CIRCULAR DATED 21 JANUARY 2021

THIS CIRCULAR IS ISSUED BY HI-P INTERNATIONAL LIMITED (THE "COMPANY"). THIS CIRCULAR IS IMPORTANT AS IT CONTAINS THE RECOMMENDATION OF THE INDEPENDENT DIRECTORS (AS DEFINED HEREIN) AND THE ADVICE OF DELOITTE & TOUCHE CORPORATE FINANCE PTE. LTD. (AS THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS) TO THE INDEPENDENT DIRECTORS. THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt in relation to this Circular or as to the action you should take, you should consult your stockbroker, bank manager, accountant, solicitor, tax adviser or other professional adviser immediately.

If you have sold or transferred all your Shares (as defined herein) held through CDP (as defined herein), you need not forward this Circular to the purchaser or the transferee, as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your Shares which are not deposited with CDP, you should immediately forward this Circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

This Circular has not been examined or approved by the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The SGX-ST assumes no responsibility for the contents of this Circular, including the correctness of any of the statements or opinions made or reports contained in this Circular.

HI-P INTERNATIONAL LIMITED

(Company Registration No.: 198004817H)
(Incorporated in the Republic of Singapore)

CIRCULAR TO SHAREHOLDERS

in relation to the

VOLUNTARY UNCONDITIONAL GENERAL OFFER

by

CLSA SINGAPORE PTE LTD
(Company Registration No.: 198703750W)
(Incorporated in the Republic of Singapore)

and

DBS BANK LTD.
(Company Registration No.: 196800306E)
(Incorporated in the Republic of Singapore)

for and on behalf of

YHT VENTURE PTE. LTD.

(Company Registration No.: 202039108M)
(Incorporated in the Republic of Singapore)

to acquire all the issued and paid-up ordinary shares in the capital of the Company other than those held, directly or indirectly, by YHT Venture Pte. Ltd. as at the date of the Offer

Independent Financial Adviser to the Independent Directors of the Company

DELOITTE & TOUCHE CORPORATE FINANCE PTE. LTD.

(Company Registration No.: 200200144N)
(Incorporated in the Republic of Singapore)

SHAREHOLDERS SHOULD NOTE THAT ACCEPTANCES SHOULD BE RECEIVED BY THE CLOSE OF THE OFFER AT 5.30 P.M. (SINGAPORE TIME) ON 18 FEBRUARY 2021. THE OFFEROR HAS STATED IT DOES NOT INTEND TO EXTEND THE OFFER BEYOND SUCH TIME AND DATE.

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DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout this Circular:

GENERAL

"Accepting Shareholder"	:	A Shareholder who tenders his Shares in acceptance of the Offer
"Awards"	:	Awards for new Shares granted under the Share Award Scheme
"Books Closure Date"	:	Shall have the meaning ascribed to it in **Section 2.1(d)(i)** of this Circular
"Circular"	:	This circular to Shareholders dated 21 January 2021 in relation to the Offer and the Options Proposal enclosing, *inter alia*, the IFA Letter
"Code"	:	The Singapore Code on Take-overs and Mergers
"Companies Act"	:	The Companies Act, Chapter 50 of Singapore
"Company Securities"	:	(a) Shares; (b) securities which carry voting rights in the Company; or (c) convertible securities, warrants, options and derivatives in respect of the Shares or securities which carry voting rights in the Company
"Compulsory Acquisition"	:	The right of the Offeror to compulsorily acquire all the Shares from Shareholders who have not accepted the Offer at a price equal to the Offer Price pursuant to Section 215(1) of the Companies Act in the event that the Offeror acquires not less than 90% of the total Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and excluding, for the avoidance of doubt, any shares held in treasury)
"Constitution"	:	The constitution of the Company
"CPF Agent Banks"	:	Agent banks included under the CPFIS
"CPFIS"	:	Central Provident Fund Investment Scheme
"CPFIS Investors"	:	Investors who have purchased Shares using their CPF contributions pursuant to the CPFIS

"Directors"	:	The directors of the Company as at the Latest Practicable Date, namely, Mr. Yao, Madam Wong, Mr. Gerald Lim Thien Su, Mr. Yeo Tiong Eng, Mr. Chester Lin Chien, Madam Leong Lai Peng, Mr. Seow Choke Meng and Mr. Ho Kheong Chun Peter, and "*Director*" means any one of them
"Dissenting Shareholders"	:	Shall have the meaning ascribed to it in **Section 9** of this Circular
"Distributions"	:	Shall have the meaning ascribed to it in **Section 2.1(c)** of this Circular
"Eligible Option Holder"	:	An Option Holder who holds Options capable of being exercised into new Shares on acceptance of the Options Proposal
"Encumbrances"	:	Shall have the meaning ascribed to it in **Section 2.1(c)** of this Circular
"FAA"	:	Form of Acceptance and Authorisation for Offer Shares, which forms part of the Offer Document and which is issued to Shareholders whose Offer Shares are deposited with CDP
"FAT"	:	Form of Acceptance and Transfer for Offer Shares, which forms part of the Offer Document and which is issued to Shareholders whose Offer Shares are registered in their own names in the Register and are not deposited with CDP
"Free Float Requirement"	:	Shall have the meaning ascribed to it in **Section 9** of this Circular
"FY"	:	Financial year ended or ending on (as the case may be) 31 December of a particular year as stated
"HY"	:	Half-year ended or ending on (as the case may be) 30 June of a particular year as stated
"HY2020 Results"	:	The unaudited consolidated financial results of the Group in respect of HY2020 which were released by the Company on SGXNET on 29 July 2020 and is reproduced in **Appendix V** to this Circular
"IFA Letter"	:	The letter dated 21 January 2021 from the IFA to the Independent Directors in respect of the Offer and the Options Proposal, as set out in **Appendix I** to this Circular

"Independent Directors"	:	The Directors who are considered to be independent for the purposes of the Offer under the Code, namely, Mr. Gerald Lim Thien Su, Mr. Yeo Tiong Eng, Mr. Chester Lin Chien, Madam Leong Lai Peng, Mr. Seow Choke Meng and Mr. Ho Kheong Chun Peter
"Interested Person"	:	As defined in the Note on Rule 24.6 of the Code and read with the Note on Rule 23.12 of the Code, an interested person, in relation to a company, is: (a) a director, chief executive officer, or Substantial Shareholder of the company; (b) the immediate family of a director, the chief executive officer, or a Substantial Shareholder (being an individual) of the company; (c) the trustees, acting in their capacity as such trustees, of any trust of which a director, the chief executive officer or a Substantial Shareholder (being an individual) and his immediate family is a beneficiary; (d) any company in which a director, the chief executive officer or a Substantial Shareholder (being an individual) together and his immediate family together (directly or indirectly) have an interest of 30% or more; (e) any company that is the subsidiary, holding company or fellow subsidiary of the Substantial Shareholder (being a company); or (f) any company in which a Substantial Shareholder (being a company) and any of the companies listed in (e) above together (directly or indirectly) have an interest of 30% or more
"Irrevocable Undertakings"	:	The irrevocable undertakings provided by Mr. Yao and Madam Wong in favour of the Offeror in respect of, *inter alia*, all the Shares he/she holds and all the Shares he/she may acquire (whether directly or indirectly)
"Latest Practicable Date"	:	12 January 2021, being the latest practicable date prior to the printing of this Circular, save that where parts of the Offer Document (including the letter from the Joint Financial Advisers to the Shareholders in the Offer Document) and/or the Options Proposal Letter are reproduced, references to the "Latest Practicable Date" in such reproduction shall mean the Offer Document LPD

"Listing Manual"	:	The listing manual of the SGX-ST
"Market Day"	:	A day on which the SGX-ST is open for trading of securities
"Madam Wong"	:	Madam Wong Huey Fang
"Mr. Yao"	:	Mr. Yao Hsiao Tung
"Non-Independent Directors"	:	Directors who are not considered to be independent for the purposes of the Offer under the Code, namely, Mr. Yao and Madam Wong
"Offer"	:	The voluntary unconditional general offer by the Joint Financial Advisers, for and on behalf of the Offeror, to acquire all the Offer Shares on the terms and subject to the conditions set out in the Offer Document, the FAA and/or the FAT, as such Offer may be amended, extended and revised from time to time by or on behalf of the Offeror
"Offer Announcement"	:	The announcement issued by the Joint Financial Advisers, for and on behalf of the Offeror, on the Offer Announcement Date in relation to the voluntary unconditional general offer for all the Offer Shares
"Offer Announcement Date"	:	18 December 2020, being the date of the Offer Announcement
"Offer Closing Date"	:	5.30 p.m. (Singapore time) on 18 February 2021, being the last date for the lodgement of acceptances of the Offer
"Offer Document"	:	The offer document dated 7 January 2021, including the FAA and the FAT, issued by the Joint Financial Advisers, for and on behalf of the Offeror, in respect of the Offer, and any other document(s) which may be issued for and on behalf of the Offeror to amend, revise, supplement or update the document(s) from time to time
"Offer Document LPD"	:	28 December 2020, stated in the Offer Document to be the latest practicable date prior to the printing of the Offer Document
"Offer Price"	:	S$2.00 in cash for each Offer Share
"Offer Shares"	:	Shall have the meaning ascribed to it in **Section 2.1(a)** of this Circular

"Offeror Securities"	:	(a) securities which carry voting rights in the Offeror; or (b) convertible securities, warrants, options or derivatives in respect of securities which carry voting rights in the Offeror
"Offeror Shareholding Announcement"	:	The announcement issued by the Joint Financial Advisers, for and on behalf of the Offeror, on 13 January 2021 in relation to, *inter alia*, the level of acceptances of the Offer, the final closing date of the Offer and the Offeror's intentions in relation to the compulsory acquisition of the Shares and the listing status of the Company
"Option Holder"	:	Holder of the Options
"Options"	:	Options to subscribe for new Shares granted under the Share Option Schemes
"Options Closing Date"	:	5.30 p.m. (Singapore time) on 4 February 2021, being the last date for the lodgement of acceptances of the Options Proposal
"Options Proposal"	:	The proposal made in relation to the Options by the Joint Financial Advisers, for and on behalf of the Offeror, to the Option Holders, on the terms set out in the Options Proposal Letter
"Options Proposal Acceptance Letter"	:	Options Proposal Acceptance Letter, which forms part of the terms of the Options Proposal and the Options Proposal Letter and which is issued to Option Holders
"Options Proposal Letter"	:	The options proposal letter dated 7 January 2021, including the Options Proposal Acceptance Letter, issued by the Joint Financial Advisers, for and on behalf of the Offeror, in respect of the Options Proposal, and any other document(s) which may be issued for and on behalf of the Offeror to amend, revise, supplement or update the document(s) from time to time
"Overseas Shareholders"	:	Shall have the meaning ascribed to it in **Section 14** of this Circular
"Register"	:	The register of holders of Shares, as maintained by the Share Registrar
"Securities Account"	:	A securities account maintained by a Depositor with CDP but does not include a securities sub-account
"SFA"	:	The Securities and Futures Act, Chapter 289 of Singapore

"SFRS(I)"	:	Singapore Financial Reporting Standards (International)
"SGXNET"	:	Singapore Exchange Network, a system network used by listed companies when sending information and announcements to the SGX-ST or any other system networks prescribed by the SGX-ST
"Share Award Scheme"	:	The Hi-P Employee Share Award Scheme 2018 which was approved by Shareholders on 20 April 2018
"Share Option Schemes"	:	The Hi-P Employee Share Option Scheme 2003 which was approved by Shareholders on 7 October 2003, and the Hi-P Employee Share Option Scheme 2014 which was approved by Shareholders on 29 April 2014
"Shareholders"	:	Holders of Shares (other than CDP) as indicated on the Register and Depositors who have Shares entered against their names in the Depository Register
"Shares"	:	Issued and paid-up ordinary shares in the capital of the Company
"SRS"	:	Supplementary Retirement Scheme
"SRS Agent Banks"	:	Agent banks included under the SRS
"SRS Investors"	:	Investors who have purchased Shares using their SRS contributions pursuant to the SRS
"Substantial Shareholder"	:	A person who has an interest in not less than five per cent. (5%) of the total number of issued voting Shares
"Undertaking Options"	:	Shall have the meaning ascribed to it in **Paragraph 5.9(a)(ii) of Appendix II**

Units and currencies

"S$" and "cents"	:	Singapore dollars and cents, respectively, being the lawful currency of Singapore
"%" or "per cent."	:	Percentage or per centum

COMPANIES / ORGANISATIONS

"ACRA"	:	Accounting and Corporate Regulatory Authority of Singapore
"Auditor"	:	Ernst & Young LLP
"CDP"	:	The Central Depository (Pte) Limited
"CLSA"	:	CLSA Singapore Pte Ltd
"Company" or "Offeree"	:	Hi-P International Limited
"CPF"	:	Central Provident Fund
"DBS"	:	DBS Bank Ltd.
"Group"	:	The Company, its subsidiaries and associated companies
"IFA" or "DTCF"	:	Deloitte & Touche Corporate Finance Pte. Ltd., the independent financial adviser to the Independent Directors in respect of the Offer and the Options Proposal
"Joint Financial Advisers"	:	CLSA and DBS
"Offeror"	:	YHT Venture Pte. Ltd.
"SGX-ST"	:	Singapore Exchange Securities Trading Limited
"Share Registrar"	:	Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.), located at 80 Robinson Road, #11-02, Singapore 068898
"SIC"	:	The Securities Industry Council of Singapore

Acting in Concert. Unless otherwise defined, the term "**acting in concert**" shall have the same meaning as ascribed to it in the Code.

Announcements and Notices. References to the making of an announcement or the giving of notice by the Company shall include the release of an announcement by the Company or its agents, for and on behalf of the Company, to the press or the delivery of or transmission by telephone, facsimile, SGXNET or otherwise of an announcement to the SGX-ST. An announcement made otherwise than to the SGX-ST shall be notified to the SGX-ST simultaneously.

Capitalised Terms in Extracts. Statements which are reproduced in their entirety from the Offer Document, the Options Proposal Letter, the IFA Letter, and the Constitution are set out in this Circular within quotes and italics, and capitalised terms used within these reproduced statements shall bear the same meanings as attributed to them in the Offer Document, the Options Proposal Letter, the IFA Letter, and the Constitution respectively.

Depository Related Terms. The terms "**Depositor**" and "**Depository Register**" shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

Subsidiary and Related Corporation. References to "**subsidiary**" and "**related corporation**" shall have the meanings ascribed to them respectively in Sections 5 and 6 of the Companies Act respectively.

Shareholders. References to "**you**", "**your**" and "**yours**" in this Circular are, as the context so determines, to the Shareholders.

Headings. The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Expressions. Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing one gender shall, where applicable, include any or all other genders. References to persons shall, where applicable, include corporations.

Statutes. Any reference in this Circular to any enactment or statutory provision is a reference to that enactment as for the time being amended or re-enacted, unless the context otherwise requires. Any word defined under the Companies Act, the SFA, the Listing Manual or the Code or any modification thereof and used in this Circular shall, where applicable, have the meaning assigned to it under the Companies Act, the SFA, the Listing Manual or the Code or any modification thereof, as the case may be, unless the context otherwise requires.

Time and Date. Any reference to a time of day and date in this Circular is made by reference to Singapore time and date, unless otherwise stated.

Rounding. Any discrepancies in figures included in this Circular between the amounts shown and the total thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

Total number of Shares and Percentage as at the Latest Practicable Date. In this Circular, the total number of Shares is a reference to a total of 807,467,735 Shares in issue as at the Latest Practicable Date (excluding 79,707,265 treasury shares) based on a search conducted at ACRA, unless the context otherwise requires. Unless otherwise specified, all references to the percentage shareholding in the capital of the Company in this Circular are based on 807,467,735 Shares in issue as at the Latest Practicable Date (excluding 79,707,265 treasury shares) based on a search conducted at ACRA. As at the Latest Practicable Date, the Company has 79,707,265 treasury shares held in the share capital of the Company.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as "aim", "seek", "expect", "anticipate", "estimate", "believe", "intend", "project", "plan", "potential", "strategy", "forecast", "possible", "probable" and similar expressions or future or conditional verbs such as "if", "will", "would", "should", "could", "may" or "might". These statements reflect the Company's current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information as at the Latest Practicable Date. Such forward-looking statements are not guarantees of future results, performance, events or achievements and involve known and unknown risks and uncertainties. Accordingly, actual results or outcomes may differ materially from those described in such forward-looking statements. Given the risks and uncertainties involved, Shareholders and investors should not place undue reliance on such forward-looking statements, and neither the Company nor the IFA guarantees any future performance or event, or undertakes any obligation to update publicly or revise any forward-looking statements, subject to compliance with all applicable laws and regulations and/or rules of the SGX-ST and/or any other regulatory or supervisory body or agency.

HI-P INTERNATIONAL LIMITED

(Company Registration No.: 198004817H)
(Incorporated in the Republic of Singapore)

Board of Directors:

Mr. Yao Hsiao Tung (Executive Chairman and Chief Executive Officer)
Madam Wong Huey Fang (Executive Director and Chief Administrative Officer)
Mr. Gerald Lim Thien Su (Lead Independent Director)
Mr. Yeo Tiong Eng (Non-Executive Director)
Mr. Chester Lin Chien (Independent Director)
Madam Leong Lai Peng (Independent Director)
Mr. Seow Choke Meng (Independent Director)
Mr. Ho Kheong Chun Peter (Independent Director)

Registered Office:

11 International Business Park
Singapore 609926

21 January 2021

To: The Shareholders of Hi-P International Limited

Dear Sir/Madam

VOLUNTARY UNCONDITIONAL GENERAL OFFER BY THE JOINT FINANCIAL ADVISERS, FOR AND ON BEHALF OF THE OFFEROR, FOR THE OFFER SHARES

1. INTRODUCTION

1.1. Offer Announcement

On the Offer Announcement Date, the Joint Financial Advisers announced, for and on behalf of the Offeror, that the Offeror intends to make the Offer for all the Offer Shares in accordance with Rule 15 of the Code.

A copy of the Offer Announcement is available on the website of the SGX-ST at www.sgx.com.

1.2. Offer Document and Options Proposal Letter

Shareholders should have by now received a copy of the Offer Document, as announced by the Joint Financial Advisers, for and on behalf of the Offeror, which was despatched on 7 January 2021, setting out the formal offer by the Joint Financial Advisers, for and on behalf of the Offeror, to acquire all the Offer Shares subject to the terms and conditions set out in the Offer Document. The principal terms and conditions of the Offer are set out in Section 2 of the Offer Document.

The Options Proposal Letter containing the Options Proposal to the Option Holders was also despatched to Option Holders on 7 January 2021.

Copies of the Offer Document and the Options Proposal Letter are available on the website of the SGX-ST at www.sgx.com.

1.3. **Independent Financial Adviser**

The Company has appointed DTCF as the independent financial adviser to advise the Independent Directors in respect of the Offer and the Options Proposal.

1.4. **Purpose of Circular**

The purpose of this Circular is to provide Shareholders with relevant information pertaining to the Company, the Offer, the Options Proposal, the advice of the IFA to the Independent Directors and the recommendation of the Independent Directors with regard to the Offer and the Options Proposal.

Shareholders and Eligible Option Holders should read the Offer Document, the Options Proposal Letter, this Circular and the IFA Letter set out in Appendix I to this Circular carefully and consider the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors in respect of the Offer and the Options Proposal before deciding whether or not to accept the Offer and/or the Options Proposal (as the case may be).

If you are in any doubt in relation to this Circular or as to the action you should take, you should consult your stockbroker, bank manager, accountant, solicitor, tax adviser or other professional adviser immediately.

2. THE OFFER

Based on the information set out in the Offer Document:

2.1. **Offer Terms**

The Joint Financial Advisers have, for and on behalf of the Offeror, made the Offer for all the Offer Shares, on the terms and subject to the conditions set out in the Offer Document, the FAA and the FAT, on the following basis:

(a) **Offer Shares**

The Offer is extended by the Offeror, on the same terms and conditions, to:

(i) all the Shares, other than those Shares held, directly or indirectly, by the Offeror as at the date of the Offer;

(ii) all new Shares unconditionally issued or to be issued pursuant to the valid exercise of any options to subscribe for new Shares (the "**Options**") granted under the Share Option Schemes, prior to the close of the Offer; and

(iii) all new Shares unconditionally issued or to be issued pursuant to the valid vesting or release of any awards for new Shares ("**Awards**") granted under the Share Award Scheme, prior to the close of the Offer.

For the purposes of the Offer, the expression "**Offer Shares**" will include the aforesaid Shares.

(b) **Consideration**

For each Offer Share: S$2.00 in cash (the "Offer Price")

As stated in the Offer Document, the Offer Price is final and the Offeror does not intend to revise the Offer Price, save that the Offeror reserves the right to do so in accordance with the Code if a competitive situation arises.

(c) **No Encumbrances**

The Offer Shares will be acquired (a) fully paid; (b) free from all liens, equities, mortgages, charges, encumbrances, rights of pre-emption and other third party rights and interests of any nature whatsoever (the "**Encumbrances**"); and (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto (including the right to receive and retain all dividends and other distributions or return of capital, if any, which may be announced, declared, paid or made thereon (the "**Distributions**") by the Company on or after the Offer Announcement Date).

(d) **Adjustments for Distributions**

The Offer Price has been determined on the basis that the Offer Shares will be acquired with the right to receive any Distribution that may be declared, paid or made by the Company on or after the Offer Announcement Date.

Accordingly, in the event any Distribution is or has been declared, paid or made by the Company in respect of the Offer Shares on or after the Offer Announcement Date, the Offer Price payable to a Shareholder who validly accepts or has validly accepted the Offer shall be reduced by an amount which is equal to the amount of such Distribution, depending on when the settlement date in respect of the Offer Shares tendered in acceptance of the Offer by such accepting Shareholder falls, as follows:

(i) if such settlement date falls on or before the books closure date for the determination of entitlements to the Distribution (the "**Books Closure Date**"), the Offer Price for each Offer Share shall be S$2.00, as the Offeror will receive the Distribution in respect of such Offer Share from the Company; or

(ii) if such settlement date falls after the Books Closure Date, the Offer Price for each Offer Share shall be reduced by an amount which is equal to the amount of the Distribution in respect of each Offer Share, as the Offeror will not receive the Distribution in respect of such Offer Share from the Company.

(e) **Unconditional Offer**

The Offer is unconditional in all respects.

2.2. **Warranty**

Acceptance of the Offer will be deemed to constitute an unconditional and irrevocable warranty by the Accepting Shareholder that each Offer Share tendered in acceptance of the Offer is sold by the Accepting Shareholder, or on behalf of the beneficial owner(s) thereof, as (a) fully paid; (b) free from Encumbrances; and (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto (including the right to receive and retain all Distributions, if any, which may be announced, declared, paid or made thereon by the Company on or after the Offer Announcement Date).

2.3. **Offer Closing Date**

Except insofar as the Offer may be withdrawn with the consent of the SIC and every person released from any obligation incurred thereunder, the Offer will remain open for acceptances for a period of at least 28 days from the date of posting of the Offer Document, being 7 January 2021.

As stated in the Offeror Shareholding Announcement, the closing date for the Offer is extended from 5.30 p.m. Singapore time on 4 February 2021 to 5.30 p.m. Singapore time on 18 February 2021, and the Offeror does not intend to extend the Offer beyond 5.30 p.m. Singapore time on 18 February 2021.

Accordingly, Shareholders should note that the Offer will close at 5.30 p.m. Singapore time on 18 February 2021. The Offeror does not intend to extend the Offer beyond such time and date.

2.4. **Details of the Offer**

Further details on (a) the duration of the Offer, (b) the settlement of the consideration for the Offer, (c) the requirements relating to the announcement of the level of acceptances of the Offer, and (d) the right of withdrawal of acceptances of the Offer are set out in Appendix IV to the Offer Document, and the Offeror Shareholding Announcement.

2.5. **Procedures for Acceptance**

The procedures for acceptance of the Offer are set out in Appendix V to the Offer Document.

3. OPTIONS PROPOSAL

The Joint Financial Advisers, for and on behalf of the Offeror, have made the Options Proposal, details of which have been extracted from Sections 3.1 to 3.5 of the Offer Document, as well as paragraph 5 of the Offer Proposal Letter and are set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

"***3. COMPANY OPTIONS AND AWARDS***

3.1 Company Options

As at the Latest Practicable Date, based on the latest information available to the Offeror, there are 13,349,401 outstanding Company Options. Under the rules of the Share Option Schemes, the Company Options are not transferable by the holders

*thereof (the "**Option Holders**"). In view of this restriction, the Offeror will not make an offer to acquire the Company Options in connection with the Offer (although, as stated above, the Offer will be extended to all new Shares unconditionally issued or to be issued pursuant to the valid exercise of the Company Options prior to the close of the Offer).*

3.2 Options Proposal

*Instead, the Joint Financial Advisers will, for and on behalf of the Offeror, make a proposal (the "**Options Proposal**") to the Option Holders, subject to the relevant Company Options being exercisable into new Shares as at the Option Holders' respective dates of acceptance of the Options Proposal and continuing to be exercisable into new Shares, to pay to the Option Holders a cash amount (the "**Option Price**") on the basis of the "see-through" price of the Company Options (determined as provided below), in consideration of the Option Holders agreeing:*

(a) not to exercise all or any of their Company Options into new Shares; and

(b) not to exercise any of their rights as Option Holders,

in each case from the date of their acceptance of the Options Proposal to the respective dates of expiry of such Company Options. Further, Option Holders who have accepted the Options Proposal will be required to surrender their relevant Company Options for cancellation. If the Offer is withdrawn or if the relevant Company Options cease to be exercisable into new Shares, the Options Proposal will lapse accordingly. For the avoidance of doubt, as mentioned in paragraph 2.1(b) of this Offer Document, the Offer will be extended to all new Shares unconditionally issued or to be issued pursuant to the valid exercise of Company Options prior to the close of the Offer.

3.3 Option Price

The Option Price is calculated on a "see-through" basis, that is, the Option Price in relation to any Company Option is the amount of the excess of the Offer Price over the exercise price of that Company Option. Where the exercise price of a Company Option is equal to or higher than the Offer Price, the Option Price for each Company Option will be fixed at a nominal amount of S$0.001.

3.4 Offer and Options Proposal Mutually Exclusive

The Offer and the Options Proposal are separate and are mutually exclusive. The Options Proposal does not form part of the Offer, and vice versa. Without prejudice to the foregoing, if the Option Holders wish to exercise their Company Options in order to accept the Offer in respect of the new Shares to be issued pursuant to such exercise, they may not accept the Options Proposal in respect of such Company Options. Conversely, if Option Holders wish to accept the Options Proposal in respect of their Company Options, they may not exercise those Company Options in order to accept the Offer in respect of the new Shares to be issued pursuant to such exercise.

3.5 Despatch of Options Proposal

Details of the Options Proposal have been separately despatched to Option Holders."

The full extract of paragraph 5 of the Options Proposal Letter is set out below. Unless otherwise defined, all terms and expressions used in the extracts below shall have the same meanings as those defined in the Options Proposal Letter and/or the Offer Document.

"***5. OPTIONS PROPOSAL***

5.1 Terms of the Options Proposal

In addition to extending the Offer to all Shares unconditionally issued and/or transferred (as the case may be) prior to or on the Closing Date pursuant to the valid exercise of the outstanding Options, the Joint Financial Advisers, for and on behalf of the Offeror, hereby make the Options Proposal to each Option Holder on the terms set out below.

Subject to the relevant Options being exercisable into new Shares as at the Option Holders' respective dates of acceptance of the Options Proposal, and continuing to be exercisable into new Shares, and in consideration of the Option Holders agreeing:

(a) not to exercise all or any of their Options into new Shares; and

(b) not to exercise any of their rights as Option Holders,

*in each case from the date of their acceptance of the Options Proposal to the respective dates of expiry of such Options, the Offeror will pay a cash amount (the "**Option Price**") on the basis of the "see-through" price of the Options, determined as set out in paragraph 5.2 below.*

If the Offer is withdrawn or if the relevant Options cease to be exercisable into new Shares, the Options Proposal will lapse accordingly. Further, Option Holders who have accepted the Options Proposal will be required to surrender their relevant Options for cancellation.

5.2 Option Price

The Option Price is calculated on a "see-through" basis, that is, the Option Price in relation to any Option is the amount of the excess of the Offer Price over the exercise price of that Option. Where the exercise price of an Option is equal to or higher than the Offer Price, the Option Price for each Option will be fixed at a nominal amount of S$0.001.

5.3 Offer and Options Proposal Mutually Exclusive

The Offer and the Options Proposal are separate and are mutually exclusive. The Options Proposal does not form part of the Offer, and vice versa. Without prejudice to the foregoing, if the Option Holders wish to exercise their Options in order to accept the Offer in respect of the new Shares to be issued pursuant to such exercise, they may not accept the Options Proposal in respect of such Options. Conversely, if Option Holders wish to accept the Options Proposal in respect of their Options, they may not exercise those Options in order to accept the Offer in respect of the new Shares to be issued pursuant to such exercise.

5.4 Duration of the Options Proposal

The Options Proposal shall remain open for acceptance until ***5.30 p.m. Singapore time on 4 February 2021*** *(the "**Closing Date**").*

5.5 Acceptances Irrevocable

Acceptances of the Options Proposal shall be irrevocable."

4. NO AWARDS OFFER

The Joint Financial Advisers, for and on behalf of the Offeror, will not make an offer to acquire the Awards. Further details of this have been extracted from Section 3.6 of the Offer Document and are set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

"***3.6 No Awards Offer***

As at the Latest Practicable Date, based on the latest information available to the Offeror, there are 2,622,995 outstanding Awards granted under the Share Award Scheme. Under the rules of the Share Award Scheme, the Awards are not transferable by the holders thereof. In view of this restriction, the Joint Financial Advisers, for and on behalf of the Offeror, will not make an offer to acquire the Awards. For the avoidance of doubt, as mentioned in paragraph 2.1(c) of this Offer Document, the Offer will be extended to all new Shares unconditionally issued or to be issued pursuant to the valid vesting or release of Awards prior to the close of the Offer."

5. IRREVOCABLE UNDERTAKINGS

The full text of the irrevocable undertakings provided by Mr. Yao and Madam Wong in favour of the Offeror (the "**Irrevocable Undertakings**") has been extracted from Section 4 of the Offer Document and is set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

"***4.1 Details of Irrevocable Undertakings***

*As at the Latest Practicable Date, Mr Yao Hsiao Tung ("**Mr Yao**") holds 673,496,144 Shares, representing approximately 83.41% of the total number of Shares and Madam Wong Huey Fang ("**Madam Wong**") holds 737,982 Shares, representing approximately 0.09% of the total number of Shares. Each of Mr Yao and Madam Wong has executed an irrevocable undertaking dated 17 December 2020 (the "**Irrevocable Undertakings**") in favour of the Offeror, pursuant to which each of them has undertaken, inter alia, the following:*

*(a) to accept the Offer in respect of all his/her Shares as at the date of the Irrevocable Undertakings (the "**Undertaking Shares**"), which represent approximately 83.41% and 0.09% of the total number of Shares respectively, and any Shares which he/she may, directly or indirectly, acquire on or after the date of the Irrevocable Undertakings;*

(b) not to transfer or otherwise dispose of any Shares held by him/her during the period commencing from the date of the Irrevocable Undertakings and ending on the closing date of the Offer (as may be extended from time to time by or on behalf of the Offeror), other than in accordance with the terms of their respective Irrevocable Undertakings[1];

*(c) not to exercise all or any Company Options held by him/her as at the date of the Irrevocable Undertakings and which may be granted to him/her after the date of the Irrevocable Undertakings (collectively, the "**Undertaking Options**"), and not to accept the Options Proposal in respect of the Undertaking Options. In the event that the Offeror does not become entitled to exercise its right of Compulsory Acquisition by the close of the Offer, the foregoing undertaking shall be in respect of the period prior to and up to the close of the Offer. In the event that the Offeror exercises its right of Compulsory Acquisition, the foregoing undertaking shall be in respect of the period prior to and up to the completion of the Compulsory Acquisition; and*

*(d) to direct that the aggregate Offer Price payable (the "**Reinvestment Amount**") to:*

(i) Mr Yao in respect of his Undertaking Shares; and

(ii) Madam Wong in respect of her Undertaking Shares,

*be applied to subscribe for new shares in the capital of the Offeror (each, an "**Offeror Share**"), on the basis that the issue price per new Offeror Share will be equivalent to the Offer Price (the "**Reinvestment**"). The SIC has confirmed that the Reinvestment does not constitute a prohibited special deal for the purposes of Rule 10 of the Code.*

For the avoidance of doubt, acceptances of the Offer by Mr Yao and Madam Wong in respect of Shares which he/she may directly or indirectly (through a vehicle controlled by either or both of them) acquire after the date of the Irrevocable Undertakings will be satisfied by the Offeror by payment of the Offer Price in cash in accordance with Rule 30 of the Code.

4.2 Expiry of Irrevocable Undertakings

The Irrevocable Undertakings shall expire: (a) in the event that the Offeror does not become entitled to exercise its right of Compulsory Acquisition by the close of the Offer, upon the close or withdrawal of the Offer; or (b) in the event that the Offeror exercises its right of Compulsory Acquisition, upon the completion of the Compulsory Acquisition."

1 *As at the Latest Practicable Date, YHT Global holds 35,416,000 Shares, representing approximately 4.39% of the total number of Shares.*

6. INFORMATION ON THE OFFEROR

6.1. Information on the Offeror

The information on the Offeror set out in italics below has been extracted from Section 5 of the Offer Document. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

"***5. INFORMATION ON THE OFFEROR***

The Offeror is an investment holding vehicle incorporated under the laws of Singapore on 2 December 2020. As at the Latest Practicable Date, the Offeror has an issued and paid-up share capital of S$1, consisting of one (1) ordinary share, which is held by Mr Yao."

6.2. Further information on the Offeror

Shareholders should refer to Appendix I to the Offer Document for further information on the Offeror.

7. FINANCIAL EVALUATION OF THE OFFER AND TRADING VOLUME OF THE SHARES

The full text of the financial evaluation of the Offer and trading volume of the Shares has been extracted from Section 7 of the Offer Document and is set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the extract below carefully.**

"***7. FINANCIAL EVALUATION OF THE OFFER AND TRADING VOLUME OF THE SHARES***

7.1 Financial Evaluation of the Offer

The prevailing economic environment is uncertain due to the ongoing COVID-19 pandemic. The Offer presents a clean cash exit opportunity for Shareholders to realise their investment in the Shares at a favourable valuation, without incurring brokerage and other trading costs. The Offer Price represents a premium over the prevailing benchmark prices of the Shares.

(a) The Offer Price is at a premium to the NAV per Share and prevailing Share prices over the last 12 months

The Offer Price represents a premium of approximately:

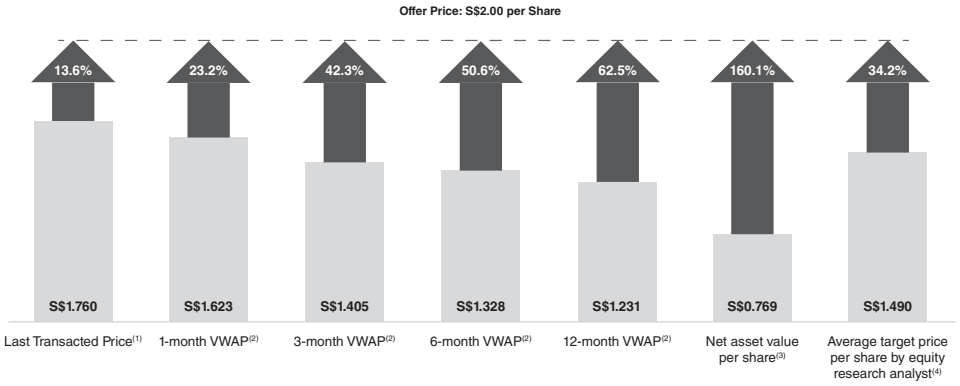
*(i) 160.1% over the net asset value ("**NAV**") per Share as of 30 June 2020;*

(ii) 13.6% over the last transacted price per Share of S$1.760 on the Last Trading Day; and

*(iii) 23.2%, 42.3%, 50.6% and 62.5% over the volume weighted average price ("**VWAP**") per Share for the one (1)-month, three (3)-month, six (6)-month and 12-month periods, respectively, up to and including the Last Trading Day.*

(b) *The Offer Price exceeds the average of analysts' price targets*

The Offer Price also represents a premium of approximately 34.2% over the average target price of S$1.490 per Share by equity research analysts covering the Company.



Source: Bloomberg L.P.

Notes:

(1) As at the Last Trading Day

(2) The VWAPs of Shares are rounded to the nearest three (3) decimal places and computed on data sourced from Bloomberg L.P. up to and including the Last Trading Day. The respective premia are rounded to the nearest one (1) decimal place

(3) Based on NAV per Share as at 30 June 2020 disclosed in the Company's 1H2020 Financial Statements. The percentage premium is rounded to the nearest one (1) decimal place

(4) Computed based on simple average of analyst target prices extracted from Bloomberg L.P. as at 16 December 2020, including target prices issued by UOB Kay Hian, DBS Bank, Maybank Kim Eng and CGS-CIMB. In addition to the target prices extracted from Bloomberg L.P., CLSA's target price has also been included in computing the simple average

7.2 Low Trading Liquidity of the Shares

The trading liquidity of the Shares has been low. The average daily trading volume of the Shares over the last one (1)-month period, three (3)-month period, six (6)-month period and 12-month period up to and including the Last Trading Day are set out in the table below.

	One (1)-month period	***Three (3)-month period***	***Six (6)-month period***	***12-month period***
Average daily trading volume as a percentage of total Shares(1)(2)	*0.388%*	*0.296%*	*0.309%*	*0.351%*

Notes:

(1) The average daily trading volume is based on data extracted from Bloomberg L.P. as at the Last Trading Day and calculated using the daily total volume of Shares traded divided by the total number of Shares

(2) The percentage figures are rounded to the nearest three (3) decimal places"

8. RATIONALE FOR THE OFFER AND OFFEROR'S INTENTIONS FOR THE COMPANY

The full text of the rationale for the Offer and the Offeror's intentions for the Company has been extracted from Section 8 of the Offer Document and is set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the extract below carefully and note the Offeror's intentions for the Company.**

"***8. RATIONALE FOR THE OFFER AND INTENTIONS FOR THE COMPANY***

8.1 Greater Management Flexibility

The Offeror is making the Offer with a view to delisting the Company from the SGX-ST and exercising any rights of compulsory acquisition that may arise under Section 215(1) of the Companies Act. The Offeror believes that privatising the Company will give the Offeror and the management of the Company more flexibility to manage the business of the Company, optimise the use of its management and capital resources as well as facilitate the implementation of any operational changes.

8.2 No Need for Access to Capital Markets

Since 2004, the Company has not carried out any corporate exercise to raise funds on the SGX-ST. The Company is also unlikely to require access to Singapore capital markets to finance its operations in the foreseeable future. Accordingly, it is not necessary for the Company to maintain a listing on the SGX-ST.

8.3 Compliance Costs of Maintaining Listing

In maintaining its listed status, the Company incurs compliance and associated costs. In the event that the Company is delisted from the SGX-ST, the Company will be able to save on expenses relating to the maintenance of its listed status and focus its resources on its business operations.

8.4 Offeror's Intentions for the Company

The Offeror has no current intentions to (a) introduce any major changes to the existing business of the Company; (b) re-deploy the fixed assets of the Company; or (c) discontinue the employment of the existing employees of the Company and its subsidiaries, in each case, other than in the ordinary and usual course of business. However, the Offeror retains the flexibility at any time to further consider any options or opportunities in relation to the Company which may present themselves and which the Offeror may regard to be in the interests of the Company and its subsidiaries."

9. LISTING STATUS AND COMPULSORY ACQUISITION

The full text of the intentions of the Offeror relating to the listing status and the compulsory acquisition of the Company has been extracted from Section 9 of the Offer Document and is set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the extract below carefully.**

"***9. LISTING STATUS AND COMPULSORY ACQUISITION***

9.1 Listing Status

*Under Rule 723 of the Listing Manual, the Company must ensure that at least 10% of the total number of Shares is at all times held in public hands (the "**Free Float Requirement**"). Pursuant to Rule 1105 of the Listing Manual, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror and persons acting in concert with it to above 90% of the total number of Shares (excluding treasury shares), the SGX-ST may suspend the trading of the Shares (excluding treasury shares) in the Ready and Unit Share markets until it is satisfied that at least 10% of the total number of Shares are held by at least 500 Shareholders who are members of the public.*

Rule 1303(1) of the Listing Manual provides that if the Offeror succeeds in garnering acceptances exceeding 90% of the total number of Shares (excluding treasury shares), thus causing the percentage of the total number of Shares (excluding treasury shares) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.

Under Rule 724(1) of the Listing Manual, if the Free Float Requirement is not satisfied, the Company must, as soon as possible, announce that fact and the SGX-ST may suspend trading of all the Shares. Rule 724(2) of the Listing Manual states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of the Shares held in public hands to at least 10%, failing which the Company may be removed from the Official List of the SGX-ST.

9.2 Compulsory Acquisition

*Pursuant to Section 215(1) of the Companies Act, in the event that the Offeror acquires not less than 90% of the total Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and excluding, for the avoidance of doubt, any shares held in treasury), the Offeror would be entitled to exercise the right to compulsorily acquire all the Shares from Shareholders who have not accepted the Offer (the "**Dissenting Shareholders**") at a price equal to the Offer Price (the "**Compulsory Acquisition**").*

In addition, pursuant to Section 215(3) of the Companies Act, if the Offeror acquires such number of Shares which, together with the Shares held by it, its related corporations and their respective nominees, comprise 90% or more of the total Shares, Dissenting Shareholders will have a right to require the Offeror to acquire their Shares at the Offer Price. Shareholders who wish to exercise such right are advised to seek their own independent legal advice.

9.3 Offeror's Intentions

The Offeror does not intend to maintain the listing status of the Company. In the event that, inter alia, the Free Float Requirement is not satisfied, the Offeror intends to delist the Company and does not intend to take any step for the public float to be restored and/or for any trading suspension of the Shares by the SGX-ST to be lifted. ***Furthermore, the Offeror, if and when entitled, intends to exercise its rights of Compulsory Acquisition under Section 215(1) of the Companies Act****.*

*In addition, the Offeror also reserves the right to seek a voluntary delisting of the Company from the SGX-ST pursuant to Rules 1307 and 1309 of the Listing Manual (collectively, the "**Voluntary Delisting Rules**"). Without prejudice to the foregoing, if the Offeror receives, as at the Closing Date, valid acceptances of the Offer from Shareholders (other than persons acting in concert with the Offeror) (the "**Independent Shareholders**") representing at least 75% of the total number of issued Shares held by the Independent Shareholders and subject to substantive compliance with the other requirements set out in such Voluntary Delisting Rules, the Offeror intends to seek SGX-ST's waiver from strict compliance with such Voluntary Delisting Rules.*

In the event that the public float is lost and the Offeror is unable to exercise its right of Compulsory Acquisition or the Company is unable to meet the requirements set out in the Voluntary Delisting Rules, the trading of the Shares may be subjected to a prolonged period of suspension."

Shareholders should note that as announced by the Offeror in the Offeror Shareholding Announcement, as at 6.00 p.m. Singapore time on 12 January 2021, the Offeror has received valid acceptances pursuant to the Offer for not less than 90% of the total Shares as at the date of the Offer (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and excluding, for the avoidance of doubt, any shares held in treasury). **Accordingly, as disclosed in the Offeror Shareholding Announcement, the Offeror has announced that it is entitled to, and will in due course, exercise its rights of Compulsory Acquisition under Section 215(1) of the Companies Act to compulsorily acquire all Shares of the Shareholders who have not accepted the Offer (the "Dissenting Shareholders") at a price equal to the Offer Price.**

Shareholders should also note that, as announced by the Company on 13 January 2021, based on the information in the Offeror Shareholding Announcement, the percentage of Shares held by the public as at 13 January 2021 is approximately 9.63% and is therefore less than the requisite 10% of the total number of issued Shares (excluding treasury shares) (the "**Free Float Requirement**") as required under Rule 723 of the Listing Manual. **As stated in the Offeror Shareholding Announcement, the Free Float Requirement is accordingly no longer satisfied and as stated in the Offer Document, the Offeror intends to delist the Company and does not intend to take any step for the public float to be restored and/or for any trading suspension of the Shares by the SGX-ST to be lifted.**

10. CONFIRMATION OF FINANCIAL RESOURCES

The full text of the confirmation of financial resources as set out in Section 11 of the Offer Document has been extracted from the Offer Document and is set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

"***11. CONFIRMATION OF FINANCIAL RESOURCES***

DBS Bank, as Joint Financial Adviser to the Offeror in connection with the Offer, confirms that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offer by holders of the Offer Shares on the basis of the Offer Price, excluding the Reinvestment Amount."

11. DISCLOSURES OF SHAREHOLDINGS, DEALINGS AND OTHER ARRANGEMENTS

The full text of information relating to the disclosure of holdings and dealings in relevant securities by the Offeror, the directors of the Offeror, and persons acting in concert with the Offeror has been extracted from Appendix III to the Offer Document and is set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

"***1. DISCLOSURE OF INTERESTS IN COMPANY SECURITIES***

1.1 Holdings in Company Securities

(a) Holdings in Shares

As at the Latest Practicable Date, based on the latest information available to the Offeror, the interests in Shares held by the Offeror, the Directors and persons acting in concert with the Offeror are set out below:

Name	***Direct Interest***		***Deemed Interest***		***Total Interest***	
	No. of Shares	***%(1)***	***No. of Shares***	***%(1)***	***No. of Shares***	***%(1)***
Mr Yao	*673,496,144*	*83.41*	*35,416,000(2)*	*4.39*	*708,912,144*	*87.79*
YHT Global	*35,416,000*	*4.39*	*–*	*–*	*35,416,000*	*4.39*
Szeto Tzen(4)	*1,282,000*	*0.16*	*–*	*–*	*1,282,000*	*0.16*
Madam Wong	*737,982*	*0.09*	*–*	*–*	*737,982*	*0.09*
Hung Han-I, Carrie(3)	*620,865*	*0.08*	*–*	*–*	*620,865*	*0.08*
Carrie Yao Chia Juei(3)	*108,000*	*0.01*	*–*	*–*	*108,000*	*0.01*
Kng Mian Tze(5)	*12,500*	*0.00*	*–*	*–*	*12,500*	*0.00*
Heleston Chew Khai Suen(6)	*10,000*	*0.00*	*–*	*–*	*10,000*	*0.00*
Yao Hsiao Kuang(3)	*622*	*0.00*	*–*	*–*	*622*	*0.00*

Notes:

(1) The percentage shareholding interest is based on the total number of Shares as at the Latest Practicable Date. Percentages are rounded to the nearest two (2) decimal places.

(2) Mr Yao is deemed to have an interest in the 35,416,000 Shares held by YHT Global as he is the 100% shareholder of YHT Global.

(3) Close Relative of Mr Yao and presumed to be acting in concert with the Offeror pursuant to the Code.

(4) Close Relative of Madam Wong and presumed to be acting in concert with the Offeror pursuant to the Code.

(5) Close Relative of Szeto Tzen and Heleston Chew Khai Suen and presumed to be acting in concert with the Offeror pursuant to the Code.

(6) Close Relative of Szeto Tzen and Kng Mian Tze and presumed to be acting in concert with the Offeror pursuant to the Code.

(b) Holdings in Company Options

As at the Latest Practicable Date, based on the latest information available to the Offeror, the Company Options held by the Offeror, the Directors and the persons acting in concert with the Offeror are set out below:

Name	***No. of Company Options***	***Exercise Period***	***Exercise Price (S$)***
Mr Yao	*2,571,000*	*5 May 2012 to 4 May 2021*	*1.20*
	1,119,650	*4 May 2013 to 3 May 2022*	*0.90*
	222,659	*30 April 2014 to 29 April 2023*	*0.699*
	447,073	*12 May 2016 to 11 May 2025*	*0.57*
Madam Wong	*326,000*	*5 May 2012 to 4 May 2021*	*1.20*
	136,421	*4 May 2013 to 3 May 2022*	*0.90*
	20,670	*30 April 2014 to 29 April 2023*	*0.699*
	24,725	*12 May 2016 to 11 May 2025*	*0.57*
Hung Han-I, Carrie[(1)]	*100,000*	*9 April 2013 to 8 April 2022*	*0.96*
	500,000	*Up to 100,000 Company Options exercisable after each of the first, second, third, fourth and fifth anniversaries of 30 June 2020[(2)]*	*1.08*

Name	*No. of Company Options*	*Exercise Period*	*Exercise Price (S$)*
Carrie Yao Chia Juei[(1)]	*300,000*	*Up to 60,000 Company Options exercisable after each of the first, second, third, fourth and fifth anniversaries of 30 June 2020*[(2)]	*1.08*

Notes:

(1) Close Relative of Mr Yao and presumed to be acting in concert with the Offeror pursuant to the Code.

(2) The actual number of Company Options exercisable at each such anniversary is to be determined by the relevant employee's performance rating, as assessed by the Company, for the financial year immediately preceding the relevant anniversary.

(c) Holdings in Awards

As at the Latest Practicable Date, based on the latest information available to the Offeror, the Awards under the Hi-P Employee Share Award Scheme 2018 held by the Offeror, the Directors and the persons acting in concert with the Offeror are set out below:

Name	*Date of Grant*	*No. of Outstanding Awards*
Hung Han-I, Carrie[(1)]	*1 August 2018*	*64,000*
	31 March 2019	*64,000*
	14 April 2020	*64,000*
Carrie Yao Chia Juei[(1)]	*1 August 2018*	*60,000*
	31 March 2019	*48,000*

Note:

(1) Close Relative of Mr Yao and presumed to be acting in concert with the Offeror pursuant to the Code.

As at the Latest Practicable Date, the Offeror does not hold any Company Securities.

1.2 Dealings in Company Securities

(a) Dealings in Shares

Based on information available to the Offeror, save as disclosed below and in the announcements released by the Joint Financial Advisers, for and on behalf of the Offeror, on the website of the SGX-ST on 21 December 2020, 22 December 2020, 23 December 2020, 24 December 2020 and 28 December 2020, each in relation to dealings in Shares by YHT Global, none of the Offeror, the Directors and persons acting in concert with the Offeror has dealt in Shares during the

*period commencing three (3) months prior to the Offer Announcement Date and ending on the Latest Practicable Date (the "**Relevant Period**"):*

Name	*Transaction Date*	*Transaction Type*	*No. of Shares*	*Transaction price per Share (S$)*
CLSA	*27 November 2020*	*Buy*	*457,100*	*1.7236*
CLSA	*27 November 2020*	*Buy*	*250,100*	*1.7208*
CLSA	*27 November 2020*	*Sell*	*707,200*	*1.7208*

(b) Dealings in Company Options

None of the Offeror, the Directors and persons acting in concert with the Offeror has dealt in Company Options during the Relevant Period."

12. ADVICE AND RECOMMENDATION IN RELATION TO THE OFFER AND OPTIONS PROPOSAL

12.1. General

Shareholders and Eligible Option Holders should read and carefully consider the recommendation of the Independent Directors as set out in **Section 12.4** below and the advice of the IFA to the Independent Directors dated 21 January 2021, which is set out in **Appendix I** to this Circular, before deciding whether to accept or reject the Offer and/or the Options Proposal (as the case may be).

12.2. Independence of Directors

Each of the Non-Independent Directors, Mr. Yao and Madam Wong, is a director of the Offeror and accordingly would face an irreconcilable conflict of interest in making any recommendation on the Offer to the Shareholder.

The SIC has ruled that the Non-Independent Directors are exempted from the requirement to make a recommendation on the Offer.

Notwithstanding such exemption, each of Non-Independent Directors will still assume responsibility for the accuracy of facts stated or opinions expressed in documents and advertisements issued by, or on behalf of, the Company in connection with the Offer.

Each of the Independent Directors, Mr. Gerald Lim Thien Su, Mr. Yeo Tiong Eng, Mr. Chester Lin Chien, Madam Leong Lai Peng, Mr. Seow Choke Meng and Mr. Ho Kheong Chun Peter, considers himself or herself to be independent for the purposes of making a recommendation to the Shareholders in relation to the Offer and the Options Proposal.

12.3. **Advice of the IFA to the Independent Directors**

(a) IFA

DTCF has been appointed as the independent financial adviser to advise the Independent Directors in respect of the Offer and the Options Proposal. Shareholders and Eligible Option Holders should consider carefully the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors before deciding whether to accept or reject the Offer and/or the Options Proposal (as the case may be). DTCF's advice is set out in its letter dated 21 January 2021, which is set out in **Appendix I** to this Circular.

(b) Factors taken into consideration by the IFA

In arriving at its recommendation, the IFA has taken into account several key considerations, set forth in paragraph 8 of the IFA Letter. Shareholders should read paragraph 8 of the IFA Letter in conjunction with, and in the context of, the full text of the IFA Letter.

(c) Advice of the IFA

After having regard to the considerations set out in the IFA Letter, an extract of the summary which is set out in italics below, and based on the circumstances of the Company and the information as at the Latest Practicable Date, the IFA has made certain recommendations to the Independent Directors. Shareholders should read the extract below in conjunction with, and in the context of, the full text of the IFA Letter. All terms and expressions used in the extract below shall have the same meanings as those defined in the IFA Letter, unless otherwise stated.

"8. Our Recommendation on the Offer and The Options Proposal

In arriving at our recommendation on the Offer and the Options Proposal, we have assessed the financial terms of the Offer and the Options Proposal after taking into consideration the following key considerations which we consider to be pertinent and which we consider may have a significant bearing on our assessment:

i. Historical market price performance and trading activity of the Shares

a. The Offer Price of S$2.00 is higher than the closing price of Shares in the 2-year period preceding the Last Trading Day (where the Shares traded in the range of S$0.721 to S$1.772 per Share);

b. The Offer Price represents a premium of 62.5%, 50.6%, 42.3%, 23.2%, and 13.6% above the VWAP of the Shares for the 12-month, 6-month, 3-month and 1-month periods prior to and including the Last Trading Day respectively; and

c. The ADT Volume as a percentage of total number of Shares for the Company's Shares is within the range of the top 30 STI Companies, above the mean and median. The ADT Volume as a percentage of free float for the Company's Shares is above the range of the top 30 STI Companies. The ADT Value of the Company's Shares as a percentage of market capitalisation is within the range of the top 30 STI Companies, above the mean and median.

ii. Comparison of recently completed privatisation

a. The premia based on comparison of the Offer Price to the 3-month, 6-month and 12-month VWAP are higher than the median of those observed in the Precedent Privatisation Transactions;

b. The premia based on comparison of the Offer Price to the last transacted price and 1-month VWAP is lower than the median of those observed in the Precedent Privatisation Transactions; and

c. The premia offered based on the Offer Price are within the range observed in the Precedent Privatisation Transactions for the last transacted price and VWAPs over the 1-month, 3-month, 6-month and 12-month periods prior to the announcement of the Precedent Privatisation Transactions.

iii. Historical financial performance of the Group

a. The historical revenue, gross profit and net income performance of the Group has been decreasing between 2017 and 2019 and for 6 months to June 2020 as compared to the prior corresponding period.

iv. Comparison with the valuation statistics of companies broadly comparable to the Company

a. The TTM EV/EBITDA ratio of the Company at 7.3 times as implied by the Offer Price is within the range of TTM EV/EBITDA of the Comparable Companies, and above the median and average TTM EV/EBITDA of the Comparable Companies;

b. The TTM PER of the Company at 20.3 times as implied by the Offer Price is above the range of the TTM PER of the Comparable Companies; and

c. The P/NAV of the Company at 2.6 times as implied by the Offer Price is above the range of the P/NAV of the Comparable Companies.

v. Comparable Transaction Analysis

a. The EV/EBITDA ratio of the Company at 7.3 times as implied by the Offer Price is above the range of EV/EBITDA of the Comparable Transactions;

b. The PER ratio of the Company at 20.3 times as implied by the Offer Price is within the range of PER of the Comparable Transactions, and above the median and average PER of the Comparable Transactions; and

c. The P/NAV ratio of the Company at 2.6 times as implied by the Offer Price is above the range of P/NAV of the Comparable Transactions.

vi. Options Proposal

a. The Option Price is calculated on a "see-through" basis, the consideration an Eligible Option Holder would receive from accepting the Options Proposal would be the same as if the Eligible Option Holder were to exercise the Options and accept the Offer.

vii. Other relevant considerations

a. The rationale of the Offer;

b. The Irrevocable Undertakings provided by Mr Yao and Madam Wong to the Offeror;

c. The Offer being unconditional in all respects;

d. The intentions of the Offeror to, when entitled, exercise its right of compulsory acquisition under Section 215(1) of the Companies Act; and

e. As at the Latest Practicable Date, apart from the Offer, no alternative offer from a third party has been received.

Based on our analysis and after having considered carefully the information available to us as at the Latest Practicable Date, overall, we are of the view that the financial terms of the Offer are fair and reasonable. Accordingly, we advise the Independent Directors to recommend the Shareholders to accept the Offer.

With regard to the Options Proposal and the Eligible Option Holders, as the Option Price is calculated on a "see-through" basis, the consideration an Eligible Option Holder would receive from accepting the Options Proposal would be the same as if the Eligible Option Holder were to exercise the Options and accept the Offer. Our analysis and conclusion with reference to the Offer Price will therefore, be similarly relevant to the Eligible Option Holders. Accordingly, we advise the Independent Directors to recommend the Eligible Option Holders to accept the Option Proposal.

Our opinion, as disclosed in this IFA Letter, is based solely on publicly available information and information provided by the Directors and the Management and therefore does not reflect any projections of future financial performance of the Group or the Company after the completion of the Offer. In addition, our opinion is based on the economic and market conditions prevailing as at the Latest Practicable Date and is solely confined to our views on the Offer and the Options Proposal.

Our opinion is addressed to the Independent Directors for their benefit and for the purpose of their consideration of the Offer and the Options Proposal. The recommendation to be made by them to the Shareholders shall remain the responsibility of the Independent Directors. Whilst a copy of this IFA Letter may be reproduced in the Offeree Circular, neither the Company, the Directors nor any other person may reproduce, disseminate or quote this IFA Letter (or any part

thereof) for any other purpose other than for the purpose of the Offer and the Options Proposal at any time and in any manner without the prior written consent of DTCF in each specific case.

This IFA Letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter."

12.4. **Recommendation of the Independent Directors**

The Independent Directors, having considered carefully the terms of the Offer and the Options Proposal and the advice given by the IFA to the Independent Directors in the IFA Letter, set out their recommendation on the Offer and the Options Proposal respectively below:

(a) Offer

The Independent Directors **concur** with the advice of the IFA in respect of the Offer as set out in **Section 12.3** of this Circular and in the IFA Letter.

Accordingly, the Independent Directors recommend that Shareholders **accept** the Offer, unless Shareholders are able to obtain a price higher than the Offer Price on the open market, taking into account all the brokerage commissions or transactions costs in connection with open market transactions.

(b) Options Proposal

The Independent Directors **concur** with the advice of the IFA in respect of the Options Proposal as set out in **Section 12.3** of this Circular and in the IFA Letter.

Accordingly, the Independent Directors recommend that Eligible Option Holders, whose exercise price is lower than the Offer Price, **accept** the Options Proposal.

Shareholders and Eligible Option Holders are advised to read the terms and conditions of the Offer Document and the Options Proposal Letter carefully. Shareholders and Eligible Option Holders are also advised to read and consider carefully the recommendation of the Independent Directors and the IFA Letter set out in Appendix I to this Circular in their entirety before deciding whether to accept or reject the Offer and/or the Options Proposal (as the case may be).

Shareholders and Eligible Option Holders should note that the IFA's advice to the Independent Directors and the recommendation of the Independent Directors in respect of the Offer and the Option Proposal should not be relied upon by any Shareholder and/or Eligible Option Holder as the sole basis for deciding whether or not to accept the Offer and/or the Options Proposal (as the case may be).

In rendering the above advice and making the above recommendation, the IFA and the Independent Directors have not considered the specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any individual Shareholder and/or Eligible Option Holder. **As different Shareholders and/or Eligible Option Holders would have different investment profiles and**

objectives, the Independent Directors recommend that any individual Shareholder and/or Eligible Option Holder who may require specific advice in relation to his/her investment portfolio or objectives and/or the Offer and/or the Options Proposal should consult his/her stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

13. ACTION TO BE TAKEN BY SHAREHOLDERS AND ELIGIBLE OPTION HOLDERS

Shareholders who **wish to accept the Offer** must do so not later than the Offer Closing Date, abiding by the procedures for the acceptance of the Offer as set out in Appendix V to the Offer Document and in the accompanying FAA and/or FAT.

Eligible Option Holders who **wish to accept the Options Proposal** must do so not later than the Options Closing Date, abiding by the procedures for the acceptance of the Options Proposal in the Options Proposal Letter.

Acceptances should be completed and returned as soon as possible, and in any event, so as to be received on behalf of the Offeror:

(a) by the CDP (in respect of the FAA); or

(b) by the Share Registrar (in respect of the FAT); or

(c) by the Share Registrar (in respect of the Options Proposal Acceptance Letter),

as the case may be, not later than the Offer Closing Date and/or the Options Closing Date (as the case may be).

Shareholders and Eligible Option Holders who **do not wish to accept the Offer and/or the Options Proposal (as the case may be)** need not take any further action in respect of the Offer Document, the FAA and/or the FAT, and the Options Proposal Letter which have been sent to them.

Shareholders should however note that as announced for and on behalf of the Offeror in the Offeror Shareholding Announcement, **the Offeror has announced that it is entitled to, and will in due course, exercise its rights of Compulsory Acquisition under Section 215(1) of the Companies Act to compulsorily acquire all Shares of the Dissenting Shareholders at a price equal to the Offer Price.**

14. OVERSEAS PERSONS

The availability of the Offer to Shareholders whose mailing addresses are outside of Singapore, as shown on the Register or, as the case may be, in the Depository Register (each, an "**Overseas Shareholder**"), may be affected by the laws of the relevant overseas jurisdiction. Overseas Shareholders should refer to Section 10 of the Offer Document, an extract of which is set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the extract below carefully.**

"***10. OVERSEAS PERSONS***

*The availability of the Offer to Shareholders whose mailing addresses are outside of Singapore (as shown on the register of members of the Company or, as the case may be, in the records of CDP) (each, an "**Overseas Person**") may be affected by the laws of the relevant overseas jurisdictions. Accordingly, any Overseas Person should inform himself about and observe any applicable legal requirements, and exercise caution in relation to the Offer, as this Offer Document, the FAAs and the FATs have not been reviewed by any regulatory authority in any overseas jurisdiction.* ***Where there are potential restrictions on sending this Offer Document, the FAAs and/or the FATs to any overseas jurisdictions, the Offeror, the Joint Financial Advisers and CDP each reserves the right not to send these documents to Shareholders in such overseas jurisdictions. For the avoidance of doubt, the Offer will be open to all Shareholders, including those to whom this Offer Document, the FAAs and/or the FATs have not been, or may not be, sent.***

*Copies of this Offer Document and any other formal documentation relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any jurisdiction where the making of or the acceptance of the Offer would violate the law of that jurisdiction (a "**Restricted Jurisdiction**") and will not be capable of acceptance by any such use, means, instrumentality or facility within any Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction.*

The Offer (unless otherwise determined by the Offeror and permitted by applicable law and regulation) will not be made, directly or indirectly, in or into, or by the use of mails of, or by any means or instrumentality (including without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, any Restricted Jurisdiction, and the Offer will not be capable of acceptance by any such use, means, instrumentality or facility.

Overseas Persons may, nonetheless, obtain copies of this Offer Document, the FAAs and/or the FATs and any related documents, during normal business hours and up to the Closing Date, from the Offeror through its receiving agent, CDP (if he is a depositor) at 9 North Buona Vista Drive, #01-19/20, The Metropolis, Singapore 138588; or the Share Registrar (if he is a scripholder), Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) at its office located at 80 Robinson Road, #11-02, Singapore 068898.

Alternatively, an Overseas Person may write to the Offeror through CDP (if he is a depositor) at Robinson Road Post Office, P.O. Box 1984, Singapore 903934, or the Share Registrar (if he is a scripholder) at the address listed above, to request for this Offer Document, the FAAs and/or the FATs and any related documents to be sent to an address in Singapore by ordinary post at the Overseas Person's own risk, up to five (5) Market Days prior to the Closing Date.

It is the responsibility of any Overseas Person who wishes to (a) request for this Offer Document, the FAAs, the FATs and/or any related documents; and/or (b) accept the Offer, to satisfy himself as to the full observance of the laws of the relevant jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required, and compliance with all necessary formalities or legal requirements and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Person shall be liable for any such taxes, imposts, duties or other requisite payments payable and the Offeror and any person acting on its behalf (including the Joint Financial Advisers) shall be fully indemnified and held harmless by such Overseas Person for any such taxes, imposts, duties or other requisite payments as the Offeror and/or any person acting on its behalf (including the Joint Financial Advisers) may be required to pay. In (i) requesting for this Offer Document, the FAAs and/or the FATs and any related documents; and/or (ii) accepting the Offer, the Overseas Person represents and warrants to the Offeror and the Joint Financial Advisers that he is in full observance of the laws of the relevant jurisdiction in that connection, and that he is in full compliance with all necessary formalities or legal requirements. ***Any Overseas Person who is in any doubt about his position should consult his professional adviser in the relevant jurisdiction****.*

The Offeror and the Joint Financial Advisers each reserves the right to notify any matter, including the fact that the Offer has been made, to any or all Shareholders (including Overseas Persons) by announcement on the website of the SGX-ST or notice and if necessary, by paid advertisement in a newspaper published and circulated in Singapore, in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder (including an Overseas Person) to receive or see such announcement, notice or advertisement."

Due to potential restrictions on sending this Circular to overseas jurisdictions, this Circular has not been and will not be sent to any Overseas Shareholder who has not provided, and will not provide, the Company with an address within Singapore at which notices or documents may be served upon him. Any affected Overseas Shareholder may nonetheless (subject to compliance with applicable laws) attend in person and obtain copies of this Circular during normal business hours and up to 5.30 p.m. (Singapore time) on the Offer Closing Date, from the office of the Share Registrar at 80 Robinson Road, #11-02, Singapore 068898. Alternatively, an Overseas Shareholder may (subject to compliance with applicable laws) write to the Share Registrar at the above-stated address to request for this Circular to be sent to an address in Singapore by ordinary post at his own risk, up to five (5) Market Days prior to the Offer Closing Date.

In requesting for this Circular and any related documents, each of the Overseas Shareholders represents and warrants to the Company that each of them is in full observance of the laws of the relevant jurisdiction in that connection, and that each of them is in full compliance with all necessary formalities or legal requirements.

15. INFORMATION PERTAINING TO CPFIS INVESTORS AND SRS INVESTORS

As stated in the Offer Document, CPFIS Investors and SRS Investors will receive further information on how to accept the Offer from their respective CPF Agent Banks and SRS Agent Banks directly. CPFIS Investors and SRS Investors are advised to consult their respective CPF Agent Banks and SRS Agent Banks should they require further information, and if they are in any doubt as to the action they should take, CPFIS Investors and SRS Investors should seek independent professional advice. CPFIS Investors and SRS Investors who wish to accept the Offer are to reply to their respective CPF Agent Banks and SRS Agent Banks by the deadline stated in the letter from their respective CPF Agent Banks and SRS Agent Banks, which may be earlier than the Offer Closing Date.

CPFIS Investors and SRS Investors who validly accept the Offer through appropriate intermediaries will receive the payment of the Offer Price payable in respect of their Offer Shares in their CPF investment accounts and SRS investment accounts.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 11 International Business Park, Singapore 609926 during normal business hours for the period during which the Offer remains open for acceptance:

(i) the Constitution of the Company;

(ii) the IFA Letter as set out in **Appendix I** to this Circular;

(iii) the letters of consent referred to in **Paragraph 10.2 of Appendix II** to this Circular;

(iv) the annual reports of the Company for FY2017, FY2018 and FY2019, which include the audited consolidated financial statements of the Group for FY2019 as set out in **Appendix IV** to this Circular; and

(v) the HY2020 Results as set out in **Appendix V** to this Circular.

17. DIRECTORS' RESPONSIBILITY STATEMENT

Save for (a) the recommendation of the Independent Directors to Shareholders set out in **Section 12.4** of this Circular which is the sole responsibility of the Independent Directors, (b) the IFA Letter (for which the IFA takes responsibility), (c) information extracted from the Offer Announcement, the Offeror Shareholding Announcement, the Offer Document, and the Options Proposal Letter, and (d) information relating to the Offeror, the Directors (including any who may have delegated detailed supervision of this Circular) hereby jointly and severally accept full responsibility for the accuracy of the information contained in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this Circular have been arrived at after due and careful consideration and there are no other facts not contained in this Circular, the omission of which would make any statement in this Circular misleading.

Where any information in this Circular (other than the IFA Letter for which the IFA takes responsibility) has been extracted or reproduced from published or otherwise publicly available sources or obtained from the Offeror (including, without limitation, the Offer Announcement, the Offeror Shareholding Announcement, the Offer Document, and/or the Options Proposal Letter), the sole responsibility of the Directors has been to ensure, through reasonable enquiries, that such information has been accurately and correctly extracted from such sources or, as the case may be, reflected or reproduced in this Circular in its proper form and context.

In respect of the IFA Letter, the sole responsibility of the Directors has been to ensure that the facts stated therein with respect to the Group are fair and accurate.

18. ADDITIONAL INFORMATION

The attention of the Shareholders is also drawn to the Appendices which form part of this Circular.

Yours faithfully
For and on behalf of the Board of Directors of
HI-P INTERNATIONAL LIMITED

Mr. Gerald Lim Thien Su
Lead Independent Director

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DELOITTE & TOUCHE CORPORATE FINANCE PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200200144N)

21 January 2021

The Independent Directors
Hi-P International Limited
11 International Business Park
Singapore 609926

Dear Sirs/Madam,

VOLUNTARY UNCONDITIONAL GENERAL OFFER BY THE JOINT FINANCIAL ADVISERS (AS DEFINED HEREIN), FOR AND ON BEHALF OF YHT VENTURE PTE. LTD. (THE "OFFEROR"), FOR THE OFFER SHARES (AS DEFINED HEREIN)

*Unless otherwise defined in this letter or the context otherwise requires, all terms defined in the Circular dated 21 January 2021 ("***Offeree Circular**") to shareholders of Hi-P International Limited shall have the same meaning herein.

1. INTRODUCTION

On 18 December 2020 (the "**Offer Announcement Date**"), CLSA Singapore Pte Ltd ("**CLSA**") and DBS Bank Ltd. ("**DBS**", and together with CLSA, collectively, the "**Joint Financial Advisers**") announced, for and on behalf of the Offeror, that the Offeror intends to make a voluntary unconditional general offer (the "**Offer**") for all the Offer Shares (as defined in Section 2 of the Circular) in accordance with Rule 15 of The Singapore Code on Take-overs and Mergers (the "**Code**").

On 24 December 2020, the Company appointed Deloitte & Touche Corporate Finance Pte. Ltd. ("**DTCF**") as the Independent Financial Adviser ("**IFA**") to the directors of the Company who are considered independent ("**Independent Directors**") for the purpose of making their recommendations to the shareholders of Hi-P International Limited (the "**Company**") with respect to the Offer and the Options Proposal.

2. TERMS OF REFERENCE

DTCF has been appointed as the IFA to advise the Independent Directors in respect of their recommendation on the actions to be taken by the Shareholders in relation to the Offer and/or the Options Proposal.

We have confined our evaluation and assessment to the financial terms of the Offer, the Options Proposal, and related matters and have not taken into account the commercial risks or commercial merits of the Offer, the Options Proposal, and other related matters. In addition, we have not been requested, and we do not express any advice or give any opinion on the merits of the Offer, the Options Proposal, and related matters relative to any other alternative. We were not involved in the negotiations pertaining to the Offer and the Options Proposal nor were we involved in the deliberation leading up to the decision to put forth the Offer and the Options Proposal.

The scope of our appointment does not require us to express, and we do not express, any view on the future growth prospects, financial position or earnings potential of the Company and its subsidiaries (the "**Group**"). Such evaluation or comments remain the responsibility of the Directors although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion. The opinion set forth herein is based solely on publicly available information as well as information provided by the Directors, and is predicated upon the economic and market conditions prevailing as at 12 January 2021, being the Latest Practicable Date. This IFA Letter therefore does not reflect any projections on the future financial performance of the Group.

We have not been requested or authorised to solicit, and we have not solicited, any indications of interest from any third party with respect to the Shares. In that regard, we have not addressed the relative merits of the Offer in comparison with any alternative transaction that the Company may consider in the future. Therefore, we do not express any views in these areas in arriving at our recommendations.

In formulating our opinion and recommendation, we have held discussions with the Directors and the management of the Group ("**Management**") and have relied to a considerable extent on the information set out in the Offer Document and the Options Proposal Letter, other public information collated by us and the information, representations, opinions, facts and statements provided to us, whether written or verbal, by the Company and its other professional advisers. Whilst care has been exercised in reviewing the information we have relied upon and we have made reasonable enquiries and exercised judgement in the use of such information, we have not independently verified the information both written and verbal and accordingly cannot and do not make any representation or warranty, express or implied, in respect of, and do not accept any responsibility for the accuracy, completeness or adequacy of such information.

The Directors have confirmed, having made all reasonable inquiries and to the best of their respective knowledge, information and belief, all material information in connection with the Offer, the Options Proposal, and related matters, the Company or the Group have been disclosed to us, that such information is true, complete and accurate in all material respects and that there is no other material information or fact, the omission of which would cause any information disclosed to us or the facts of or in relation to the Company or the Group stated in the Offer Document and the Options Proposal Letter to be inaccurate, incomplete or misleading in any material respect. The Directors have jointly and severally accepted full responsibility for such information described herein. Accordingly, no representation or warranty, express or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of such information.

The information which we relied on were based upon market, economic, industry, monetary and other conditions prevailing as at the Latest Practicable Date and may change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our opinion or assumptions in light of any subsequent development after the Latest Practicable Date that may affect our opinion or assumptions contained herein. Shareholders should take note of any announcements relevant to their consideration of the Offer and/or the Options Proposal, as the case may be, which may be released after the Latest Practicable Date.

In rendering our advice and giving our recommendation, we have not had regard to the general or specific investment objectives, financial situation, risk profiles, tax position or particular needs and constraints of any Shareholder. As each individual Shareholder may have different investment profiles and objectives, we advise the Independent Directors to recommend that any Shareholder who may require specific advice in relation to his investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

The Company has been separately advised by its own professional advisers in the preparation of the Offeree Circular. We have had no role or involvement and have not and will not provide any advice (financial or otherwise) in the preparation, review and verification of the Offeree Circular. Accordingly, we take no responsibility for and express no view, whether express or implied, on the contents of the Offeree Circular.

We hereby consent to a copy of this IFA Letter to be reproduced in the Offeree Circular and save for such use in the Offeree Circular, neither the Company nor the Directors may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any other purposes at any time and in any manner, without the prior written consent of DTCF in each specific case.

Our opinion is addressed to the Independent Directors for their benefit and deliberation of the Offer and the Options Proposal. The recommendations made to the Shareholders shall remain the responsibility of the Independent Directors. Our recommendation to the Independent Directors in relation to the Offer and the Options Proposal should be considered in the context of the entirety of this IFA Letter and the Offeree Circular.

3. INFORMATION ON THE COMPANY AND OFFEROR AND CONCERT PARTIES

3.1 INFORMATION OF THE COMPANY

Hi-P International Limited (the "**Company**") was incorporated under the laws of Singapore on 26 December 1980 and is listed on the Main Board of the SGX-ST. The principal activities of the Group are those relating to integrated contract manufacturing.

The total number of issued and paid-up ordinary shares in the capital of the Company ("**Shares**") is a total of 807,467,735 Shares in issue as at the Latest Practicable Date (excluding 79,707,265 treasury shares). As at the Latest Practicable Date, the Company has 79,707,265 treasury shares held in the share capital of the Company.

As at the Latest Practicable Date, the Directors are:

(1) Mr. Yao Hsiao Tung (Executive Chairman and Chief Executive Officer) ("**Mr Yao**");

(2) Madam Wong Huey Fang (Executive Director and Chief Administrative Officer) ("**Madam Wong**");

(3) Mr. Gerald Lim Thien Su (Lead Independent Director);

(4) Mr. Yeo Tiong Eng (Non-Executive Director);

(5) Mr. Chester Lin Chien (Independent Director);

(6) Madam Leong Lai Peng (Independent Director);

(7) Mr. Seow Choke Meng (Independent Director); and

(8) Mr. Ho Kheong Chun Peter (Independent Director).

Mr Yao and Madam Wong are also directors of the Offeror.

3.2 INFORMATION OF THE OFFEROR AND THE PARTIES ACTING IN CONCERT WITH IT

The Offeror is an investment holding vehicle incorporated under the laws of Singapore on 2 December 2020. As at the Latest Practicable Date, the Offeror has an issued and paid-up capital of S$1.00, consisting of one (1) ordinary share, which is held by Mr Yao.

The directors of the Offeror are Mr Yao and Madam Wong.

As at the Latest Practicable Date, Mr Yao holds 729,673,251 Shares, representing approximately 90.37% of the total number of Shares. As at the Latest Practicable Date, Madam Wong does not hold Shares in the Company.

4. TERMS OF THE OFFER

The Joint Financial Advisers have, for and on behalf of the Offeror, made the Offer for all the Offer Shares, on the terms and subject to the conditions set out in Section 2 of the Offer Document. Acceptances of the Offer should be received by 5.30 pm (Singapore time) on 18 February 2021. The Offeror has stated that it does not intend to extend the Offer beyond such time and date.

The following is a summary and extraction of the salient terms of the Offer and the Options Proposal and has been obtained from the Offer Document and the Options Proposal Letter.

Shareholders are advised to read these documents and the terms and conditions contained therein very carefully.

4.1 OFFER SHARES

The Offer is extended by the Offeror, on the same terms and conditions, to:

(a) all the Shares, other than those Shares held, directly or indirectly, by the Offeror as at the date of the Offer;

(b) all new Shares unconditionally issued or to be issued pursuant to the valid exercise of any options to subscribe for new Shares (the "**Options**") granted under the Share Option Schemes, prior to the close of the Offer; and

(c) all new Shares unconditionally issued or to be issued pursuant to the valid vesting or release of any awards for new Shares ("**Awards**") granted under the Share Award Scheme, prior to the close of the Offer.

For the purposes of the Offer, the expression ("**Offer Shares**") will include the aforesaid Shares.

4.2 CONSIDERATION

For each Offer Share is S$2.00 in cash (the "**Offer Price**").

As stated in the Offer Document, the Offer Price is final and the Offeror does not intend to revise the Offer Price, save that the Offeror reserves the right to do so in accordance with the Code if a competitive situation arises.

4.3 NO ENCUMBRANCES

The Offer Shares will be acquired:

(a) fully paid;

(b) free from all liens, equities, mortgages, charges, encumbrances, rights of pre-emption and other third party rights and interests of any nature whatsoever (the "**Encumbrances**"); and

(c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto (including the right to receive and retain all dividends and other distributions or return of capital, if any, which may be announced, declared, paid or made thereon (the "**Distributions**") by the Company on or after the Offer Announcement Date).

4.4 ADJUSTMENT FOR DISTRIBUTIONS

The Offer Price has been determined on the basis that the Offer Shares will be acquired with the right to receive any Distribution that may be declared, paid or made by the Company on or after the Offer Announcement Date.

Accordingly, in the event any Distribution is or has been declared, paid or made by the Company in respect of the Offer Shares on or after the Offer Announcement Date, the Offer Price payable to a Shareholder who validly accepts or has validly accepted the Offer shall be reduced by an amount which is equal to the amount of such Distribution, depending on when the settlement date in respect of the Offer Shares tendered in acceptance of the Offer by such accepting Shareholder falls, as follows:

(a) if such settlement date falls on or before the books closure date for the determination of entitlements to the Distribution (the "**Books Closure Date**"), the Offer Price for each Offer Share shall be S$2.00, as the Offeror will receive the Distribution in respect of such Offer Share from the Company; or

(b) if such settlement date falls after the Books Closure Date, the Offer Price for each Offer Share shall be reduced by an amount which is equal to the amount of the Distribution in respect of each Offer Share, as the Offeror will not receive the Distribution in respect of such Offer Share from the Company.

4.5 UNCONDITIONAL OFFER

The Offer is unconditional in all respects.

4.6 WARRANTY

Acceptance of the Offer will be deemed to constitute an unconditional and irrevocable warranty by the Accepting Shareholder that each Offer Share tendered in acceptance of the Offer is sold by the Accepting Shareholder, or on behalf of the beneficial owner(s) thereof, as

(a) fully paid;

(b) free from Encumbrances; and

(c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto (including the right to receive and retain all Distributions, if any, which may be announced, declared, paid or made thereon by the Company on or after the Offer Announcement Date).

4.7 OPTIONS PROPOSAL

As at the Latest Practicable Date, there are 13,349,401 outstanding Options. Under the rules of the Share Option Schemes, the Options are not transferable by the holders thereof (the "**Option Holders**"). In view of this restriction, the Offeror will not make an offer to acquire the Options in connection with the Offer (although, as stated above, the Offer will be extended to all new Shares unconditionally issued or to be issued pursuant to the valid exercise of the Options prior to the close of the Offer).

The Joint Financial Advisers, for and on behalf of the Offeror, extended the Options Proposal to each Option Holder on the terms set out below.

Subject to the relevant Options being exercisable into new Shares as at the Option Holders' respective dates of acceptance of the Options Proposal, and continuing to be exercisable into new Shares, and in consideration of the Option Holders agreeing:

(a) not to exercise all or any of their Options into new Shares; and

(b) not to exercise any of their rights as Option Holders,

in each case from the date of their acceptance of the Options Proposal to the respective dates of expiry of such Options, the Offeror will pay a cash amount (the "**Option Price**") on the basis of the "see-through" price of the Options.

Our advice is directed at the Option Holders who hold Options capable of being exercised into new Shares on acceptance of the Options Proposal (the "**Eligible Option Holders**").

If the Offer is withdrawn or if the relevant Options cease to be exercisable into new Shares, the Options Proposal will lapse accordingly. Further, Option Holders who have accepted the Options Proposal will be required to surrender their relevant Options for cancellation.

The Option Price is calculated on a "see-through" basis, that is, the Option Price in relation to any Option is the amount of the excess of the Offer Price over the exercise price of that Option. Where the exercise price of an Option is equal to or higher than the Offer Price, the Option Price for each Option will be fixed at a nominal amount of S$0.001.

The Offer and the Options Proposal are separate and are mutually exclusive. The Options Proposal does not form part of the Offer, and vice versa. Without prejudice to the foregoing, if the Option Holders wish to exercise their Options in order to accept the Offer in respect of the new Shares to be issued pursuant to such exercise, they may not accept the Options Proposal in respect of such Options. Conversely, if Option Holders wish to accept the Options Proposal in respect of their Options, they may not exercise those Options in order to accept the Offer in respect of the new Shares to be issued pursuant to such exercise.

Acceptances of the Options Proposal shall be irrevocable.

4.8 NO AWARDS OFFER

As at the Latest Practicable Date, there are 2,622,995 outstanding Awards granted under the Share Award Scheme. Under the rules of the Share Award Scheme, the Awards are not transferable by the holders thereof. In view of this restriction, the Joint Financial Advisers, for and on behalf of the Offeror, will not make an offer to acquire the Awards. For the avoidance of doubt, as mentioned in paragraph 2.1(c) of the Offer Document, the Offer will be extended to all new Shares unconditionally issued or to be issued pursuant to the valid vesting or release of Awards prior to the close of the Offer.

4.9 IRREVOCABLE UNDERTAKING

As at the Latest Practicable Date, Mr Yao holds 729,673,251 Shares, representing approximately 90.37% of the total number of Shares. As at the Latest Practicable Date, Madam Wong does not hold Shares in the Company.

As at the Offer Announcement Date, each of Mr Yao and Madam Wong executed an irrevocable undertaking dated 17 December 2020 (the "**Irrevocable Undertakings**") in favour of the Offeror, pursuant to which each of them has undertaken, inter alia, the following:

(a) to accept the Offer in respect of all his/her Shares as at the date of the Irrevocable Undertakings (the "**Undertaking Shares**"), which represent approximately 83.41% and 0.09% of the total number of Shares respectively, and any Shares which he/she may, directly or indirectly, acquire on or after the date of the Irrevocable Undertakings;

(b) not to transfer or otherwise dispose of any Shares held by him/her during the period commencing from the date of the Irrevocable Undertakings and ending on the closing date of the Offer, other than in accordance with the terms of their respective Irrevocable Undertakings[1];

1 As at the Offer Announcement Date, YHT Global Pte. Ltd. holds 35,416,000 Shares, representing approximately 4.39% of the total number of Shares.

(c) not to exercise all or any Options held by him/her as at the date of the Irrevocable Undertakings and which may be granted to him/her after the date of the Irrevocable Undertakings (collectively, the "**Undertaking Options**"), and not to accept the Options Proposal in respect of the Undertaking Options. In the event that the Offeror does not become entitled to exercise its right of Compulsory Acquisition (as defined herein) by the close of the Offer, the foregoing undertaking shall be in respect of the period prior to and up to the close of the Offer. In the event that the Offeror exercises its right of Compulsory Acquisition, the foregoing undertaking shall be in respect of the period prior to and up to the completion of the Compulsory Acquisition; and

(d) to direct that the aggregate Offer Price payable (the "**Reinvestment Amount**") to:

(i) Mr Yao in respect of his Undertaking Shares; and

(ii) Madam Wong in respect of her Undertaking Shares,

be applied to subscribe for new shares in the capital of the Offeror (each, an "**Offeror Share**"), on the basis that the issue price per new Offeror Share will be equivalent to the Offer Price (the "**Reinvestment**"). The SIC has confirmed that the Reinvestment does not constitute a prohibited special deal for the purposes of Rule 10 of the Code.

For the avoidance of doubt, acceptances of the Offer by Mr Yao and Madam Wong in respect of Shares which he/she may directly or indirectly (through a vehicle controlled by either or both of them) acquire after the date of the Irrevocable Undertakings will be satisfied by the Offeror by payment of the Offer Price in cash in accordance with Rule 30 of the Code.

The Irrevocable Undertakings shall expire: (a) in the event that the Offeror does not become entitled to exercise its right of Compulsory Acquisition by the close of the Offer, upon the close or withdrawal of the Offer; or (b) in the event that the Offeror exercises its right of Compulsory Acquisition, upon the completion of the Compulsory Acquisition.

5. RATIONALE FOR THE OFFER

The rationale for the Offer as well as the Offeror's intentions for the Company has been extracted from Section 8 of the Offer Document and we have extracted the headers below. All terms and expressions used in the headers below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

(1) Greater Management Flexibility

(2) No Need for Access to Capital Markets

(3) Compliance Costs of Maintaining Listing

(4) Offeror's Intention for the Company

6. IMPLICATIONS OF COMPULSORY ACQUISITION AND DELISTING FOR SHAREHOLDERS

6.1 LISTING STATUS AND COMPULSORY ACQUISITION

Under Rule 723 of the listing manual of the SGX-ST (the "**Listing Manual**"), the Company must ensure that at least 10% of the total number of Shares is at all times held in public hands (the "**Free Float Requirement**"). Pursuant to Rule 1105 of the Listing Manual, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror and persons acting in concert with it to above 90% of the total number of Shares (excluding treasury shares), the SGX-ST may suspend the trading of the Shares (excluding treasury shares) in the Ready and Unit Share markets until it is satisfied that at least 10% of the total number of Shares are held by at least 500 Shareholders who are members of the public.

Rule 1303(1) of the Listing Manual provides that if the Offeror succeeds in garnering acceptances exceeding 90% of the total number of Shares (excluding treasury shares), thus causing the percentage of the total number of Shares (excluding treasury shares) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.

Under Rule 724(1) of the Listing Manual, if the Free Float Requirement is not satisfied, the Company must, as soon as possible, announce that fact and the SGX-ST may suspend trading of all the Shares. Rule 724(2) of the Listing Manual states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of the Shares held in public hands to at least 10%, failing which the Company may be removed from the Official List of the SGX-ST.

Pursuant to Section 215(1) of the Companies Act, in the event that the Offeror acquires not less than 90% of the total number of Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and excluding, for the avoidance of doubt, any shares held in treasury), the Offeror would be entitled to exercise the right to compulsorily acquire all the Shares from Shareholders who have not accepted the Offer (the "**Dissenting Shareholders**") at a price equal to the Offer Price (the "**Compulsory Acquisition**").

In addition, pursuant to Section 215(3) of the Companies Act, if the Offeror acquires such number of Shares which, together with the Shares held by it, its related corporations and their respective nominees, comprise 90% or more of the total number of Shares, Dissenting Shareholders will have a right to require the Offeror to acquire their Shares at the Offer Price. Shareholders who wish to exercise such right are advised to seek their own independent legal advice.

6.2 OFFEROR'S INTENTIONS

The Offeror does not intend to maintain the listing status of the Company. In the event that, inter alia, the Free Float Requirement is not satisfied, the Offeror intends to delist the Company and does not intend to take any step for the public float to be restored and/or for any trading suspension of the Shares by the SGX-ST to be lifted. **Furthermore, the Offeror, if and when entitled, intends to exercise its rights of Compulsory Acquisition under Section 215(1) of the Companies Act.**

7. FINANCIAL ASSESSMENT OF THE FINANCIAL TERMS OF THE OFFER AND THE OPTIONS PROPOSAL

In evaluating and assessing the financial terms of the Offer and the Options Proposal, we have taken into account the pertinent factors set out below which we consider to have a significant bearing on our assessment:

(1) Historical market price performance and trading activity of the Shares;

(2) Comparison with recently completed privatisation of companies listed on the SGX-ST;

(3) Historical financial performance of the Group;

(4) Comparison with the valuation statistics of companies broadly comparable to the Company;

(5) Options Proposal; and

(6) Other relevant considerations.

7.1 HISTORICAL MARKET PRICE PERFORMANCE AND TRADING ACTIVITY OF THE SHARES

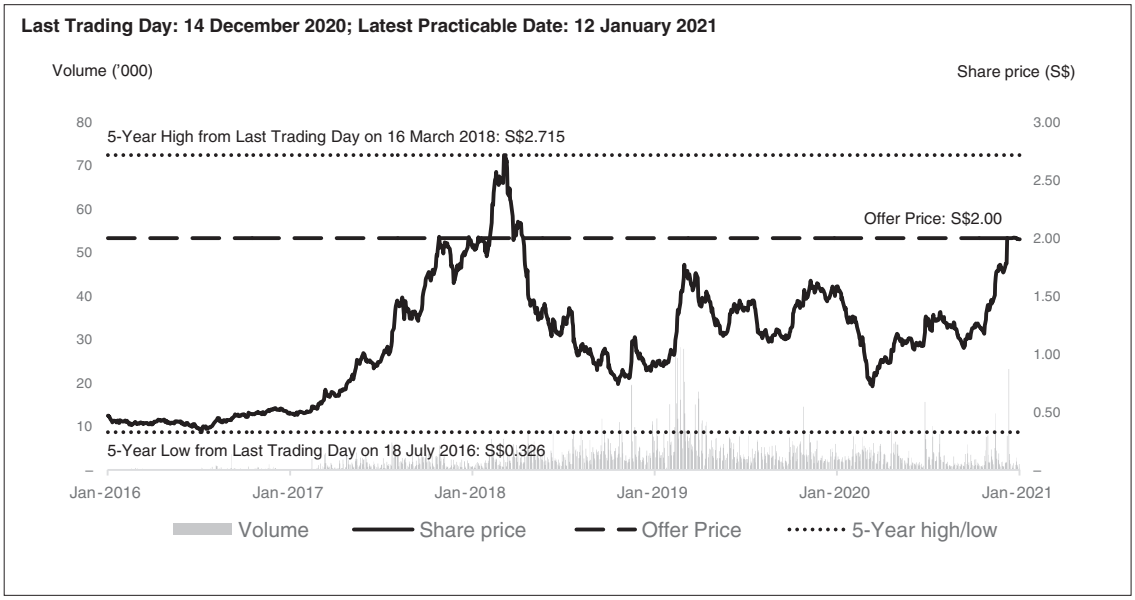
7.1.1 Historical share price performance

We have compared the Offer Price against the historical market price performance of the Shares and considered the historical trading volume of Shares during the period commencing 15 December 2015, being the 5-year period prior to the last full day of trading immediately prior to the Offer Announcement Date and up to the Latest Practicable Date.

As the Company requested for a trading halt on 15 December 2020 at 1.06 pm prior to the close of trading on that day, 14 December 2020 is the last full day of trading immediately prior to the Offer Announcement Date on 18 December 2020 (the "**Last Trading Day**").

We set out below a chart showing the Offer Price relative to the daily last transacted prices and trading volume of the Shares from 15 December 2015, and up to the Latest Practicable Date:

Figure 1: Share Price for the 5-year period prior to the Last Trading Day and up to the Latest Practicable Date



Source: Bloomberg using "Historical Pricing" and "Historical Volume" settings

A summary of the salient announcement relating to the Company during the 1-year period prior to the Latest Practicable Date is as follow:

Figure 2: Salient Company announcements during the 1-year period prior to the Latest Practicable Date

No	Date	Details
1	07-Jan-21	Announcement on the voluntary unconditional general offer for Hi-P International Limited – Despatch of Offer Document and Options Proposal Letter.
2	07-Jan-21	Announcement on voluntary unconditional general offer by CLSA and DBS for and on behalf of the Offeror, for the despatch of (a) Despatch Announcement; (b) Offer Document; (c) Options Proposal Letter; (d) Form of Acceptance and Authorisation for Offer Shares (FAA); and (e) Form of Acceptance and Transfer for Offer Shares (FAT).
3	07-Jan-21	Announcement on acquisition of 1,955,600 shares at S$2.00 by YHT Global Pte. Ltd., constituting 0.24% of the total number of Shares. The resultant total number of Shares held by YHT Global Pte. Ltd. is 42,984,600 (5.32%). With reference to the Offer Announcement dated 18 December 2020, the resultant total number of Shares held by the Offeror and parties acting in concert with it is 717,218,726 (88.82%).

No	Date	Details
4	06-Jan-21	Announcement on acquisition of 2,813,900 shares at S$2.00 by YHT Global Pte. Ltd., constituting 0.35% of the total number of Shares. The resultant total number of Shares held by YHT Global Pte. Ltd. is 41,029,000 (5.08%). With reference to the Offer Announcement dated 18 December 2020, the resultant total number of Shares held by the Offeror and parties acting in concert with it is 715,263,126 (88.58%).
5	05-Jan-21	Announcement on acquisition of 1,014,300 shares at S$2.00 by YHT Global Pte. Ltd., constituting 0.13% of the total number of Shares. The resultant total number of Shares held by YHT Global Pte. Ltd. is 38,215,100 (4.73%). With reference to the Offer Announcement dated 18 December 2020, the resultant total number of Shares held by the Offeror and parties acting in concert with it is 712,449,226 (88.23%).
6	04-Jan-21	Announcement on acquisition of 167,000 shares at S$2.00 by YHT Global Pte. Ltd., constituting 0.02% of the total number of Shares. The resultant total number of Shares held by YHT Global Pte. Ltd. is 37,200,800 (4.61%). With reference to the Offer Announcement dated 18 December 2020, the resultant total number of Shares held by the Offeror and parties acting in concert with it is 711,434,926 (88.11%).
7	31-Dec-20	Announcement on acquisition of 1,299,700 shares at S$2.00 by YHT Global Pte. Ltd., constituting 0.16% of the total number of Shares. The resultant total number of Shares held by YHT Global Pte. Ltd. is 37,033,800 (4.59%). With reference to the Offer Announcement dated 18 December 2020, the resultant total number of Shares held by the Offeror and parties acting in concert with it is 711,267,926 (88.09%).
8	30-Dec-20	Announcement on acquisition of 318,100 shares at S$2.00 by YHT Global Pte. Ltd., constituting 0.04% of the total number of Shares. The resultant total number of Shares held by YHT Global Pte. Ltd. is 35,734,100 (4.43%). With reference to the Offer Announcement dated 18 December 2020, the resultant total number of Shares held by the Offeror and parties acting in concert with it is 709,968,226 (87.93%).
9	29-Dec-20	Announcement on unconditional general offer by CLSA and DBS on behalf of YHT venture for all the issued and paid-up ordinary shares in the capital of Hi-P International Limited for S$2.00 per share in cash.
10	29-Dec-20	Announcement on acquisition of 920,200 shares at S$2.00 by YHT Global Pte. Ltd., constituting 0.11% of the total number of Shares. The resultant total number of Shares held by YHT Global Pte. Ltd. is 35,416,000 (4.39%). With reference to the Offer Announcement dated 18 December 2020, the resultant total number of Shares held by the Offeror and parties acting in concert with it is 709,650,126 (87.89%).
11	28-Dec-20	Announcement on acquisition of 1,348,400 shares at S$2.00 by YHT Global Pte. Ltd., constituting 0.17% of the total number of Shares. The resultant total number of Shares held by YHT Global Pte. Ltd. is 34,495,800 (4.27%). With reference to the Offer Announcement dated 18 December 2020, the resultant total number of Shares held by the Offeror and parties acting in concert with it is 708,729,926 (87.77%).
12	24-Dec-20	Announcement of appointment of Deloitte & Touche Corporate Finance Pte. Ltd. as the independent financial adviser to advise the Independent Directors of the Company.

No	Date	Details
13	24-Dec-20	Announcement on acquisition of 3,051,300 shares at S$2.00 by YHT Global Pte. Ltd., constituting 0.38% of the total number of Shares. The resultant total number of Shares held by YHT Global Pte. Ltd. is 33,147,400 (4.11%). With reference to the Offer Announcement dated 18 December 2020, the resultant total number of Shares held by the Offeror and parties acting in concert with it is 707,381,526 (87.60%).
14	23-Dec-20	Announcement on acquisition of 1,948,900 shares at S$2.00 by YHT Global Pte. Ltd., constituting 0.24% of the total number of Shares. The resultant total number of Shares held by YHT Global Pte. Ltd. is 30,096,100 (3.73%). With reference to the Offer Announcement dated 18 December 2020, the resultant total number of Shares held by the Offeror and parties acting in concert with it is 704,330,226 (87.23%).
15	22-Dec-20	Announcement on acquisition of 22,377,200 shares at S$2.00 by YHT Global Pte. Ltd., constituting 2.77% of the total number of Shares. The resultant total number of Shares held by YHT Global Pte. Ltd. is 28,147,200 (3.49%). With reference to the Offer Announcement dated 18 December 2020, the resultant total number of Shares held by the Offeror and parties acting in concert with it is 702,381,326 (86.99%).
16	21-Dec-20	Announcement on acquisition of 5,770,000 shares at S$2.00 by YHT Global Pte. Ltd., constituting 0.71% of the total number of Shares. The resultant total number of Shares held by YHT Global Pte. Ltd. is 5,770,000 (0.71%). With reference to the Offer Announcement dated 18 December 2020, the resultant total number of Shares held by the Offeror and parties acting in concert with it is 680,004,126 (84.21%).
17	18-Dec-20	Announcement on request for lifting of trading halt effective as of 18 December 2020 at 8.30 am.
18	18-Dec-20	Announcement on unconditional general offer by CLSA and DBS on behalf of YHT Venture Pte. Ltd. for all the issued and paid-up ordinary shares in the capital of Hi-P International Limited for S$2.00 per share in cash.
19	15-Dec-20	Request for Trading Halt effective as of 15 December 2020 at 1.06 pm.
20	06-Nov-20	Announcement on notice of transfer of 506,994 treasury shares valued at S$694,581.78 for vesting of share awards pursuant to the Hi-P Employee Share Award Scheme 2018.
21	31-Oct-20	Announcement on vesting of 506,994 ordinary shares announced by the Company on 2 December 2019.
22	29-Jul-20	Announcement of 1H2020 financial statements for the financial year ended 31 December 2020. The Company reported a minimal change in revenue of S$543,758,000 from S$573,220,000 for the same period a year ago. Profit before tax was S$34,077,000 as compared to S$34,202,000 for the same period a year ago. Profit attributable to owners of the company was S$24,201,000 as compared to S$25,037,000 for the same period a year ago.
23	30-Jun-20	Announcement on grant of 10,300,000 options pursuant to the Hi-P Employee Share Option Scheme 2014 on 30 June 2020.
24	23-Jun-20	Announcement on notice of transfer of 68,000 treasury shares valued at S$73,440.00 for vesting of share awards pursuant to the Hi-P Employee Share Award Scheme 2018.

No	Date	Details
25	15-Jun-20	Announcement on notice given that the Share Transfer Books and Register of Members of Hi-P International Limited will be closed at 5.00 p.m. on 23 June 2020 for the purpose of determining members' entitlements to the final tax-exempt one-tier dividend of S$0.02 per ordinary share in the capital of the Company ("Final Dividend") which was approved by the members of the Company at the Annual General Meeting of the Company held on 15 June 2020.
26	21-Apr-20	Announcement on notice of transfer of 1,428,000 treasury shares valued at S$1,328,040.00 for vesting of share awards pursuant to the Hi-P Employee Share Award Scheme 2018.
27	17-Apr-20	Announcement on vesting of 1,496,000 ordinary shares announced by the Company on 14 April 2020.
28	14-Apr-20	Announcement on grant of 2,248,000 ordinary shares pursuant to the Hi-P Employee Share Award Scheme 2018.
29	08-Apr-20	Announcement on the release of the Annual Report for 2019.
30	20-Mar-20	Announcement that the Company has, by way of a cash injection of THB 80 million (approximately S$3.54 million), increased the share capital of its wholly-owned subsidiary, Hi-P (Thailand) Co., Ltd. from THB 70 million to THB 150 million. The sum of THB 80 million (approximately S$3.54 million) was funded through the Group's internal resources.
31	06-Mar-20	Announcement on incorporation of an indirect wholly-owned subsidiary Hi-P (UK) Pte. Ltd. in the United Kingdom on 5 March 2020 with paid-up capital of £100,000.
32	03-Mar-20	Announcement on the change to half-yearly reporting of financial results.
33	13-Feb-20	Announcement of full year financial statements for the financial year ended 31 December 2019. The Company reported a minimal change in revenue of S$1,367,669,000 from S$1,402,117,000 for the same period a year ago. Profit before tax was S$104,095,000 as compared to S$124,486,000 for the same period a year ago. Profit attributable to owners of the company was S$80,310,000 as compared to S$100,948,000 for the same period a year ago.

Source: Company announcements

We highlight the following in respect of the development in market prices of the Shares:

a. In the 5-year period prior to the Last Trading Day, the closing price of Shares was higher than the Offer Price of S$2.00 during the period between February 2018 to April 2018 (where the Shares traded in the range of S$1.982 to S$2.715 per Share). Based on our observations during this period, this coincides with:

   i. the full year results announcement for the FY2017 results on 13 Feb 2018 where year-on-year revenue growth and profit after tax growth was 9.3% and 122.8% respectively; and

   ii. the subsequent share buy-back by way of market acquisition.

b. The Offer Price of S$2.00 is higher than the closing price of Shares in the 2-year period preceding the Last Trading Day (where the Shares traded in the range of S$0.721 to S$1.772 per Share); and

c. The Shares have traded in the range of S$1.780 to S$2.005 per Share between the Last Trading Day and Latest Practicable Date.

7.1.2 Offer Price comparison to historical Share price

We have tabulated below the premium/discount implied by the Offer Price over the historical volume weighted average price ("**VWAP**") and historical trading volume of the Shares for the 12-month period prior to the Last Trading Day and up to the Latest Practicable Date set out below:

Figure 3: Share price performance and trading liquidity table

Reference period	Highest traded price *(S$)*	Lowest traded price *(S$)*	VWAP[1] *(S$)*	Premium of Offer Price *(%)*	Average daily trading volume[2] *('000)*	Average daily trading volume as a percentage of total number of Shares *(%)*	Average daily trading volume as a percentage of free float[3] *(%)*
Prior to the Last Trading Day							
Last 12-month	1.772	0.721	1.231	62.5%	2,831	0.351%	2.228%
Last 6-month	1.772	1.038	1.328	50.6%	2,494	0.309%	1.930%
Last 3-month	1.772	1.052	1.405	42.3%	2,388	0.296%	1.846%
Last 1-month	1.772	1.436	1.623	23.2%	3,132	0.388%	2.416%
Last Trading Day	1.780	1.720	1.760	13.6%	1,573	0.195%	1.213%
After the Last Trading Day							
From 15 December 2020 to the Latest Practicable Date	2.005	1.780	1.993	0.4%	3,149	0.390%	3.068%
Latest Practicable Date	2.000	1.990	1.990	0.5%	515	0.064%	0.626%

Source: Bloomberg

Notes:

(1) The VWAP for the respective periods are calculated based on the daily turnover divided by volume as extracted from Bloomberg.

(2) The average daily trading volume of the Shares is computed based on the total volume of Shares traded on the SGX-ST during the relevant periods, divided by the number of market trading days (excluding market trading days with full day trading halts) for the relevant periods.

(3) Free float refers to the Shares held by the hands of the public as provided by the Management and documented in the financial statements of the Company and amounts to 82.3 million Shares representing approximately 10.2% of the issued Shares as at the Latest Practicable Date.

We note the following with regards to the share price performance from 15 December 2019 and up to the Latest Practicable Date:

a. The Offer Price represents a premium of 62.5%, 50.6%, 42.3%, 23.2%, and 13.6% above the VWAP of the Shares for the 12-month, 6-month, 3-month and 1-month periods prior to and including the Last Trading Day respectively;

b. Over the 12-month period prior to the Last Trading Day, the Shares have traded between a low of S$0.721 and a high of S$1.772. The Offer Price represents a premium of S$1.279 (or 177.4%) above the lowest transacted price of the Shares and a premium of S$0.228 (or 12.9%) above the highest transacted price of the Shares;

c. The Offer Price represents a premium of 13.6% above the VWAP of Shares on the Last Trading Day of S$1.760;

d. Since the Last Trading Day and up to the Latest Practicable Date, the Shares have generally traded below the Offer Price and at or around a VWAP of S$1.993; and

e. As at the Latest Practicable Date, the last transacted price of the Shares was S$1.990.

Share prices transacted in the equity capital market can be affected by their liquidity, which for this purpose is expressed as average daily volume traded as a percentage of free float. In order to evaluate whether the historical market prices of the Shares provide a meaningful reference point for comparison of the Offer Price, we have considered the historical liquidity of the Shares over selected reference periods.

a. Trading liquidity of the Shares over all the reference periods prior to the Last Trading Day has been in general at an average daily trading volume of the Shares between 2,388,000 to 3,132,000 representing between 1.846% and 2.416% of the free float of the Company.

b. During the period following the Last Trading Day and up to the Latest Practicable Date, the average trading volume of the Shares was around 3,149,000 of the free float of the Company representing 3.068% of the free float of the Company.

Shareholders should note that the past trading performance of the Shares should not in any way be relied upon as an indication or an assurance of its future trading performance.

7.1.3 Liquidity analysis of the Shares

We have considered the liquidity and free float of the Company's Shares relative to the top 30 STI Companies as at 14 December 2020 in order to evaluate whether the historical market prices of the Company Shares provide a meaningful benchmark and reference point for a comparison with the Offer.

As the Company requested for a trading halt on 15 December 2020 at 1.06 pm prior to the close of trading on that day, 14 December 2020 is the last full day of trading immediately prior to the Offer Announcement Date on 18 December 2020 (the "**Last Trading Day**"). Accordingly, the table below outlines the average daily trading volume for the past twelve months ("**ADT Volume**") and the average daily trading value for the past twelve months ("**ADT Value**") leading up to the trading halt for the Company Shares and the top 30 STI Companies:

Figure 4: Liquidity analysis of the Company Shares and the top 30 STI Companies(1)

Reference period: 12-month period up to Last Trading Day	ADT Volume of shares as a percentage of total number of Shares(2, 3)	ADT Volume of shares as a percentage of free float(2, 4)	ADT Value of shares as a percentage of market capitalisation(2, 5)
Top 30 STI Companies			
Mean	0.282%	0.464%	0.262%
Median	0.242%	0.409%	0.230%
Maximum	0.762%	0.990%	0.716%
Minimum	0.026%	0.109%	0.024%
Company Shares	**0.351%**	**2.228%**	**0.352%**

Source: Bloomberg

Notes:

(1) The top 30 STI Companies comprises of Ascendas Real Estate Investment Trust, CapitaLand Ltd, CapitaLand Integrated Commercial Trust, City Developments Ltd, ComfortDelGro Corp Ltd, Dairy Farm International Holdings Ltd, DBS Group Holdings Ltd, Genting Singapore Ltd, Hongkong Land Holdings Ltd, Jardine Cycle & Carriage Ltd, Jardine Matheson Holdings Ltd, Jardine Strategic Holdings Ltd, Keppel Corp Ltd, Keppel DC REIT, Mapletree Commercial Trust, Mapletree Industrial Trust, Mapletree Logistics Trust, Oversea-Chinese Banking Corp Ltd, SATS Ltd, Sembcorp Industries Ltd, Singapore Airlines Ltd, Singapore Exchange Ltd, Singapore Technologies Engineering Ltd, Singapore Telecommunications Ltd, Thai Beverage PCL, United Overseas Bank Ltd, UOL Group Ltd, Venture Corp Ltd, Wilmar International Ltd, Yangzijiang Shipbuilding Holdings Ltd.

(2) All figures are as at market close of Last Trading Day.

(3) Average daily trading volume as a percentage of total number of Shares is computed using the ADT Volume up to Last Trading Day and dividing that by total number of Shares.

(4) Average daily trading volume as a percentage of free float is computed using the ADT Volume up to Last Trading Day and dividing that by free float number of shares.

(5) Average daily trading value as a percentage of market capitalisation is computed using the ADT Value up to Last Trading Day and dividing that by market capitalisation of the companies.

We note the following in respect of the liquidity of the Company's Shares:

a. The ADT Volume as a percentage of total number of Shares for the Company's shares is within range of the top 30 STI Companies, above the mean and median;

b. The ADT Volume as a percentage of free float for the Company's Shares is above the range of the top 30 STI Companies; and

c. The ADT Value of the Company's Shares as a percentage of market capitalisation is within the range of the top 30 STI Companies, above the mean and median.

The above analysis indicates that the Company's Shares have not been unduly illiquid in the twelve months leading up to the Last Trading Day. We are of the view that the market prices for the Company's Shares provide a meaningful benchmark for the fundamental value of the Company's Shares and reference point for the comparison with the Offer.

7.2 COMPARISON OF RECENTLY COMPLETED PRIVATISATIONS ON SGX-ST

In assessing the Offer, we have compared the financial terms of the Offer with those of the selected privatisation transactions announced since January 2019 and up to the Last Trading Day, which were carried out either by way of voluntary delisting offers under Rule 1307 of the Listing Manual of the SGX-ST, offers being made by way of a scheme of arrangement under Section 210 of the Companies Act or general takeover offers under the Code where the offeror and/or the concert parties who owns more than 50% stake at the issuance of the offer and have stated their intention to delist the company from the SGX-ST ("**Precedent Privatisation Transactions**").

This analysis serves as a general indication of the relevant premium/discount that the offeror and/or concert parties had paid in order to acquire the target companies without having regard to their specific industry characteristics or other considerations, and the comparison sets out:

a. the premium or discount represented by each of the respective offer prices to the last transacted prices and VWAPs over the 1-month, 3-month, 6-month and 12-month periods prior to the announcement of the Precedent Privatisation Transactions.

We note that the targets set out in this table may not be directly comparable to the Company in terms of, inter alia, their business activities, scale of operations, geographical markets, track record, future prospects, asset base, risk profile, customer base and other relevant criteria.

We note further that there may be commercial and financial merits specific to each of the transactions noted. The premium that an offeror will pay in respect of any particular takeover depends on various factors including, inter alia, the offeror's intention for the target, the potential synergy that the offeror can derive from the target, the presence of competing bids, prevailing market conditions and sentiment, the attractiveness and profitability of the target's business and assets and existing and desired level of control in the target. As a result, any comparisons to be drawn can serve only as an illustrative guide.

Figure 5: The premium/(discount) of the Offer Price for selected Precedent Privatisation Transactions

		Premium/(discount) of consideration over VWAP				
Target	**Announced date**	**Last price**	**1-month**	**3-month**	**6-month**	**12-month**
Kingboard Copper Foil Holdings Limited	4-Apr-19	11.3%	16.1%	25.3%	27.4%	32.5%
800 Super Holdings	6-May-19	19.2%	30.8%	31.2%	25.3%	17.6%
Memtech International Ltd.	14-May-19	23.9%	31.5%	31.6%	35.6%	30.2%
Boardroom Limited	15-May-19	14.3%	18.9%	16.1%	17.6%	16.9%
Hupsteel Limited	28-Jun-19	51.9%	58.3%	58.6%	58.6%	54.3%
Delong Holdings Limited	29-Jul-19	1.9%	8.0%	17.9%	37.2%	76.9%
San Teh Ltd	05-Sep-19	81.8%	90.5%	83.0%	84.2%	72.8%
Raffles United Holdings	25-Oct-19	(1.5%)	31.1%	10.0%	15.9%	9.1%
PACC Offshore Services Holdings Ltd.	4-Nov-19	69.3%	99.4%	93.0%	70.0%	37.1%
Citic Envirotech Limited	6-Nov-19	48.6%	61.6%	68.5%	65.5%	39.6%
Breadtalk Group Ltd	24-Feb-20	19.4%	30.1%	24.0%	25.0%	20.5%
Elec & Eltek International Company Limited	3-Apr-20	93.0%	61.3%	43.8%	48.4%	55.1%
Dynamic Colours Limited	1-Jun-20	13.6%	22.8%	29.1%	27.1%	32.2%
Perennial Real Estate Holdings Limited	12-Jun-20	37.7%	46.4%	70.1%	71.4%	70.4%
Teckwah Industrial Corporation Limited	12-Aug-20	17.8%	23.1%	25.0%	32.4%	38.3%
SK Jewellery Group Limited	2-Sep-20	70.5%	90.2%	94.8%	93.7%	81.2%
Mean		**35.8%**	**45.0%**	**45.1%**	**46.0%**	**42.8%**
Median		**21.7%**	**31.3%**	**31.4%**	**36.4%**	**37.7%**
Maximum		**93.0%**	**99.4%**	**94.8%**	**93.7%**	**81.2%**
Minimum		**(1.5%)**	**8.0%**	**10.0%**	**15.9%**	**9.1%**
Company		**13.6%**	**23.2%**	**42.3%**	**50.6%**	**62.5%**

Source: Relevant SGX-ST filings and the respective companies' announcements, circulars and offer documents

We note that:

a. The premia based on the comparison of the Offer Price to the 3-month, 6-month and 12-month VWAP are higher than the median of those observed in the Precedent Privatisation Transactions;

b. The premia based on the comparison of the Offer Price to the last transacted price and 1-month VWAP is lower than the median of those observed in the Precedent Privatisation Transactions; and

c. The premia based on the Offer Price are within the range observed in the Precedent Privatisation Transactions, for the last transacted price and VWAPs over the 1-month, 3-month, 6-month and 12-month periods prior to the announcement of the Precedent Privatisation Transactions.

7.3 HISTORICAL FINANCIAL PERFORMANCE OF THE GROUP

7.3.1 Historical financial performance of the Group

Figure 6: Historical financial performance of the Group

S$'mn	FY2017	FY2018	FY2019	6MFY2019	6MFY2020
Revenue	1,426.9	1,402.1	1,367.7	573.2	543.8
Cost of sales	(1,194.0)	(1,197.9)	(1,179.8)	(497.2)	(475.4)
Gross profit	**232.9**	**204.2**	**187.9**	**76.0**	**68.4**
Interest income	3.9	5.9	4.0	2.3	2.9
Other income	9.9	17.5	10.7	4.7	7.6
Other operating expenses					
Selling & distribution expenses	(13.0)	(10.5)	(12.3)	(6.1)	(5.4)
Administrative expenses	(66.7)	(73.3)	(79.0)	(34.8)	(37.9)
Financial costs	(3.9)	(6.7)	(6.8)	(3.6)	(2.2)
Reversal of impairment losses on financial assets	0.8	0.9	0.1	0.1	(0.1)
Other expenses	(17.5)	(13.9)	0.8	(3.0)	1.4
Share of results of associates	0.1	0.5	(1.3)	(1.2)	(0.5)
Share of results of a joint venture	(0.1)	(0.2)	(0.0)	(0.0)	(0.0)
Profit before tax	**146.3**	**124.5**	**104.1**	**34.2**	**34.1**
Income tax expense	(24.8)	(23.6)	(23.8)	(9.2)	(9.9)
Profit for the period	**121.5**	**100.9**	**80.3**	**25.0**	**24.2**

*Source: Company announcements for full year ended 31 December 2018 ("**FY2018**"), full year ended 31 December 2019 ("**FY2019**"), half year ended 30 June 2019 ("**6MFY2019**"), and half year ended 30 June 2020 ("**6MFY2020**")*

Review of operation results

FY2018 vs. FY2017

The Group's revenue decreased by S$24.7 million (1.7%) year-on-year ("**yoy**") to S$1,402.1 million for FY2018. Gross profit decreased by S$28.7 million (12.3%) yoy to S$204.2 million for FY2018 and gross profit margin decreased from 16.3% for FY2017 to 14.6% for FY2018. The decline in gross profit margin was mainly due to (i) increasingly competitive pricing, (ii) a slower pace of decrease in labour costs as compared to the decrease in sales attributed to an increase in minimal wages imposed by the applicable local governmental authorities in the PRC and (iii) lower manufacturing yield for certain new products during the initial ramp up stage. This decline was partially offset by lower inventory provisions, lower tool amortization and depreciation.

Net interest expense (interest income net of financial costs) increased from S$0.1 million to S$0.7 million for FY2018 mainly due to an increase in borrowing interest rates.

Other income increased by S$7.6 million (76.8%) yoy to S$17.5 million for FY2018. The increase was mainly due to a pre-tax gain of S$6.1 million derived from the dilution of interest in Hi-Flex (Suzhou) Electronics Co., Ltd., in 4Q2018.

Total selling, distribution and administrative expenses increased by S$4.2 million (5.2%) yoy to S$83.8 million for FY2018. The increase was mainly due to higher staff costs resulting from annual salary increments and an increase in social security contributions imposed by local authorities.

Other expenses decreased by S$3.6 million (20.8%) yoy to S$13.9 million for FY2018. The improvement was mainly due to (i) a S$7.9 million yoy decrease in net loss arising from net foreign exchange differences and fair value differences on hedging contracts, (ii) a S$3.0 million yoy increase in gains on the disposal of property, plant and equipment which was mainly derived from the disposal of machines to an associate, and (iii) a S$1.5 million yoy decrease in cost relating to a rental contract. This improvement was partially offset by an S$8.4 million yoy increase in impairment loss on property, plant and equipment.

The Group recorded an income tax expense of S$23.6 million for FY2018, representing an effective tax rate of 18.9% (FY2017: 17.0%). The higher effective tax rate for FY2018 was mainly the result of taxes imposed on profitable entities, and certain deferred tax assets not being recognised for unutilised tax losses.

As a result of the above factors, the Group's net profit after tax decreased by S$20.6 million (16.9%) yoy to S$100.9 million for FY2018.

FY2019 vs. FY2018

Revenue decreased slightly by S$34.4 million (2.5%) yoy to S$1,367.7 million for FY2019. The decrease was mainly due to price pressure and absence of revenue contribution from the flexible printed circuit board ("**FPCB**") business unit upon the dilution of interest in Hi-Flex (Suzhou) Electronics Co., Ltd. in late 2018. The decrease was partially offset by the increase in overall sales volume during the year. Gross profit decreased by S$16.3 million (8.0%) yoy to S$187.9 million for FY2019 and gross profit margin decreased slightly from 14.6% for FY2018 to 13.7% for FY2019. The decrease in gross profit margin was mainly due to price pressure, partially offset by the impact from dilution of loss from FPCB business unit.

Net interest expense (financial cost net off with interest income) increased by S$2.0 million (276.5%) yoy to S$2.8 million for FY2019. This was mainly due to recognition of interest expense on lease liabilities pursuant to the adoption of SFRS (I) 16 Leases (previously captured under operating lease expenses).

Other income decreased by S$6.8 million (39.0%) yoy to S$10.7 million for FY2019. The higher other income in FY2018 was mainly due a one-off gain of S$6.1 million derived from the dilution of interest in Hi-Flex (Suzhou) Electronics Co., Ltd. from a subsidiary to an associate.

Total selling, distribution and administrative expenses increased by S$7.5 million (8.9%) yoy to S$91.3 million for FY2019. The increase was mainly due to higher employee share award expenses and annual salary increments.

Other expense generated an income of S$0.8 million for FY2019, as compared to an expense of S$13.9 million for FY2018. The improvement was mainly due to (i) a S$7.6 million yoy decrease in impairment losses on property, plant and equipment and (ii) a S$7.2 million yoy decrease in net losses arising from foreign exchange differences and hedging contracts.

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

As a result of the above factors, the Group's net profit after tax decreased by S$20.6 million (20.4%) yoy to S$80.3 million for FY2019.

6MFY2020 vs. 6MFY2019

Revenue decreased by S$29.5 million (5.1%) yoy to S$543.8 million for 6MFY2020 due primarily to the negative impact from COVID-19 disruptions in 1QFY2020. This decline was cushioned by higher revenue for 2QFY2020. Gross profit decreased by S$7.7 million (10.1%) yoy to S$68.4 million for 6MFY2020, while gross profit margin contracted from 13.3% for 6MFY2019 to 12.6% for 6MFY2020. The decline was mainly due to (i) lower revenue, (ii) losses resulting from COVID-19 disruptions for the Group's China operations in February 2020, (iii) inventory provision of S$1.9 million for 6MFY2020 compared to a reversal of S$3.4 million for 6MFY2019 and (iv) higher depreciation of property, plant & equipment. The decline was partially offset by government subsidies granted to the Group and several cost control measures.

The Group recorded a net interest income (interest income net off with financial costs) of S$0.7 million for 6MFY2020, as compared to a net interest expense of S$1.4 million for 6MFY2019. This was mainly due to lower borrowing rates and higher net cash for 6MFY2020 as compared to 6MFY2019.

Other income increased by S$2.9 million (61.4%) yoy to S$7.6 million for 6MFY2020. The increase was mainly due to the various subsidies granted to the Group.

Total selling, distribution and administrative expenses increased by S$2.3 million (5.6%) yoy to S$43.3 million for 6MFY2020. The increase was mainly due to the amortization of identifiable intangible assets arising from the acquisition of South East Asia Moulding Company Pte. Ltd, in end October 2019 and higher employee share award expense.

Other expenses generated an income of S$1.4 million for 6MFY2020, as compared to an expense of S$3.0 million for 6mFY2019. The improvement was mainly due to a net gain of S$0.5 million arising from foreign exchange differences and hedging contracts for 6MFY2020, as compared to a net loss of S$2.7 million for 6MFY2019.

The Group recorded an income tax expense of S$9.9 million for 6MFY2020, representing an effective tax rate of 29.0% (6MFY2019: 26.8%). The higher effective tax rate for 6MFY2020 was mainly the result of taxes imposed on profitable entities, and lesser deferred tax asset recognized on unutilized tax losses as compared to 6MFY2019.

As a result of the above factors, the Group's net profit after tax decreased marginally by S$0.8 million (3.3%) yoy to S$24.2 million for 6MFY2020.

7.3.2 Historical financial position of the Group

Figure 7: Historical financial position of the Group

S$'mn	31-Dec-19	30-Jun-20
Property, plant and equipment	296.9	306.8
Investment properties	0.2	0.1
Intangible assets	34.9	33.6
Land use rights	10.3	–
Right-of-use assets	27.2	41.8
Investment in associates	23.5	23.1
Investment in a joint venture	0.2	0.2
Other investment	7.7	7.9
Restricted bank deposits	–	–
Loan to an associate	–	4.6
Deferred tax assets	25.7	23.3
Total non-current assets	**426.6**	**441.3**
Inventories	157.7	220.8
Trade and other receivables	362.0	273.5
Notes receivable	–	–
Prepaid operating expenses	8.9	8.5
Derivatives	0.4	0.6
Restricted bank deposits	3.1	3.2
Cash and cash equivalents	329.6	318.1
	861.7	**824.7**
Non-current assets classified as held for sale	3.3	–
Total current assets	**865.0**	**824.7**
Total assets	**1,291.6**	**1,266.0**

S$'mn	31-Dec-19	30-Jun-20
Trade and other payables	400.1	339.4
Notes Payable	0.6	0.6
Contract liabilities	28.5	30.0
Accrued operating expenses	78.9	62.0
Provisions	0.4	0.4
Deferred capital grants	0.8	1.6
Loans and Borrowings	122.1	124.4
Lease liabilities related to right-of-use assets	10.2	9.7
Income tax payable	24.3	26.2
Dividends payable	–	16.1
Derivatives	–	–
Total current liabilities	**665.9**	**610.5**
Deferred capital grants	4.5	4.2
Loans and borrowings	–	–
Lease liabilities related to right-of-use assets	15.5	20.1
Deferred tax liabilities	11.3	10.8
Total non-current liabilities	**31.3**	**35.1**
Total liabilities	**697.2**	**645.6**
Net assets	**594.4**	**620.4**
Share capital	119.7	119.7
Treasury shares	(61.5)	(60.4)
Accumulated profits	501.1	509.1
Other reserves	35.1	52.0
	594.4	**620.4**
Non-controlling interests	–	–
Total equity	**594.4**	**620.4**

*Source: Company announcements for full year ended 31 December 2019 ("**FY2019**"), half year ended 30 June 2020 ("**6MFY2020**")*

As at 30 June 2020

Right-of-use assets increased by S$4.2 million (11.2%) from S$37.6 million as at 31 December 2019 to S$41.8 million as at 30 June 2020 mainly due to lease renewal for the manufacturing plants. Correspondingly, lease liabilities (current and non-current) increased by S$4.1 million (15.9%) from S$25.7 million as at 31 December 2019 to S$29.8 million as at 30 June 2020.

Loan to an associate of S$4.6 million as at 30 June 2020 represents a 2-year interest bearing loan granted by the Group to its associated company, Hi-Flex (Suzhou) Electronics Co., Ltd., for working capital purposes.

Deferred tax assets decreased by S$2.4 million (9.3%) from S$25.7 million as at 31 December 2019 to S$23.3 million as at 30 June 2020, mainly in line with the decrease in bonus accrual.

The Group's inventories increased by S$63.1 million (40.0%) from S$157.7 million as at 31 December 2019 to S$220.8 million as at 30 June 2020 mainly due to the build-up of inventory for 3QFY2020.

Trade and other receivables decreased by S$88.5 million (24.4%) from S$362.0 million as at 31 December 2019 to S$273.5 million as at 30 June 2020. The decrease was mainly due to the decrease in trade receivables resulting from lower sales for 2QFY2020 as compared to 4QFY2019.

Assets held for sale were fully disposed of during the period.

Trade and other payables, notes payable and contract liabilities decreased by S$59.1 million (13.8%) from S$429.2 million as at 31 December 2019 to S$370.1 million as at 30 June 2020. The decrease was mainly due to lower purchases in 2Q2020 resulting from lower sales for 2QFY2020 as compared to 4QFY2019.

Accrued operating expenses decreased by S$16.9 million (21.3%) from S$78.9 million as at 31 December 2019 to S$62.0 million as at 30 June 2020 mainly due to a decrease in bonus accruals following payout in 1QFY2020.

Dividend payable of S$16.1 million represented a final dividend of S$0.02 per ordinary share for the financial year ended 31 December 2019 which was paid on 1 July 2020.

Current bank loans and borrowings (excluding lease liabilities related to right-of-use assets) increased by S$2.3 million (1.9%) from S$122.1 million as at 31 December 2019 to S$124.4 million as at 30 June 2020. Cash and cash equivalents and restricted bank deposits decreased by S$11.4 million (3.4%) from S$332.7 million as at 31 December 2019 to S$321.3 million as at 30 June 2020. This resulted in a net cash position of S$196.9 million as at 30 June 2020 (31 December 2019: S$210.6 million).

7.3.3 Analysis of Net Asset Value ("NAV") of the Group

The NAV of the Group refers to the aggregate value of all the assets in their existing condition, net of any minority interests and all liabilities of the Group. The NAV approach may provide an estimate of the value of a group assuming the hypothetical sale of all of its assets over a reasonable period of time, the proceeds of which would be first used to settle the liabilities of that group with the balance available for distribution to its shareholders.

However, such a hypothetical scenario is assumed to be made without considering factors such as, inter alia, time value of money, market conditions, legal fees, liquidation costs, taxes, contractual obligations, regulatory requirements and availability of potential buyers, which would theoretically lower the NAV that can be realised.

Based on the Group's unaudited financial statements as at 30 June 2020, the NAV attributable to Shareholders is approximately S$620.42 million and its NAV per Share is S$0.77. The Offer Price is at a premium of 160.1% over the NAV per Share, or at a Price-to-NAV ("**P/NAV**") ratio of 2.6 times.

7.4 COMPARISON WITH THE VALUATION STATISTICS OF COMPANIES BROADLY COMPARABLE TO THE COMPANY

7.4.1 Comparison of valuation ratios of selected listed companies which are broadly comparable with the Company

The Company operates as an integrated contract manufacturer serving the wireless telecommunications, consumer electronics, computing and peripherals, Internet of Things, medical devices, and industrial devices markets. The Company's three key segments are Precision Plastic Injection Molding, Mold Design and Fabrication, and Provision of Sub-Product Assembly and Full-Product Assembly Services.

We have considered Singapore listed companies whose principal activities are broadly similar to the Company's business activities (the "**Comparable Companies**"). We have had discussions with the Management about the suitability and reasonableness of the selected Comparable Companies as a basis for comparison with the Company.

We wish to highlight that the Comparable Companies may not be exhaustive and we have not identified any listed company which is truly comparable to the Company in terms of the composition of its business activities, geographical spread, size of operations, asset base, track record, financial performance, operating and financial leverage, market capitalisation, risk profile, liquidity, future prospects and other relevant criteria. As a result, any comparisons drawn can serve only as an illustrative guide.

We have benchmarked the Offer Price by generating selected valuation statistics for the Company implied by the Offer Price and compared those statistics with those for the Comparable Companies.

In our analysis, we have collated and presented the following ratios:

Figure 8: Description of financial ratios used for Comparable Companies

TTM EV/EBITDA	A variation of the EV/EBITDA ratio where the EBITDA of a company is computed based upon the trailing-twelve-month ("**TTM**") period ending on the most recent quarter for which financial results have been published. ("**EV**") or ("**Enterprise Value**") is the sum of a company's market capitalisation, preferred equity, minority interests, short and long term debts less its cash and cash equivalents. ("**EBITDA**") stands for historical consolidated earnings before interest, tax, depreciation and amortisation expenses. The EV/EBITDA ratio illustrates the ratio of the market value of a company's business relative to its historical consolidated pre-tax operating cashflow performance, without regard to its capital structure.
TTM PER	A variant of the Price-to-Earnings ratio ("**PER**") where the earnings of a company is computed based upon the TTM period ending on the most recent quarter for which financial results have been published. The PER is the ratio of market capitalisation relative to its profit after tax attributable to shareholders of the company ("**NPAT**"). The PER is affected by, inter alia, the capital structure of a company, its tax position as well as its accounting policies relating to depreciation and intangible assets.
P/NAV	P/NAV ratio illustrates the ratio of the market price of a company's shares relative to its asset backing as measured in terms of its historical consolidated NAV per share as stated in its financial statements. The NAV figure provides an estimate of the value of the company assuming the sale of all its tangible and intangible assets, the proceeds which are first used to settle its liabilities and obligations with the balance available for distribution to its shareholders. Any comparison of NAV will be affected by respective accounting policies with respect to depreciation and asset valuation practice.

The selected valuation statistics of the Comparable Companies are based upon their closing prices on the Latest Practicable Date while those of the Company are as implied by the Offer Price. Such comparisons are affected by differences in their accounting policies. Our analysis has not attempted to adjust for such differences. Relevant information has been extracted from Bloomberg, publicly available annual reports and/or public announcements of the selected listed companies. We make no representations or warranties, expressed or implied, as to the accuracy or completeness of such information. The Comparable Companies' accounting policies with respect to the values for which the assets or revenue and costs are recorded may differ from that of the Company.

The following is the list of Comparable Companies, together with a brief description of their principal activities.

Figure 9: Description for Comparable Companies

Company Name	Business Description
Frencken Group Ltd ("**Frencken**")	Frencken designs, develops and produces complex and advanced modules and systems, based on precision mechanics, hardware and software.
Fu Yu Corp Ltd ("**Fu Yu**")	Fu Yu manufactures and sells precision plastic injection molds and plastic components. Fu Yu also manufactures and sells plastic, aluminum parts, electronic products and equipment for medical use.
InnoTek Ltd ("**InnoTek**")	InnoTek, through its subsidiaries, manufactures metal components. InnoTek offers metal stamping, commercial tool and die fabrications, sub-assembly work and frame manufacturing. InnoTek primarily serves customers in Japan and Europe.
JEP Holdings Ltd ("**JEP**")	JEP, through its subsidiaries, manufactures machined parts. JEP produces parts for the aerospace, electronics and machine tool industries, as well as manufactures aircraft inconel engine rings and titanium aero structure components. JEP serves customers in Singapore.
Spindex Industries Ltd ("**Spindex**")	Spindex manufactures, imports, exports, and deals mechanical, electrical, and electronic parts. Spindex also manufactures and trades precision machine parts, plastic molds and injections, and other related plastic and engineering materials.
Sunningdale Tech Ltd ("**Sunningdale**")	Sunningdale manufactures and sells dies, tools, jigs, fixtures, high precision steel molds, and plastic components. The company operates through four segments, automotive, healthcare, consumer/IT, and mould fabrication.
Valuetronics Holdings Ltd ("**Valuetronics**")	Valuetronics offers original equipment manufacturing and original design manufacturing services. Valuetronics serves customers in the telecommunications, industrial, commercial electronic products and consumer electronic products industries.
Venture Corporation Limited ("**Venture**")	Venture provides contract manufacturing services to electronics companies worldwide. The Company also provides manufacturing, design, engineering, customization, and logistic services. Venture also trades and manufactures electronics and computer-related products, develops and markets color imaging products for label printing.

Source: Bloomberg, annual report of the respective Comparable Companies

We set out below the financial ratios of the Company (implied by the terms of the Offer) and the Selected Comparables as at the Latest Practicable Date.

Figure 10: Financial ratios for Comparable Companies

Comparable Companies	**Last financial year-end**	**Market capitalisation as at LPD 12 January 2021**[(1)] *(S$'mn)*	**TTM**[(2)] **EV/EBITDA**[(3)] *(times)*	**TTM**[(2)] **PER** *(times)*	**P/NAV** *(times)*
Frencken	31 December 2019	571.5	7.0x	13.8x	1.8x
Fu Yu	31 December 2019	214.6	4.3x	14.3x	1.3x
InnoTek	31 December 2019	148.7	4.2x	11.7x	0.9x
JEP	31 December 2019	80.7	6.8x	10.4x	1.2x
Spindex	30 June 2020	108.4	2.3x	8.9x	0.8x
Sunningdale	31 December 2019	296.6	4.4x	17.9x	0.8x
Valuetronics	31 March 2020	289.3	2.4x	10.2x	1.3x
Venture	31 December 2019	5,789.1	12.6x	18.6x	2.3x
Maximum			**12.6x**	**18.6x**	**2.3x**
Minimum			**2.3x**	**8.9x**	**0.8x**
Mean			**5.5x**	**13.2x**	**1.3x**
Median			**4.3x**	**12.8x**	**1.3x**
Company (Implied by Offer)[(4)]	**31 December 2019**	**1,614.9**[(5)]	**7.3x**	**20.3x**	**2.6x**

Source: Bloomberg, annual reports and latest publicly available financial information of the respective comparable companies as at Latest Practicable Date.

Notes:

(1) Market capitalisation has been calculated based on basic number of shares outstanding.

(2) TTM financials above were calculated based on the latest publicly available financial information as at 30 June 2019 for Frencken, Fu Yu, InnoTek, JEP, Spindex, Sunningdale, Valuetronics, and Venture.

(3) The EV was calculated based on the sum of the companies' market capitalisation as at LPD, preferred equity, minority interests, short and long term debts less cash and cash equivalents. The TTM EBITDA is computed based on the trailing twelve-month period for which financial results have been published for the Comparable Companies, and adjusted for COVID-19 related grants, if any, for the purpose of computing the EBITDA of these Comparable Companies.

(4) Excludes the Options Proposal. If the Options Proposal is included in the calculation, TTM EV/EBITDA, TTM PER and P/NAV would have been 7.4x, 20.3x and 2.6x respectively.

(5) Based on the Offer Price of S$2.00 and the Company's share capital of 807,467,735 Shares (excluding treasury shares).

Based on the above, we note that:

a. The TTM EV/EBITDA ratio of the Company at 7.3 times as implied by the Offer Price is within the range of TTM EV/EBITDA of the Comparable Companies, and above the median and average TTM EV/EBITDA of the Comparable Companies;

b. The TTM PER of the Company at 20.3 times as implied by the Offer Price is above the range of the TTM PER of the Comparable Companies; and

c. The P/NAV of the Company at 2.6 times as implied by the Offer Price is above the range of the P/NAV of the Comparable Companies.

7.4.2 Comparable Transaction Analysis

For the purposes of assessing the financial terms of the Offer, we have reviewed the valuation ratios of the Company implied by the Offer Price with those of completed precedent transactions completed between 1 January 2014 and the Latest Practicable Date, involving the acquisitions of targets that are predominately engaged in the contract manufacturing space particularly based in Singapore, which in our opinion, are broadly comparable to the Company (the "**Comparable Transactions**").

We have had discussions with the Management about the suitability and reasonableness of the selected Comparable Transactions as a basis for comparison with the Company. Relevant information has been extracted from Bloomberg and/or public announcements of the Comparable Transactions, where available. We make no representations or warranties, expressed or implied, as to the accuracy or completeness of such information.

We wish to highlight that the Comparable Transactions are not exhaustive and there may not be any entity that is directly comparable to the Company in terms of, inter alia, market capitalisation, size of operations, clientele base, composition of business activities, asset base, geographical spread, track record, operating and financial leverage, risk profile, liquidity, accounting policies, future prospects and other relevant criteria.

Do note that in accordance with the above, any comparison made with respect to the Comparable Transaction(s) is intended to serve as an illustrative guide only.

A brief description of the Comparable Transactions is set out below:

Figure 11: Summary of Comparable Transactions

Target entity	Acquiring entity	Announced date	Description	EV/ EBITDA *(times)*	PER *(times)*	P/NAV *(times)*
Anchorage Singapore Holdings Pte. Ltd. ("**Anchorage**")[1]	Sunningdale Tech Ltd ("**Sunningdale**")	Sep-2014	Anchorage which owned First Engineering Limited, was principally involved in the manufacture and sale of precision moulds and precision engineering components. Sunningdale acquired 100% of the shares of Anchorage, private unlisted company, in November 2014.	4.7x	19.4x	1.2x
Chosen Holdings Limited ("**Chosen Holdings**")[2]	Shaw Kwei & Partners Ltd ("**Shaw Kwei**")	Sep-2015	Chosen Holdings is principally engaged in the business of plastic injection moulding and sub-assembly as well as secondary processes and sale of plastic components mainly for computer peripherals, consumer electronics, automotive, medical devices, communication, semiconductor and disk drive industries. Shaw Kwei made a voluntary conditional offer for 100% of the outstanding listed shares of Chosen Holdings. Chosen Holdings was delisted in December 2015.	5.3x	17.4x	1.0x
Fischer Tech Ltd. ("**Fischer Tech**")[3]	Platinum Equity Advisors, LLC ("**Platinum**")	Apr-2017	Fischer Tech was engaged in the business of manufacture of precision plastic injection moulds, high precision plastic injection moulding, laser marking and decorative finishing for engineering components for the automotive, computer peripherals, healthcare and consumer products industries. Platinum acquired 100% of Fisher Tech via a scheme of arrangement. Fischer Tech was delisted in November 2017.	5.7x	12.9x	1.6x

Target entity	Acquiring entity	Announced date	Description	EV/ EBITDA *(times)*	PER *(times)*	P/NAV *(times)*
Memtech International Ltd ("**Memtech**")[2]	M-Universe Investments Pte. Ltd ("**M-Universe**")	May-2019	Memtech was engaged in the business of precision components manufacturing, providing high-tech solutions to the automotive, consumer electronics, telecommunications, industrial and medical industries. A consortium, including the major shareholder and key management, had made a general takeover offer for the listed shares of Memtech, subject to the 90% acceptance condition. Memtech was delisted in August 2019.	6.8x	20.9x	1.1x
Sunningdale[4]	Sunrise Technology Investment Holding Pte. Ltd. ("**Sunrise**")	Nov-2020 *(In progress)*	Sunningdale manufactures and sells dies, tools, jigs, fixtures, high precision steel molds, and plastic components. The company operates through four segments, automotive, healthcare, consumer/IT, and mould fabrication. A consortium, including the major shareholder, and NovoTellus have proposed the acquisition of 100% of Sunningdale via a scheme of arrangement. The proposed acquisition is currently in progress.	4.4x	18.2x	0.8x
Maximum				**6.8x**	**20.9x**	**1.6x**
Minimum				**4.4x**	**12.9x**	**0.8x**
Mean				**5.4x**	**17.8x**	**1.1x**
Median				**5.3x**	**18.2x**	**1.1x**
Company (Implied by Offer)[5]				**7.3x**	**20.3x**	**2.6x**

Source: Bloomberg, and publicly available information on the respective Comparable Transactions

Notes:

(1) The PER, EV/EBITDA and P/NAV statistics, are calculated with reference to the publicly available information on Anchorage;

(2) The PER, EV/EBITDA and P/NAV statistics, where applicable, are extracted from the respective IFA letters issued in connection with the acquisition of Chosen and Memtech;

(3) The PER and P/NAV statistics, are extracted from the IFA letter issued in connection with the acquisition of Fischer Tech. The EV/EBITDA is calculated with reference to the publicly available information on Fischer Tech; and

(4) The PER, EV/EBITDA and P/NAV statistics, are calculated with reference to the publicly available information on Sunningdale. The proposed acquisition was announced on 9 November 2020. The proposed acquisition is currently in progress.

(5) Excludes the Options Proposal. If the Options Proposal is included in the calculation, TTM EV/EBITDA, TTM PER and P/NAV would have been 7.4x, 20.3x and 2.6x respectively.

Based on the above, we note that:

a. The EV/EBITDA ratio of the Company at 7.3 times as implied by the Offer Price is above the range of EV/EBITDA of the Comparable Transactions;

b. The PER ratio of the Company at 20.3 times as implied by the Offer Price is within the range of PER of the Comparable Transactions, and above the median and average PER of the Comparable Transactions; and

c. The P/NAV ratio of the Company at 2.6 times as implied by the Offer Price is above the range of P/NAV of the Comparable Transactions.

7.5 OPTIONS PROPOSAL

Details of the outstanding Options are set out in Section 4 of this IFA Letter. The analysis in this Section is applicable to the Eligible Option Holders.

Pursuant to the Irrevocable Undertaking, Mr Yao and Madam Wong have given their respective undertaking to not to exercise all or any Options held by him/her as at the date of the Irrevocable Undertakings and which may be granted to him/her after the date of the Irrevocable Undertakings (collectively, the "**Undertaking Options**"), and not to accept the Options Proposal in respect of the Undertaking Options.

We note that as the Option Price is calculated on a "see-through" basis, the consideration an Eligible Option Holder would receive from accepting the Options Proposal would be the same as if the Eligible Option Holder were to exercise the Options and accept the Offer.

As the Option Price is calculated on a "see-through" basis, our evaluation of and the recommendation on the Offer as set out in this IFA Letter is also applicable to Eligible Option Holders. Please refer to Section 8 of this IFA Letter on our recommendation on the Offer.

Eligible Option Holders should take note of the closing date for the acceptance of the Options Proposal as set out in the Options Proposal Letter.

7.6 OTHER RELEVANT CONSIDERATION

7.6.1 Irrevocable Undertakings

Paragraph 4 of the Offer Document sets out certain information relating to the Irrevocable Undertakings of Mr Yao and Madam Wong. Mr Yao and Madam Wong have each provided Irrevocable Undertakings in favour of the Offeror in respect of all the Shares he/she holds and all the Shares he/she may acquire (whether directly or indirectly).

7.6.2 Offer Condition

The Offer is unconditional in all respects.

7.6.3 Compulsory Acquisition and Listing Status

As stated in the Offer Document, pursuant to Section 215(1) of the Companies Act, in the event that the Offeror acquires not less than 90% of the total number of Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and excluding, for the avoidance of doubt, any shares held in treasury), the Offeror would be entitled to exercise the right to compulsorily acquire all the Shares from Shareholders who have not accepted the Offer (the "**Dissenting Shareholders**") at a price equal to the Offer Price (the "**Compulsory Acquisition**").

In addition, pursuant to Section 215(3) of the Companies Act, if the Offeror acquires such number of Shares which, together with the Shares held by it, its related corporations and their respective nominees, comprise 90% or more of the total number of Shares, Dissenting Shareholders will have a right to require the Offeror to acquire their Shares at the Offer Price. Shareholders who wish to exercise such right are advised to seek their own independent legal advice.

The Offeror intends to make the Company its wholly-owned subsidiary.

The Offeror does not intend to maintain the listing status of the Company. In the event that, inter alia, the Free Float Requirement is not satisfied, the Offeror intends to delist the Company and does not intend to take any step for the public float to be restored and/or for any trading suspension of the Shares by the SGX-ST to be lifted. Furthermore, the Offeror, if and when entitled, intends to exercise its rights of Compulsory Acquisition under Section 215(1) of the Companies Act.

On 13 January 2021, the Joint Financial Advisers announced, for and on behalf of the Offeror, that at 6.00 pm Singapore time on 12 January 2021, the Offeror has received acceptances amounting to 729,673,251 Shares, representing approximately 90.37% of the total number of Shares. The Offeror intends to exercise its rights of Compulsory Acquisition under Section 215(1) of the Companies Act. In addition, the Company no longer meets the Free Float Requirement and does not intend to take any steps for the public float to be restored. The Offeror intends to delist the Company.

7.6.4 Alternative offer from third parties and no revision to the Offer Price in the absence of an alternative offer

As at the Latest Practicable Date there is no publicly available evidence of other offers for the Shares from any third party. The Management has also confirmed that, as at the Latest Practicable Date, apart from the Offer, no alternative offer form third party has been received.

The Offer Price is final and the Offeror does not intend to revise the Offer Price, save that the Offeror reserves the right to do so in accordance with the Code if a competitive situation arises.

8. OUR RECOMMENDATION ON THE OFFER AND THE OPTIONS PROPOSAL

In arriving at our recommendation on the Offer and the Options Proposal, we have assessed the financial terms of the Offer and the Options Proposal after taking into consideration the following key considerations which we consider to be pertinent and which we consider may have a significant bearing on our assessment:

i. Historical market price performance and trading activity of the Shares

   a. The Offer Price of S$2.00 is higher than the closing price of Shares in the 2-year period preceding the Last Trading Day (where the Shares traded in the range of S$0.721 to S$1.772 per Share);

   b. The Offer Price represents a premium of 62.5%, 50.6%, 42.3%, 23.2%, and 13.6% above the VWAP of the Shares for the 12-month, 6-month, 3-month and 1-month periods prior to and including the Last Trading Day respectively; and

   c. The ADT Volume as a percentage of total number of Shares for the Company's Shares is within the range of the top 30 STI Companies, above the mean and median. The ADT Volume as a percentage of free float for the Company's Shares is above the range of the top 30 STI Companies. The ADT Value of the Company's Shares as a percentage of market capitalisation is within the range of the top 30 STI Companies, above the mean and median.

ii. Comparison of recently completed privatisation

   a. The premia based on comparison of the Offer Price to the 3-month, 6-month and 12-month VWAP are higher than the median of those observed in the Precedent Privatisation Transactions;

   b. The premia based on comparison of the Offer Price to the last transacted price and 1-month VWAP is lower than the median of those observed in the Precedent Privatisation Transactions; and

   c. The premia offered based on the Offer Price are within the range observed in the Precedent Privatisation Transactions for the last transacted price and VWAPs over the 1-month, 3-month, 6-month and 12-month periods prior to the announcement of the Precedent Privatisation Transactions.

iii. Historical financial performance of the Group

   a. The historical revenue, gross profit and net income performance of the Group has been decreasing between 2017 and 2019 and for 6 months to June 2020 as compared to the prior corresponding period.

iv. Comparison with the valuation statistics of companies broadly comparable to the Company

a. The TTM EV/EBITDA ratio of the Company at 7.3 times as implied by the Offer Price is within the range of TTM EV/EBITDA of the Comparable Companies, and above the median and average TTM EV/EBITDA of the Comparable Companies;

b. The TTM PER of the Company at 20.3 times as implied by the Offer Price is above the range of the TTM PER of the Comparable Companies; and

c. The P/NAV of the Company at 2.6 times as implied by the Offer Price is above the range of the P/NAV of the Comparable Companies.

v. Comparable Transaction Analysis

a. The EV/EBITDA ratio of the Company at 7.3 times as implied by the Offer Price is above the range of EV/EBITDA of the Comparable Transactions;

b. The PER ratio of the Company at 20.3 times as implied by the Offer Price is within the range of PER of the Comparable Transactions, and above the median and average PER of the Comparable Transactions; and

c. The P/NAV ratio of the Company at 2.6 times as implied by the Offer Price is above the range of P/NAV of the Comparable Transactions.

vi. Options Proposal

a. The Option Price is calculated on a "see-through" basis, the consideration an Eligible Option Holder would receive from accepting the Options Proposal would be the same as if the Eligible Option Holder were to exercise the Options and accept the Offer.

vii. Other relevant considerations

a. The rationale of the Offer;

b. The Irrevocable Undertakings provided by Mr Yao and Madam Wong to the Offeror;

c. The Offer being unconditional in all respects;

d. The intentions of the Offeror to, when entitled, exercise its right of compulsory acquisition under Section 215(1) of the Companies Act; and

e. As at the Latest Practicable Date, apart from the Offer, no alternative offer from a third party has been received.

Based on our analysis and after having considered carefully the information available to us as at the Latest Practicable Date, overall, we are of the view that the financial terms of the Offer are fair and reasonable. Accordingly, we advise the Independent Directors to recommend the Shareholders to accept the Offer.

With regard to the Options Proposal and the Eligible Option Holders, as the Option Price is calculated on a "see-through" basis, the consideration an Eligible Option Holder would receive from accepting the Options Proposal would be the same as if the Eligible Option Holder were to exercise the Options and accept the Offer. Our analysis and conclusion with reference to the Offer Price will therefore, be similarly relevant to the Eligible Option Holders. Accordingly, we advise the Independent Directors to recommend the Eligible Option Holders to accept the Option Proposal.

Our opinion, as disclosed in this IFA Letter, is based solely on publicly available information and information provided by the Directors and the Management and therefore does not reflect any projections of future financial performance of the Group or the Company after the completion of the Offer. In addition, our opinion is based on the economic and market conditions prevailing as at the Latest Practicable Date and is solely confined to our views on the Offer and the Options Proposal.

Our opinion is addressed to the Independent Directors for their benefit and for the purpose of their consideration of the Offer and the Options Proposal. The recommendation to be made by them to the Shareholders shall remain the responsibility of the Independent Directors. Whilst a copy of this IFA Letter may be reproduced in the Offeree Circular, neither the Company, the Directors nor any other person may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any other purpose other than for the purpose of the Offer and the Options Proposal at any time and in any manner without the prior written consent of DTCF in each specific case.

This IFA Letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully
Deloitte & Touche Corporate Finance Pte. Ltd.

Ng Jiak See
Executive Director

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1. DIRECTORS

The names, addresses and designations of the Directors as at the Latest Practicable Date are set out below:

Name	Address	Designation
Mr. Yao Hsiao Tung	c/o 11 International Business Park, Singapore 609926	Executive Chairman and Chief Executive Officer
Madam Wong Huey Fang	c/o 11 International Business Park, Singapore 609926	Executive Director and Chief Administrative Officer
Mr. Gerald Lim Thien Su	c/o 11 International Business Park, Singapore 609926	Lead Independent Director
Mr. Yeo Tiong Eng	c/o 11 International Business Park, Singapore 609926	Non-Executive Director
Mr. Chester Lin Chien	c/o 11 International Business Park, Singapore 609926	Independent Director
Madam Leong Lai Peng	c/o 11 International Business Park, Singapore 609926	Independent Director
Mr. Seow Choke Meng	c/o 11 International Business Park, Singapore 609926	Independent Director
Mr. Ho Kheong Chun Peter	c/o 11 International Business Park, Singapore 609926	Independent Director

2. REGISTERED OFFICE

The registered office of the Company is at 11 International Business Park, Singapore 609926.

3. PRINCIPAL ACTIVITIES

The Company was incorporated under the laws of Singapore on 26 December 1980 and is listed on the Main Board of the SGX-ST. The principal activities of the Group are those relating to integrated contract manufacturing.

4. SHARE CAPITAL

4.1 Issued share capital

The Company has one (1) class of shares, being ordinary shares. As at the Latest Practicable Date, the issued and paid-up share capital of the Company is S$119,725,495 comprising 807,467,735 Shares (excluding treasury shares). As at the Latest Practicable Date, the Company holds 79,707,265 treasury shares. The issued Shares are listed and quoted on the Main Board of the SGX-ST.

4.2 Capital, dividends and voting

The rights of Shareholders in respect of capital, dividends and voting are contained in the Constitution, which is available for inspection at the registered office of the Company at 11 International Business Park, Singapore 609926 during normal business hours for the period during which the Offer remains open for acceptance. The relevant provisions of the Constitution relating to the rights of Shareholders in respect of capital, dividends and voting have been extracted from the Constitution and are set out in **Appendix III** to this Circular. Capitalised terms and expressions not defined in the extracts have the meanings ascribed to them in the Constitution.

4.3 Number of Shares issued since the end of the last financial year

No Shares have been issued by the Company since 31 December 2020, being the end of the last financial year, up to the Latest Practicable Date.

4.4 Awards, Options and convertible instruments

Save as disclosed below and in this Circular, the Company has not issued any other instruments convertible into, rights to subscribe for, and options in respect of, Shares and securities which carry voting rights affecting Shares that are outstanding as at the Latest Practicable Date.

(a) **Awards**

The Company has 2,622,995 outstanding Awards granted under the Share Award Scheme, pursuant to which an aggregate of 2,622,995 Shares may be vested, subject to the fulfilment of the terms of the Share Award Scheme and certain conditions, the details of which are set out below:

Date of grant of Awards	Number of outstanding Awards granted	Number of Shares that may vest pursuant to the Awards
1 August 2018	680,000	680,000
31 March 2019	788,000	788,000
2 December 2019	506,995	506,995
14 April 2020	648,000	648,000

(b) **Options**

The Company has 13,349,401 outstanding Options under the Share Option Schemes exercisable into 13,349,401 Shares, the details of which are set out below:

Date of grant of Options	Expiry date of Options	Number of outstanding Options	Number of Shares represented by the outstanding Options	Exercise price per Share
11 March 2011	11 March 2021	51,000	51,000	S$1.21
5 May 2011	5 May 2021	2,897,000	2,897,000	S$1.20
9 April 2012	9 April 2022	330,203	330,203	S$0.96
4 May 2012	4 May 2022	1,256,071	1,256,071	S$0.90
30 April 2013	30 April 2023	243,329	243,329	S$0.699
12 May 2015	12 May 2025	471,798	471,798	S$0.57
30 June 2020	30 June 2030	8,100,000	8,100,000	S$1.08

5. DISCLOSURE OF INTERESTS

5.1 Interests of the Company in Offeror Securities

The Company does not have any direct or indirect interests in the Offeror Securities as at the Latest Practicable Date.

5.2 Dealings in Offeror Securities by the Company

The Company has not dealt for value in the Offeror Securities during the period commencing three (3) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

5.3 Interests of Directors in Offeror Securities

As at the Latest Practicable Date, Mr. Yao has a direct interest in one (1) share of the Offeror, representing 100% of the total shareholding of the Offeror's shares. Mr. Yao is also a director of the Offeror.

Madam Wong is the wife of Mr. Yao and also a director of the Offeror.

Save as disclosed above and in the Offer Document, none of the Directors has any direct or indirect interests in the Offeror Securities as at the Latest Practicable Date.

5.4 Dealings in Offeror Securities by the Directors

On 2 December 2020, Mr. Yao subscribed for one (1) share in the capital of the Offeror, representing 100% of the total shareholding of the Offeror's shares as at the Latest Practicable Date.

Save as disclosed above, none of the Directors has dealt for value in the Offeror Securities during the period commencing three (3) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

5.5 **Interests of the Directors in the Company Securities**

Save as disclosed below, as at the Latest Practicable Date, none of the Directors has any direct or indirect interests in the Company Securities:

Shares

Name of Director	Direct interest		Deemed interest		Total interest	
	No. of Shares	%(1)	No. of Shares	%(1)	No. of Shares	%(1)
Mr. Yao Hsiao Tung	–	–	729,673,251(2)	90.37	729,673,251	90.37
Madam Wong Huey Fang	–	–	–	–	–	–
Mr. Yeo Tiong Eng	500,000	0.06	–	–	500,000	0.06
Mr. Chester Lin Chien	1,800,000	0.22	–	–	1,800,000	0.22
Madam Leong Lai Peng	300,000	0.04	–	–	300,000	0.04
Mr. Gerald Lim Thien Su	–	–	–	–	–	–
Mr. Seow Choke Meng	–	–	–	–	–	–
Mr. Ho Kheong Chun Peter	–	–	–	–	–	–

Notes:

(1) Based on the Company's total issued Shares of 807,467,735 as at the Latest Practicable Date (excluding treasury shares).

(2) As at 6.00 p.m. Singapore time on the Latest Practicable Date, and as disclosed in the Offeror Shareholding Announcement, the Offeror has received valid acceptances in respect of 729,673,251 Shares pursuant to the Offer. As Mr. Yao has a controlling interest in the Offeror, pursuant to Section 4 of the SFA, he is deemed to have an interest in the 729,673,251 Shares acquired by the Offeror pursuant to the Offer as at the Latest Practicable Date.

Options

Name of Director	Date of grant	No. of Options	No. of Option Shares	Exercise Price	Exercise Period
Mr. Yao Hsiao Tung	5 May 2011	2,571,000	2,571,000	S$1.20	5 May 2012 to 4 May 2021
	4 May 2012	1,119,650	1,119,650	S$0.90	4 May 2013 to 3 May 2022
	30 April 2013	222,659	222,659	S$0.699	30 April 2014 to 29 April 2023
	12 May 2015	447,073	447,073	S$0.57	12 May 2016 to 11 May 2025

Name of Director	Date of grant	No. of Options	No. of Option Shares	Exercise Price	Exercise Period
Madam Wong Huey Fang	5 May 2011	326,000	326,000	S$1.20	5 May 2012 to 4 May 2021
	4 May 2012	136,421	136,421	S$0.90	4 May 2013 to 3 May 2022
	30 April 2013	20,670	20,670	S$0.699	30 April 2014 to 29 April 2023
	12 May 2015	24,725	24,725	S$0.57	12 May 2016 to 11 May 2025

5.6 **Dealings in Company Securities by the Directors**

Save as set out below, none of the Directors has dealt for value in the Company Securities during the period commencing three (3) months prior to the Offer Announcement Date and ending on the Latest Practicable Date:

Name	Date of Transaction	Number of Shares acquired	Transacted price per Share
Mr. Yao Hsiao Tung(1)	18 December 2020	5,770,000	S$2.00
Mr. Yao Hsiao Tung(1)	21 December 2020	22,377,200	S$2.00
Mr. Yao Hsiao Tung(1)	22 December 2020	1,948,900	S$2.00
Mr. Yao Hsiao Tung(1)	23 December 2020	3,051,300	S$2.00
Mr. Yao Hsiao Tung(1)	24 December 2020	1,348,400	S$2.00
Mr. Yao Hsiao Tung(1)	28 December 2020	920,200	S$2.00
Mr. Yao Hsiao Tung(1)	29 December 2020	318,100	S$2.00
Mr. Yao Hsiao Tung(1)	30 December 2020	1,299,700	S$2.00
Mr. Yao Hsiao Tung(1)	31 December 2020	167,000	S$2.00
Mr. Yao Hsiao Tung(1)	4 January 2021	1,014,300	S$2.00
Mr. Yao Hsiao Tung(1)	5 January 2021	2,813,900	S$2.00
Mr. Yao Hsiao Tung(1)	6 January 2021	1,955,600	S$2.00

Note:

(1) The Shares were acquired by YHT Global Pte. Ltd.. Mr. Yao is the 100% shareholder of YHT Global Pte. Ltd.

5.7 **Company Securities owned or controlled by the IFA**

As at the Latest Practicable Date, none of the IFA nor any funds whose investments are managed by the IFA on a discretionary basis owns or controls any Company Securities.

5.8 **Dealings in Company Securities by the IFA**

None of the IFA nor any funds whose investments are managed by the IFA on a discretionary basis has dealt for value in any Company Securities during the period commencing three (3) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

5.9 **Directors' Intentions in relation to the Offer and Option Proposal**

As at the Latest Practicable Date, the Directors who hold or have a deemed interest in the Shares have indicated their intention in relation to accepting or rejecting the Offer and/or the Options Proposal (as the case may be) as follows:

(a) As set out in the Offer Document, pursuant to the Irrevocable Undertakings, each of Mr. Yao and Madam Wong has undertaken, *inter alia*, the following:

(i) to accept the Offer in respect of all his/her Shares as at the date of the Irrevocable Undertakings, which represent approximately 83.41% and 0.09% of the total number of Shares respectively, and any Shares which he/she may, directly or indirectly, acquire on or after the date of the Irrevocable Undertakings; and

(ii) not to exercise all or any Options held by him/her as at the date of the Irrevocable Undertakings and which may be granted to him/her after the date of the Irrevocable Undertakings (collectively, the "**Undertaking Options**"), and not to accept the Options Proposal in respect of the Undertaking Options. In the event that the Offeror does not become entitled to exercise its right of Compulsory Acquisition by the close of the Offer, the foregoing undertaking shall be in respect of the period prior to and up to the close of the Offer. In the event that the Offeror exercises its right of Compulsory Acquisition, the foregoing undertaking shall be in respect of the period prior to and up to the completion of the Compulsory Acquisition.

As at the Latest Practicable Date, Mr. Yao and Madam Wong have accepted the Offer in respect of all their Shares.

(b) Mr. Yeo Tiong Eng has informed the Company that he intends to tender the 500,000 Shares held by him in acceptance of the Offer.

(c) Mr. Chester Lin Chien has informed the Company that he intends to tender the 1,800,000 Shares held by him in acceptance of the Offer.

(d) Madam Leong Lai Peng has informed the Company that she intends to tender the 300,000 Shares held by her in acceptance of the Offer.

6. OTHER DISCLOSURES

6.1 Directors' service contracts

As at the Latest Practicable Date:

(a) there are no service contracts between any of the Directors or proposed directors with the Company or any of its subsidiaries which have more than 12 months to run and which are not terminable by the employing company within the next 12 months without paying any compensation; and

(b) there are no such service contracts entered into or amended during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

6.2 Arrangements affecting Directors

As at the Latest Practicable Date, save as disclosed in this Circular and the Offer Document:

(a) there are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Offer;

(b) it is not proposed that any payment or other benefit shall be made or given to any Director or director of any other corporation which is by virtue of Section 6 of the Companies Act deemed to be related to the Company, as compensation for loss of office or otherwise in connection with the Offer; and

(c) none of the Directors has a material personal interest, whether direct or indirect, in any material contract entered into by the Offeror.

7. MATERIAL CONTRACTS WITH INTERESTED PERSONS

As at the Latest Practicable Date, save as disclosed in any information on the Group which is publicly available (including without limitation the announcements, financial statements and annual reports released by the Company on SGXNET), neither the Company nor any of its subsidiaries has entered into material contracts (other than those entered into in the ordinary course of business) with persons who are Interested Persons during the period commencing three (3) years before the Offer Announcement Date and ending on the Latest Practicable Date.

8. MATERIAL LITIGATION

As at the Latest Practicable Date, save as disclosed in any information on the Group which is publicly available (including without limitation the announcements, financial statements and annual reports released by the Company on SGXNET), none of the Company or its subsidiaries is engaged in any material litigation, either as plaintiff or defendant, which might materially and adversely affect the financial position of the Company or the Group, taken as a whole. As at the Latest Practicable Date, the Directors are not aware of any litigation, claims or proceedings pending or threatened against the Company or any of its subsidiaries or of any facts likely to give rise to any litigation, claims or proceedings, which might materially and adversely affect the financial position of the Company or the Group, taken as a whole.

9. FINANCIAL INFORMATION

9.1 Consolidated statements of comprehensive income

A summary of the audited consolidated statement of comprehensive income of the Group for FY2017, FY2018, FY2019 and HY2020 is set out below.

	Unaudited HY2020 $'000	Audited FY2019 $'000	Audited FY2018 $'000	Audited FY2017 $'000
Revenue	543,758	1,367,669	1,402,117	1,426,866
Cost of sales	(475,390)	(1,179,817)	(1,197,923)	(1,193,971)
Gross profit	68,368	187,852	204,194	232,895
Other items of income				
Interest income	2,903	3,990	5,919	3,851
Other income	7,596	10,693	17,535	9,919
Other items of expense				
Selling and distribution expenses	(5,368)	(12,313)	(10,538)	(12,968)
Administrative expenses	(37,914)	(78,985)	(73,284)	(66,704)
Finance costs	(2,229)	(6,761)	(6,655)	(3,904)
(Impairment losses)/reversal of impairment losses on financial assets, net	(96)	99	883	757
Other expenses	1,357	816	(13,888)	(17,536)
Share of results of associates	(510)	(1,282)	484	100
Share of results of a joint venture	(30)	(14)	(164)	(98)
Profit before tax	34,077	104,095	124,486	146,312
Income tax expense	(9,876)	(23,785)	(23,564)	(24,829)
Profit for the year	24,201	80,310	100,922	121,483
Attributable to:				
Owners of the Company	24,201	80,310	100,948	121,492
Non-controlling interests	–	–	(26)	(9)
	24,201	80,310	100,922	121,483

	Unaudited HY2020 $'000	Audited FY2019 $'000	Audited FY2018 $'000	Audited FY2017 $'000
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation	14,811	(16,456)	(17,170)	1,736
Share of other comprehensive income of associates	311	(439)	(91)	(69)
Share of other comprehensive income of a joint venture	9	(9)	(19)	(6)
Other comprehensive income for the year, net of tax	15,131	(16,904)	(17,280)	1,661
Total comprehensive income for the year	39,332	63,406	83,642	123,144
Attributable to:				
Owners of the Company	39,332	63,406	83,666	123,164
Non-controlling interests	–	–	(24)	(20)
Total comprehensive income for the year	39,332	63,406	83,642	123,144
Earnings per share attributable to owners of the Company (cents per share)				
Basic	3.00	10.00	12.54	15.05
Diluted	2.98	9.94	12.50	14.95
Dividends per share (cents)				
Dividends per share (cents)	–	2.80	5.00	25.00

The above summary is extracted from, and should be read together with, the annual reports of the Company for FY2017, FY2018 and FY2019, and the HY2020 Results, and the related notes thereto, copies of which are available for inspection at the Company's registered office as mentioned in **Section 16** of this Circular.

The audited consolidated financial statements of the Group for FY2019 and the HY2020 Results are reproduced in **Appendix IV and Appendix V** to this Circular respectively.

9.2 **Consolidated statement of financial position**

A summary of the audited consolidated statement of financial position of the Group as at 31 December 2019 and the unaudited consolidated statement of financial position of the Group as at 30 June 2020 is set out below.

	Unaudited 30 June 2020 $'000	Audited 31 December 2019 $'000
Non-current assets		
Property, plant and equipment	306,750	296,918
Investment properties	137	184
Intangible assets	33,564	34,899
Right-of-use assets	41,756	37,555
Investment in associates	23,109	23,458
Investment in a joint venture	163	184
Other investments	7,900	7,732
Loan to an associate	4,630	–
Deferred tax assets	23,302	25,692
	441,311	426,622
Current assets		
Inventories	220,786	157,724
Trade and other receivables	273,496	361,995
Prepaid operating expenses	8,507	8,901
Derivatives	576	385
Restricted bank deposits	3,160	3,093
Cash and cash equivalents	318,142	329,592
	824,667	861,690
Assets held for sale	–	3,299
	824,667	864,989
Total assets	1,265,978	1,291,611

	Unaudited 30 June 2020 $'000	Audited 31 December 2019 $'000
Current liabilities		
Trade and other payables	339,418	400,125
Notes payable	647	560
Contract liabilities	30,001	28,510
Accrued operating expenses	62,026	78,850
Provisions	432	425
Loans and borrowings	124,369	122,103
Lease liabilities related to right-of-use assets	9,669	10,179
Deferred grant income	1,592	838
Income tax payable	26,175	24,289
Dividend payable	16,139	–
	610,468	665,879
Net current assets	214,199	199,110
Non-current liabilities		
Lease liabilities related to right-of-use assets	20,082	15,488
Deferred tax liabilities	10,786	11,346
Deferred grant income	4,223	4,494
	35,091	31,328
Total liabilities	645,559	697,207
Net assets	620,419	594,404
Equity attributable to owners of the Company		
Share capital	119,725	119,725
Treasury shares	(60,360)	(61,486)
Accumulated profits	509,098	501,093
Other reserves	51,956	35,072
Total equity	620,419	594,404
Total equity and liabilities	1,265,978	1,291,611

The above summary is extracted from, and should be read together with, the annual report of the Company for FY2019 and the HY2020 Results and the relevant financial statements and the related notes thereto, which are reproduced in **Appendix IV and Appendix V** to this Circular respectively.

9.3 **Significant accounting policies**

The audited consolidated financial statements of the Group for FY2019 have been prepared in accordance with the provisions of the Companies Act and the Singapore Financial Reporting Standards (International) ("**SFRS(I)**"). A summary of the significant accounting policies of the Group is set out in Note 2 of the audited consolidated financial statements of the Group for FY2019, which is reproduced in **Appendix IV** to this Circular.

The Group has applied the same accounting policies and methods of computation in the financial statements for HY2020 compared with the audited annual financial statements for FY2019, except for the adoption of the new SFRS(I)s and amendments and interpretations of SFRS(I)s which took effect from the financial year beginning 1 January 2020.

Save as disclosed above, in the notes to the audited consolidated financial statements of the Group for FY2019 and in the HY2020 Results, there are no significant accounting policies or any matter from the notes of the financial statements of the Group which are of any major relevance for the interpretation of the financial statements of the Group.

9.4 **Changes in accounting policies**

The accounting policies adopted are consistent with those of the previous financial year, save that, in HY2020, the Group applied the following SFRS(I)s, amendments to and interpretations of SFRS(I) for the first time:

(a) Amendments to References to Conceptual Framework in SFRS(I) Standards;

(b) Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 – *Definition of Material*; and

(c) Amendments to SFRS(I) 3 – *Definition of a Business*.

The application of the above standards, and amendments to standards and interpretations do not have any significant impact on the financial statements.

As at the Latest Practicable Date, save as disclosed above and in publicly available information on the Group (including without limitation the announcements, financial statements and annual reports released by the Company on SGXNET), there has been no change in the accounting policies of the Group which will cause the figures set out in **Paragraphs 9.1 and 9.2 of Appendix II** to this Circular to be not comparable to a material extent.

9.5 **Material changes in financial position**

Save as disclosed in this Circular and in publicly available information on the Group (including but not limited to the audited consolidated financial statements of the Group for FY2019 and the HY2020 Results), as at the Latest Practicable Date, there has been no known material change in the financial position of the Company since 31 December 2019, being the date to which the last published audited financial statements of the Group were made up.

9.6 **Material change in information**

Save as disclosed in this Circular and save for the information relating to the Company and the Offer that is publicly available, there has been no material change in any information previously published by or on behalf of the Company during the period commencing from the Offer Announcement Date and ending on the Latest Practicable Date.

10. GENERAL

10.1 **Costs and expenses**

All expenses and costs incurred by the Company in relation to the Offer will be borne by the Company.

10.2 **Consents**

Deloitte & Touche Corporate Finance Pte. Ltd. has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of (i) its name, (ii) the IFA Letter, and all references thereto in the form and context in which they appear in this Circular.

Ernst & Young LLP, named as the auditors of the Company, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of the independent auditor's report in relation to the audited financial statements of the Group for FY2019 as set out in **Appendix IV** of this Circular, and the references to its name in the form and context in which they appear in this Circular.

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APPENDIX III
RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

The provisions in the Constitution relating to the rights of Shareholders in respect of capital, dividends and voting have been reproduced below.

All capitalised terms used in the following extracts shall have the same meanings ascribed to them in the Constitution and/or the Companies Act, a copy of which is available for inspection at the registered office of the Company at 11 International Business Park, Singapore 609926 during normal business hours for the period during which the Offer remains open for acceptance.

(A) RIGHTS IN RESPECT OF CAPITAL

ISSUE OF SHARES

"4. Subject to the Statutes, this Constitution and the listing rules of the Exchange, no shares may be issued by the Directors without the prior approval of the Company in General Meeting but subject thereto and to Regulation 8, and to any special rights attached to any shares for the time being issued, the Directors may issue, allot, grant options over or otherwise deal with or dispose of the same to such persons on such terms and conditions and for such consideration and at such time and subject or not to the payment of any part of the amount thereof in cash as the Directors may think fit, and any shares may be issued in such denominations or with such preferential, deferred, qualified or special rights, privileges or conditions as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors, Provided always that:

(a) (subject to any direction to the contrary that may be given by the Company in a General Meeting) any issue of shares for cash to Members holding shares of any class shall be offered to such Members in proportion as nearly as may be to the number of shares of such class then held by them and the provisions of the second sentence of Regulation 8(1) with such adaptations as are necessary shall apply; and

(b) the rights attaching to shares of a class other than ordinary shares shall be expressed in this Constitution.

4A. (1) Notwithstanding Regulation 8, the Company may by Ordinary Resolution in General Meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the Ordinary Resolution, to issue:

(i) shares (whether by way of rights, bonus or otherwise);

(ii) convertible securities;

(iii) additional convertible securities pursuant to any adjustment of issued convertible securities as required by Rule 829 of the listing rules of the Exchange notwithstanding that the authority conferred by the Ordinary Resolution may have ceased to be in force at the time the securities are issued, provided that the adjustment does not give the holder a benefit that a Member does not receive; or

(iv) shares arising from the conversion of the convertible securities in (ii) and (iii), notwithstanding that the authority conferred by the Ordinary Resolution may have ceased to be in force at the time the shares are issued,

provided that:–

(a) the aggregate number of shares and convertible securities to be issued pursuant to the Ordinary Resolution (including shares to be issued from the conversion of convertible securities made or granted pursuant to the Ordinary Resolution) shall be subject to such limits and manner of calculation as may be prescribed by the Exchange;

(b) in exercising the authority conferred by the Ordinary Resolution, the Company shall comply with the provisions of the listing rules of the Exchange for the time being in force (unless such compliance is waived by the Exchange) and this Constitution;

(c) unless previously revoked or varied by the Company in General Meeting, such authority conferred by the Ordinary Resolution to issue shares does not continue in force beyond the conclusion of the Annual General Meeting of the Company next following the passing of the Ordinary Resolution, or the date by which such Annual General Meeting is required by law to be held, or the expiration of such other period as may be prescribed by the Act (whichever is the earliest); and

(d) any other issue of shares, the aggregate of which would exceed the limits of the authority conferred by the Ordinary Resolution as referred to in this Regulation, shall be subject to the approval of the Company in General Meeting.

(2) The Company may issue shares for which no consideration is payable by the Company.

5. (1) Preference shares may be issued subject to such limitation thereof as may be prescribed by the Exchange. Holders of preference shares shall have the same rights as holders of ordinary shares as regards receiving of notices, reports, financial statements and balance sheets and attending General Meetings of the Company. Holders of preference shares shall also have the right to vote at any meeting convened for the purpose of reducing the capital, or winding-up or sanctioning a sale of the undertaking of the Company or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six Months in arrears.

(2) The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares from time to time already issued or about to be issued.

(3) The total number of preference shares issued shall not exceed the total number of issued ordinary shares at any time.

VARIATION OF RIGHTS

6. (1) Whenever the share capital of the Company is divided into different classes of shares, the special rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of the Statutes, whether or not the Company is being wound up, only be made, varied or abrogated either with the consent in writing of the holders who represent at least three-quarters of the total number of issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of the shares of the class (but not otherwise) and to every such Special Resolution the provisions of Section 184 of the Act shall, with such adaptations as are necessary, apply. To every such separate General Meeting, all the provisions of this Constitution relating to General Meetings of the Company and to the proceedings thereat shall mutatis mutandis apply, except that the necessary quorum shall be two persons at least holding or representing by proxy at least one-third of the total number of issued shares of the class and that any holder of shares of the class present in person or by proxy or attorney may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him, Provided always that where the necessary majority for such a Special Resolution is not obtained at such General Meeting, consent in writing if obtained from the holders who represent three-quarters of the total number of issued shares of the class concerned within two Months of such General Meeting shall be as valid and effectual as a Special Resolution carried at such General Meeting. The Directors shall comply with the provisions of Section 186 of the Act as to forwarding a copy of any such consent or resolution to the Accounting and Corporate Regulatory Authority. The foregoing provisions of this Regulation shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied.

(2) The repayment of preference capital other than redeemable preference capital, or any alteration of preference shareholders' rights, may only be made pursuant to a Special Resolution of the preference shareholders concerned Provided Always that where the necessary majority for such a Special Resolution is not obtained at the General Meeting, consent in writing if obtained from the holders who represent at least three-fourths of the total number of preference shares concerned within two Months of the General Meeting, shall be as valid and effectual as a Special Resolution carried at the General Meeting.

(3) The special rights attached to any class of shares having preferential rights shall not, unless otherwise expressly provided by the terms of issue thereof, be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects pari passu therewith but in no respect in priority thereto.

ALTERATION OF SHARE CAPITAL

7. The Company may from time to time by Ordinary Resolution increase its capital by the allotment and issue of new shares.

8. (1) Subject to any direction to the contrary that may be given by the Company in a General Meeting or except as permitted under the Exchange's listing rules, all new shares shall, before issue, be offered to such persons who as at the date of the offer are entitled to receive notices from the Company of General Meetings in proportion, as far as the circumstances admit, to the number of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Regulation 8(1).

(2) Except so far as otherwise provided by the conditions of issue or by this Constitution, all new shares shall be subject to the provisions of the Statutes and of this Constitution with reference to allotment, payment of calls, lien, transfer, transmission, forfeiture and otherwise.

(3) Notwithstanding Regulation 8(1) above but subject to the Act, the Directors shall not be required to offer any new shares to Members to whom by reason of foreign securities laws such offers may not be made without registration of the shares or a prospectus or other document, but to sell the entitlements to the new shares on behalf of such Members in such manner as they think most beneficial to the Company.

9. Subject to the provisions of the Statutes, the listing rules of the Exchange and/or this Constitution, the Company may by Ordinary Resolution:

(a) consolidate and divide all or any of its shares;

(b) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its capital by the number of shares so cancelled;

(c) sub-divide its shares, or any of them so however that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived and the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights, or be subject to any such restrictions, as the Company has power to attach to unissued or new shares;

(d) convert any class of shares into any other class of shares;

(e) convert all or any of its paid-up shares into stock and reconvert that stock into paid-up shares; or

(f) convert its share capital or any class of shares from one currency to another currency.

10. (1) The Company may reduce its share capital or any reserve in any manner and with and subject to any incident authorised and consent required by law.

(2) Subject to and in accordance with the provisions of the Act and the listing rules of the Exchange, the Company may authorise the Directors in General Meeting to purchase or otherwise acquire any of its issued shares on such terms as the Company may think fit and in the manner prescribed by the Act and the listing rules of the Exchange. Any share which is so purchased or acquired by the Company, unless held as treasury shares in accordance with the Act, shall be deemed to be cancelled immediately on purchase or acquisition by the Company. On the cancellation of any share as aforesaid, the rights and privileges attached to that share shall expire. In any other instance, the Company may hold or deal with any such share (including treasury shares) which is so purchased or acquired by it in accordance with the Statutes.

10A. (1) Shares that the Company purchases or otherwise acquires may be held as treasury shares in accordance with the provisions of this Constitution and the Act.

(2) Where the shares purchased or otherwise acquired are held as treasury shares by the Company, the Company shall be entered in the Register of Members as the Member holding the shares.

(3) The Company shall not exercise any right in respect of the treasury shares other than as provided by the Act. Subject thereto, the Company may hold or deal with its treasury shares in the manner authorised by, or prescribed pursuant to, the Act.

SHARES

11. Except as required by law, no person (other than the Depository) shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share, or (except only as by this Constitution or by law otherwise provided) any other right in respect of any share, except an absolute right to the entirety thereof in the person (other than the Depository) entered in the Register of Members as the registered holder thereof or (where the person entered in the Register of Members as the registered holder thereof of a share is the Depository) the person whose name is entered in the Depository Register in respect of that share.

12. Without prejudice to any special rights previously conferred on the holders of any shares or class of shares for the time being issued, any share in the Company may be issued with such preferred, deferred or other special rights, or subject to such restrictions, whether as regards dividend, return of capital, voting or otherwise, as the Company may from time to time by Ordinary Resolution determine (or, in the absence of any such determination, as the Directors may determine) and subject to the provisions of the Statutes, the Company may issue preference shares which are, or at the option of the Company are liable, to be redeemed.

13. Subject to the provisions of this Constitution and of the Statutes relating to authority, pre-emption rights and otherwise and of any resolution of the Company in a General Meeting passed pursuant thereto, all unissued shares shall be at the disposal of the Directors and they may allot (with or without conferring a right of renunciation), grant options over or otherwise dispose of them to such persons, at such times and on such terms as they think proper.

14. (1) The Company may pay commissions or brokerage as may be lawful on any issue of shares at such rate or amount and in such manner as the Directors deem fit. Such commissions or brokerage may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in one way and partly in the other.

(2) Any expenses (including brokerage and commission) incurred directly by the Company in the issue of new shares may be paid out of the proceeds of the issue or the Company's share capital. Such payment shall not be taken as reducing the amount of share capital of the Company.

15. Subject to the terms and conditions of any application for shares, the Directors shall allot shares applied for within ten Market Days of the closing date (or such other period as may be prescribed or approved by the Exchange) of any such application. The Directors may, at any time after the allotment of any share but before any person has been entered in the Register of Members as the holder or (as the case may be) before that share is entered against the name of a Depositor in the Depository Register, recognise a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation upon and subject to such terms and conditions as the Directors may think fit to impose.

TRANSFER OF SHARES

36. (1) Subject to this Constitution, the Statutes and the listing rules of the Exchange, all transfers of the legal title in shares may be effected by the registered holders thereof by transfer in writing in the form for the time being approved by the Exchange or any other form acceptable to the Directors. Any transfer of shares registered in the name of the Depository may be effected by book entry in the Depository Register in accordance with the Statutes.

(2) The instrument of transfer of a share which is the subject of a registered transfer shall be signed by or on behalf of both the transferor and the transferee and be witnessed Provided that an instrument of transfer in respect of which the transferee is the Depository shall be effective although not signed or witnessed by or on behalf of the Depository. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the Register of Members in respect thereof.

37. The Register of Members and the Depository Register may be closed at such times and for such period as the Directors may from time to time determine Provided always that such Register shall not be closed for more than thirty days in the aggregate in any Year Provided always that the Company shall give prior notice of such closure as may be required to the Exchange, stating the period and purpose or purposes for which the closure is made.

38. (1) Subject to this Constitution and the Act, there shall be no restriction on the transfer of fully paid up shares (except where required by law or the listing rules of the Exchange) but the Directors may at their discretion decline to register any transfer of shares upon which the Company has a lien and in the case of shares not fully paid up, may refuse to register a transfer to a transferee of whom they do not approve (except where such refusal to register contravene the listing rules of the Exchange).

(2) The Directors may in their sole discretion refuse to register any instrument of transfer of shares unless:

(a) all or any part of the stamp duty (if any) payable on each share certificate and such fee not exceeding $2 as the Directors may from time to time require pursuant to Regulation 41, is paid to the Company in respect thereof;

(b) the instrument of transfer is deposited at the Office or at such other place (if any) as the Directors may appoint accompanied by the certificates of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do;

(c) the instrument of transfer is in respect of only one class of shares; and

(d) the amount of the proper duty with which each share certificate to be issued in consequence of the registration of such transfer is chargeable under any law for the time being in force relating to stamps is tendered.

39. If the Directors refuse to register a transfer of any shares, they shall within ten Market Days after the date on which the transfer was lodged with the Company (or such period of time as may be prescribed by the bye-laws or listing rules of the Exchange) send to the transferor and the transferee notice of the refusal as required by the Statutes stating the facts which are considered to justify the refusal as required by the Act.

40. In the case of registered transfers, all instruments of transfer which are registered may be retained by the Company.

41. There shall be paid to the Company in respect of the registration of any instrument of transfer or probate or letters of administration or certificate of marriage or death or stop notice or power of attorney or other document relating to or affecting the title to any shares or otherwise for making any entry in the Register of Members affecting the title to any shares such fee not exceeding $2 as the Directors may from time to time require or prescribe.

42. Subject to any legal requirements to the contrary, the Company shall be entitled to destroy all instruments of transfer which have been registered at any time after the expiration of six Years from the date of registration thereof and all dividend mandates and notifications of change of address at any time after the expiration of six Years from the date of recording thereof and all share certificates which have been cancelled at any time after the expiration of six Years from the date of the cancellation thereof and it shall conclusively be presumed in favour of the Company that every entry in the Register of Members purporting to have been made on the basis of an instrument of transfer or other document so destroyed was duly and properly made and every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and every share certificate so destroyed was a valid and effective certificate duly and properly cancelled and every other document hereinbefore mentioned so destroyed was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company; Provided always that:

(a) the provisions aforesaid shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant;

(b) nothing herein contained shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any other circumstances which would not attach to the Company in the absence of this Regulation; and

(c) references herein to the destruction of any document include references to the disposal thereof in any manner.

STOCK

46. The Company may from time to time by Ordinary Resolution convert any paid-up shares into stock and may from time to time by like resolution reconvert any stock into paid-up shares.

47. The holders of stock may transfer the same or any part thereof in the same manner and subject to the same Regulations and subject to which the shares from which the stock arose might previously to conversion have been transferred (or as near thereto as circumstances admit) but no stock shall be transferable except in such units as the Directors may from time to time determine.

48. The holders of stock shall, according to the number of stock units held by them, have the same rights, privileges and advantages as regards dividend, return of capital, voting and other matters, as if they held the shares from which the stock arose, but no such privilege or advantage (except as regards participation in the profits or assets of the Company) shall be conferred by any number of stock units which would not, if existing in shares, have conferred such privilege or advantage, and no such conversion shall affect or prejudice any preference or other special privileges attached to the shares so converted."

(B) RIGHTS IN RESPECT OF VOTING

NOTICE OF GENERAL MEETINGS

"51. (1) Subject to the provisions of the Statutes and the listing rules of the Exchange, any General Meeting at which it is proposed to pass a Special Resolution or a resolution of which special notice has been given to the Company, shall be called by twenty one days' notice in writing at the least and an Annual General Meeting and any other Extraordinary General Meeting by fourteen days' notice in writing at the least, the period of notice shall in each case be exclusive of the day on which it is served or deemed to be served and of the day on which the meeting is to be held and shall be given in manner hereafter mentioned to all Members other than such as are not under the provisions of this Constitution entitled to receive such notices from the Company; Provided that a General Meeting which has been called by a shorter notice than that specified above shall be deemed to have been duly called if it is so agreed:

(a) in the case of an Annual General Meeting, by all the Members entitled to attend and vote thereat; and

(b) in the case of an Extraordinary General Meeting, by a majority in number of the Members having a right to attend and vote thereat, being a majority together holding not less than 95% of the total voting rights of all the Members having a right to vote at that General Meeting, as is required by the Act,

except also that the accidental omission to give notice to or the non-receipt of notice by any person entitled thereto or the calling of a General Meeting at short notice, shall not invalidate the proceedings at any General Meeting. At least fourteen days' notice of any General Meeting shall be given by advertisement in the daily press and in writing to the Exchange.

(2) Subject to the Statutes or the bye-laws or listing rules of the Exchange, for so long as the shares in the Company are listed on the Exchange, notices convening any General Meeting at which it is proposed to pass a Special Resolution shall be provided to the Exchange and sent to Members entitled to vote at the meeting at least fifteen Market Days before the meeting. Notices convening any other General Meeting must be provided to the Exchange and sent to Members at least ten Market Days before the meeting.

52. (1) Every notice calling a General Meeting shall specify the place and the day and hour of the General Meeting, and there shall appear with reasonable prominence in every notice a statement that a Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him and that a proxy need not be a Member.

(2) In the case of an Annual General Meeting, the notice shall also specify the meeting as such.

(3) In the case of any General Meeting at which business other than routine business is to be transacted, the notice shall specify the general nature of such business; and if any resolution is to be proposed as a Special Resolution, the notice shall contain a statement to that effect.

53. All business shall be deemed special that is transacted at any Extraordinary General Meeting, and all that is transacted at an Annual General Meeting shall also be deemed special, with the exception of routine business. Routine business shall mean and include only business transacted at an Annual General Meeting of the following classes, that is to say:

(a) declaring dividends;

(b) receiving and adopting the financial statements, the reports of the Directors and Auditors and other documents required to be attached or annexed to the financial statements;

(c) appointing or re-appointing Directors to fill vacancies arising at the meeting on retirement whether by rotation or otherwise;

(d) re-appointing the retiring Auditors (unless they were last appointed otherwise than by the Company in General Meeting);

(e) fixing the remuneration of the Auditors or determining the manner in which such remuneration is to be fixed; and

(f) fixing the fees of the Directors proposed to be passed under Regulation 79.

54. Any notice of a General Meeting to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution on the Company in respect of such special business.

PROCEEDINGS AT GENERAL MEETINGS

55. The chairman of the board of Directors, failing whom the deputy chairman, shall preside as chairman at a General Meeting. If there be no such chairman or deputy chairman, or if at any General Meeting neither be present within five minutes after the time appointed for holding the General Meeting or is unwilling to act, the Directors present shall choose one of their number (or, if no Director be present or if all the Directors present decline to take the chair, the Members present shall choose one of their number) to be chairman of the General Meeting.

56. No business other than the appointment of a chairman shall be transacted at any General Meeting unless a quorum is present at the time when the meeting proceeds to business. Save as herein otherwise provided, the quorum at any General Meeting shall be two or more Members present in person or by proxy or by attorney or as representing a corporation which is a Member but shall, as required by the Act, exclude the Company where it is a Member by reason of its holding of treasury shares, provided always that (i) a proxy representing more than one Member shall only count as one Member for the purpose of determining the quorum, (ii) where a Member is represented by more than one proxy such proxies shall count as only one Member for the purpose of determining the quorum, and (iii) if only proxies appointed by the Depository attend, any two such proxies (not being proxies for the same Depositor) shall suffice to establish plurality and quorum.

57. If within thirty minutes from the time appointed for a General Meeting (or such longer interval as the chairman of the meeting may think fit to allow) a quorum is not present, the meeting, if convened on the requisition of Members, shall be dissolved. In any other case, it shall stand adjourned to the same day in the next week (or if that day is a public holiday, then to the next business day following that public holiday) at the same time and place or such other day, time or place as the Directors may by not less than ten days' notice appoint. At the adjourned meeting, any one or more Members present in person or by proxy shall be a quorum.

58. The chairman of any General Meeting at which a quorum is present may, with the consent of the General Meeting (and shall if so directed by the General Meeting) adjourn the General Meeting from time to time (or sine die) and from place to place, but no business shall be transacted at any adjourned General Meeting except business which might lawfully have been transacted at the General Meeting from which the adjournment took place. Where a General Meeting is adjourned sine die, the time and place for the adjourned meeting shall be fixed by the Directors. When a General Meeting is adjourned for thirty days or more or sine die, not less than seven days' notice of the adjourned General Meeting shall be given in like manner as in the case of the original General Meeting.

59. Save as hereinbefore expressly provided, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned General Meeting.

60. If an amendment shall be proposed to any resolution under consideration but shall in good faith be ruled out of order by the chairman of the General Meeting, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling. In the case of a resolution duly proposed as a Special Resolution, no amendment thereto (other than a mere clerical amendment to correct a patent error) may in any event be considered or voted upon.

61. (1) Unless otherwise not required by the Exchange, at any General Meeting, all resolution(s) put to the vote at the General Meeting shall be decided by poll, including any resolution for the adjournment or election of a Chairman of such General Meeting.

(2) Subject to Regulation 61(1), at any General Meeting, a resolution put to the vote of the meeting shall be decided on a show of hands by the Members present in person or by proxy and entitled to vote, unless a poll is (before or on the declaration of the result of the show of hands) demanded by:

(a) the chairman of the General Meeting;

(b) at least two Members present in person or by proxy (where a Member has appointed more than one proxy, any one of such proxies may represent that Member) or attorney or in the case of a corporation by a representative and having the right to vote at the General Meeting;

(c) a Member or Members present in person or by proxy (where a Member has appointed more than one proxy, any one of such proxies may represent that Member) or attorney or in the case of a corporation by a representative or any number or combination of such Members, holding or representing not less than 5% of the total voting rights of all the Members having the right to vote at the General Meeting; or

(d) a Member or Members present in person or by proxy (where a Member has appointed more than one proxy, any one of such proxies may represent that Member) or attorney or in the case of a corporation by a representative or any number or combination of such Members, holding shares conferring a right to vote at the General Meeting, being shares on which an aggregate sum has been paid up equal to not less than 5% of the total sum paid-up on all the shares of the Company conferring that right (excluding treasury shares),

Provided always that no poll shall be demanded on the choice of a chairman or on a question of adjournment.

62. A demand for a poll may be withdrawn only with the approval of the General Meeting. Unless a poll is demanded (and the demand is not withdrawn), a declaration by the chairman of the General Meeting that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book, shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded for or against such resolution. If a poll is demanded (and the demand is not withdrawn), it shall be taken in such manner (inducting the use of ballot or voting papers or tickets) as the chairman of the General Meeting may direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The chairman of the General Meeting may, and if so directed by the General Meeting shall, adjourn the General Meeting to some place and time fixed by him for the purpose of declaring the result of the poll.

63. Subject to the Act and the requirements of the Exchange, in the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the General Meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote, in addition to the votes to which he may be entitled as a Member or as proxy of a Member.

64. A poll demanded on any question shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the General Meeting) and place as the chairman of the General Meeting may direct. No notice need be given of a poll not taken immediately. The demand for a poll shall not prevent the continuance of the General Meeting for the transaction of any business other than the question on which the poll has been demanded.

64A. Unless not required by the listing rules of the Exchange, the chairman of the General Meeting shall appoint scrutineers as follows:

(a) At least one (1) scrutineer shall be appointed for each General Meeting and the appointed scrutineer(s) shall be independent of the persons undertaking the polling process at the General Meeting; and

(b) The appointed scrutineer(s) shall:

(i) ensure that satisfactory procedures of the voting process are in place before the General Meeting; and

(ii) direct and supervise the count of the votes cast through proxy and in person and may adjourn the General Meeting to some place and time fixed by him for the purpose of declaring the result of the poll.

(c) Where the appointed scrutineer is interested in any resolution(s) proposed to be passed at the General Meeting, it shall refrain from acting as the scrutineer for such resolution(s).

VOTES OF MEMBERS

65. (1) Subject and without prejudice to any special privileges or restrictions as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company and to Regulation 10A(3), each Member entitled to vote may vote in person or by proxy or attorney, and (in the case of a corporation) by a representative.

(2) On a show of hands, every Member who is present in person or by proxy or attorney or in the case of a corporation by a representative, shall have one vote, provided that:

(a) in the case of a Member who is not a relevant intermediary and who is represented by two proxies, only one of the two proxies as determined by their appointor shall vote on a show of hands and in the absence of such determination, only one of the two proxies as determined by the chairman of the General Meeting (or by a person authorised by him) shall vote on a show of hands; and

(b) in the case of a Member who is a relevant intermediary and who is represented by two or more proxies, each proxy shall be entitled to vote on a show of hands.

(3) On a poll, every Member who is present in person or by proxy attorney or representative shall have one vote for every share which he holds or represents, Provided always that notwithstanding anything contained in this Constitution, a Depositor shall not be entitled to attend any General Meeting and to speak and vote thereat unless his name is certified by the Depository to the Company as appearing on the Depository Register not earlier than 72 hours before that General Meeting as a Depositor on whose behalf the Depository holds shares in the Company. For the purpose of determining the number of votes which a Member, being a Depositor, or his proxy may cast at any General Meeting on a poll, the reference to shares held or represented shall, in relation to shares of that Depositor, be the number of shares entered against his name in the Depository Register as at 72 hours before the time of the relevant General Meeting as certified by the Depository to the Company.

66. In the case of joint holders of a share, any one of such persons may vote, and be reckoned in the quorum at any General Meeting, either personally or by proxy or by attorney or in the case of a corporation by a representative as if he were solely entitled thereto, but if more than one of such joint holders is so present at any meeting, then the person present whose name stands first in the Register of Members or (as the case may be) the Depository Register in respect of the share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased Member in whose name any share stands shall for the purpose of this Regulation be deemed joint holders thereof.

67. Where in Singapore or elsewhere, a receiver or other person (by whatever name called) has been appointed by any court claiming jurisdiction in that behalf to exercise powers with respect to the properly or affairs of any Member on the ground (however formulated) of mental disorder, the Directors may in their absolute discretion, upon or subject to production of such evidence of the appointment as the Directors may require, permit such receiver or other person on behalf of such Member to vote in person or by proxy at any General Meeting or to exercise any other right conferred by membership in relation to General Meetings of the Company.

68. (1) Subject to the provisions of this Constitution, every Member who is the holder of ordinary shares shall be entitled, either personally or by attorney or proxy and in the case of a corporation by a representative, to be present and to vote at any General Meeting and to be reckoned in the quorum thereat in respect of ordinary shares fully paid and in respect of partly paid ordinary shares where calls are not due and unpaid.

(2) No Member shall, unless the Directors otherwise determine, be entitled in respect of shares held by him to vote at a General Meeting either personally or by proxy or to exercise any other right conferred by membership in relation to General Meetings of the Company if any call or other sum presently payable by him to the Company in respect of such shares remains unpaid.

69. No objection shall be raised as to the admissibility of any vote except at the General Meeting or adjourned General Meeting at which the vote objected to is or may be given or tendered and every vote not disallowed at such General Meeting shall be valid for all purposes. Any such objection shall be referred to the chairman of the General Meeting whose decision shall be final and conclusive.

70. On a poll, votes may be given personally or by proxy or by attorney or in the case of a corporation by its representative and unless required by the Act, a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

71. (1) A Member who is not a relevant intermediary may appoint not more than two proxies to attend and vote at the same General Meeting. A Member who is a relevant intermediary may appoint more than two proxies to attend and vote at the same General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such Member Provided that if the Member is a Depositor, the Company shall be entitled and bound:

(a) to reject any instrument of proxy lodged if the Depositor is not shown to have any shares entered against his name in the Depository Register as at seventy-two hours before the time of the relevant General Meeting as certified by the Depository to the Company; and

(b) to accept as validly cast by the proxy or proxies appointed by the Depositor on a poll that number of votes which corresponds to or is less than the aggregate number of shares entered against the name of that Depositor in the Depository Register as at seventy-two ours before the time of the relevant General Meeting as certified by the Depository to the Company, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor.

(2) The Company shall be entitled and bound, in determining rights to vote and other matters in respect of a completed instrument of proxy submitted to it, to have regard to the instructions (if any) given by and the notes (if any) set out in the instrument of proxy. The Company is entitled to disregard any votes cast by a proxy that is not in accordance with the instructions or notes (if any).

(3) In any case where a form of proxy appoints more than one proxy, the proportion of the shareholding (expressed as a percentage of the whole) or the number of shares and the class of shares concerned to be represented by each proxy shall be specified in the form of proxy. If no such proportion or number or class of shares is specified, the appointment shall be invalid.

(4) Voting right(s) attached to any shares in respect of which a Member has not appointed a proxy may only be exercised at the relevant General Meeting by the Member personally or by his attorney, or in the case of a corporation by its representative.

(5) Where a Member appoints a proxy in respect of more shares than the shares standing to his name in the Register of Members, or in the case of a Depositor, standing to the credit of that Depositor's Securities Account, such proxy may not exercise any of the votes or rights of the shares not registered to the name of that Member in the Register of Members or standing to the credit of that Depositor's Securities Account as at 72 hours before the time for holding that General Meeting, as the case may be.

(6) A proxy need not be a Member, and shall be entitled to vote on any matter at any General Meeting.

72. (1) An instrument appointing a proxy shall be in writing in any usual or common form or in any other form which the Directors may approve and:

(a) in the case of an individual, shall be:

(i) signed by the appointor or his attorney duly authorised in writing if the instrument is delivered personally or by post; or

(ii) authorised by that individual through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication; and

(b) in the case of a corporation, shall be:

(i) either given under Seal (or by the signatures of authorised persons in the manner set out under the Act as an alternative to sealing) or signed on its behalf by an attorney duly authorised if the instrument is delivered personally or sent by post; or

(ii) authorised by that corporation through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication.

The Directors may, for the purposes of Regulation 72(1), designate procedures for authenticating any such instrument, and any such instrument not so authenticated by use of such procedures shall be deemed not to have been received by the Company.

(2) The Directors may, in their absolute discretion:

(a) approve the method and manner for an instrument appointing a proxy to be authorised; and

(b) designate the procedure for authenticating an instrument appointing a proxy, as contemplated in Regulation 72(1)(a)(ii) and (1)(b)(ii) for application to such Members or class of Members as they may determine. Where the Directors do not so approve and designate in relation to a Member (whether of a class or otherwise), Regulation 72(1)(a)(i) and (1)(b)(i) shall apply.

(3) The signature on, or authorisation of an instrument appointing a proxy need not be witnessed. Where an instrument appointing a proxy is signed on behalf of the appointer 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 pursuant to Regulation 73, failing which the instrument may be treated as invalid.

73. (1) An instrument appointing a proxy together with the power of attorney or other authority, if any, under which the instrument of proxy is signed or a duly certified copy of that power of attorney or other authority (failing previous registration with the Company) shall:

(a) be attached to the instrument of proxy and must be left at such place or one of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the General Meeting (or, if no place is so specified, at the Office); or

(b) if submitted by electronic communication, must be received through such means as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the General Meeting,

and in either case, not less than 72 hours before the time appointed for the holding of the General Meeting or adjourned General Meeting or (in the case of a poll taken otherwise than at or on the same day as the General Meeting or adjourned General Meeting) for the taking of the poll at which it is to be used, and in default shall not be treated as valid.

(2) The Directors may, in their absolute discretion, and in relation to such Members or class of Members as they may determine, specify the means through which instruments appointing a proxy may be submitted by electronic communications, as contemplated in Regulation 73(1)(b). Where the Directors do not so specify in relation to a Member (whether of a class or otherwise), Regulation 73(1) (a) shall apply.

(3) The instrument appointing a proxy shall, unless the contrary is stated thereon, be valid as well for any adjournment of the General Meeting as for the General Meeting to which it relates; Provided that an instrument of proxy relating to more than one General Meeting (including any adjournment thereof) having once been so delivered for the purpose of any General Meeting shall not be required again to be delivered for the purposes of any subsequent General Meeting to which it relates.

74. An instrument appointing a proxy shall be deemed to include the right to demand or join in demanding a poll on behalf of the appointor, to move any resolution or amendment thereto and to speak at the meeting. Unless otherwise instructed, a proxy shall vote as he thinks fit.

75. A vote cast by proxy (which for the purposes of this Constitution shall also include a power of attorney) shall not be invalidated by the previous death or mental disorder of the principal or by the revocation of the appointment of the proxy or of the authority under which the appointment was made Provided that no intimation in writing of such death, mental disorder or revocation shall have been received by the Company at the Office (or such other place as may be specified for the deposit of instruments appointing proxies) at least one hour before the commencement of the General Meeting or adjourned General Meeting or (in the case of a poll taken otherwise than at or on the same day as the General Meeting or adjourned General Meeting) the time appointed for the taking of the poll at which the vote is cast.

75A. Subject to this Constitution and any applicable legislation, the Directors may, at its sole discretion, approve and implement, subject to such security measures as may be deemed necessary or expedient, such voting methods to allow Members who are unable to vote in person at any General Meeting, the option to vote in absentia, including but not limited to voting by mail, electronic mail or facsimile."

(C) RIGHTS IN RESPECT OF DIVIDENDS

"121. The Company may by Ordinary Resolution declare dividends but no such dividends shall exceed the amount recommended by the Directors. No dividends may be paid, unless otherwise provided in the Statutes, to the Company in respect of treasury shares.

122. Notwithstanding Regulation 121, if and so far as in the opinion of the Directors the profits of the Company justify such payments, the Directors may declare and pay fixed dividends on any class of shares carrying a fixed dividend expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment thereof by the terms of issue of the shares and subject thereto, may also from time to time declare and pay interim dividends on shares of any class of such amounts and on such dates and in respect of such periods as they think fit.

123. Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, and except as otherwise permitted under the Statutes:

(a) all dividends in respect of shares shall be declared and paid in proportion to the number of shares held by a Member but where shares are partly paid, all dividends must apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and

(b) all dividends must be apportioned and paid proportionately to the amounts so paid or credited as paid during any portion or portions of the period in respect of which dividend is paid but if any shares are issued on terms providing that they shall rank for dividend as from a particular date, such shares shall rank for dividend accordingly.

For the purposes of this Regulation, no amount paid on a share in advance of calls shall be treated as paid on the share. A transfer of shares shall not pass the right to any dividend declared on such shares before the registration of the transfer.

124. No dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Statutes.

125. No dividend or other moneys payable on or in respect of a share shall bear interest as against the Company.

125A. The Directors may deduct from any dividend or other moneys payable to any Member on or in respect of a share all sums of money (if any) presently payable by him to the Company on account of calls or in connection therewith, or any other account which the Company is required by law to withhold or deduct.

126. (1) The Directors may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

(2) The Directors may retain the dividends payable upon shares in respect of which any person is under the provisions as to the transmission of shares contained in this Constitution, entitled to become a Member, or which any person is under those provisions entitled to transfer, until such person shall become a Member in respect of such shares or shall transfer the same.

(3) The payment by the Directors of any unclaimed dividends or other moneys payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All dividends unclaimed after being declared may be invested or otherwise made use of by the Directors for the benefit of the Company and any dividend and other moneys payable on or in respect of a share that are unclaimed after a period of six Years after first being payable may be forfeited and if so shall revert to the Company but the Directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the dividend so forfeited to the person entitled thereto prior to the forfeiture. For the avoidance of doubt, no Member shall be entitled to any interest, share of revenue or other benefit arising from any unclaimed dividends or moneys, howsoever and whatsoever.

(4) All payment by the Company to the Depository of any dividend or other moneys payable to a Depositor shall, to the extent of the payment made, discharge the Company from any liability in respect of that payment. If the Depository returns any such dividend or moneys to the Company, the relevant Depositor shall not have any right or claim in respect of such dividend or moneys against the Company if a period of six Years has elapsed from the date on which such other moneys are first payable.

127. The waiver in whole or in part of any dividend on any share by any document (whether or not under Seal) shall be effective only if such document is signed by the holder of the share (or the person entitled to the share in consequence of the death or bankruptcy of the holder) and delivered to the Company and if or to the extent that the same is accepted as such or acted upon by the Company.

128. The Company may upon the recommendation of the Directors, by Ordinary Resolution direct payment of a dividend in whole or in part by the distribution of specific assets (and in particular of paid-up shares or debentures of the Company or any other company, or in any one or more of such ways) and the Directors shall give effect to such resolution. Where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and in particular may issue fractional certificates, may fix the value for distribution of such specific assets or any part thereof, may determine that cash payments shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Directors.

129. (1) Whenever the Directors or the Company in General Meeting have resolved or proposed that a dividend (including an interim, final, special or other dividend) be paid or declared on the ordinary shares of the Company, the Directors may further resolve that Members entitled to such dividend be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of the dividend as the Directors may think fit. In such case, the following provisions shall apply:

(a) the basis of any such allotment shall be determined by the Directors;

(b) the Directors shall determine the manner in which Members shall be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of any dividend in respect of which the Directors shall have passed such a resolution as aforesaid, and the Directors may make such arrangement as to the giving of notice to Members, providing for forms of election for completion by Members (whether in respect of a particular dividend or dividends or generally), determining the procedure for making such elections or revoking the same and the place at which and the latest date and time by which any forms of election or other documents by which elections are made or revoked must be lodged, and otherwise make all such arrangements and do all such things, as the Directors consider necessary or expedient in connection with the provisions of this Regulation;

(c) the right of election may be exercised in respect of the whole of that portion of the dividend in respect of which the right of election has been accorded provided that the Directors may determine, either generally or in any specific case, that such right shall be exercisable in respect of the whole or any part of that portion; and

(d) the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable in cash on ordinary shares in respect whereof the share election has been duly exercised (the "elected ordinary shares") and in lieu and in satisfaction thereof ordinary shares shall be allotted and credited as fully paid to the holders of the elected ordinary shares on the basis of allotment determined as aforesaid and for such purpose and notwithstanding the provisions of Regulation 133, the Directors shall (i) capitalise and apply the amount standing to the credit of any of the Company's reserve accounts or any sum standing to the credit of the profit and loss account or otherwise available for distribution as the Directors may determine, such sum as may be required to pay up in full the appropriate number of ordinary shares for allotment and distribution to and among the holders of the elected ordinary shares on such basis, or (ii) apply the sum which would otherwise have been payable in cash to the holders of the elected ordinary shares towards payment of the appropriate number of ordinary shares for allotment and distribution to and among the holders of the elected ordinary shares on such basis.

(2) (a) The ordinary shares allotted pursuant to the provisions of Regulation 129(1) of this Regulation shall rank pari passu in all respects with the ordinary shares then in issue save only as regards participation in the dividend which is the subject of the election referred to above (including the right to make the election referred to above) or any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneous with the payment or declaration of the dividend which is the subject of the election referred to above, unless the Directors shall otherwise specify.

(b) The Directors may do all acts and things considered necessary or expedient to give effect to any capitalisation pursuant to the provisions of Regulation 129(1) of this Regulation, with full power to make such provisions as they think fit in the case of shares becoming distributable in fractions (including, notwithstanding any provision to the contrary in this Constitution, provisions whereby, in whole or in part, fractional entitlements are disregarded or rounded up or down).

(3) The Directors may, on any occasion when they resolve as provided in Regulation 129(1) of this Regulation, determine that rights of election under that Regulation shall not be made available to the persons who are registered as holders of ordinary shares in the Register of Members or (as the case may be) in the Depository Register, or in respect of ordinary shares the transfer of which is registered, after such date as the Directors may fix subject to such exceptions as the Directors may think fit, and in such event the provisions of this Regulation shall be read and construed subject to such determination.

(4) The Directors may, on any occasion when they resolve as provided in Regulation 129(1) of this Regulation, further determine that no allotment of shares or rights of election for shares under that Regulation shall be made available or made to Members whose registered addresses entered in the Register or (as the case may be) the Depository Register is outside Singapore or to such other Members or class of Members as the Directors may in their sole discretion decide and in such event the only entitlement of the Members aforesaid shall be to receive in cash the relevant dividend resolved or proposed to be paid or declared.

(5) Notwithstanding the foregoing provisions of this Regulation, if at any time after the Directors' resolution to apply the provisions of Regulation 129(1) of this Regulation in relation to any dividend but prior to the allotment of ordinary shares pursuant thereto, the Directors shall consider that by reason of any event or circumstance (whether arising before or after such resolution) or by reason of any matter whatsoever it is no longer expedient or appropriate to implement that proposal, the Directors may at their absolute discretion and without assigning any reason therefor, cancel the proposed application of Regulation (1) of this Regulation.

130. Any dividend or other moneys payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address appearing in the Register of Members or (as the case may be) the Depository Register of a Member or person entitled thereto (or, if two or more persons are registered in the Register of Members or (as the case may be) entered in the Depository Register as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons) or to such person at such address as such Member or person or persons may by writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent, or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder, may direct and payment of the cheque or warrant by the banker upon whom it is drawn shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby. Notwithstanding the foregoing provisions of this Regulation and the provisions of Regulation 132, the payment by the Company to the Depository of any dividend payable to a Depositor shall, to the extent of the payment made to the Depository, discharge the Company from any liability to the Depositor in respect of that payment.

131. If two or more persons are registered in the Register of Members or (as the case may be) the Depository Register as joint holders of any share, or are entitled jointly to a share in consequence of the death or bankruptcy of the holder, any one of them may give effectual receipts for any dividend or other moneys payable or property distributable on or in respect of the share.

132. Any resolution declaring a dividend on shares of any class, whether a resolution of the Company in a General Meeting or a resolution of the Directors, may specify that the same shall be payable to the persons registered as the holders of such shares in the Register of Members or (as the case may be) the Depository Register at the close of business on a particular date and thereupon the dividend shall be payable to them in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such dividend of transferors and transferees of any such shares.

CAPITALISATION OF PROFITS AND RESERVES

133 The Directors may, with the sanction of an Ordinary Resolution of the Company, including any Ordinary Resolution passed pursuant to Regulation 4A,

(a) issue bonus shares for which no consideration is payable to the Company to the persons registered as holders of shares in the Register of Members or (as the case may be) the Depository Register at the close of business on:

(i) the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or

(ii) (in the case of an Ordinary Resolution passed pursuant to Regulation 4A) such other date as may be determined by the Directors,

in proportion to their then holdings of shares; and

(b) capitalise any sum standing to the credit of any of the Company's reserve accounts (including any undistributable reserve) or any sum standing to the credit of profit and loss account by appropriating such sum to the persons registered as holders of shares in the Register of Members or (as the case may be) in the Depository Register at the close of business on:

(i) the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or

(ii) (in the case of an Ordinary Resolution passed pursuant to Regulation 4A) such other date as may be determined by the Directors,

in proportion to their then holdings of shares and applying such sum on their behalf in paying up in full unissued shares (or, subject to any special rights previously conferred on any shares or class of shares for the time being issued, unissued shares of any other class not being redeemable shares) for allotment and distribution credited as fully paid up to and amongst them as bonus shares in the proportion aforesaid.

The Directors may do all acts and things considered necessary or expedient to give effect to any such bonus issue or capitalisation under this Regulation, with full power to the Directors to make such provisions as they think fit for any fractional entitlements which would arise on the basis aforesaid (including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the Company rather than to the Members concerned). The Directors may authorise any person to enter on behalf of all the Members interested, into an agreement with the Company providing for any such bonus or capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.

133A. In addition and without prejudice to the power to capitalise profits and other moneys provided for by Regulation 133, the Directors shall have power to capitalise any undivided profits or other moneys of the Company not required for the payment or provision of any dividend on any shares entitled to cumulative or non-cumulative preferential dividends (including profits or other moneys carried and standing to any reserve or reserves) and to apply such profits or other moneys in paying up in full unissued shares, in each case on terms that such shares shall, upon issue, be held by or for the benefit of participants of any share incentive or option scheme or plan implemented by the Company and approved by Members in General Meeting in such manner and on such terms as the Directors shall think fit."

(D) RIGHTS IN RESPECT OF WINDING-UP

"143. The Directors shall have power in the name and on behalf of the Company to present a petition to the court for the Company to be wound up.

144. If the Company shall be wound up (whether the liquidation is voluntary, under supervision, or by the court) the Liquidator may, with the authority of a Special Resolution and any other authority required by the Statutes, divide among the Members in specie or kind the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds, and may for such purpose set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members. The Liquidator may, with the like authority, vest the whole or any part of the assets in trustees upon such trusts for the benefit of Member as the Liquidator with the like authority shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

145. On a voluntary winding up of the Company, no commission or fee shall be paid to a Liquidator without the prior approval of the Members in a General Meeting. The amount of such commission or fee shall be notified to all Members not less than seven days prior to the Meeting at which it is to be considered."

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APPENDIX IV
AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

The audited consolidated financial statements of the Group for FY2019 which are set out below have been reproduced from the Company's annual report for FY2019, and were not specifically prepared for inclusion in this Circular.

All capitalised terms used in Note 2 to the audited consolidated financial statements of the Group for FY2019 set out below shall have the same meanings given to them in the annual report of the Company for FY2019.

A copy of the annual report of the Company for FY2019 is available for inspection at the registered address of the Company at 11 International Business Park, Singapore 609926, during normal business hours until the Offer Closing Date.

DIRECTORS' STATEMENT

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

1. Opinion of the directors

In the opinion of the directors,

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

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

2. Directors

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

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

3. Arrangements to enable directors to acquire shares and debentures

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

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

Note

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

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

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

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

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.

DIRECTORS' STATEMENT

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

Share options (cont'd)

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

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

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

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

Share options (cont'd)

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

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

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

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

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

DIRECTORS' STATEMENT

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

Share awards

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

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

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

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

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

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

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

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

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

DIRECTORS' STATEMENT

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

Share awards (cont'd)

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

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

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

6. Audit committee

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

7. Auditor

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

On behalf of the board of directors:

Yao Hsiao Tung
Executive Chairman
Chief Executive Officer

Yeo Tiong Eng
Director

30 March 2020

INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the financial statements

Opinion

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

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

Basis for opinion

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

Key audit matters

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

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

INDEPENDENT AUDITOR'S REPORT

Key audit matters (cont'd)

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

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

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

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

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

Recoverability of deferred tax assets

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

Key audit matters (cont'd)

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

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

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

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

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

Other information

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

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

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

Responsibilities of management and directors for the financial statements

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

Report on other legal and regulatory requirements

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

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

30 March 2020

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2019

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

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

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

BALANCE SHEETS

As at 31 December 2019

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

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

BALANCE SHEETS

As at 31 December 2019

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

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

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2019

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

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2019

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

Notes to the Consolidated Cash Flow Statement

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

(b) Purchase of property, plant and equipment

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

1. Corporate information

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

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

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

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

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

2.2 Adoption of new and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and amended standards which are relevant to the Group and are effective for annual financial period beginning on or after 1 January 2019.

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

SFRS(I) 16 *Leases*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

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

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

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

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

(a) *Leases previously classified as finance leases*

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

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

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

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

The Group also applied the following practical expedients wherein it:

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

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

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

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

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

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

2.3 Standards issued but not yet effective

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

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

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

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

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

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

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

(b) Business combinations and goodwill

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

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

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

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

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

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

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

2.5 Transactions with non-controlling interests

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.6 Foreign currency

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

(a) Transactions and balances

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

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

(b) Consolidated financial statements

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

2.7 Subsidiaries

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

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

2.8 Joint arrangement

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

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

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

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

2.8 Joint arrangement (cont'd)

The Group has no interest in joint operation.

Joint venture

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

2.9 Joint venture and associates

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.10 Property, plant and equipment

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

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

Long term factory building	57 years
Medium term factory buildings and leasehold improvements	10 - 20 years
Renovation	3 - 10 years
Plant and machinery	1 - 10 years
Motor vehicles	5 - 8 years
Office equipment, furniture and fittings	3 - 10 years

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

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

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

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

2.11 Investment properties

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

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

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

2.12 Intangible assets

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.12 Intangible assets (cont'd)

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

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is de-recognised.

(a) Contractual customer relationship

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

(b) Favourable lease agreements

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

(c) Licensed rights

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

(d) Club membership

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

2.13 Leases

Policy applicable beginning 1 January 2019

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

(a) As lessee

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.13 Leases (cont'd)

Policy applicable beginning 1 January 2019 (cont'd)

(a) As lessee (cont'd)

Right-of-use assets

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

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

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

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

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.13 Leases (cont'd)

Policy applicable beginning 1 January 2019 (cont'd)

(b) As lessor

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

Policy applicable prior to 1 January 2019

(a) As lessee

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

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

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

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

(b) As lessor

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

2.14 Impairment of non-financial assets

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

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

Impairment losses are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

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

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

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

2.15 Financial instruments

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

(a) Financial assets

Initial recognition and measurement

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

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

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

Subsequent measurement

Investments in debt instruments

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

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

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

2.15 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement (cont'd)

Investments in equity instruments

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

Derivatives

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

De-recognition

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

(b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

De-recognition

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.16 Impairment of financial assets

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

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

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

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

2.17 Inventories

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

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

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

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

2.18 Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.19 Assets held for sale

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

2.20 Financial guarantee

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

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

2.21 Provisions

General

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

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

Warranty provision

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

2.22 Government grants

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

Government grants related to an asset

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.22 Government grants (cont'd)

Government grants related to income

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

2.23 Employee benefits

(a) Defined contribution plans

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

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

(b) Employee leave entitlement

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

(c) Employee share option schemes

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.23 Employee benefits (cont'd)

(d) Employee share award schemes

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

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

2.24 Revenue

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

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

(a) Sale of goods

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

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

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Dividend income

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

(d) Rental income

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.25 Taxes

(a) Current income tax

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

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

(b) Deferred tax

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.25 Taxes (cont'd)

(b) Deferred tax (cont'd)

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

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

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

(c) Sales tax

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

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

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

2.26 Share capital and share issuance expenses

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

2.27 Treasury shares

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

2.28 Contingencies

A contingent liability is:

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.28 Contingencies (cont'd)

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

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

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

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

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

3. Significant accounting judgements and estimates

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

3.1 Judgements made in applying accounting policies

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

(a) Deferred tax assets

Deferred tax assets are recognised for all temporary differences to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amount of the Group's deferred tax assets as at 31 December 2019 were $25,692,000 (2018: $21,925,000).

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

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

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

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

(c) Impairment of investments in and loans to subsidiaries

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

3.2 Key sources of estimation uncertainty

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

(a) Useful lives of plant and machinery

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

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

(b) Provision for expected credit losses of trade receivables

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

3.2 Key sources of estimation uncertainty (cont'd)

(c) Inventory provision

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

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

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

(d) Useful lives of intangible assets

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

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

(e) Impairment of goodwill

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

4. Revenue

(a) Disaggregation of revenue

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

4. Revenue (cont'd)

(b) Judgement and methods used in estimating revenue

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

(c) Contract liabilities

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

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

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

Significant changes in contract liabilities are explained as follows:

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

(d) Refund liabilities

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

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

5. Interest income

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

6. Other income

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

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

7. Finance costs

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

8. Other expenses

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

9. Profit before tax

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

9. Profit before tax (cont'd)

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

10. Personnel expenses

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

The total personnel expenses include executive directors' remuneration.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

11. Income tax expense

(a) Major components of income tax expense

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

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

(b) Relationship between tax expense and accounting profit

The reconciliation between the tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2019 and 2018 are as follows:

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

12. Earnings per share

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

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

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

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

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

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

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

13. Property, plant and equipment

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

Asset held under hire purchase arrangement

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

Impairment of assets

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

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

14. Investment properties

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

14. Investment properties (cont'd)

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

Transfer from property, plant and equipment

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

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

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

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

Valuation of investment properties

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

15. Intangible assets

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

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

15. Intangible assets (cont'd)

Impairment testing of goodwill

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

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

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

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

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

Sensitivity to changes in assumptions

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

Contractual customer relationship

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

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

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For the financial year ended 31 December 2019

16. Land use rights

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

17. Investment in subsidiaries

	Company	
	2019	**2018**
	$'000	$'000
Shares, at cost	462,873	410,607
Amount due from a subsidiary	16,379	16,749
	479,252	427,356
Impairment losses	(34,940)	(35,310)
	444,312	392,046
Movement in impairment losses:		
At 1 January	35,310	44,465
Reversal	–	(9,155)
Exchange differences	(370)	–
At 31 December	34,940	35,310

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

17. Investment in subsidiaries (cont'd)

Composition of the Group

Details of subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation and place of business	Effective equity interest held by the Group		Cost of investment	
			2019	2018	2019	2018
			%	%	$'000	$'000
Held by the Company						
Hi-P Shanghai Electronics Co., Ltd. ***	Manufacture of molds and property leasing	People's Republic of China	100	100	10,737	10,737
Hi-P (Shanghai) Automation Engineering Co., Ltd. ***	Development, design and manufacture of automated machinery and equipment	People's Republic of China	100	100	8,489	8,489
Hi-P Precision Plastic Manufacturing (Shanghai) Co., Ltd. ***	Spray painting	People's Republic of China	100	100	3,769	3,769
Hi-P (Shanghai) Housing Appliance Co., Ltd. ***[1]	Research & development, design and manufacture of molds for metal and non-metal products, electrical appliances, automotive and tele-communication related products; manufacture and assembly of precision plastic products and its production equipment; sales of aforementioned products and water treatment	People's Republic of China	100	100	15,001	15,001
Hi-P (Suzhou) Precision Mold & Die Co., Ltd. ***[3]	Manufacture and sale of molds and plastic components	People's Republic of China	100	100	17,894	4,258
Hi-P (Xiamen) Precision Plastic Manufacturing Co., Ltd. ***[1, 2]	Manufacture and sale of plastic product modules, electrical appliances, automotive parts, and tools; design, research & development, manufacture and sale of robots and smart devices	People's Republic of China	100	100	12,849	12,849
Hi-P Poland SP. ZO.O. **[4]	Manufacture and sale of molds and plastic components	Poland	100	100	4,791	3,342

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For the financial year ended 31 December 2019

17. Investment in subsidiaries (cont'd)

Composition of the Group (cont'd)

Name of company	Principal activities	Country of incorporation and place of business	Effective equity interest held by the Group		Cost of investment	
			2019	2018	2019	2018
			%	%	$'000	$'000
Held by the Company (cont'd)						
Hi-P (Chengdu) Precision Plastic Manufacturing Co., Ltd.***	Manufacture of molds	People's Republic of China	100	100	8,568	8,568
Hi-P (Chengdu) Mold Base Manufacturing Co., Ltd. ***	Manufacture of mold base and components	People's Republic of China	100	100	5,070	5,070
Hi-P (Thailand) Co., Ltd.**	Manufacture and sale of molds and plastic components; manufacture of walkie talkie; manufacture and assembly of razors, air-conditioner parts and coffee machines; import of instant beverage products	Thailand	100	100	2,992	2,992
Hi-P Tianjin Electronics Co., Ltd. ***	Manufacture and sale of molds, plastic, electric components and electronic communication equipment	People's Republic of China	100	100	30,957	30,957
Hi-P (Tianjin) Technology Co., Ltd. ***	Technical development service for electronic products; wholesale and import/ export of electronic, electrical & telecommunication equipments, home appliances	People's Republic of China	100	100	24,764	24,764
Hi-P (Suzhou) Electronics Co., Ltd. ***	Manufacture and sale of trays, mobile phones & telecommunication products, digital cameras & related electronic products, electric toothbrush, assembly of coffee machines & parts, SMT assembly, and provide related maintenance and after-sale services	People's Republic of China	100	100	29,252	29,252
Hi-P Lens Technology (Shanghai) Co., Ltd. ***	Manufacture and production of in-mold decoration lenses and provide related technology consultation and services	People's Republic of China	100	100	4,588	4,588

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For the financial year ended 31 December 2019

17. Investment in subsidiaries (cont'd)

Composition of the Group (cont'd)

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

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For the financial year ended 31 December 2019

17. Investment in subsidiaries (cont'd)

Composition of the Group (cont'd)

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

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For the financial year ended 31 December 2019

17. Investment in subsidiaries (cont'd)

Composition of the Group (cont'd)

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

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

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

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

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

^ *Reviewed by local auditors in respective countries.*

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

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

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

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

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

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

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

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

17. Investment in subsidiaries (cont'd)

(a) Acquisition of subsidiaries

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

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

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

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For the financial year ended 31 December 2019

17. Investment in subsidiaries (cont'd)

(a) Acquisition of subsidiaries (cont'd)

Transaction costs

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

Trade and other receivables

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

Goodwill arising from acquisition

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

Impact of the acquisition on profit or loss

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

(b) Liquidation of a subsidiary

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

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

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18. Investment in associates

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

Details of associates are as follows:

Name of company	Principal activities	Country of incorporation and place of business	Effective equity interest held by the Group	
			2019	2018
			%	%
Held by the Company				
Express Tech Mfg Pte. Ltd.*	Manufacture and sale of plastic products and engineering parts and being an additive manufacturing service bureau	Singapore	30	30
Held through a direct wholly-owned subsidiary				
Hi-Flex (Suzhou) Electronics Co., Ltd. #4	Research & development, manufacture, assembly and sale of handset, digital camera, SMT assembly components, flexible printed circuits boards, high density circuit boards and provide related technical and after sales service	People's Republic of China	40	40
Held through an indirect wholly-owned subsidiary				
CINO Technology (Shenzhen) Ltd. +3	Research & development, manufacture and sale of home appliances, automation equipments, toolings, plastic products, pre-packed drinks; installation and maintenance of equipments; development of technical know-how and related services; investment consultation	People's Republic of China	40	20
Shenzhen U Drinks Gourmet Food Co., Ltd. ^	Research and development, manufacturing and sales of capsule drinks	People's Republic of China	40	40

* *Audited by Ascent Accounting Corporation PAC.*

\# *Audited by* 苏州东信会计师事务所有限公司

\+ *Audited by* 深圳市永铭会计师事务所（普通合伙）

^ *Audited by* 深圳星源会计师事务所（特殊普通合伙）

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For the financial year ended 31 December 2019

18. Investment in associates (cont'd)

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

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

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

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

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

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

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

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

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18. Investment in associates (cont'd)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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19. Investment in a joint venture

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

Details of joint venture are as follows:

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

* *Audited by SW CPA Limited.*

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

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

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20. Other investments

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

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

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

21. Inventories

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

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

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For the financial year ended 31 December 2019

22. Trade and other receivables

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

Trade and other receivables

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

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

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

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

Loans to subsidiaries

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

22. Trade and other receivables (cont'd)

Related party balances

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

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

Expected credit losses

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

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

23. Derivatives

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

24. Cash and cash equivalents and restricted bank deposits

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

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

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

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

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

25. Assets held for sale

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

25. Assets held for sale (cont'd)

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

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

26. Trade and other payables

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

Trade payables

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

26. Trade and other payables (cont'd)

Trade payables (cont'd)

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

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

Other payables

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

Amounts due to subsidiaries

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

Loans from a subsidiary

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

Amounts due to an associate

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

27. Notes payable

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

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For the financial year ended 31 December 2019

28. Provisions

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

Warranties

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

Provision for onerous contract

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

29. Loans and borrowings

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

29. Loans and borrowings (cont'd)

Short term loans

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

Export invoice financing facilities

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

Other borrowing

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

Obligation under hire purchase arrangement

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

29. Loans and borrowings (cont'd)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

30. Right-of-use assets/ lease liabilities

Group as a lessee

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

Group as a lessee (cont'd)

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

Group as a lessee (cont'd)

The following are the amounts recognised in profit or loss:

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

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

Group as a lessor

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

31. Deferred tax

Deferred tax as at 31 December relates to the following:

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

31. Deferred tax (cont'd)

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately $115,787,000 (2018: $114,822,000) that are available for offset against future taxable profits of the companies in which the losses arose for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

The unrecognised tax losses with expiry date are as follows:

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

Unrecognised temporary differences relating to investments in subsidiaries

At the end of the reporting period, the Group has recognised withholding tax liabilities of $8,692,000 (2018: $9,132,000) that would be payable on the undistributed earnings of certain of the Group's subsidiaries, on the following basis:

- The Group has determined that 50% (2018: 50%) of the earnings of its subsidiaries will be distributed in the foreseeable future based on historical trend.

Temporary differences on the remaining earnings for which no withholding tax liability has been recognised, aggregate to $173,838,000 (2018: $182,641,000). Such withholding tax liability is estimated to be $8,692,000 (2018: $9,132,000).

Tax consequences of proposed dividends

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

32. Deferred capital grants

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

Deferred capital grants relate to:

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

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

33. Share capital and treasury shares

(a) Share capital

	Group and Company			
	2019		2018	
	No. of shares		No. of shares	
	'000	$'000	'000	$'000
Issued and fully paid ordinary shares:				
At 1 January and 31 December	887,175	119,725	887,175	119,725

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

(a) Share capital (cont'd)

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

(b) Treasury shares

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

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

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

34. Accumulated profits and other reserves

Accumulated profits

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

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

Other reserves

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

(a) Statutory reserve fund

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

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

(b) Foreign currency translation reserve

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

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

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For the financial year ended 31 December 2019

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

Other reserves (cont'd)

(c) Capital reserve

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

	Group	
	2019	**2018**
	$'000	$'000
At 1 January and 31 December	169	169

(d) Employee share option and award reserve

Employee share option and award reserve represents the equity-settled share options/ awards granted to employees (Note 35). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options/ awards and is reduced by the exercise of the share options or vesting of the share awards.

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

35. Equity compensation benefits

Share options

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

35. Equity compensation benefits (cont'd)

Share options (cont'd)

Other information regarding the Option Schemes are set out below:

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

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

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

(iv) The options are only settled by equity.

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

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

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

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

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For the financial year ended 31 December 2019

35. Equity compensation benefits (cont'd)

Share awards

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

35. Equity compensation benefits (cont'd)

Share awards (cont'd)

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

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

36. Dividends

	Group and Company	
	2019	2018
	$'000	$'000
Declared and paid during the financial year		
Dividend on ordinary shares:		
■ Final exempt one-tier dividend for 2018: 4.0 cents (2017: 4.0 cents) per share	32,050	32,281
■ Interim exempt one-tier dividend for 2019: 0.8 cents (2018: 1.0 cents) per share	6,433	8,007
	38,483	40,288
Proposed but not recognised as a liability as at 31 December		
Dividend on ordinary shares, subject to shareholders' approval at the Annual General Meeting:		
■ Final exempt one-tier dividend for 2019: 2.0 cents (2018: 4.0 cents) per share	16,109	32,050

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

37. Commitments

(a) Capital commitments

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

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

(b) Other commitments

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

38. Contingencies

Legal claims

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

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

Guarantees

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

39. Related party transactions

(a) Sale and purchase of goods and services

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

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

(b) Compensation expenses of key management personnel

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

40. Financial risk management objectives and policies

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

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

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

(a) Credit risk

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

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

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. The credit-worthiness of customers, receivables that are past due and aggregate risks to individual customers are regularly reviewed and monitored by the credit department and key management team (which comprises the CFO, the respective operation and function heads).

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days when they fall due, which are derived base on the Group's historical information.

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forward-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations

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

(a) Credit risk (cont'd)

- Actual or expected significant changes in the operating results of the debtors
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- Significant changes in the expected performance and behaviour of the debtors including changes in the payment status of debtors.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 60 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or debtor
- A breach of contract, such as a default or past due event
- It is becoming probable that the debtors will enter bankruptcy or other financial re-organisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

The Group categorises a receivable for potential write-off when a debtor fails to make contractual payments more than 180 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the group. Where receivables have been written off, the Company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for trade receivables:

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due. The loss allowance provision as at 31 December 2019 was determined as follows, the expected credit losses below also incorporate forward-looking information such as industry-wide default rate forecasted by external credit rating company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

(a) Credit risk (cont'd)

Summarised below is the information about the credit risk exposure on the Group's trade receivables using provision matrix:

31 December 2019	Current	Less than 30 days past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	More than 120 days past due	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Expected credit loss rate	0.09%	0.16%	0.47%	0.68%	0.83%	100%	
Estimated total gross	247,293	60,775	8,256	3,525	173	4,726	324,748
Expected credit loss	219	99	39	24	1	4,726	5,108

31 December 2018	Current	Less than 30 days past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	More than 120 days past due	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Expected credit loss rate	0.09%	0.30%	0.85%	0.96%	0.81%	100%	
Estimated total gross	256,505	73,945	3,638	642	776	4,834	340,340
Expected credit loss	224	222	31	6	6	4,834	5,323

During the financial year, the Group wrote-off $32,000 (2018: $3,000) of trade receivables as the Group does not expect to receive future cash flows from and there are no recoveries from collection of cash flows previously written off.

Excessive risk concentration

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

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

Exposure to credit risk

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

– A nominal amount of $7,805,000 (2018: $26,703,000) relating to a corporate guarantee provided by the Company in favour of banks for credit facilities provided to subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

(a) Credit risk (cont'd)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country of its trade receivables due from billing customers on an ongoing basis. The credit risk concentration profile of the Group's trade receivables (net of allowances) at the end of the reporting period was as follows:

	Group			
	2019		2018	
	$'000	% of total	$'000	% of total
By country:				
People's Republic of China	164,962	52%	203,227	60%
Taiwan	9,220	3%	16,108	5%
Japan	4,228	1%	955	#
Thailand	7,471	2%	7,339	2%
Malaysia	7,190	2%	2,664	1%
Philippines	6,495	2%	2,407	1%
Singapore	5,332	2%	2,602	1%
Australia	3,884	1%	2,698	1%
Europe	18,083	6%	15,168	5%
United Kingdom	3,468	1%	1,492	#
USA and other parts of American Continent	85,370	27%	80,089	24%
Other countries	3,937	1%	268	#
	319,640	100%	335,017	100%

less than 1%

At the end of the reporting period, approximately:

- 79% (2018: 78%) of the Group's trade receivables (net of allowances) were due from 7 (2018: 6) major end customers who are mainly multinational conglomerates. The credit risk concentration is considered low in view of the diversified concentration profile by country and by major customer presented above.

- Less than 1% (2018: 2%) of the Group's trade and other receivables were due from related parties while 81% (2018: 88%) of the Company's receivables were balances with related parties.

Amounts due from subsidiaries and related parties

The Company assessed the latest performance and financial performance of the counterparties, adjusted for the outlook of the industry in which the counterparties operate in, and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Company measured the impairment loss allowance using the 12-month ECL and determined that the ECL is insignificant.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

(b) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily SGD and Renminbi (RMB). The foreign currencies in which these transactions are denominated are mainly United States Dollar (USD). Approximately 91% (2018: 93%) of the Group's sales and 36% (2018: 39%) of the Group's purchases are denominated in USD respectively. The Group's trade receivables and trade payables at the end of the reporting period have similar exposures.

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

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

Sensitivity analysis for foreign currency risk

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

	Group	
	Profit before tax	
	2019	2018
	$'000	$'000
USD/ RMB – strengthened 1% (2018: 1%)	+1,986	+1,909
– weakened 1% (2018: 1%)	-1,986	-1,909
USD/ SGD – strengthened 1% (2018: 1%)	+514	+989
– weakened 1% (2018: 1%)	-514	-989
RMB/ SGD – strengthened 1% (2018: 1%)	-655	-47
– weakened 1% (2018: 1%)	+655	+47

(c) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to manage liquidity risk on a group basis, to maintain sufficient liquid financial assets and stand-by credit facilities with several banks and take up short-term loans for short-term working capital requirements. At the end of the reporting period, the Group has sufficient stand-by credit facilities with several banks. At 31 December 2019, the Group was at net cash position of $211 million (2018: $120 million).

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For the financial year ended 31 December 2019

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

(c) Liquidity risk (cont'd)

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

Analysis of financial instruments by remaining contractual maturities

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

	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Group 2019				
Financial assets				
Trade and other receivables	339,539	–	–	339,539
Derivatives	385			385
Restricted bank deposits	3,093	–	–	3,093
Cash and cash equivalents	329,592	–	–	329,592
Total undiscounted financial assets	672,609	–	–	672,609
Financial liabilities				
Trade and other payables	398,651	–	–	398,651
Notes payable	560	–	–	560
Accrued operating expenses	75,835	–	–	75,835
Loans and borrowings	122,194	–	–	122,194
Lease liabilities related to right-of-use assets	10,954	11,837	10,067	32,858
Total undiscounted financial liabilities	608,194	11,837	10,067	630,098
Total net undiscounted financial assets/ (liabilities)	64,415	(11,837)	(10,067)	42,511
Group 2018				
Financial assets				
Trade and other receivables	356,538	–	–	356,538
Restricted bank deposits	1,263	–	495	1,758
Cash and cash equivalents	286,653	–	–	286,653
Total undiscounted financial assets	644,454	–	495	644,949
Financial liabilities				
Trade and other payables	354,430	–	–	354,430
Notes payable	879	–	–	879
Accrued operating expenses	79,344	–	–	79,344
Loans and borrowings	168,409	–	–	168,409
Total undiscounted financial liabilities	603,062	–	–	603,062
Total net undiscounted financial assets	41,392	–	495	41,887

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For the financial year ended 31 December 2019

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

(c) Liquidity risk (cont'd)

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

	1 year or less	1 to 5 years	Over 5 years	Total
	$'000	$'000	$'000	$'000
Company				
2019				
Financial assets				
Trade and other receivables	67,470	–	–	67,470
Cash and cash equivalents	5,319	–	–	5,319
Total undiscounted financial assets	72,789	–	–	72,789
Financial liabilities				
Trade and other payables	7,727	100,044	–	107,771
Accrued operating expenses	11,196	–	–	11,196
Loans and borrowings	25,011	–	–	25,011
Lease liabilities related to right-of-use assets	339	1,332	10,067	11,738
Total undiscounted financial liabilities	44,273	101,376	10,067	155,716
Total net undiscounted financial assets/ (liabilities)	28,516	(101,376)	(10,067)	(82,927)
Company				
2018				
Financial assets				
Trade and other receivables	100,557	–	–	100,557
Cash and cash equivalents	10,325	–	–	10,325
Total undiscounted financial assets	110,882	–	–	110,882
Financial liabilities				
Trade and other payables	8,600	105,236	–	113,836
Accrued operating expenses	34,028	–	–	34,028
Loans and borrowings	38,671	–	–	38,671
Total undiscounted financial liabilities	81,299	105,236	–	186,535
Total net undiscounted financial assets/ (liabilities)	29,583	(105,236)	–	(75,653)

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

(c) Liquidity risk (cont'd)

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

	1 year or less	1 to 5 years	Over 5 years	Total
	$'000	$'000	$'000	$'000
Company				
2019				
Financial guarantees	7,805	–	–	7,805
2018				
Financial guarantees	26,703	–	–	26,703

The financial guarantees are provided by the Company in favour of banks for credit facilities provided to subsidiaries which do not result in contingent liabilities to the Group.

41. Capital management

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

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions. To manage the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, repurchase shares or issue new shares. For the year ended 31 December 2019, the Group has declared an interim dividend payment of $6.4 million (2018: $8.0 million) and proposed a final dividend payment of $16.1 million (2018: $32.1 million) respectively to shareholders (as disclosed in Note 36).

No changes were made in the objectives, policies and processes during the years ended 31 December 2019 and 2018.

As disclosed in Note 34(a), some subsidiaries of the Group are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiaries for the financial years ended 31 December 2019 and 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

41. Capital management (cont'd)

To maintain a positive cash position, the Group ensures that it has sufficient cash balances and enters into loans when necessary. The Group focuses on deriving positive cash profits as well as through better working capital management.

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

	Group	
	2019	**2018**
	$'000	$'000
Cash and short term deposits (Note 24)	332,685	288,411
Loans and borrowings (Note 29)	(122,103)	(168,252)
Net cash	210,582	120,159
Equity attributable to owners of Company	594,404	564,011

42. Fair value of assets and liabilities

(a) Fair value hierarchy

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

42. Fair value of assets and liabilities (cont'd)

(b) Assets and liabilities measured at fair value

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

	2019 $'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				
Assets:				
Other investments (Note 20)*	–	–	7,732	7,732
Derivatives (Note 23)				
- Forward currency contracts	–	385	–	385

	2018 $'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				
Asset:				
Other investment (Note 20)*	–	–	4,968	4,968

* Other investments (Note 20) relates to unquoted equity securities acquired in May 2018 and April 2019 respectively. The fair value has been determined by the reference of its interests in the net asset value of the companies.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

42. Fair value of assets and liabilities (cont'd)

(c) Level 2 fair value measurements

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

Determination of fair value

Derivatives (Note 23): Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties as well as foreign exchange spot and forward rates.

(d) Financial assets and liabilities not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Management has determined that the carrying amounts of cash and cash equivalents, current trade and other receivables, current trade and other payables, notes payable, accrued operating expenses, short term loans, loans to subsidiaries and current lease liabilities related to right-of-use assets based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature.

(e) Assets and liabilities not measured at fair value, for which fair value is disclosed

The following table shows an analysis of the Group's assets and liabilities not measured at fair value, for which fair value is disclosed:

	Group			
	Carrying amount		Fair value	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Assets:				
Investment properties (Note 14)	184	293	18,487	20,565
Assets held for sale (Note 25)	3,299	–	3,528	–

	Company			
	Carrying amount		Fair value	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Liability:				
Loans from a subsidiary (non-current) (Note 26)	96,636	103,371	96,204	103,786

42. Fair value of assets and liabilities (cont'd)

(e) Assets and liabilities not measured at fair value, for which fair value is disclosed (cont'd)

Determination of fair value

Investment properties (Note 14): Fair value for investment properties has been determined based on comparable market transactions that consider similar properties that have been transacted in the open market.

Assets held for sale (Note 25): Fair value has been determined based on selling price in a contract signed with a third party buyer.

Loans from a subsidiary (Note 26): Fair value for loans from a subsidiary has been determined using discounted estimated cash flows. The discount rates used are the current market incremental lending rates for similar types of lending, borrowing and leasing arrangements.

43. Segment information

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

i. Precision plastic injection molding ("PPIM")

ii. Mold design and fabrication ("MDF")

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

43. Segment information (cont'd)

2019	PPIM	MDF	Assembly	Eliminations	Notes	Consolidated
	$'000	$'000	$'000	$'000		$'000
Revenue:						
Sales to external customers	864,163	104,655	398,851	–		1,367,669
Inter-segment sales	3,168	75,441	–	(78,609)	A	–
	867,331	180,096	398,851	(78,609)		1,367,669
Results:						
Profit from operations	84,767	6,293	5,593	–		96,653
Interest income						3,990
Other income						10,693
Finance costs						(6,761)
Other expenses						816
Share of results of associates						(1,282)
Share of results of a joint venture						(14)
Profit before tax						104,095
Income tax expense						(23,785)
Profit, net of tax						80,310
Other information:						
Depreciation of property, plant and equipment	63,371	4,718	2,286			70,375
Amortisation of deferred capital grants	(907)	–	–			(907)
Amortisation of intangible assets	223	–	–			223
Depreciation of right-of-use assets	12,592	1,023	1,287			14,902
Depreciation of investment properties	103	–	–			103
Reversal of provision for warranty costs	–	–	(23)			(23)
Inventory provisions/ (reversal of inventory provisions)	2,116	(661)	(568)			887
Inventories written back	(296)	–	–			(296)
Property, plant and equipment written off	23	2	3			28
Impairment losses/ (reversal of impairment losses) on property, plant and equipment	354	18	(3)			369
Reversal of impairment losses on financial assets, net	(99)	–	–			(99)
Bad debts written off	32	–	–			32
Reversal of allowances on non-cancellable purchase commitments	(1,033)	–	(976)			(2,009)
Trade/ other payables waived	(111)	–	–			(111)
Provision for onerous contract	123	–	–			123
Other non-cash items	1,406	(64)	(222)		B	1,120

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

43. Segment information (cont'd)

2018	PPIM	MDF	Assembly	Eliminations	Notes	Consolidated
	$'000	$'000	$'000	$'000		$'000
Revenue:						
Sales to external customers	943,390	96,463	362,264	–		1,402,117
Inter-segment sales	2,368	83,834	–	(86,202)	A	–
	945,758	180,297	362,264	(86,202)		1,402,117
Results:						
Profit from operations	111,736	4,146	5,373	–		121,255
Interest income						5,919
Other income						17,535
Finance costs						(6,655)
Other expenses						(13,888)
Share of results of associates						484
Share of results of a joint venture						(164)
Profit before tax						124,486
Income tax expense						(23,564)
Profit, net of tax						100,922
Other information:						
Depreciation of property, plant and equipment	63,404	4,458	683			68,545
Amortisation of deferred capital grants	(772)	(6)	–			(778)
Amortisation of land use rights	262	–	–			262
Depreciation of investment properties	103	–	–			103
Provision for warranty costs	–	–	20			20
(Reversal of inventory provisions)/ inventory provisions	(568)	334	1,293			1,059
Inventories written back	(532)	–	(85)			(617)
Property, plant and equipment written off	769	–	22			791
Impairment losses on property, plant and equipment	7,910	18	17			7,945
Reversal of impairment losses on financial assets	(217)	–	(666)			(883)
Bad debts written off	3	–	–			3
Gain from dilution of interest from a subsidiary to an associate	(6,123)	–	–			(6,123)
Allowances/ (reversal of allowances) on non-cancellable purchase commitments	1,332	–	(517)			815
Trade/ other payables waived	(264)	–	(87)			(351)
Provision for onerous contract	–	–	146			146
Other non-cash items	(1,247)	(127)	(478)		B	(1,852)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

43. Segment information (cont'd)

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

A Inter-segment revenues are eliminated on consolidation.

B Other non-cash expenses consist of equity compensation expenses, net gains on disposal of property, plant and equipment and net loss on liquidation of a subsidiary as presented in the respective notes to the financial statements.

Geographical information

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

	Revenue		Non-current assets	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
People's Republic of China	633,920	711,881	302,137	285,298
Taiwan	44,371	68,782	–	–
Japan	35,553	8,485	–	–
Thailand	29,610	40,314	5,189	1,865
Malaysia	26,022	9,021	–	–
Philippines	9,518	10,874	–	–
Singapore	8,907	13,294	57,731	15,837
Australia	41,090	12,264	–	–
Europe	88,631	90,548	4,434	1,680
United Kingdom	9,441	5,061		
United States and the rest of Americas*	428,260	428,538	65	4
Other countries	12,346	3,055	–	–
	1,367,669	1,402,117	369,556	304,684

* For the year ended 31 December 2019, approximately $284,355,000 (2018: $181,217,000) of the total revenue billed to customers located in United States were shipped to United States.

Non-current assets information presented above consist of property, plant and equipment, intangible assets, investment properties and right-of-use assets.

Information about major customers

The Group has 5 (2018: 4) major end customers for PPIM segment with revenue amounting to $751,616,000 (2018: $770,935,000) and 7 (2018: 7) major end customers for Assembly segment with revenue amounting to $293,280,000 (2018: $248,946,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

44. Events occurring after the reporting period

Investment in Hi-P (UK) Pte. Ltd.

On 5 March 2020, the Company has through its wholly-owned subsidiary, Hi-P Holdings Pte. Ltd., incorporated an indirect wholly-owned subsidiary, Hi-P (UK) Pte. Ltd., in the United Kingdom, with a share capital of GBP100,000. This subsidiary is engaged principally in the business of provision of engineering support services.

Additional Investment in Hi-P (Thailand) Co., Ltd.

On 20 March 2020, the Company has, by way of cash injection of THB 80 million, increased the share capital of its wholly-owned subsidiary, Hi-P (Thailand) Co., Ltd. from THB 70 million to THB 150 million. The Company continues to own 100% of this subsidiary after such increase in share capital.

45. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 30 March 2020.

Hi-P International Limited (Registration Number: 198004817H)

Financial Statement and Dividend Announcement for the half-year ended 30 June 2020

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF HALF-YEAR AND FULL YEAR RESULTS

1(a) Income statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	1H2020 S$'000	1H2019 S$'000	Increase/ (decrease) %
Revenue	543,758	573,220	(5.1)
Cost of sales	(475,390)	(497,197)	(4.4)
Gross profit	68,368	76,023	(10.1)
Other items of income			
Interest income	2,903	2,275	27.6
Other income	7,596	4,705	61.4
Other items of expense			
Selling and distribution expenses	(5,368)	(6,144)	(12.6)
Administrative expenses	(37,914)	(34,845)	8.8
Financial costs	(2,229)	(3,628)	(38.6)
(Impairment losses)/ reversal of impairment losses on financial assets, net	(96)	60	n.m.
Other expenses	1,357	(3,003)	n.m.
Share of results of associates	(510)	(1,236)	(58.7)
Share of results of a joint venture	(30)	(5)	500.0
Profit before tax	34,077	34,202	(0.4)
Income tax expense	(9,876)	(9,165)	7.8
Profit for the period	24,201	25,037	(3.3)
Attributable to:			
Owners of the Company	24,201	25,037	(3.3)

n.m. – Not Meaningful

Consolidated statement of comprehensive income for the half-year ended 30 June 2020

	1H2020 S$'000	1H2019 S$'000	Increase/ (decrease) %
Profit for the period	24,201	25,037	(3.3)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation	14,811	(4,610)	n.m.
Share of other comprehensive income of associates	311	(187)	n.m.
Share of other comprehensive income of a joint venture	9	(1)	n.m.
Other comprehensive income for the period, net of tax	15,131	(4,798)	n.m.
Total comprehensive income for the period	39,332	20,239	94.3
Attributable to:			
Owners of the Company	39,332	20,239	94.3

n.m. – Not Meaningful

Notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year are as follows:

		1H2020 S$'000	1H2019 S$'000
1.	Depreciation of property, plant and equipment	38,434	34,769
2.	Amortisation of deferred grant income	(447)	(491)
3.	Amortisation of intangible assets	1,335	-
4.	Depreciation of investment properties	52	52
5.	Rental income from investment properties	(32)	(34)
6.	Depreciation of right-of-use assets	8,041	7,427
7.	Expenses relating to short-term leases and leases of low-value assets	4,018	2,182
8.	Impairment losses/ (reversal of impairment losses) on property, plant and equipment	391	(24)
9.	Gains on disposal of property, plant and equipment, net	(519)	(197)
10.	Gains on disposal of assets held for sale, net	(632)	-
11.	Property, plant and equipment written off	36	21
12.	Inventory provisions/ (reversal of inventory provisions)	1,936	(3,369)
13.	Inventories written back	(84)	(195)
14.	Onerous contract charges taken directly to profit or loss	-	7
15.	Impairment losses/ (reversal of impairment losses) on financial assets, net - trade receivables	96	(60)
16.	Bad debts written off	-	32
17.	Trade/ other payables waived	(31)	(12)
18.	Directors' fees	241	200
19.	Staff costs (including directors' remuneration)	172,116	167,250
20.	Foreign exchange (gains)/ losses, net	(419)	2,630
21.	Fair value (gains)/ losses on derivatives, net	(48)	75
22.	Allowances/ (reversal of allowances) on non-cancellable purchase commitments	402	(688)
23.	Insurance claims	(41)	(48)

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30/6/2020 S$'000	31/12/2019 S$'000	30/6/2020 S$'000	31/12/2019 S$'000
Non-current assets				
Property, plant and equipment	306,750	296,918	15,788	15,892
Investment properties	137	184	-	-
Intangible assets	33,564	34,899	12	12
Right-of-use assets	41,756	37,555	5,206	5,252
Investment in subsidiaries	-	-	447,758	444,312
Investment in associates	23,109	23,458	503	503
Investment in a joint venture	163	184	-	-
Other investments	7,900	7,732	-	-
Loan to an associate	4,630	-	-	-
Deferred tax assets	23,302	25,692		-
	441,311	426,622	469,267	465,971
Current assets				
Inventories	220,786	157,724	3,785	4,022
Trade and other receivables	273,496	361,995	76,903	66,582
Prepaid operating expenses	8,507	8,901	356	489
Derivatives	576	385	-	-
Restricted bank deposits	3,160	3,093	-	-
Cash and cash equivalents	318,142	329,592	25,061	5,319
	824,667	861,690	106,105	76,412
Assets held for sale	-	3,299	-	-
	824,667	864,989	106,105	76,412
Total assets	1,265,978	1,291,611	575,372	542,383
Current liabilities				
Trade and other payables	339,418	400,125	22,701	5,754
Notes payable	647	560	-	-
Contract liabilities	30,001	28,510	124	113
Accrued operating expenses	62,026	78,850	3,586	11,196
Provisions	432	425	-	-
Loans and borrowings	124,369	122,103	25,151	25,000
Lease liabilities related to right-of-use assets	9,669	10,179	68	63
Deferrred grant income	1,592	838	642	102
Income tax payable	26,175	24,289	2,491	825
Dividends payable	16,139	-	16,139	-
	610,468	665,879	70,902	43,053
Net current assets	214,199	199,110	35,203	33,359
Non-current liabilities				
Other payables	-	-	96,636	96,636
Lease liabilities related to right-of-use assets	20,082	15,488	5,280	5,283
Deferred tax liabilities	10,786	11,346	2,537	2,566
Deferred grant income	4,223	4,494	45	68
	35,091	31,328	104,498	104,553
Total liabilities	645,559	697,207	175,400	147,606
Net assets	620,419	594,404	399,972	394,777

	Group		Company	
	30/6/2020 S$'000	31/12/2019 S$'000	30/6/2020 S$'000	31/12/2019 S$'000
Equity attributable to owners of the Company				
Share capital	119,725	119,725	119,725	119,725
Treasury shares	(60,360)	(61,486)	(60,360)	(61,486)
Accumulated profits	509,098	501,093	331,399	329,026
Other reserves	51,956	35,072	9,208	7,512
Total equity	620,419	594,404	399,972	394,777
Total equity and liabilities	1,265,978	1,291,611	575,372	542,383

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Bank loans and borrowings

Amount repayable in one year or less, or on demand

As at 30/6/2020		As at 31/12/2019	
Secured S$'000	Unsecured S$'000	Secured S$'000	Unsecured S$'000
-	124,369	-	122,103

Lease liabilities related to right-of-use assets

Amount repayable in one year or less, or on demand

As at 30/6/2020	As at 31/12/2019
Secured S$'000	Secured S$'000
9,669	10,179

Amount repayable after one year

As at 30/6/2020	As at 31/12/2019
Secured S$'000	Secured S$'000
20,082	15,488

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	1H2020 S$'000	1H2019 S$'000
Cash flows from operating activities		
Profit before tax	34,077	34,202
Adjustments for:		
Depreciation of property, plant and equipment	38,434	34,769
Amortisation of deferred grant income	(447)	(491)
Amortisation of intangible assets	1,335	-
Depreciation of investment properties	52	52
Depreciation of right-of-use assets	8,041	7,427
Impairment losses/ (reversal of impairment losses) on property, plant and equipment	391	(24)
Gains on disposal of property, plant and equipment, net	(519)	(197)
Gains on disposal of assets held for sale, net	(632)	-
Property, plant and equipment written off	36	21
Inventory provisions/ (reversal of inventory provisions)	1,936	(3,369)
Inventories written back	(84)	(195)
Covid-19 related rental rebates	(310)	-
Impairment losses/ (reversal of impairment losses) on financial assets - trade receivables, net	96	(60)
Bad debts written off	-	32
Allowances/ (reversal of allowances) on non-cancellable purchase commitments	402	(688)
Trade/ other payables waived	(31)	(12)
Equity compensation expenses	2,822	1,464
Financial costs	2,229	3,628
Interest income	(2,903)	(2,275)
Fair value (gains)/ losses on derivatives - unrealised, net	(191)	2
Net unrealised exchange differences	(290)	(421)
Share of results of associates	510	1,236
Share of results of a joint venture	30	5
Operating cash flows before changes in working capital	84,984	75,106
Changes in working capital		
(Increase)/ decrease in inventories	(60,915)	31,599
Decrease in trade and other receivables	92,183	123,238
Decrease/ (increase) in prepaid operating expenses	502	(834)
Decrease in trade and other payables and contract liabilities	(52,965)	(88,993)
Increase/ (decrease) in notes payable	87	(643)
Decrease in accrued operating expenses	(17,756)	(19,332)
Increase in restricted bank deposits	-	(1,394)
Increase in deferred grant income	355	-
Total changes in working capital	(38,509)	43,641
Cash flows generated from operations	46,475	118,747
Income taxes paid	(5,852)	(12,873)
Net cash flows generated from operating activities	40,623	105,874

	1H2020 S$'000	1H2019 S$'000
Cash flows from investing activities		
Interest received	1,839	2,599
Purchase of property, plant and equipment (Note a)	(54,217)	(32,896)
Proceeds from disposal of property, plant and equipment	617	866
Proceeds from disposal of assets held for sale	7,115	-
Investment in an associate	-	(4,038)
Dividend received from an associate	150	-
Purchase of other investment	-	(3,032)
Proceeds from deferred grant income	44	200
Net cash flows used in investing activities	(44,452)	(36,301)
Cash flows from financing activities		
Dividends paid on ordinary shares	-	(32,050)
Purchase of treasury shares	-	(519)
Proceeds from re-issuance of treasury shares	-	2,226
Financial costs paid	(2,754)	(3,708)
Net proceeds/ (repayment) of loans and borrowings	1,883	(65,432)
Repayment of principal obligations under lease liabilities related to right-of-use assets	(7,607)	(7,016)
Repayment of principal obligations under hire purchase arrangement	-	(24)
Loan to an associate	(4,630)	-
Net cash flows used in financing activities	(13,108)	(106,523)
Net decrease in cash and cash equivalents	(16,937)	(36,950)
Effect of exchange rate changes on cash and cash equivalents	5,487	(821)
Cash and cash equivalents at beginning of period	329,592	286,653
Cash and cash equivalents at end of period	318,142	248,882

Note to the Consolidated Cash Flow Statement

(a) Purchase of property, plant and equipment

Current period additions	45,682	31,163
Less: Payable to creditors	(22,283)	(13,980)
	23,399	17,183
Payments for prior period purchases	30,818	15,713
Net cash outflow for purchase	54,217	32,896

1(d)(i) A statement (for the issuer and the group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

(i) Consolidated statement of changes in equity for the 6 months ended 30 June 2020

	Attributable to owners of the Company				
Group	**Share capital** S$'000	**Treasury shares** S$'000	**Other reserves** S$'000	**Accumulated profits** S$'000	**Total equity attributable to owners of the Company** S$'000
Opening balance at 1 January 2020	119,725	(61,486)	35,072	501,093	594,404
Profit for the period	-	-	-	24,201	24,201
Other comprehensive income					
Share of other comprehensive income of associates	-	-	311	-	311
Share of other comprehensive income of a joint venture	-	-	9	-	9
Foreign currency translation	-	-	14,811	-	14,811
Other comprehensive income for the period, net of tax	-	-	15,131	-	15,131
Total comprehensive income for the period	-	-	15,131	24,201	39,332
Contributions by and distributions to owners					
Employee share award scheme -Equity compensation benefits	-	-	2,822	-	2,822
Treasury shares reissued pursuant to employee share award scheme	-	1,126	(1,126)	-	-
Dividends on ordinary shares	-	-	-	(16,139)	(16,139)
Total transactions with owners in their capacity as owners	-	1,126	1,696	(16,139)	(13,317)
Others					
Transfer from retained earnings to statutory reserve fund	-	-	57	(57)	-
Total others	-	-	57	(57)	-
Closing balance at 30 June 2020	119,725	(60,360)	51,956	509,098	620,419

(ii) Consolidated statement of changes in equity for the 6 months ended 30 June 2019

	Attributable to owners of the Company				
Group	**Share capital** S$'000	**Treasury shares** S$'000	**Other reserves** S$'000	**Accumulated profits** S$'000	**Total equity attributable to owners of the Company** S$'000
Opening balance at 1 January 2019	119,725	(65,019)	41,339	467,966	564,011
Profit for the period	-	-	-	25,037	25,037
Other comprehensive income					
Share of other comprehensive income of associates	-	-	(187)	-	(187)
Share of other comprehensive income of a joint venture	-	-	(1)	-	(1)
Foreign currency translation	-	-	(4,610)	-	(4,610)
Other comprehensive income for the period, net of tax	-	-	(4,798)	-	(4,798)
Total comprehensive income for the period	-	-	(4,798)	25,037	20,239
Contributions by and distributions to owners					
Employee share award scheme -Equity compensation benefits	-	-	1,464	-	1,464
Purchase of treasury shares	-	(519)	-	-	(519)
Treasury shares reissued pursuant to employee share option & award schemes	-	3,098	(872)	-	2,226
Dividends on ordinary shares	-	-	-	(32,050)	(32,050)
Total transactions with owners in their capacity as owners	-	2,579	592	(32,050)	(28,879)
Others					
Transfer from retained earnings to statutory reserve fund	-	-	7,673	(7,673)	-
Total others	-	-	7,673	(7,673)	-
Closing balance at 30 June 2019	119,725	(62,440)	44,806	453,280	555,371

(iii) Statement of changes in equity of the Company for the 6 months ended 30 June 2020

	Attributable to owners of the Company				
Company	**Share capital S$'000**	**Treasury shares S$'000**	**Capital reserve S$'000**	**Accumulated profits S$'000**	**Total equity S$'000**
Opening balance at 1 January 2020	119,725	(61,486)	7,512	329,026	394,777
Profit for the period	-	-	-	18,512	18,512
Contributions by and distributions to owners					
Employee share award scheme - Equity compensation benefits	-	-	2,822	-	2,822
Treasury shares reissued pursuant to employee share award scheme	-	1,126	(1,126)	-	-
Dividends on ordinary shares	-	-	-	(16,139)	(16,139)
Total transactions with owners in their capacity as owners	-	1,126	1,696	(16,139)	(13,317)
Closing balance at 30 June 2020	119,725	(60,360)	9,208	331,399	399,972

(iv) Statement of changes in equity of the Company for the 6 months ended 30 June 2019

	Attributable to owners of the Company				
Company	**Share capital S$'000**	**Treasury shares S$'000**	**Capital reserve S$'000**	**Accumulated profits S$'000**	**Total equity S$'000**
Opening balance at 1 January 2019	119,725	(65,019)	5,575	274,088	334,369
Profit for the period	-	-	-	72,577	72,577
Contributions by and distributions to owners					
Employee share award scheme - Equity compensation benefits	-	-	1,464	-	1,464
Purchase of treasury shares	-	(519)	-	-	(519)
Treasury shares reissued pursuant to employee share option & award schemes	-	3,098	(872)	-	2,226
Dividends on ordinary shares	-	-	-	(32,050)	(32,050)
Total transactions with owners in their capacity as owners	-	2,579	592	(32,050)	(28,879)
Closing balance at 30 June 2019	119,725	(62,440)	6,167	314,615	378,067

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percetange of the aggregate number of treasury shares and subsidiary hodings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

During the half-year ended 30 June 2020, there has been no increase in the issued and paid-up share capital of the Company.

Share Options

(a) Hi-P Employee Share Option Scheme 2003

During the half-year ended 30 June 2020, 2,591 options have lapsed but no options were exercised.

There were 4,777,603 options outstanding as at 30 June 2020 (30 June 2019: 4,800,323).

(b) Hi-P Employee Share Option Scheme 2014

On 30 June 2020, 10,300,000 options were issued to employees at an exercise price of S$1.08. The options are exercisable in 5 stages in the proportion of up to 20% each after the first anniversary up to the fifth anniversary of the date of grant .

During the half-year ended 30 June 2020, no options have lapsed nor options were exercised.

There were 10,771,798 options outstanding as at 30 June 2020 (30 June 2019: 471,798).

In respect of the two employee share option schemes aforementioned, there was an aggregate of 15,549,401 options outstanding as at 30 June 2020 (30 June 2019: 5,272,121).

Share Awards

The Company granted of 2,248,000 share awards pursuant to the Hi-P Employee Share Award Scheme 2018 on 14 April 2020, of which 1,496,000 share awards were vested on 17 April 2020 and the balance of 752,000 share awards will be vested on the day on which the relevant employees reach the age of 65.

During the half-year ended 30 June 2020, an aggregate of 188,000 share awards have lapsed.

Under the Hi-P Employee Share Award Scheme 2018, there were 4,477,475 share awards in aggregate remaining to be vested as at 30 June 2020 (30 June 2019: 1,680,000).

Treasury Shares

During the half-year ended 30 June 2020, the Company has not purchased any share to be held as treasury shares.

The number of treasury shares held by the Company as at 30 June 2020 was 80,214,259 (30 June 2019: 82,977,744), representing 9.94% of the total number of issued shares (excluding treasury shares) (30 June 2019: 10.32%).

Subsidiary Holdings

There were no holdings in Hi-P International Limited by any subsidiary as at 30 June 2020 (30 June 2019: Nil).

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The total number of issued ordinary shares excluding treasury shares as at 30 June 2020 was 806,960,741 (31 December 2019: 805,464,741).

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

During the half-year ended 30 June 2020, 1,496,000 treasury shares were transferred to employees upon vesting of share awards.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable, as there were no holdings in Hi-P International Limited by any subsidiary as at the end of the current financial period reported on.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been reviewed or audited by the Company's auditor.

3. Where the figures have been audited or reviewed, the auditor's report (including any modifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in paragraph 5 below, the accounting policies have been consistently applied by the Group and the Company and are consistent with the audited financial statements as at 31 December 2019.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

During the current financial period, the Group adopted the new SFRS(I)s, amendments and interpretations of SFRS(I)s which took effect from financial year beginning 1 January 2020.

The following standards are relevant to the Group:

Description	*Effective for annual periods beginning on or after*
Amendments to References to the Conceptual Framework in SFRS(I) Standards	*1 January 2020*
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 *Definition of Material*	*1 January 2020*
Amendments to SFRS(I) 3 *Definition of a Business*	*1 January 2020*

The adoption of the above SFRS(I)s did not have any significant impact on the financial statements.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:-

(a) Based on the weighted average number of ordinary shares on issue; and

(b) On a fully diluted basis (detailing any adjustments made to the earnings).

		1H2020	1H2019
Operating profit after exceptional items and tax as a percentage of revenue		4.5%	4.4%
Operating profit after tax attributable to owners of the company as a percentage of issued capital and reserves at the end of the period		3.9%	4.5%
Earnings per ordinary share			
(a)	Based on weighted average number of ordinary shares in issue (cents)	3.00	3.12
(b)	On a fully diluted basis (cents) *	2.98	3.12

Earnings per share have been computed based on the weighted average number of ordinary shares in issue during the period.

* For 1H2020, the financial effect of certain share options issued has been disregarded in the calculation of dilutive earnings per ordinary share as the stock option exercise prices are above the average market price.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-

(a) current financial period reported on; and

(b) immediately preceding financial year:

	Group		Company	
	30/6/2020	31/12/2019	30/6/2020	31/12/2019
Net Asset Value per ordinary share based on issued share capital at the end of the period (in cents)	76.88	73.80	49.57	49.01

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Revenue and Profitability Analysis

1H2020 vs. 1H2019

Revenue decreased by S$29.5 million (5.1%) yoy to S$543.8 million for 1H2020 due primarily to the negative impact from COVID-19 disruptions in 1Q2020. This decline was cushioned by higher revenue for 2Q2020.

Gross profit decreased by S$7.7 million (10.1%) yoy to S$68.4 million for 1H2020, while gross profit margin contracted from 13.3% for 1H2019 to 12.6% for 1H2020. The decline was mainly due to (i) lower revenue, (ii) losses resulting from COVID-19 disruptions for the Group's China operations in February 2020, (iii) inventory provision of S$1.9 million for 1H2020 compared to a reversal of S$3.4 million for 1H2019 and (iv) higher depreciation of property, plant & equipment. The decline was partially offset by government subsidies granted to the Group and several cost control measures.

The Group recorded a net interest income (interest income net off with financial costs) of S$0.7 million for 1H2020, as compared to a net interest expense of S$1.4 million for 1H2019. This was mainly due to lower borrowing rates and higher net cash for 1H2020 as compared to 1H2019.

Other income increased by S$2.9 million (61.4%) yoy to S$7.6 million for 1H2020. The increase was mainly due to the various subsidies granted to the Group.

Total selling, distribution and administrative expenses increased by S$2.3 million (5.6%) yoy to S$43.3 million for 1H2020. The increase was mainly due to the amortization of identifiable intangible assets arising from the acquisition of South East Asia Moulding Company Pte. Ltd, ("Seamco") in end October 2019 and higher employee share award expense.

Other expenses generated an income of S$1.4 million for 1H2020, as compared to an expense of S$3.0 million for 1H2019. The improvement was mainly due to a net gain of S$0.5 million arising from foreign exchange differences and hedging contracts for 1H2020, as compared to a net loss of S$2.7 million for 1H2019.

The Group recorded an income tax expense of S$9.9 million for 1H2020, representing an effective tax rate of 29.0% (1H2019: 26.8%). The higher effective tax rate for 1H2020 was mainly the result of taxes imposed on profitable entities, and lesser deferred tax asset recognized on unutilized tax losses as compared to 1H2019.

As a result of the above factors, the Group's net profit after tax decreased marginally by S$0.8 million (3.3%) yoy to S$24.2 million for 1H2020.

Balance Sheet Analysis

Right-of-use assets increased by S$4.2 million (11.2%) from S$37.6 million as at 31 December 2019 to S$41.8 million as at 30 June 2020 mainly due to lease renewal for our manufacturing plants. Correspondingly, lease liabilities (current and non-current) increased by S$4.1 million (15.9%) from S$25.7 million as at 31 December 2019 to S$29.8 million as at 30 June 2020.

Loan to an associate of S$4.6 million as at 30 June 2020 represents a 2-year interest bearing loan granted by the Group to its associated company, Hi-Flex (Suzhou) Electronics Co., Ltd., for working capital purposes.

Deferred tax assets decreased by S$2.4 million (9.3%) from S$25.7 million as at 31 December 2019 to S$23.3 million as at 30 June 2020, mainly in line with the decrease in bonus accrual.

The Group's inventories increased by S$63.1 million (40.0%) from S$157.7 million as at 31 December 2019 to S$220.8 million as at 30 June 2020 mainly due to the buildup of inventory for 3Q2020, as sales for 3Q2020 are expected to be higher than 1Q2020.

Trade and other receivables decreased by S$88.5 million (24.4%) from S$362.0 million as at 31 December 2019 to S$273.5 million as at 30 June 2020. The decrease was mainly due to the decrease in trade receivables resulting from lower sales for 2Q2020 as compared to 4Q2019.

Assets held for sale were fully disposed of during the period.

Trade and other payables, notes payable and contract liabilities decreased by S$59.1 million (13.8%) from S$429.2 million as at 31 December 2019 to S$370.1 million as at 30 June 2020. The decrease was mainly due to lower purchases in 2Q2020 resulting from lower sales for 2Q2020 as compared to 4Q2019.

Accrued operating expenses decreased by S$16.9 million (21.3%) from S$78.9 million as at 31 December 2019 to S$62.0 million as at 30 June 2020 mainly due to a decrease in bonus accruals following payout in 1Q2020.

Dividend payable of S$16.1 million represented a final dividend of 2.0 Singapore cents per ordinary share for the financial year ended 31 December 2019 which was paid on 1 July 2020.

Current bank loans and borrowings (excluding lease liabilities related to right-of-use assets) increased by S$2.3 million (1.9%) from S$122.1 million as at 31 December 2019 to S$124.4 million as at 30 June 2020. Cash and cash equivalents and restricted bank deposits decreased by S$11.4 million (3.4%) from S$332.7 million as at 31 December 2019 to S$321.3 million as at 30 June 2020. This resulted in a net cash position of S$196.9 million as at 30 June 2020 (31 December 2019: S$210.6 million).

Cash Flows Analysis

Net cash generated from operating activities before working capital changes was S$85.0 million for 1H2020. Net cash generated from operating activities for 1H2020 amounted to S$40.6 million.

Net cash used in investing activities was S$44.5 million for 1H2020, mainly due to payments made for the purchase of capital expenditure amounting to S$54.2 million, partially offset by the proceeds from disposal of assets held for sale of S$7.1 million and interest received amounting to S$1.8 million.

Net cash used in financing activities was S$13.1 million for 1H2020, mainly due to repayment of principal obligations under lease liabilities amounting to S$7.6 million and loan to an associate of S$4.6 million.

9. Where a forecast, or prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

In the Group's 4Q2019 results announcement made on 13 February 2020, the Group guided as follows:

- The Group expects lower revenue and profit for 1H2020 as compared to 1H2019

In line with our guidance, the results achieved are summarised below:

(S$'000)	**1H2020**	**1H2019**
Revenue	543,758	573,220
Net profit after tax	24,201	25,037

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

According to the International Data Corporation ("IDC"), the worldwide smartphone market is forecasted to decline 11.9% yoy in 2020 with shipments totaling 1.2 billion units[1]. Smartphone shipments are expected to decline 18.2% in the first half of the year as the macroeconomic impact of the COVID-19 pandemic continues to affect consumer spending. Global smartphone shipments are not expected to return to growth until the first quarter of 2021.

As for the demand for notebook computers and tablets, initial feedback on the first quarter of 2020 across Europe suggests a spike of a third or so in yoy demand, as COVID-19 lockdowns have led companies to equip employees to work at home and students set themselves up to study remotely[2]. The current IDC forecast is that the personal computing devices sector will not suffer as much from the rapid contraction in economic performance as many other sectors, as it is key to productivity from home for so many workers.

Taking into account the industry outlook for smartphones, notebook computers and tablets, the Group will focus its efforts on the following to overcome industry challenges:

- Transformation into a business unit ("BU") organization
- Diversifying its customer base through the development of new customers and products
- Increasing allocation from existing customers
- Exploring opportunities for mergers and acquisitions that are synergistic to the Group's operations
- Exploring opportunities to expand the Group's manufacturing footprint to non-China regions
- Enhancing capacity utilization and manufacturing yield improvements
- Tightening cost controls
- Increasing automation and artificial intelligence aided processes across the Group
- Implementing effective motivation mechanisms for staff
- Talent development and succession planning

The Group continues to strive for sustainable growth in its journey to be one of the top contract manufacturers in Asia, by providing dedicated solutions to fulfill its customers' needs - from product development, component manufacturing to complete product assembly.

Barring any other unforeseen circumstances, the Group wishes to guide its financial performance as follows:

- The Group expects higher revenue and similar profit for 2H2020 as compared to 2H2019.
- The Group expects higher revenue and profit for 2H2020 as compared to 1H2020.
- The Group expects higher revenue and similar profit for FY2020 as compared to FY2019.

[1] IDC, IDC Expects Worldwide Smartphone Shipments to Plummet 11.9% in 2020 Fueled by Ongoing COVID-19 Challenges, 3 June 2020
[2] IDC, Work-at-Home Causes One-Third Surge in Demand for Notebooks and Tablets Across Europe, says IDC, 9 April 2020

11. Dividend

(a) Current Financial Period Reported on

Any dividend recommended for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) The date the dividend is payable

Not applicable.

(d) The date on which Registrable Transfers received by the Company (up to 5.00pm) will be registered before entitlements to the dividend are determined

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.

No dividend has been declared/recommended for 1H2020 as the Group wishes to conserve cash to support working capital requirements and for future business growth.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions entered into during the half-year ended 30 June 2020 as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

Name of interested person	Aggregate value of all interested person transactions during the period under review (excluding transactions less than $100,000 and transactions conducted under the shareholders mandate pursuant to rule 920)	Aggregate value of all interested person transactions conducted under the shareholders mandate pursuant to rule 920 (excluding transactions less than $100,000)
Transaction for Sales of Goods and Services		
None	N.A.	N.A.

No IPT mandate has been obtained from shareholders.

14. Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1) of SGX-ST Listing Manual

Pursuant to Listing Rule 720(1), the Company has procured undertakings from all its directors and executive officers in the format as set out in Appendix 7.7 of the SGX-ST Listing Manual.

Negative confirmation pursuant to Rule 705(5) by the Board

We, the undersigned, do hereby confirm on behalf of the Board of Hi-P International Limited that, to the best of its knowledge, nothing has come to its attention which may render the financial statements for the period ended 30 June 2020 to be false or misleading in any material aspect.

Yao Hsiao Tung Executive Chairman Chief Executive Officer	Gerald Lim Thien Su Director