

HI-P INTERNATIONAL LIMITED

(Company Registration No.: 198004817H)

(Incorporated in the Republic of Singapore)

PROPOSED INVESTMENT BY ELECTRIC CONNECTOR TECHNOLOGY CO., LTD IN A WHOLLY-OWNED SUBSIDIARY OF THE COMPANY, HI-FLEX (SUZHOU) ELECTRONICS CO., LTD

INTRODUCTION

1. The Board of Directors of Hi-P International Limited (the "**Company**") wishes to announce that its wholly-owned subsidiaries, Hi-P Flex Pte. Ltd ("**Hi-P Flex**"), Hi-P (Suzhou) Electronics Technology Co., Ltd ("**Hi-P SZET**") and Hi-Flex (Suzhou) Electronics Co., Ltd ("**Hi-Flex SZ**") have entered into a capital increase agreement dated 14 October 2018 (the "**Investment Agreement**") with Electric Connector Technology Co., Ltd ("**ECT**").
2. Pursuant to the Investment Agreement, ECT has agreed to subscribe for new equity in Hi-Flex SZ for a sum of RMB112.5 million (the "**Investment Consideration**") to acquire an equity interest of 60% in the enlarged registered capital of Hi-Flex SZ after completion of the proposed investment by ECT (the "**Proposed Investment**").
3. Simultaneously with the execution of the Investment Agreement, Hi-P Flex and ECT have entered into a shareholders' agreement with each other and Hi-Flex SZ (the "**Shareholders' Agreement**") to regulate their rights and obligations as shareholders of Hi-Flex SZ.

INFORMATION ON HI-FLEX (SUZHOU) ELECTRONICS CO., LTD

4. Hi-Flex SZ is a wholly-owned subsidiary of Hi-P Flex. Pursuant to a corporate division of Hi-P SZET ("**Corporate Division**"), Hi-Flex SZ was established under the laws of the People's Republic of China ("**PRC**") to carry on the production and sale of flexible printed circuit boards and provision of related technological and after-sales services ("**PCB Business**") in place of Hi-P SZET. Please refer to the Company's announcements on 11 October 2017 and 18 July 2018 for more details of the Corporate Division.

INFORMATION ON ELECTRIC CONNECTOR TECHNOLOGY CO., LTD

5. ECT is a company established in the PRC and listed on the ChiNext of the Shenzhen Stock Exchange (深圳创业板). ECT is engaged in the business of manufacturing mainly connectors and other products.

RATIONALE FOR THE PROPOSED INVESTMENT

6. The Proposed Investment will result in a capital injection of RMB112.5 million into Hi-Flex SZ. The additional capital can be utilized towards any future capital expenditure to upgrade the existing machinery and equipment of the PCB Business and other general working capital purposes.
7. The PCB Business has not been profitable in the past years, primarily due to lack of orders. The Company is of the view that it is beneficial to the interest of the Company and its subsidiaries ("**Group**") to have a joint venture partner which can provide new business direction and strategy. ECT is a reputable electronics manufacturer with a strong record in the connector manufacturing business, which is synergistic to the PCB Business. The Proposed Investment presents a rare opportunity for the Group to be able to induct new management with the relevant expertise and business network, including additional working capital, for the advancement of the PCB Business.

CHANGES IN REGISTERED CAPITAL OF HI-FLEX (SUZHOU) ELECTRONICS CO., LTD

8. As at the date of this announcement, Hi-Flex SZ has a registered capital of US\$6.5 million (equivalent to RMB44.2 million based on an exchange rate of US\$1.00:RMB6.80). On 20 August 2018, the manner of contribution of the registered capital pursuant to the Corporate Division (which is mainly in the form of machinery and equipment) was amended to solely cash contribution of US\$6.5 million, which in accordance with the terms of the Investment Agreement, will be utilised in full by Hi-Flex SZ for the purchase of certain machinery and equipment relating to the PCB Business (“**PCB and SMT Equipment**”) from Hi-P SZET (“**Equipment Disposal**”) at the price of RMB44.2 million (equivalent to US\$6.5 million).

The consideration for the PCB and SMT Equipment is based on a valuation commissioned by Hi-P SZET and carried out by Suzhou Mingdian Real Estate Land Assets Evaluation Brokerage Co., Ltd (苏州名典房地产土地资产评估经纪有限公司). Based on the valuation, the market value of the PCB and SMT Equipment as at 31 July 2018 was assessed as RMB44.2 million. The net book value of the PCB and SMT Equipment as at 31 July 2018 is approximately RMB30.6 million.

9. Based on the Investment Consideration of RMB112.5 million, ECT will acquire 60% of the enlarged registered capital of Hi-Flex SZ after completion of the Proposed Investment. Hi-P Flex will hold the remaining 40% of the enlarged registered capital of Hi-Flex SZ. Accordingly, after completion of the Proposed Investment, Hi-Flex SZ will cease to be a direct subsidiary of Hi-P Flex and the indirect subsidiary of the Company, and become an associated company of Hi-P Flex.

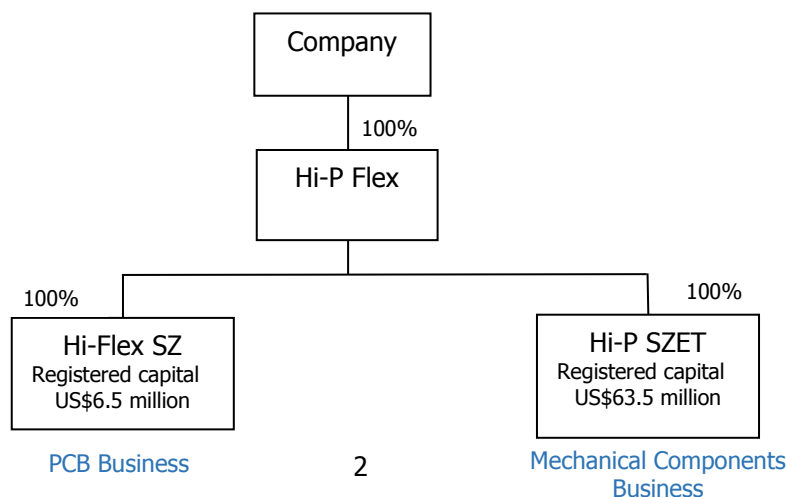
The registered capital of Hi-Flex SZ before and after completion of the Proposed Investment is as follows: -

	Before Proposed Investment		After Proposed Investment	
	Registered capital	%	Registered capital	%
Hi-P Flex	US\$6.5 million	100%	US\$6.5 million (equivalent to RMB 44.2 million)	40%
ECT	0	0	US\$9.75 million (equivalent to RMB 66.3 million)	60%
Total	US\$6.5 million	100%	US\$16.25 million (equivalent to RMB110.5 million)	100%

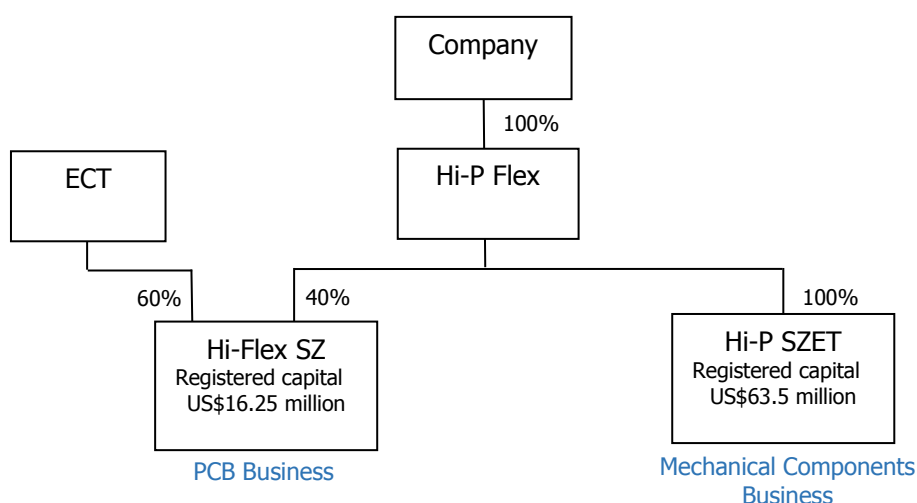
Out of the total Investment Consideration of RMB112.50 million, RMB66.3 million will be allocated towards the registered capital contribution of ECT and the balance RMB46.2 million will be allocated to the capital reserve account of Hi-Flex SZ.

10. The corporate structure of the relevant entities before and after completion of the Proposed Investment is illustrated below:

Before



After



INVESTMENT CONSIDERATION

- The Investment Consideration was arrived at following arms' length negotiation between Hi-P Flex and ECT, on a willing-buyer-willing-seller basis taking into account the valuation commissioned by Hi-P SZET and carried out by Shanghai Linfang Assets Evaluation Co., Ltd (上海琳方资产评估有限公司) (the "**Valuation Report**"). The Valuation Report uses the income approach valuation method and determines the market value of the flexible printed circuit board production line and related assets of the PCB Business as at 30 April 2018 to be RMB75.0 million (before the injection of the Investment Consideration).

PRO FORMA FINANCIAL EFFECTS

- The Group expects to register an after-tax gain of approximately S\$7.4 million in FY2018 upon the completion of the Proposed Investment and the Equipment Disposal (collectively, "**Transactions**") which is expected to have a positive impact on the Group's net tangible assets per share and earnings per share for the financial year ending 31 December 2018.
- The pro forma financial effects of the Transactions on the net tangible assets ("**NTA**") value and earnings per share ("**EPS**") of the Group have been prepared based on the Group's audited consolidated financial statements for the financial year ended 31 December 2017 ("**FY2017**"). These pro forma financial effects are purely for illustrative purposes only and do not reflect the future actual financial position and results of the Group after the completion of the Transactions.
- Net Tangible Asset ("**NTA**")

Assuming that the Transactions have been completed on 31 December 2017, the pro forma financial effects of the Transactions on the NTA per share of the Group as at 31 December 2017 would have been as follows:-

	Before the Transactions	After the Transactions
NTA	528,508	535,944
Number of issued shares in the Company (" Shares ") excluding treasury shares	807,589	807,589
NTA per Share (cents)	65.44	66.36

15. Earnings per Share (“EPS”)

Assuming that the Transactions have been completed at the beginning of FY2017, the pro forma financial effects of the Transactions on the EPS per share of the Group for FY2017 would have been as follows:

	Before the Transactions	After the Transactions
Net gain attributable to the equity holders of the Company	121,492	128,928
Weighted average number of issued Shares	807,023	807,023
EPS (cents)	15.05	15.98

INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

16. None of the directors or controlling shareholders of the Company has any interest in the Proposed Investment.

DOCUMENTS AVAILABLE FOR INSPECTION

17. A copy of each of the Investment Agreement and the valuation reports of Shanghai Linfang Assets Evaluation Co., Ltd (上海琳方资产评估有限公司) and Suzhou Mingdian Real Estate Land Assets Evaluation Brokerage Co., Ltd (苏州名典房地产土地资产评估经纪有限公司) will be made available for inspection during normal business hours from 9.00 a.m. to 5.30 p.m. at the Company's registered office at 11 International Business Park Singapore 609926 for a period of three (3) months from the date of this announcement.

By Order of the Board of Directors

Yao Hsiao Tung
Executive Chairman and Chief Executive Officer
14 October 2018