

HI-P INTERNATIONAL LIMITED
Company Registration No. 198004817H
(Incorporated in the Republic of Singapore)
("Company")

UPDATE ON ARBITRATION BETWEEN HI-P ELECTRONICS PTE. LTD. AND YOTA DEVICES LIMITED ("ARBITRATION")

Capitalized terms used in this announcement shall, unless otherwise specified, have the same meaning as those defined in the announcement made by the Company on 21 August 2015 on the above captioned matter (the "**Announcement**").

The Board refers to the Announcement and wishes to inform shareholders of the Company ("**Shareholders**") that Hi-P Electronics Pte. Ltd. ("**Hi-P Electronics**") and Yota Devices Limited ("**Yota Devices**") have entered into an agreement in full and final settlement of the Claim and Yota Devices' counterclaims against Hi-P Electronics (the "**Settlement**"), in the following manner:

- (a) Yota Devices will pay a total of US\$17.0 million (equivalent to S\$24.6 million) to Hi-P Electronics, comprising an immediate first payment of US\$15.0 million (equivalent to S\$21.7 million) from monies held in an escrow account and the balance payment of US\$2.0 million (equivalent to S\$2.9 million) in 8 equal quarterly instalments, commencing 30 September 2017. The payment of the US\$2.0 million (equivalent to S\$2.9 million) is guaranteed by Yota, the parent company of Yota Devices; and
- (b) Hi-P Electronics and Hi-P (Suzhou) Electronics Co., Ltd will continue to sell the existing inventory of Yotaphone 2, and to retain for their own benefit the whole of the proceeds of such sale.

The Board is of the view that it is in the interest of the Company to enter into the Settlement, having considered the savings of costs, time and resources in the Arbitration proceedings, and the uncertainty of being able to recover its full Claim even if it should be successful in the Arbitration. The Settlement will allow the Company to focus its resources on its business activities.

The Settlement is expected to have a negative impact of approximately S\$9.4 million on the Group's income statement for the fourth quarter of the financial year ended 31 December 2016, comprising mainly bad debt written off / doubtful debt provision of S\$8.1 million and inventory provision of S\$1.3 million.

None of the directors or controlling shareholder of the Company has any interest, direct or indirect in the Settlement, other than by virtue of their shareholdings in the Company.

By Order of the Board

Yao Hsiao Tung
Executive Chairman and Chief Executive Officer
16 January 2017