

29. Share capital and treasury shares

(a) Share capital

	Group and Company			
	2015		2014	
	No. of shares		No. of shares	
	'000	$'000	'000	$'000
Issued and fully paid ordinary shares:				
At 1 January and 31 December	887,175	119,725	887,175	119,725

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

The Company has employee share option schemes (Note 31) and employee share award scheme (Note 31) pursuant to which options to acquire the Company's ordinary shares have been granted to the participants of share option schemes and ordinary shares of the Company will be allocated to the participants of share award scheme.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

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

(b) Treasury shares

	Group and Company			
	2015		2014	
	No. of shares		No. of shares	
	'000	$'000	'000	$'000
At 1 January	(69,955)	(51,035)	(68,953)	(50,361)
Acquired during the financial year	(1,115)	(622)	(1,107)	(750)
Reissued pursuant to employee share award scheme:				
- Transferred from employee share award reserve	198	122	105	72
- Loss transferred to gain or loss on reissuance of treasury shares	–	23	–	4
	198	145	105	76
At 31 December	(70,872)	(51,512)	(69,955)	(51,035)

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

The Company acquired 1,115,200 (2014: 1,107,000) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was $622,000 (2014: $750,000) and this is presented as a component within shareholders' equity.

30. Other reserves and accumulated profits

<u>**Other reserves**</u>

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Statutory reserve fund (a)	51,008	50,838	–	–
Foreign currency translation reserve (b)	9,203	2,221	–	–
Capital reserve (c)	169	169	–	–
Employee share option and award reserve (d)	9,695	9,422	9,695	9,422
	70,075	62,650	9,695	9,422

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

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

Other reserves (cont'd)

(a) Statutory reserve fund

In accordance with the Foreign Enterprise Law applicable to the subsidiaries in the People's Republic of China ("PRC"), the subsidiaries are required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiaries' registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The SRF is not available for dividend distribution to shareholders.

	Group	
	2015	**2014**
	$'000	$'000
At 1 January	50,838	50,616
Transfer from retained earnings	170	207
Share of other comprehensive income of associates	–	15
At 31 December	51,008	50,838

(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	
	2015	**2014**
	$'000	$'000
At 1 January	2,221	(4,065)
Net effect of exchange differences arising from translation of financial statements of foreign operations	6,982	6,286
At 31 December	9,203	2,221

(c) Capital reserve

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

	Group	
	2015	**2014**
	$'000	$'000
At 1 January and 31 December	169	169

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

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

Other reserves (cont'd)

(d) Employee share option and award reserve

Employee share option and award reserve represents the equity-settled share options/ awards granted to employees (Note 31). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options/ awards and is reduced by the exercise of the share options or vesting of the share awards.

	Group and Company	
	2015	**2014**
	$'000	$'000
At 1 January	9,422	8,705
Equity compensation expense	437	831
Cancelled/ lapsed during the year	(19)	(38)
Exercised/ vested during the year	(145)	(76)
At 31 December	9,695	9,422

Accumulated profits

	Company	
	2015	**2014**
	$'000	$'000
At 1 January	309,387	284,880
Profit net of tax and total comprehensive income for the year	64,734	29,417
Dividends on ordinary shares (Note 32)	(10,623)	(4,910)
At 31 December	363,498	309,387

31. Equity compensation benefits

Share options

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

31. Equity compensation benefits (cont'd)

Share options (cont'd)

Other information regarding the Option Schemes are set out below:

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

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

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

(iv) The options are only settled by equity.

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

	No. 2015 '000	WAEP 2015 $	No. 2014 '000	WAEP 2014 $
Outstanding at 1 January	20,268	0.90	21,199	1.00
- Granted	569	0.57	3,000	0.57
- Cancelled or lapsed or expired	(1,774)	0.95	(3,931)	1.19
Outstanding at 31 December	19,063	0.88	20,268	0.90
Exercisable at 31 December	16,271	0.94	15,234	0.96

The range of exercise prices for options outstanding at the end of the year was $0.57 to $1.21 (2014: $0.57 to $1.48). The weighted average remaining contractual life for these options is 5.81 years (2014: 6.99 years).

There were 568,535 (2014: 3,000,000) options granted during the financial year ended 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

31. Equity compensation benefits (cont'd)

Share awards

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

Other information regarding the Award Scheme is set out below:

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

(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. 2015 '000	No. 2014 '000
Outstanding at 1 January	309	212
- Granted	174	234
- Cancelled or lapsed	(15)	(32)
- Vested	(199)	(105)
Outstanding at 31 December	269	309

There were 174,155 (2014: 233,675) share awards granted during the financial year ended 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

32. Dividends

	Group and Company	
	2015	**2014**
	$'000	$'000
Declared and paid during the financial year		
Dividend on ordinary shares:		
■ Final exempt one-tier dividend for 2014: 1.0 cents (2013: 0.6 cents) per share	8,174	4,910
■ Interim exempt one-tier dividend for 2015: 0.3 cents (2014: Nil) per share	2,449	–
	10,623	4,910
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 2015: 0.3 cents (2014: 1.0 cents) per share	2,449	8,172

33. Commitments

(a) *Capital commitments*

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	$'000	$'000	$'000
Capital commitments in respect of property, plant and equipment	12,293	70,802	1,388	377

(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 2015 amounted to $26,477,000 (2014: $19,858,000) (Note 9).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

33. Commitments (cont'd)

(b) Operating lease commitments (cont'd)

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	$'000	$'000	$'000
Within one year	19,310	21,915	336	270
Later than one year but not later than five years	29,218	23,287	1,107	1,036
Later than five years	2,841	1,442	1,246	1,439
	51,369	46,644	2,689	2,745

34. Contingencies

Guarantees

The Company granted corporate guarantees of $12,007,000 (2014: $17,492,000) in favour of third party suppliers for purchases made by subsidiaries as at 31 December 2015.

The Company granted corporate guarantees of $Nil (2014: $54,958,000) in favour of banks for credit facilities provided to subsidiaries as at 31 December 2015.

35. 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	
	2015	**2014**
	$'000	$'000
Income		
Sales to a corporate shareholder and companies related to the controlling shareholder	3,237	514
Expenses		
Purchase of materials from a corporate shareholder and companies related to the shareholder	486	1,496

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

35. Related party transactions (cont'd)

(b) Provision of corporate guarantee

During the financial year, Eagle Ventures Limited, a firm which a controlling shareholder of the Company is the director, has given a corporate guarantee originally denominated in USD5 million in favour of the Group, in respect of outstanding balance receivable from a related company, which is also a subsidiary of Eagle Ventures Limited:

	Group	
	2015	**2014**
	$'000	$'000
Corporate guarantee received from a company related to the controlling shareholder	7,069	–

(c) Compensation expenses of key management personnel

	Group	
	2015	**2014**
	$'000	$'000
Directors' fees	110	110
Defined contribution plans	195	174
Wages, salaries, bonus and other short-term employee benefits	7,647	6,398
Equity compensation expense	354	510
Total compensation expenses of key management personnel	8,306	7,192
Comprise amounts for :		
Directors of the Company	1,648	1,791
Other key management personnel	6,658	5,401
	8,306	7,192

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

<u>Directors' interests in the Hi-P Employee Share Option and Share Award Schemes</u>

During the year ended 31 December 2015, 471,798 (2014: Nil) options and 8,494 (2014: 108,301) awards were granted to the aforementioned executive directors. No (2014: Nil) options were exercised by the executive directors during the year while 117,566 (2014: 63,415) share awards were vested to the executive directors during the year.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

36. 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 credit risk, foreign currency risk and liquidity risk. The board of directors reviews and agrees policies and procedures for the management of these risks. The audit committee provides independent oversight to the effectiveness of the risk management process.

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

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents, 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 minimising losses incurred due to increased credit risk exposure. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. All credit terms and credit limits are subject to approval in accordance with the Group's policy. Measures such as letters of credit and collateral arrangements are used to mitigate credit risk.

In addition, the credit-worthiness of customers, receivables that are past due and aggregate risks to individual customers are regularly reviewed and monitored by the credit department and key management team (which comprises the Deputy CEO, CFO, the respective business unit head and operation head).

Excessive risk concentration

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

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

(a) Credit risk (cont'd)

Exposure to credit risk

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

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

Credit risk concentration profile

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

	Group			
	2015		2014	
	$'000	% of total	$'000	% of total
By country:				
People's Republic of China	228,047	60%	134,828	49%
USA and other parts of American Continent	61,530	16%	57,686	21%
Europe	56,880	15%	54,245	19%
Thailand	9,603	3%	8,333	3%
Singapore	3,412	1%	2,520	1%
Malaysia	1,405	#	2,137	1%
Other countries	17,624	5%	17,146	6%
	378,501	100%	276,895	100%

\# - Amount less than 1%

At the end of the reporting period, approximately 78% (2014: 66%) of the Group's trade receivables were due from 5 (2014: 5) major end customers who are mainly multinational conglomerates. The credit risk concentration is considered low in view of the diversified concentration profile by country and by major customer presented above.

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

for the financial year ended 31 December 2015

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

(b) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily SGD, 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 91% (2014: 93%) of the Group's sales and 54% (2014: 52%) of the Group's purchases are denominated in USD respectively. The Group's net transactional currency exposure for 2015 is approximately USD550 million (2014: USD537 million).

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

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

Sensitivity analysis for foreign currency risk

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

	Group (Loss)/ profit net of tax	
	2015	**2014**
	$'000	$'000
USD/ RMB – strengthened 1% (2014: 1%)	-705	-798
– weakened 1% (2014: 1%)	+705	+798
USD/ SGD – strengthened 1% (2014: 1%)	+1,111	+789
– weakened 1% (2014: 1%)	-1,111	-789
RMB/ SGD – strengthened 1% (2014: 1%)	+437	+84
– weakened 1% (2014: 1%)	-437	-84

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

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

(c) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's 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 the reporting period, the Group has sufficient standby credit facilities with several banks. At 31 December 2015, the Group was at net debt position of $190 million (2014: net debt position of $2 million).

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

Analysis of financial instruments by remaining contractual maturities

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

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

(c) Liquidity risk (cont'd)

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

Group	1 year or less $'000	1 to 5 years $'000	Total $'000
2015			
Financial assets			
Trade and other receivables	413,192	–	413,192
Cash and cash equivalents	126,156	–	126,156
Total undiscounted financial assets	539,348	–	539,348
Financial liabilities			
Trade and other payables	369,098	–	369,098
Accrued operating expenses	81,518	–	81,518
Derivatives	860	–	860
Loans and borrowings	316,004	957	316,961
Total undiscounted financial liabilities	767,480	957	768,437
Total net undiscounted financial liabilities	(228,132)	(957)	(229,089)
2014			
Financial assets			
Trade and other receivables	307,886	–	307,886
Derivatives	134	–	134
Short term deposits pledged	5,729	–	5,729
Cash and cash equivalents	208,146	–	208,146
Total undiscounted financial assets	521,895	–	521,895
Financial liabilities			
Trade and other payables	335,887	–	335,887
Accrued operating expenses	68,354	–	68,354
Derivatives	3,352	–	3,352
Loans and borrowings	212,881	3,128	216,009
Total undiscounted financial liabilities	620,474	3,128	623,602
Total net undiscounted financial liabilities	(98,579)	(3,128)	(101,707)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

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

(c) Liquidity risk (cont'd)

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

Company	1 year or less $'000	1 to 5 years $'000	Total $'000
2015			
Financial assets			
Trade and other receivables	86,179	79,220	165,399
Cash and cash equivalents	7,925	–	7,925
Total undiscounted financial assets	94,104	79,220	173,324
Financial liabilities			
Trade and other payables	10,206	–	10,206
Accrued operating expenses	7,686	–	7,686
Derivatives			
Loans and borrowings	80,744	156	80,900
Total undiscounted financial liabilities	98,636	156	98,792
Total net undiscounted financial (liabilities)/assets	(4,532)	79,064	74,532
2014			
Financial assets			
Trade and other receivables	47,462	121,598	169,060
Cash and cash equivalents	12,817	–	12,817
Total undiscounted financial assets	60,279	121,598	181,877
Financial liabilities			
Trade and other payables	8,123	–	8,123
Accrued operating expenses	7,567	–	7,567
Derivatives	611	–	611
Loans and borrowings	37,055	259	37,314
Total undiscounted financial liabilities	53,356	259	53,615
Total net undiscounted financial assets	6,923	121,339	128,262

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

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

(c) Liquidity risk (cont'd)

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

Company	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
2015				
Financial guarantees	5,866	6,141	–	12,007
2014				
Financial guarantees	65,672	6,778	–	72,450

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

37. Fair value of financial instruments

(a) Fair value hierarchy

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

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

(b) Assets and liabilities measured at fair value

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

	2015 $'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	–	–	–	–
Financial liabilities:				
Derivatives (Note 21)				
- Forward currency contracts	–	(860)	–	(860)
Company				
Recurring fair value measurements				
Financial assets:				
Derivatives (Note 21)				
- Forward currency contracts	–	–	–	–
Financial liabilities:				
Derivatives (Note 21)				
- Forward currency contracts	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

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

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

	2014 $'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	–	134	–	134
Financial liabilities:				
Derivatives (Note 21)				
- Forward currency contracts	–	(3,352)	–	(3,352)
Company				
Recurring fair value measurements				
Financial assets:				
Derivatives (Note 21)				
- Forward currency contracts	–	–	–	–
Financial liabilities:				
Derivatives (Note 21)				
- Forward currency contracts	–	(611)	–	(611)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

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

(c) Level 2 fair value measurements

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

Determination of fair value

Derivatives (Note 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.

(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, accrued operating expenses and short term loans, based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature.

(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			
	Carrying amount		Fair value	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Financial liabilities:				
Obligations of finance lease (non-current) (Note 26)	911	2,785	860	2,575

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

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

(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 (cont'd)

	Company			
	Carrying amount		Fair value	
	2015	2014	2015	2014
	$'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)	140	232	127	213

* Amount due from a subsidiary (Note 17)

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

Determination of fair value

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

38. 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 2015, the Group has declared an interim dividend payment and a final dividend payment of $2.4 million (2014: $Nil) and $2.4 million (2014: $8.2 million) respectively to shareholders (as disclosed in Note 32).

No changes were made in the objectives, policies and processes during the years ended 31 December 2015 and 2014.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

38. Capital management (cont'd)

As disclosed in Note 30(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 2015 and 2014.

The Group monitors capital using a gearing ratio which is total debt less cash and short term deposits divided by equity attributable to owners of the Company.

	Group	
	2015	**2014**
	$'000	$'000
Cash and short term deposits (Note 23)	126,156	213,104
Loans and borrowings (Note 26)	(316,273)	(215,262)
Net debt	(190,117)	(2,158)
Equity attributable to owners of Company	556,646	605,919
Gearing ratio	34.2%	0.4%

39. Segment information

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

i. Precision plastic injection molding ("PPIM")

ii. Mold design and fabrication ("MDF")

iii. Provision of sub-product assembly and full-product assembly services ("Assembly")

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

39. Segment information (cont'd)

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

2015	PPIM	MDF	Assembly	Eliminations	Notes	Consolidated
	$'000	$'000	$'000	$'000		$'000
Revenue:						
Sales to external customers	847,955	69,368	445,254	–		1,362,577
Inter-segment sales	85,995	54,524	–	(140,519)	A	–
	933,950	123,892	445,254	(140,519)		1,362,577
Results:						
Profit/ (loss) from operations	22,796	331	(48,804)			(25,677)
Interest income						2,367
Other income						11,578
Financial costs						(4,494)
Other expenses						(17,110)
Share of results of associates						547
Loss before tax						(32,789)
Income tax expense						(12,634)
Loss, net of tax						(45,423)
Other information						
Depreciation of property, plant and equipment	89,958	5,376	4,513			99,847
Amortisation of deferred capital grants	(118)	–	–			(118)
Amortisation of intangible assets	–	–	1,469			1,469
Amortisation of land use rights	282	–	–			282
Provision for warranty costs	–	–	169			169
Inventory provisions	9,825	963	63,637			74,425
Inventories written off	1,782	175	856			2,813
Property, plant and equipment written off	5,018	–	49			5,067
Impairment loss on property, plant and equipment	2,359	33	31			2,423
Impairment loss on doubtful receivables	486	–	8,244			8,730
Allowance on non-cancellable purchase commitments	944	62	8,388			9,394
Other non-cash expenses	255	25	123		B	403

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

39. Segment information (cont'd)

2014	PPIM	MDF	Assembly	Eliminations	Notes	Consolidated
	$'000	$'000	$'000	$'000		$'000
Revenue:						
Sales to external customers	582,267	37,492	331,637	–		951,396
Inter-segment sales	63,305	38,716	–	(102,021)	A	–
	645,572	76,208	331,637	(102,021)		951,396
Results:						
Loss from operations	(557)	(10)	(437)	–		(1,004)
Interest income						2,373
Other income						19,677
Financial costs						(1,688)
Other expenses						(3,802)
Share of results of associates						157
Profit before tax						15,713
Income tax expense						(5,244)
Profit, net of tax						10,469
Other information						
Depreciation of property, plant and equipment	63,954	5,173	8,622			77,749
Amortisation of intangible assets	–	–	1,409			1,409
Amortisation of land use rights	266	–	–			266
Reversal of provision for warranty costs	–	–	(6,942)			(6,942)
Inventory provisions	5,276	94	4,146			9,516
Inventories written back	(282)	(5)	(221)			(508)
Property, plant and equipment written off	1,336	27	177			1,540
Impairment loss on property, plant and equipment	1,457	59	35			1,551
Net gain on liquidation of subsidiaries	(3,937)	–	–			(3,937)
Write back of doubtful receivables	(200)	–	–			(200)
Reversal of allowance on non-cancellable purchase commitments	(100)	(2)	(78)			(180)
Other non-cash expenses	158	(1)	(32)		B	125

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

39. Segment information (cont'd)

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

A Inter-segment revenues are eliminated on consolidation.

B Other non-cash expenses consist of equity compensation expenses, net loss on disposal of property, plant and equipment and trade/ other payables written off as presented in the respective notes to the financial statements.

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	
	2015	**2014**	**2015**	**2014**
	$'000	$'000	$'000	$'000
Asia				
People's Republic of China	823,089	410,191	443,027	372,394
Singapore	17,770	11,055	19,639	23,670
Malaysia	7,843	6,295	–	–
Taiwan	21,165	30,855	–	–
Thailand	43,205	34,707	695	880
Others	24,385	20,444	–	–
	937,457	513,547	463,361	396,944
Europe	136,221	151,050	2,786	4,152
United States and the rest of Americas	288,899	286,799	51	63
	1,362,577	951,396	466,198	401,159

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

Information about major customers

The Group has 4 (2014: 4) major end customers for PPIM segment with revenue amounting to $688,357,000 (2014: $430,999,000) and 5 (2014: 6) major end customers for Assembly segment with revenue amounting to $275,034,000 (2014: $215,359,000).

40. Events occurring after the reporting period

The Company's wholly-owned subsidiary, Hi-P Holdings Pte. Ltd., has on 22 January 2016 entered into an agreement with Rompa (Hong Kong) Limited to incorporate a company under the laws of Hong Kong, named RH Packaging Group Limited, with a capital subscription at the price of HKD500, to undertake the business of providing packaging solutions to the consumer electronics industry. .

41. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 1 April 2016.

STATISTICS OF SHAREHOLDINGS

As at 16 March 2016

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF SHAREHOLDINGS
1 - 99	7	0.31	101	–
100 - 1,000	101	4.50	95,205	0.01
1,001 - 10,000	1,206	53.77	7,812,014	0.96
10,001 - 1,000,000	907	40.44	46,847,349	5.74
1,000,001 and above	22	0.98	761,548,094	93.29
Grand Total	**2,243**	**100.00**	**816,302,763**	**100.00**

TWENTY LARGEST SHAREHOLDERS AS AT 16 MARCH 2016

	NAME OF SHAREHOLDER	NO. OF SHARES	% OF SHAREHOLDINGS[1]
1	YAO HSIAO TUNG	492,679,966*	60.36
2	MOLEX INTERNATIONAL INC	178,236,020	21.83
3	DBS NOMINEES PTE LTD	26,406,300	3.23
4	RAFFLES NOMINEES (PTE) LTD	20,785,261	2.55
5	CITIBANK NOMS S'PORE PTE LTD	16,053,700	1.97
6	UNITED OVERSEAS BANK NOMINEES	3,482,500	0.43
7	RODERICK SER PHUAY KEE	2,600,000	0.32
8	CHESTER LIN CHIEN	2,000,000#	0.25
9	DBSN SERVICES PTE LTD	1,892,300	0.23
10	PHILLIP SECURITIES PTE LTD	1,601,800	0.20
11	WEE BEE HOON	1,587,000	0.19
12	SOH SAI KIANG	1,480,000	0.18
13	CITIBANK CONSUMER NOMS PTE LTD	1,464,000	0.18
14	ONG ENG LOKE	1,397,000	0.17
15	WONG HUEY FANG	1,372,495^	0.17
16	OCBC SECURITIES PRIVATE LTD	1,344,309	0.16
17	SZETO TZEN	1,282,000	0.16
18	HSBC (SINGAPORE) NOMS PTE LTD	1,275,660	0.15
19	HONG LEONG FINANCE NOMINEES PTE LTD	1,188,300	0.15
20	UOB KAY HIAN PTE LTD	1,186,283	0.14
	TOTAL	**759,314,894**	**93.02**

Notes:

1 Based on 816,302,763 shares (excluding shares held as treasury shares) as at 16 March 2016.

* Mr Yao Hsiao Tung held (a) 489,679,966 shares under CDP direct account, and (b) 3,000,000 shares under Raffles Nominees (Pte) Ltd.

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

^ Madam Wong Huey Fang held (a) 372,495 shares under CDP direct account, and (b) 1,000,000 shares under Raffles Nominees (Pte) Ltd.

STATISTICS OF SHAREHOLDINGS

As at 16 March 2016

Shareholders' Information

No. of issued shares (including treasury shares)	:	887,175,000
No. of issued shares (excluding treasury shares)	:	816,302,763
No. and percentage of treasury shares	:	70,872,237 (8.68%)
Class of shares	:	Ordinary share fully paid
Voting rights (excluding treasury shares)	:	One vote per ordinary share

Substantial Shareholders

Substantial shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 16 March 2016.

Name	Direct interest	%[10]	Deemed Interest	% [10]
Yao Hsiao Tung	492,679,966[1]	60.36	6,940,540[2]	0.85
Molex International Inc	178,236,020	21.83	–	–
Molex, LLC	–	–	178,236,020[3]	21.83
Molex Connectors, LLC	–	–	178,236,020[4]	21.83
Molex Electronic Technologies, LLC	–	–	178,236,020[5]	21.83
Molex Electronic Technologies Holdings, LLC	–	–	178,236,020[6]	21.83
Koch Industries, Inc.	–	–	178,236,020[7]	21.83
Charles G. Koch	–	–	178,236,020[8]	21.83
David H. Koch	–	–	178,236,020[9]	21.83

Notes:

1. Mr Yao Hsiao Tung held (a) 489,679,966 shares under CDP direct account, and (b) 3,000,000 shares under Raffles Nominees (Pte) Ltd.
2. Mr Yao Hsiao Tung's deemed interest arises by virtue of the options to subscribe for an aggregate of 6,892,382 shares and awards of 48,158 shares held by him as at 16 March 2016.
3. Molex, LLC has a deemed interest in the 178,236,020 shares held by Molex International Inc. by reason of its controlling interest in Molex International Inc.
4. Molex Connectors, LLC has a deemed interest in the 178,236,020 shares held by Molex International Inc. by reason of its controlling interest in Molex, LLC.
5. Molex Electronic Technologies, LLC has a deemed interest in the 178,236,020 shares held by Molex International Inc. by reason of its a controlling interest in Molex Connectors, LLC.
6. Molex Electronic Technologies Holdings, LLC has a deemed interest in the 178,236,020 shares held by Molex International Inc. by reason of its controlling interest in Molex Electronic Technologies, LLC.
7. Koch Industries, Inc. has a deemed interest in the 178,236,020 shares held by Molex International Inc. by reason of its controlling interest in Molex Electronic Technologies Holdings, LLC.
8. Charles G. Koch has a deemed interest in the 178,236,020 shares held by Molex International Inc. by reason of his interest in 25% or more of the total number of issued and outstanding voting common shares of Koch Industries, Inc.
9. David H. Koch has a deemed interest in the 178,236,020 shares held by Molex International Inc. by reason of his interest in 25% or more of the total number of issued and outstanding voting common shares of Koch Industries, Inc.
10. Shareholding percentage is calculated based on the Company's total issued shares of 816,302,763 shares as at 16 March 2016 (excluding treasury shares).

STATISTICS OF SHAREHOLDINGS

As at 16 March 2016

Free Float

As at 16 March 2016, approximately 17.30% of the total issued shares (excluding treasury shares) of the Company was held in the hands of the public (based on information available to the Company).

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

Treasury Shares

As at 16 March 2016, the Company held 70,872,237 treasury shares, representing 8.68% 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 Room 3, Level 2, Jurong Country Club, 9 Science Centre Road, Singapore 609078 on Thursday, 28 April 2016 at 2.30 p.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2015 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a final tax exempt one-tier dividend of 0.3 cents per ordinary share for the financial year ended 31 December 2015. [2014: 1.0 cents per ordinary share] **(Resolution 2)**

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

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

5. To re-appoint Mr Yao Hsiao Tung as a Director of the Company with effect from 28 April 2016 and to hold office subject to retirement by rotation in accordance with the Company's Constitution. [See Explanatory Note (iii)] **(Resolution 5)**

6. To re-appoint Mr Chester Lin Chien as a Director of the Company with effect from 28 April 2016 and to hold office subject to retirement by rotation in accordance with the Company's Constitution. [See Explanatory Note (iv)] **(Resolution 6)**

7. To approve the payment of Directors' fees of S$358,000.00 for the financial year ended 31 December 2015. (2014: S$358,000.00) **(Resolution 7)**

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

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

SPECIAL BUSINESS

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

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

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

(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)**

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

"That, pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be and are hereby authorised to offer and grant options in accordance with the Hi-P Employee Share Option Scheme 2014 (the "**Option Scheme**") and to allot and issue such number of fully paid up shares as may be required to be issued pursuant to the exercise of options granted under the Option Scheme provided always that the aggregate number of shares issued or issuable pursuant to the Option Scheme, which together with the aggregate number of shares issued or issuable pursuant to the Hi-P Employee Share Award Scheme and any other share schemes of the Company, shall not exceed fifteen per cent. (15%) of the total number of issued shares excluding treasury shares of the Company on the day preceding the date of grant of any option."

[See Explanatory Note (vi)] **(Resolution 10)**

NOTICE OF ANNUAL GENERAL MEETING

12. **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 2014 and any other share schemes of the Company, shall not exceed fifteen per cent. (15%) of the total number of issued shares excluding treasury shares of the Company on the day preceding the date of grant of any award."
[See Explanatory Note (vii)] **(Resolution 11)**

By Order of the Board

Yao Hsiao Tung
Executive Chairman and Chief Executive Officer

Singapore, 12 April 2016

Explanatory Notes:

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

(ii) If re-elected under Resolution 4, Madam Leong Lai Peng, retiring pursuant to Article 91 of the Company's Constitution, will continue in office as Independent Director, Chairman of the Remuneration Committee, a member of Audit Committee and a member of Nominating Committee of the Company, and be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

(iii) Mr Yao Hsiao Tung was re-appointed as Director of the Company in accordance with the then Section 153(6) of the Companies Act to hold office until the date of the annual general meeting of the Company to be held on 28 April 2016. Accordingly, notwithstanding the repeal of Section 153 of the Companies Act with effect from 3 January 2016, the Company is seeking shareholders' approval for the re-appointment of Mr Yao Hsiao Tung. If re-appointed under Resolution 5, Mr Yao Hsiao Tung will continue in office as Executive Chairman of the board of directors of the Company, subject to retirement by rotation in accordance with the Company's Constitution. Mr Yao Hsiao Tung is the spouse of Madam Wong Huey Fang.

(iv) Mr Chester Lin Chien was re-appointed as Director of the Company in accordance with the then Section 153(6) of the Companies Act to hold office until the date of the annual general meeting of the Company to be held on 28 April 2016. Accordingly, notwithstanding the repeal of Section 153 of the Companies Act with effect from 3 January 2016, the Company is seeking shareholders' approval for the re-appointment of Mr Chester Lin Chien. If re-appointed under Resolution 6, Mr Chester Lin Chien will continue in office as Independent Director, Chairman of the Nominating Committee, a member of Remuneration Committee of the Company, subject to retirement by rotation in accordance with the Company's Constitution.

(v) The Ordinary Resolution 9 proposed in item 10 above, if passed, will empower the Directors from the date of the above Annual General Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company. The aggregate number of shares (including any shares issued pursuant to the convertible securities) which the Directors may allot and issue under this Resolution will not exceed fifty per cent. (50%) of the total number of issued shares excluding treasury shares (as defined in Resolution 9) of the Company. For issues of shares and convertible securities other than on a pro-rata basis to all shareholders, the aggregate number of shares to be issued shall not exceed twenty per cent. (20%) of the total number of issued shares excluding treasury shares (as defined in Resolution 9) of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue shares pursuant to any convertible securities issued under this authority.

NOTICE OF ANNUAL GENERAL MEETING

(vi) The Ordinary Resolution 10 proposed in item 11 above, if passed, will empower the Directors of the Company, to grant options and to allot and issue shares pursuant to the exercise of options under the Hi-P Employee Share Option Scheme 2014, which together with the allotment and issue of shares pursuant to the Hi-P Employee Share Award Scheme and any other share schemes of the Company, do not exceed in total fifteen per cent. (15%) of the total number of issued shares excluding treasury shares of the Company on the day preceding the date of grant of any option.

(vii) The Ordinary Resolution 11 proposed in item 12 above, if passed, will empower the Directors of the Company, to grant awards and to allot and issue shares pursuant to the vesting of awards under the Hi-P Employee Share Award Scheme, which together with the allotment and issue of shares pursuant to the Hi-P Employee Share Option Scheme 2014 and any other share schemes of the Company, do not exceed in total fifteen per cent. (15%) of the total number of issued shares excluding treasury shares of the Company on the day preceding the date of grant of any award.

Notes:

1. Detailed information of Madam Wong Huey Fang, Madam Leong Lai Peng, Mr Yao Hsiao Tung and Mr Chester Lin can be found under the section "Board of Directors" in the Company's Annual Report 2015.

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

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

4. The instrument appointing a proxy or proxies must be deposited at the office of the Company's share registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) at 80 Robinson Road, #11-02 Singapore 068898 not less than forty-eight (48) hours before the time for holding the Meeting.

PERSONAL DATA PRIVACY:

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

HI-P INTERNATIONAL LIMITED

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

IMPORTANT
1. 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. Pursuant to Section 181(1C) of the Companies Act, Chapter 50 of Singapore, Relevant Intermediaries may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
3. 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.
4. CPF investors are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies.

Personal Data Privacy
By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 April 2016.

PROXY FORM

I/We ______________________ (Name) ______________________ (NRIC / Passport Number)

of ____ (Address)

being a member/members of HI-P INTERNATIONAL LIMITED (the "**Company**") hereby appoint:

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

and/or (delete as appropriate)

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

or failing him/her, the Chairman of the Annual General Meeting of the Company (the "**Meeting**") as my/our proxy/proxies to vote for me/us on my/our behalf, at the Meeting to be held at Ficus Room 3, Level 2, Jurong Country Club, 9 Science Centre Road, Singapore 609078 on Thursday, 28 April 2016 at 2.30 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any matter arising at the Meeting.

All resolutions put to the vote at the Meeting shall be decided by wall of poll.

No.	Resolutions Relating to:	Number of votes for**	Number of votes against**
1.	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2015		
2.	Declaration of final dividend		
3.	Re-election of Madam Wong Huey Fang		
4.	Re-election of Madam Leong Lai Peng		
5.	Re-appointment of Mr Yao Hsiao Tung		
6.	Re-appointment of Mr Chester Lin Chien		
7.	Approval of Directors' fees for the financial year ended 31 December 2015		
8.	Re-appointment of Messrs Ernst & Young LLP as Auditor		
9.	Authority to issue and allot shares pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806(2) of the Listing Manual		
10.	Authority to grant options and issue shares under the Hi-P Employee Share Option Scheme 2014		
11.	Authority to grant awards and issue shares under the Hi-P Employee Share Award Scheme		

** If you wish to exercise all your votes "For" or "Against", please indicate with an "X" within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this __________ day of ______________ 2016

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

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

[IMPORTANT: PLEASE READ NOTES OVERLEAF]

NOTES

1. A member (other than a Relevant Intermediary*) entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

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

3. A member of the Company having a share capital who is a Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified). In such event, the Relevant Intermediary shall submit a list of its proxies together with the information required in this form of proxy including the number and class of shares in relation to which each proxy has been appointed, to the Company's share registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) at its office at 80 Robinson Road, #11-02 Singapore 068898.

   "Relevant Intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Cap. 289) of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all shares held by the member.

5. The instrument appointing a proxy or proxies must be deposited at the office of the Company's share registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) at 80 Robinson Road, #11-02 Singapore 068898, not less than 48 hours before the time set for the Meeting.

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

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

8. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF Investors and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

GENERAL:

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

Hi-P INTERNATIONAL LIMITED

赫 比 国 际 有 限 公 司

Company Registration Number 198004817H

11 International Business Park, Jurong East, Singapore 609926
www.hi-p.com

cre8
Tel: (65) 63278398