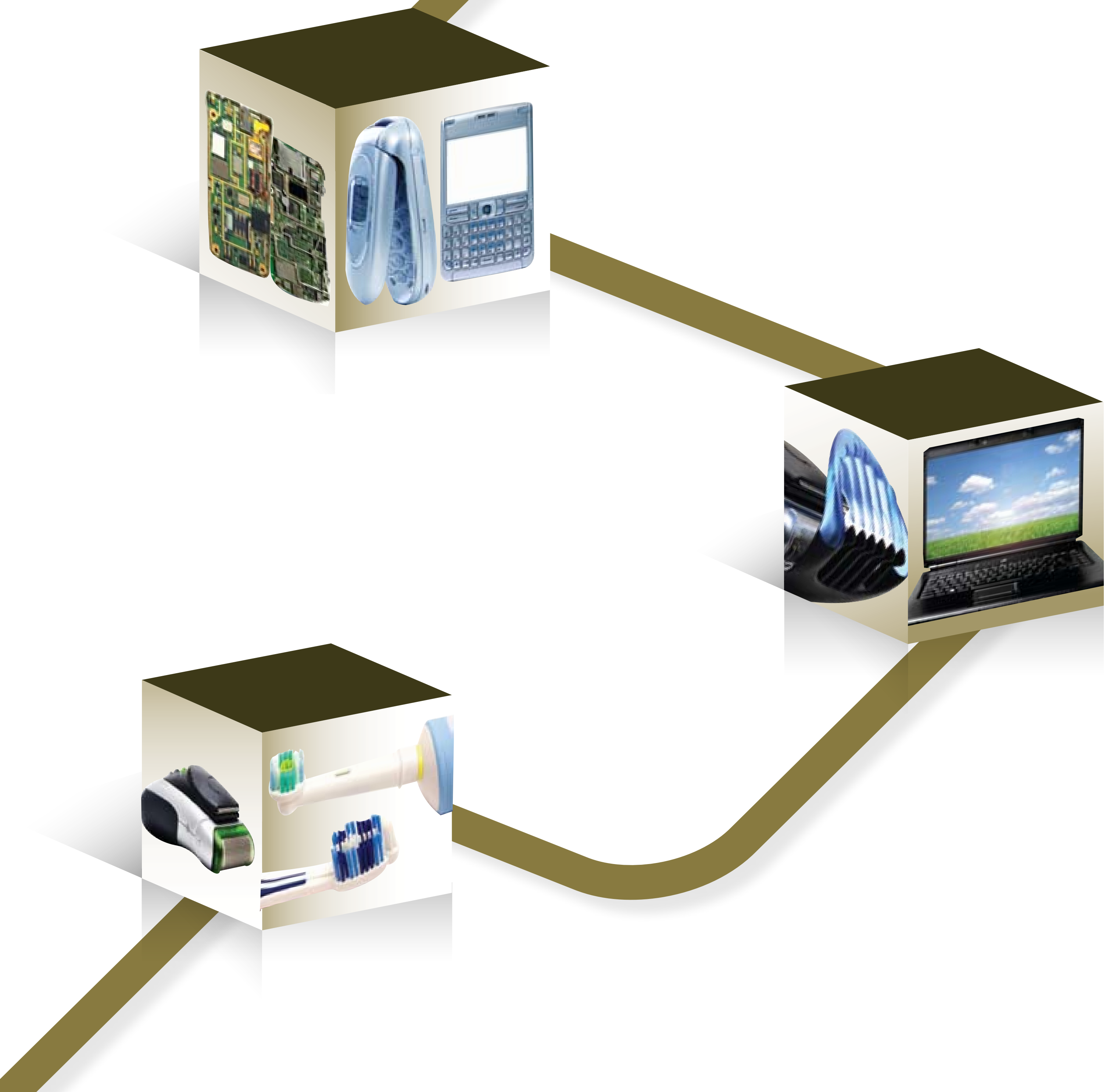
Hi-P INTERNATIONAL LIMITED
赫 比 国 际 有 限 公 司

Moving Up
The Value Chain

ANNUAL REPORT 2008



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

Under its two Strategic Business Units – Wireless Telecommunications and Consumer Electronics, the Group provides manufacturing services and electro-mechanical modules to customers in the telecommunications, consumer electronics & electrical, computing, life sciences & medical and automotive industries.

The Group has 25 manufacturing plants globally. These are located across six sites in the People's Republic of China (Shanghai, Chengdu, Tianjin, Xiamen, Suzhou and Dongguan), and in Mexico, Poland, Singapore and Thailand. Hi-P has marketing and engineering support centres in Finland, Germany and the USA.

The Group's customers include many of the world's biggest names in mobile phones, personal digital assistants, household & personal care appliances, hard disk drives, MP3 players, PC peripherals, automotive components and medical devices.

Our Core Values

Mutual Respect

Team Spirit

Integrity

Discipline

Contents

Corporate Information

BOARD OF DIRECTORS

Executive:
Yao Hsiao Tung
(Executive Chairman)
Wong Huey Fang

Non-Executive:
Yeo Tiong Eng
Dr Tan Khee Giap *(Independent)*
Chester Lin Chien *(Independent)*
Leong Lai Peng *(Independent)*

AUDIT COMMITTEE

Dr Tan Khee Giap *(Chairman)*
Yeo Tiong Eng
Leong Lai Peng

NOMINATING COMMITTEE

Dr Tan Khee Giap *(Chairman)*
Yeo Tiong Eng
Leong Lai Peng

REMUNERATION COMMITTEE

Leong Lai Peng *(Chairman)*
Dr Tan Khee Giap
Chester Lin Chien

COMPANY SECRETARY

Tan Ping Ping

REGISTERED OFFICE

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

SHARE REGISTRAR

Boardroom Corporate &
Advisory Services Pte. Ltd.
3 Church Street
#08-01 Samsung Hub
Singapore 049483

AUDITORS

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

AUDIT PARTNER-IN-CHARGE

Tan Wee Khim
(Appointed since financial year ended 31 December 2005)

Chairman's Statement

Dear Shareholders,

2008 not only marks the 5th anniversary of Hi-P's listing on SGX Main Board, the 28th anniversary of the inception of our business, but also marks our major breakthrough of achieving more than S$1 billion in revenue!

Outstanding Performance

Hi-P has delivered yet another set of outstanding results. Riding on the momentum built up in 2007, we have achieved both record revenue of S$1.077 billion and record net profit of S$102 million, versus S$977 million revenue and S$60 million net profit achieved in 2007.

Besides our sterling sales figures, we have also received a triple bonus of good news. Our gross margin improved from 13.3% in 2007 to 18.3% in 2008. Our return on shareholders' equity increased from 13.2% in 2007 to 18.3% in 2008. Our net cash generated from operating activities was a strong S$165 million.

More importantly, in the current credit climate, we finished the year in a healthy net cash position of S$126 million.

Our efforts of forging closer customer relations via Early Supplier Involvement ("ESI"), New Product Introduction ("NPI") and the continued diversification of our customer base has contributed to the revenue growth.

Challenging Environment

Whilst we have delivered record earnings to our loyal shareholders, we are now in the most challenging business environment since our inception in 1980. The ongoing financial crisis has cast its shadow over the global economy.

Like companies worldwide, we face key issues such as: orders slowdown, increased competition, higher currency volatility and our business partners may experience financial difficulties.

We must be prepared for all these issues and as such, in 4Q2008, I have visited all our manufacturing plants and delivered the message to all our employees on the challenges that Hi-P may encounter and how to turn this crisis into opportunity. We are confident that with our management team's continuous efforts in setting up strategies and our committed execution of these plans, we will be able to cope with the recession.

Strategies and Measures

First and foremost, we are intensifying our team fighting spirit. This is crucial for Hi-P to rise above the challenges.

We will fight for new businesses and cherish our existing customers. We will actively seek ways to lower our breakeven point through disciplined cost control to compete more effectively and maintain profitability.

"I am pleased to announce that the Board has recommended a first and final exempt one-tier dividend of 2.2 Singapore cents per share, to reward our loyal shareholders in this challenging time."

Chairman's Statement

"With our prudent management, Hi-P is in a position of strength to cope with this downturn. Our strong financial position, with a low gross gearing of 1.0% and a net cash balance of S$126 million, will allow us to navigate through these difficult times."

We have also put in place measures to manage foreign exchange risk. Prudent credit management will be exercised for all our suppliers and customers. We will continue to keep a tight control on capital expenditure. However, we are open to strategic investment opportunities.

Positive Areas

With our prudent management, Hi-P is in a position of strength to cope with this downturn. Our strong financial position, with a low gross gearing of 1.0% and a net cash balance of S$126 million, will allow us to navigate through these difficult times.

Over the years, we have built up an effective and highly qualified management team. I am pleased to report that all the key staff are in place to drive the business forward. We have established a strong execution foundation that enables us to deal with any opportunity or crisis effectively.

With our strategies in place and our main customers' businesses remaining stable, I have confidence that Hi-P will overcome this financial crisis and emerge stronger.

We are determined to fight through this recession to reach a new height!

Rewarding Loyal Shareholders

I am pleased to announce that the Board has recommended a first and final exempt one-tier dividend of 2.2 Singapore cents per share, to reward our loyal shareholders in this challenging time.

Appreciation

The outstanding performance in 2008 would not have been possible without the committed and hard working Hi-P management and staff, especially in this challenging environment.

I would like to extend my utmost appreciation to our board of directors, customers, suppliers and business associates for your unequivocal support. I would also like to thank our management and staff for your dedication. Without your hard work, professionalism, loyalty and understanding family members, we would not have achieved such good results.

Last but not least, to our shareholders, I thank you for your vote of confidence in Hi-P.

Mr Yao Hsiao Tung
Executive Chairman
Hi-P International Limited
25 March 2009

Operations and Financial Review

2008 has been a year of record revenue and net profit for the Group. Our success in FY2008 was very much due to our strong execution foundation that we have established over the years.

Record Earnings

For the year ended 31 December 2008, Group revenue increased by 10.3% to S$1.077 billion while net profit outpaced revenue growth and grew 70.5% to S$102.3 million compared to a year ago.

Revenue growth during the year was largely driven by the Wireless Telecommunication ("WL") Strategic Business Unit ("SBU"), where sales increased by 29.2%. The Consumer Electronics ("CE") SBU, was affected by the global economic slowdown and experienced a 14.6% slowdown in sales.

Gross profit increased sharply by 51.7% to S$197.4 million outpacing the Group's revenue growth. This increased the Group's gross profit margin from 13.3% in FY2007 to 18.3% in FY2008. This increase was due to the improved performance from some of the loss-making subsidiaries, better cost control and a more diversified customer base.

The Group's operating expenses increased in line with the Group's revenue growth, increasing 9.5% to S$77.6 million. The Group had S$22.8 million of other expenses in FY2008, as opposed to S$12.5 million in FY2007. The difference was mainly due to the impairment provision of S$14.1 million worth of property, plant and equipment.

With the Group's operating expenses growing at a slower rate than the Group's gross profit, operating profit rose 66.6% to S$116.9 million in FY2008. Consequently, operating margin improved from 7.2% in FY2007 to 10.9% in FY2008.

Pre-tax profits increased 89.9% in FY2008 to S$112.4 million. For FY2008, however, the Group had to pay a 9.0% tax amounting to S$10.2 million due to a tax holiday expiring in China. Consequently, net profit increased 70.5% to $102.3 million for FY2008.

Strong Cashflow

Net cash generated from operating activities before working capital changes was S$189.3 million in FY2008 as opposed to S$115.6 million in FY2007. Net cash used in working capital in FY2008 amounted to S$14.6 million as opposed to S$47.7 million in FY2007. The improvement in working capital came about mainly from the decrease in inventories and receivables. Consequently this resulted in net cash generated from operating activities improving from S$65.6 million in FY2007 to S$164.8 million in FY2008.

Net cash used in investing activities was S$37.4 million in FY2008 and significantly lower than

S$46.7 million in FY2007. This was mainly due to lower capital expenditure in FY2008. Net cash used in financing activities was S$42.8 million in FY2008. This was mainly due to repayment of loans amounting to S$27.6 million and the payment of S$13.3 million of dividends.

Healthy Balance Sheet

The Group further improved its financial position with a strong cash position of S$131.6 million and low gearing.

For FY2008, cash on hand improved from S$46.8 million to S$131.6 million. Gross debt was S$5.7 million, resulting in a net cash position of S$125.9 million. Gross gearing improved further to a low of 1.0% in FY2008 from 7.5% in FY2007.

Strategic Business Units

The Group's WL SBU, which derives its revenue from the mobile phone industry, increased its turnover by 29.2% to S$717.1 million. WL SBU accounted for 66.6% of the Group's total revenue, up from 56.8% in FY2007.

The entire mobile phone industry has been adversely affected in the 2H2008, with only some pockets of the industry enjoying growth like low-end mobile phones and smartphones. According to Credit Suisse's forecasts, this negative trend is likely to continue and forecasts a drop of 7.7% in mobile phones shipped globally to 1.15 billion units in 2009. Growth is expected to return in 2010 making the CAGR (compound annual growth rate) for the period from 2007 to 2010 a positive 2.2%.

As for the smartphone industry, according to a research report by CIBC World Markets, it was estimated that smartphone penetration was close to 10% of the overall handset market at approximately 120 million units in 2007 and grew at a rate of 50% year on year. Whilst they expect sales to slow to 14% in 2009 due to the economic slowdown, they expect a return to traditional growth by 2011 with the smartphone penetration eventually reaching a healthy 25% of the total handset market.

The Group's CE SBU was affected by the global economic slowdown. As a result, revenue from this SBU decreased 14.6% to S$360.0 million. The CE SBU contributed 33.4% of the Group revenue, down from 43.2% in FY2007.

Whilst the outlook for this SBU is closely tied to the economy and consumer spending, the Group has taken steps to improve productivity and reduce costs. As a result, several of the loss-making plants have reported improved financial performances.

Board of Directors

Mr Yao Hsiao Tung is our Executive Chairman. He is responsible for formulating the strategic directions and for talent development for the Group. Mr Yao has more than 40 years of experience in the precision tooling and plastic injection molding industry. He was a technical service manager with Du Pont Singapore Electronics Pte Ltd before founding the Group in 1980. Mr Yao holds a Diploma in Chemical Engineering from Taiwan Kaoshiung Technical College.

Mdm Wong Huey Fang is an Executive Director and Chief Administrative Officer of the Group. Her key responsibilities include managing our Group's administrative, legal, public relations and procurement functions. She was appointed to the Board in January 1988. Prior to joining our Group in 1985, Mdm Wong was a purchaser with Taiwan-based Aven Electronics Co. Ltd.

Mr Yeo Tiong Eng is a Non-Executive Director of the Company and was appointed to the Board in April 1987. He is currently the Vice President of Finance of Molex Global Commercial Products Division. Mr Yeo graduated with a Bachelor's Degree in Accountancy from Nanyang University. He also holds a Masters of Business Administration (Business Law) from Nanyang Technological University. He is a member of the Institute of Certified Public Accountants of Singapore.

Dr Tan Khee Giap is an Independent Director of the Company and was appointed to the Board in November 2003. He is an Associate Professor of Banking and Finance and the Associate Dean of Graduate Studies Office at Nanyang Technological University. Dr Tan also serves as a consultant to multinationals and global organisations in various areas. He is currently the Deputy President of the Economics Society of Singapore. Dr Tan holds a PhD in Economics from the University of East Anglia, UK.

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

Mdm Leong Lai Peng is an Independent Director of the Company and was appointed to the Board in November 2006. She is the founder and chairman of the board of directors of Yeo-Leong & Peh LLC, a law firm which she set up in 1987. She graduated from the National University of Singapore in 1981 with LL.B (Honours) and from Boston University in 1985 with LL.M in Banking Law Studies. She was admitted to the Singapore Bar in 1982 and is also a Solicitor of England and Wales. Mdm Leong is an approved mediator of the Singapore Mediation Centre and is also on the reserve panel of arbitrators of the Singapore International Arbitration Centre. She sits on the panel of Chairman of Disciplinary Committee pursuant to an appointment by the Chief Justice under the Legal Profession Act. Mdm Leong is also a fellow of the Singapore Institute of Arbitrators and the Chartered Institute of Arbitrators. She presently serves as council member of the Singapore Manufacturers' Association (SMA) and is also the director and secretary of Viva Foundation for Children with Cancer, a Singapore charity which has been granted the status of Institution of Public Character. She also chairs the Exco of the Southern Asia chapter of the Urban Land Institute, a non-profit organisation based in Washington DC. Mdm Leong also serves on the Board of Governors of Raffles Girls' Secondary School.

Management Team

Samuel Yuen Chung Sang
Chief Financial Officer

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

Gary Ho Hock Yong
Managing Director
(Corporate Business Development)

Mr Ho is our Managing Director for Corporate Business Development. Mr Ho is responsible for the overall marketing and business development of the Group; to grow our customer base and also deepen relationships with existing customers. He joined Hi-P in April 1996 and had previously assumed the roles of Regional Sales Manager, Corporate Business Manager & Marketing Director, and Managing Director for Wireless Telecommunication SBU within the group. He holds a Diploma in Production Technology from the German Singapore Institute.

Zhou Wei Dong
Managing Director
(Wireless Telecommunication SBU)

Mr Zhou is our Managing Director of the Wireless Telecommunication ("WL") SBU. He was previously our General Manager of WL SBU. Mr Zhou is responsible for the overall management of the WL unit. Mr Zhou joined Hi-P in August 2005 as an Operations Manager of the WL unit. He has substantial manufacturing experience in innovation decorative processes for the handset market. Previously, he was an Engineering Manager with Uniplas (Shanghai) for nine years. He holds a Bachelor's degree in Mechanical Engineering from the East China Technology University (now known as "Jiangsu University of Science and Technology").

Tjoa Mui Liang
Managing Director
(Consumer Electronics SBU)

Mr Tjoa is our Managing Director of Consumer Electronics ("CE") SBU. He is responsible for the overall management of the CE unit. Prior to joining Hi-P in April 2008, Mr Tjoa was the Executive Director of Business Development & Product Line Management at Seagate Technology International based in Singapore. Mr Tjoa has more than 19 years working experience with 11 years in senior management positions in project management, sales & marketing, customer quality, business development and product line management. His extensive work experience covers various global regions including China, USA and Singapore. Mr Tjoa holds a degree in Bachelor of Science in Electrical Engineering from The University of Texas and a MBA from the California State University.

Management Team

Pöyry Raimo Juha
Managing Director of Management Systems and Quality

Mr Pöyry is our Managing Director of Management Systems and Quality. He is responsible for the development of Hi-P's management and quality systems. Prior to joining Hi-P in September 2007, he was Head of Nokia Mechanics and Outsourcing Supply Base Development. He had previously held senior positions in Kone Elevators Ltd., one of the three largest elevator companies in the world. He holds a Bachelor of Science degree in Telecommunications from Polytechnics Riihimaki, Finland.

Lars Lieberwirth
Managing Director of Research and Development

Mr Lieberwirth is our Managing Director of Research and Development. Prior to joining Hi-P in December 2008, Mr Lieberwirth had worked with The Gillette Company as part of the Braun/Oral-B franchise in product engineering and program management since 1999. After the 2005 acquisition of Gillette, he worked for Procter & Gamble. His last held position was Associate Director of the Asia Technology Centre. Mr Lieberwirth, a German citizen, obtained his Bachelor's degree in Electro-Mechanical Device Engineering at the University of Applied Science, Mosbach, in Germany.

Wang Ye-Chung
Director of Human Resources

Mr Wang oversees the Group's functions in human resources and administration. Prior to joining Hi-P in November 2007, he was a free-lance Human Resources Consultant. Previously, he was Human Resources Director of Foxlink – Cheng-Uei Precision Industry Co., Ltd. He also held human resource management positions in Novellus Systems (Greater China), KLA-Tencor (Taiwan) and Carrier Taiwan Co., Ltd. He holds a Master of Science degree in Psychology from Florida State University and a Bachelor of Science degree in Applied Psychology from Fu-Jen Catholic University.

Corporate Governance Report

Hi-P International Limited (the "Company") is committed to achieving a high standard of corporate governance within the Group. The Company continues to evaluate and to put in place effective self-regulatory corporate practices to protect its shareholders' interests and enhance long-term shareholders' value. The Board is pleased to report on the Company's corporate governance processes and activities as required by the Code of Corporate Governance 2005 (the "Code") prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST"). For easy reference, sections of the Code under discussion are specifically identified. However, this Report should be read as a whole as other sections of this Report may also have an impact on the specific disclosures.

Board Matters

Principle 1: Board's Conduct of its Affairs

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

Executive Directors

Mr Yao Hsiao Tung
Mdm Wong Huey Fang

Non-executive Directors

Mr Yeo Tiong Eng

Independent Directors

Dr Tan Khee Giap
Mr Chester Lin Chien
Mdm Leong Lai Peng

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

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

(b) establish a framework of prudent and effective controls which enables risk to be assessed and managed;

(c) review management performance;

(d) set the Group's values and standards, and ensure that obligations to shareholders and others are understood and met;

(e) nomination of Directors to the Board;

(f) appointment of key personnel;

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

(h) assuming responsibility for corporate governance.

These functions are carried out either directly or through Board Committees such as the Nominating Committee, the Remuneration Committee and the Audit Committee.

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

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

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

Name	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Mr Yao Hsiao Tung (Executive Chairman)	8	8	-	-	-	-	-	-
Mdm Wong Huey Fang (Executive Director)	8	8	-	-	-	-	-	-
Mr Yeo Tiong Eng (Non-executive Director)	8	8	5	5	2	2	-	-
Mr Chester Lin Chien (Independent Director)	8	7	-	-	-	-	5	5
Dr Tan Khee Giap (Independent Director)	8	7	5	5	2	2	5	5
Mdm Leong Lai Peng (Independent Director)	8	8	5	5	2	2	5	5

All Directors are provided with regular updates on changes in the relevant laws and regulations to enable them to make well-informed decision and to ensure that the Directors are competent in carrying out their expected roles and responsibilities.

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

Principle 2: Board Composition and Guidance

The Board comprises six Directors, one of whom is a non-executive Director and three are independent Directors. The independence of each Director will be reviewed annually by the Nominating Committee. The Nominating Committee adopts the Code's definition of what constitutes an independent Director in its review.

The Board will constantly examine its size and, with a view to determining the impact of the number upon effectiveness, decide on what it considers an appropriate size for the Board, which facilitates effective decision-making. The composition of the Board will be reviewed on an annual basis by the Nominating Committee to ensure that the Board has the appropriate mix of expertise and experience.

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

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

Key information regarding the Directors' academic and professional qualifications and other appointments is set out on page 6 of the Annual Report.

Principle 6: Access to Information

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

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

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

Principle 3: Chairman and Chief Executive Officer

The Board recognizes the Code's recommendation that the Chairman and the Chief Executive Officer ("CEO") should be separate persons to ensure that there is an appropriate balance of power and authority, and that accountability and independent decision-making are not compromised.

The Group's Chairman is Mr Yao Hsiao Tung. As an Executive Chairman, Mr Yao is responsible for providing guidance on the corporate and business direction of the Group, scheduling and chairing of Board meetings, and controlling of the quality, quantity and timeliness of information flow between the Board and the management. Mr Yao has also assumed the CEO's responsibilities over the running of the Group's business, executing business strategies and directions and managing operations of the Group. Mr Yao is the founder of the Group and has played a key role in developing the Group's business. Through the Group's successful development in these few years, Mr Yao has demonstrated his vision, strong leadership and enthusiasm in this business.

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

Board Committees

Nominating Committee ("NC")

Principle 4: Board Membership
Principle 5: Board Performance

The current NC comprises the following 3 members, of whom 2 are independent Directors:

(a) Dr Tan Khee Giap (Chairman)
(b) Mr Yeo Tiong Eng; and
(c) Mdm Leong Lai Peng.

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

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

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

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

(d) procuring that at least one-third of the Board shall comprise independent Directors;

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

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

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

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

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

The NC has adopted a formal process for the evaluation of the performance of the Board. In 2004, the Group implemented the Board-approved evaluation process and performance criteria to assess the performance of the Board. The performance criteria includes an evaluation of the size and composition of the Board, the Board's access to information, accountability, Board processes and Board performance in relation to discharging its principal responsibilities in terms of the financial indicators as set out in the Code.

The assessment process involves and includes input from the Board members, applying the performance criteria recommended by the NC and approved by the Board. The Directors' input are collated and reviewed by the Chairman of the NC, who presents a summary of the overall assessment to the NC for review. Areas where the Board's performance and effectiveness could be enhanced and recommendations for improvement are then submitted to the Board for discussion and for implementation.

The NC assessed the Board's performance as a whole in FY2008 and is of the view that the performance of individual members of the Board and the Board as a whole was satisfactory. Although some of the Board members have multiple board representations, the NC is satisfied that sufficient time and attention has been given by the Directors to the Group.

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

The NC recommended to the Board that Mr Yeo Tiong Eng and Mdm Wong Huey Fang be nominated for re-appointment at the forthcoming AGM.

In making the recommendation, the NC had considered the Directors' overall contribution and performance.

Remuneration Committee ("RC")

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

The current RC comprises the following 3 members, all of whom are non-executive Directors:

(a) Mdm Leong Lai Peng (Chairman);
(b) Dr Tan Khee Giap; and
(c) Mr Chester Lin Chien.

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

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

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

(c) considering the eligibility of Directors for benefits under long-term incentive schemes.

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

The Company sets remuneration packages which:

(a) align interests of executive directors with those of shareholders;

(b) link rewards to corporate and individual performance;

(c) are competitive and sufficient to attract, retain and motivate Directors and senior management with adequate experience and expertise to manage the business and operations of the Group.

The remuneration paid and payable to the Directors and executive officers during the financial year ended 31 December 2008 are as follows:

Remuneration Bands	Salary %	Performance Bonus %	Director's fees %	Others %	Total %
Directors					
S$1,500,000 – S$1,750,000					
Yao Hsiao Tung	33	59	7	1	100
S$250,000 – S$500,000					
Wong Huey Fang	59	28	10	3	100
Below S$250,000					
Yeo Tiong Eng	-	-	100	-	100
Dr Tan Khee Giap	-	-	100	-	100
Chester Lin Chien	-	-	100	-	100
Leong Lai Peng	-	-	100	-	100

Remuneration Bands	Salary %	Performance Bonus %	Others %	Total %
Executive Officers				
S$1,250,000 – S$1,500,000				
Robert B. Mahoney##	22	-	78	100
S$500,000 – S$750,000				
Gary Ho Hock Yong	62	35	3	100
S$250,000 – S$500,000				
Zhou Wei Dong*	76	21	3	100
Samuel Yuen Chung Sang	72	25	3	100
Pöyry Raimo Juha	72	19	9	100
Lim Kay Leong###	84	9	7	100
Below S$250,000				
Alan Ong Joo Siew#	45	23	32	100
Tjoa Mui Liang**	89	8	3	100
Lars Lieberwirth***	87	6	7	100

Resigned with effect from 31 March 2008
Resigned with effect from 21 April 2008
Resigned with effect from 4 March 2009
* *Appointed with effect from 26 February 2008*
** *Appointed with effect from 14 November 2008*
*** *Appointed with effect from 1 December 2008*

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

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

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

Save for the abovementioned, none of the employees who are immediate family members of a Director or CEO receives remuneration exceeding S$150,000 during the year.

The Company has a share option scheme known as Hi-P Employee Share Option Scheme (the "ESOS") which was approved by shareholders of the Company on 7 October 2003. The ESOS complies with the relevant rules as set out in Chapter 8 of the Listing Manual. The ESOS will provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. The ESOS is administered by the RC. Further information on the share option scheme can be found on pages 21 to 23 of the Annual Report.

Audit Committee ("AC")

Principle 11: Audit Committee

The current AC comprises the following 3 members, all non-executive, the majority of whom, including the Chairman, are independent:

(a) Dr Tan Khee Giap (Chairman);
(b) Mr Yeo Tiong Eng; and
(c) Mdm Leong Lai Peng.

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

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

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

(c) reviewing the Group's financial results and the announcements before submission to the Board for approval;

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

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

(f) reviewing interested person transactions; and

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

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

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

The AC has reviewed the volume of non-audit services to the Group by the external auditors, and being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, is pleased to recommend their re-appointment.

Whistle-blowing Policy

The AC has established and put in place a whistle-blowing policy and procedures to provide employees with well defined and accessible channels within the Group for reporting suspected fraud, corruption, dishonest practices or other similar matters or raise serious concerns about possible incorrect financial reporting or other matters that could have an adverse impact on the Company. The aim of this policy is to encourage the reporting of such matters in good faith, with the confidence that employees making such reports will be treated fairly and, to the extent possible, be protected from reprisal. In promoting and creating awareness, the whistle-blowing policy and procedures are circulated to all existing and newly recruited employees by the human resource department.

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

Principle 12: Internal Controls

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

In recent years, the Company has experienced rapid growth, which had put a huge strain on the Company's control systems. Strong commitment from the Board and senior management over the past financial year has built on the improvements achieved in the last year and further strengthened the Group's execution foundation. The focus on embedding quality management systems, assurance processes, training and performance monitoring has seen tangible improvements in the maturity and standardization of policies, systems, processes and procedures throughout the Group.

Principle 13: Internal Audit

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

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

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

Communication with Shareholders

Principle 10: Accountability and Audit
Principle 14: Communication with Shareholders
Principle 15: Greater Shareholder Participation

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

The AGM of the Company is a principal forum for dialogue and interaction with all shareholders. All shareholders will receive the Annual Report and the notice of AGM. At the AGM, shareholders will be given the opportunity to voice their views and to direct questions regarding the Group to the Directors including the chairpersons of each of the Board committees. The external auditors are also present to assist the Directors in addressing any relevant queries from the shareholders.

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

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

Risk Management
(Listing Manual Rule 1207(4)(b)(iv))

The Company is in the process of developing a robust enterprise risk management system in line with international best practices. Management commissioned an external review of our existing risk management practices which was completed in March 2009. The recommendations arising from the review are being considered by the AC and management and a blue-print is being developed to establish a systematic and embedded risk management program into our business operations.

The AC examines the effectiveness of the Group's internal control systems. The number of assurance mechanisms currently operating are supplemented by the Company's internal and external auditors' annual reviews of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC in timely fashion. The AC also reviews the effectiveness of the actions taken by the management on the recommendations made by the internal and external auditors in this respect.

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

Corporate Governance Report

Securities Transactions
(Listing Manual Rule 1207(18))

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

Material Contracts
(Listing Manual Rule 1207(8))

Save for the service agreements between Mr Yao Hsiao Tung and Mdm Wong Huey Fang with the Company, there were no material contracts of the Company or its subsidiaries involving the interest of the CEO or any Director or controlling shareholders subsisting at the end of the financial year ended 31 December 2008.

Interested Person Transactions
(Listing Manual Rule 907)

The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

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

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Molex Incorporated and its group of companies - Purchases	$374,773	N.A.

Annual Financial Statements

Directors' Report

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Hi-P International Limited ("the Company") and its subsidiaries (collectively, "the Group") and the balance sheet of the Company for the financial year ended 31 December 2008.

1. Directors

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

Yao Hsiao Tung
Wong Huey Fang
Yeo Tiong Eng
Dr Tan Khee Giap
Chester Lin Chien
Leong Lai Peng

2. Arrangements to enable directors to acquire shares and debentures

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

3. Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest as at		Deemed interest as at	
	1 January 2008	31 December 2008	1 January 2008	31 December 2008
Name of director				
Ordinary shares of the Company				
Yao Hsiao Tung	488,458,920	488,385,480	1,000,000	1,000,000
Wong Huey Fang	1,000,000	1,000,000	488,458,920	488,385,480
Yeo Tiong Eng	500,000	500,000	–	–
Dr Tan Khee Giap	580,000	580,000	–	–
Chester Lin Chien	2,000,000	2,000,000	–	–
Leong Lai Peng	200,000	200,000	–	–
Options to subscribe for ordinary shares				
Yao Hsiao Tung	1,300,000	1,300,000	300,000	300,000
Wong Huey Fang	300,000	300,000	1,300,000	1,300,000

3. Directors' interests in shares and debentures (cont'd)

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2009.

By virtue of Section 7 of the Singapore Companies Act, Cap. 50, Mr Yao Hsiao Tung is deemed to have an interest in shares of the subsidiaries of the Company.

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

4. Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

5. Share options

The Hi-P Employee Share Option Scheme ("the Option Scheme") was approved and adopted at the Company's Extraordinary General Meeting held on 7 October 2003. The Option Scheme applies to executive directors, employees of the Group, controlling shareholders and their associates. The Option Scheme is administered by the Remuneration Committee, comprising Messrs Leong Lai Peng (Chairman), Chester Lin Chien and Dr Tan Khee Giap.

Other information regarding the Option Scheme is set out below:

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

(ii) For options granted with an exercise price which is set at a discount to the Market Price ("Incentive Options"), 50% of the Incentive Options may be exercised after the 2nd anniversary from the date of grant of that Incentive Option and the remaining 50% may be exercised after the 3rd anniversary from the date of grant of that Incentive Option. For options granted with an exercise price fixed at the Market Price ("Market Price Option"), 50% of the Market Price Options may be exercised after the 1st anniversary of the date of grant of that Market Price Option and the remaining 50% may be exercised after the 2nd anniversary of the date of grant of that Market Price Option.

(iii) The options expire 8 years after the grant date, unless they have been cancelled or have lapsed prior to that date.

5. Share options (cont'd)

Details of all the options to subscribe for ordinary shares of the Company pursuant to the Option Scheme as at 31 December 2008 are as follows:

Date of grant of options	Exercise price per share	Options outstanding as at 1 January 2008	Options cancelled/ lapsed	Options outstanding as at 31 December 2008	Exercise period
19/07/2004	$1.39	2,314,000	(300,000)	2,014,000	20/07/2005 to 19/07/2012
24/02/2005	$1.54	10,000	(5,000)	5,000	24/02/2007 to 23/02/2013
12/05/2005	$1.47	20,000	–	20,000	12/05/2007 to 11/05/2013
12/08/2005	$1.48	20,000	–	20,000	12/08/2007 to 11/08/2013
30/11/2005	$1.63	5,000	–	5,000	30/11/2007 to 29/11/2013
25/04/2006	$1.11	1,163,000	(568,000)	595,000	26/04/2008 to 25/04/2014

Details of the options to subscribe for ordinary shares of the Company granted to directors and employees of the Company pursuant to the Option Scheme are as follows:

	Options granted for financial year ended 31 December 2008	Aggregate options granted since commencement of scheme to 31 December 2008	Aggregate options exercised since commencement of scheme to 31 December 2008	Aggregate options outstanding as at 31 December 2008
Name of Director				
Yao Hsiao Tung	–	1,300,000	–	1,300,000
Wong Huey Fang	–	300,000	–	300,000
Name of Employee				
Gary Ho Hock Yong	–	700,000	–	700,000

There were 7,494,000 options granted to the directors and employees of the Company and its subsidiaries since the commencement of the Option Scheme to the end of the financial year under review.

5. Share options (cont'd)

During the financial year,

(a) none of the participants has received 5% or more of the total number of options, available under the Option Scheme.

(b) no options have been granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries.

(c) no options have been granted at a discount.

6. Audit committee

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

7. Auditors

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

On behalf of the board of directors,

Yao Hsiao Tung
Chairman

Yeo Tiong Eng
Director

25 March 2009

Statement by directors

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

(a) the accompanying balance sheets, consolidated profit and loss account, consolidated statement of changes in equity and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008 and of the results of the business, changes in equity and cash flows of the Group for the year ended on that date, and

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

On behalf of the board of directors,

Yao Hsiao Tung
Chairman

Yeo Tiong Eng
Director

25 March 2009

Independent Auditors' Report

To the members of Hi-P International Limited

We have audited the accompanying financial statements of Hi-P International Limited ("the Company") and its subsidiary companies (collectively, "the Group"), which comprise the balance sheets of the Group and Company as at 31 December 2008, statement of changes in equity, the profit and loss account and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 ("the Act") and Singapore Financial Reporting Standards. This responsibility includes devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition; and transactions are properly authorized and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion,

(i) the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008 and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and

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

ERNST & YOUNG LLP
Public Accountants and Certified Public Accountants
Singapore
25 March 2009

Consolidated Profit and Loss Account

for the year ended 31 December 2008

	Note	2008 $'000	2007 $'000
Revenue	4	1,077,102	976,566
Cost of sales		(879,688)	(846,416)
Gross profit		197,414	130,150
Other items of income			
Interest income	5	1,560	793
Other income	6	15,005	13,346
Other items of expense			
Selling and distribution expenses		(11,716)	(8,401)
Administrative expenses		(65,886)	(62,464)
Financial costs	7	(1,323)	(1,806)
Other expenses	8	(22,770)	(12,517)
Share of results of associates		100	67
Profit before tax	9	112,384	59,168
Income tax (expense)/ credit	11	(10,156)	284
Profit, net of tax		102,228	59,452
Attributable to :			
Equity holders of the Company		102,321	59,999
Minority interests		(93)	(547)
		102,228	59,452
Earnings per share attributable to equity holders of the Company (cents per share)	12		
Basic		11.53	6.76
Diluted		11.53	6.76

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

Balance Sheets

as at 31 December 2008

	Note	Group 2008 $'000	Group 2007 $'000	Company 2008 $'000	Company 2007 $'000
Non-current assets					
Property, plant and equipment	13	282,544	291,075	21,515	24,741
Investment in subsidiaries	14	–	–	193,119	195,913
Investment in associates	15	2,616	2,815	1,478	1,478
Other investment	16	12	12	12	12
Other receivables	18	–	–	–	11,879
Deferred tax assets	25	4,381	1,868	–	–
Current assets					
Inventories	17	114,560	135,858	3,676	6,159
Trade and other receivables	18	245,799	285,353	81,184	75,573
Notes receivables	19	22	2,394	–	–
Prepaid operating expenses		1,988	3,830	98	151
Derivatives	20	1,197	–	1,160	–
Cash and cash equivalents	21	131,566	46,764	23,938	4,402
		495,132	474,199	110,056	86,285
Current liabilities					
Trade and other payables	22	178,126	251,195	51,582	54,888
Accrued operating expenses		36,278	24,221	9,560	6,167
Loans and borrowings	23	543	28,135	55	20,904
Income tax payable		5,880	2,480	357	357
Derivatives	20	21	–	–	–
		220,848	306,031	61,554	82,316
Net current assets		274,284	168,168	48,502	3,969
Non-current liabilities					
Loans and borrowings	23	5,136	6,185	25	68
Deferred tax liabilities	25	51	708	–	874
Net assets		558,650	457,045	264,601	237,050
Equity attributable to equity holders of the Company					
Share capital	26	119,725	119,725	119,725	119,725
Other reserves	27	39,879	19,462	2,869	2,838
Accumulated profits		397,736	316,532	142,007	114,487
		557,340	455,719	264,601	237,050
Minority interests		1,310	1,326	–	–
Total equity		558,650	457,045	264,601	237,050

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

Consolidated Statement of Changes in Equity

for the year ended 31 December 2008

Group	Share capital (Note 26) $'000	Other reserves (Note 27) $'000	Accumulated profits $'000	Minority interests $'000	Total equity $'000
	Attributable to equity holders of the Company				
Balance at 1 January 2007	119,725	6,745	269,761	2,509	398,740
Foreign currency translation differences	–	5,043	–	–	5,043
Net income recognised directly in equity	–	5,043	–	–	5,043
Profit for the year	–	–	59,999	(547)	59,452
Total recognised income for the period	–	5,043	59,999	(547)	64,495
Employee share option scheme					
- Equity compensation benefits (Note 27d)	–	266	–	–	266
Acquisition of a subsidiary	–	–	–	(636)	(636)
Transfer from retained earnings	–	7,408	(7,408)	–	–
Dividends on ordinary shares (Note 29)	–	–	(5,820)	–	(5,820)
Balance at 31 December 2007 and 1 January 2008	119,725	19,462	316,532	1,326	457,045
Foreign currency translation differences	–	12,577	–	77	12,654
Net income recognised directly in equity	–	12,577	–	77	12,654
Profit for the year	–	–	102,321	(93)	102,228
Total recognised income for the period	–	12,577	102,321	(16)	114,882
Employee share option scheme					
- Equity compensation benefits (Note 27d)	–	31	–	–	31
Transfer from retained earnings	–	7,809	(7,809)	–	–
Dividends on ordinary shares (Note 29)	–	–	(13,308)	–	(13,308)
Balance at 31 December 2008	119,725	39,879	397,736	1,310	558,650

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

Consolidated Cash Flow Statement

for the year ended 31 December 2008

	Note	2008 $'000	2007 $'000
Cash flows from operating activities			
Profit before tax		112,384	59,168
Adjustments for:			
Depreciation of property, plant and equipment	13	44,526	40,491
Impairment loss on property, plant and equipment	13	14,109	959
Property, plant and equipment written off		862	508
Net loss on disposal of property, plant and equipment		295	36
Impairment loss on inventory obsolescence	17	10,104	3,284
Inventories written off	17	1,351	2,475
Provision for onerous contracts		3,813	–
Impairment loss on doubtful trade receivables	18	663	1,538
Bad debts written off		410	1,090
Equity compensation expense		31	266
Interest expense		1,323	1,806
Interest income		(1,560)	(793)
Net fair value gains on derivatives		(1,131)	–
Translation difference		2,268	4,852
Share of results of associates		(100)	(67)
Operating cash flows before changes in working capital		189,348	115,613
Changes in working capital			
Decrease/ (increase) in inventories		9,455	(26,202)
Decrease/ (increase) in trade and other receivables		38,845	(59,707)
Decrease/ (increase) in notes receivables		2,372	(1,722)
Decrease/ (increase) in prepaid operating expenses		1,842	(2,017)
(Decrease)/ increase in trade and other payables		(78,622)	39,568
Increase in accrued operating expenses		12,057	6,078
Decrease in amounts due (to)/ from related parties		(534)	(3,732)
Total changes in working capital		(14,585)	(47,734)
Cash flows from operations		**174,763**	**67,879**
Income taxes paid		(9,928)	(2,318)
Net cash flows from operating activities		164,835	65,561
Cash flows from investing activities			
Dividends received from an associated company		300	–
Net cash outflow on acquisition of a subsidiary	a	–	(209)
Interest received		1,560	793
Proceeds from disposal of property, plant and equipment		3,889	2,230
Purchase of property, plant and equipment	b	(43,108)	(49,496)
Net cash flows used in investing activities		(37,359)	(46,682)

Consolidated Cash Flow Statement

for the year ended 31 December 2008

	Note	2008 $'000	2007 $'000
Cash flows from financing activities			
Dividends paid on ordinary shares	29	(13,308)	(5,820)
Interest paid		(1,323)	(1,806)
(Payment of)/ Proceeds from loans and borrowings		(27,588)	2,377
Repayments of obligations under finance lease		(545)	(78)
Net cash flows used in financing activities		(42,764)	(5,327)
Net increase in cash and cash equivalents		84,712	13,552
Effect of exchange rate changes on cash and cash equivalents		90	(32)
Cash and cash equivalents at beginning of year		46,764	33,244
Cash and cash equivalents at end of year	21	131,566	46,764

Notes to the Consolidated Cash Flow Statement

(a) Acquisition of a subsidiary, net of cash

On 15 March 2007, the Group acquired 960,000 ordinary shares in its 52% owned subsidiary, Hi-P Samkwang Technology (Singapore) Pte. Ltd. ("Hi-P Samkwang") for a total consideration of $209,000. The carrying amount of Hi-P Samkwang's net assets in the consolidated financial statements on the date of acquisition was $432,000. After the acquisition, Hi-P Samkwang became a wholly-owned subsidiary of the Company.

(b) Purchase of property, plant and equipment

	Note	Group 2008 $'000	Group 2007 $'000
Current year additions	13	44,861	59,287
Payable to creditors		(12,362)	(31,408)
		32,499	27,879
Payments for prior year		10,609	21,617
Net cash outflow for purchase		43,108	49,496

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

1. Corporate information

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

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

The principal activities of the Company are design and fabrication of mold ("MDF"), precision plastic injection molding ("PPIM"), assembly, provision of ancillary value-added services (mainly surface finishing services) and precision metal stamping. The principal activities of the subsidiaries are disclosed in Note 14 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

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

2.2 Future changes in accounting policies

The Group has not adopted the following FRS and INT FRS that have been issued but not yet effective:

			Effective date (Annual periods beginning on or after)
FRS 1	:	Presentation of Financial Statements – Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
FRS 23	:	Borrowing Costs	1 January 2009
FRS 27	:	Consolidated and Separate Financial Statements – Amendments relating to Cost of an Investment in a Subsidiary, Jointly	1 January 2009
FRS 32	:	Financial Instruments: Presentation – Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
FRS 39	:	Financial Instruments: Recognition and Measurement – Amendments relating to eligible Hedged items	1 July 2009

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

2.2 Future changes in accounting policies (cont'd)

			Effective date (Annual periods beginning on or after)
FRS 101	:	First-time Adoption of Financial Reporting Standards – Amendments relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
FRS 102	:	Share-based payment – Vesting conditions and cancellations	1 January 2009
FRS 108	:	Operating Segments	1 January 2009
INT FRS 114	:	FRS 39 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2009
INT FRS 117	:	Distributions of Non-cash Assets to Owners	1 July 2009

The directors expect that the adoption of the above pronouncements will have no material impact to the financial statements in the period of initial application, except for revised FRS 1 and FRS 108 as indicated below.

FRS 1 Presentation of Financial Statements - Revised Presentation

The revised FRS 1 requires owner and non-owner changes in equity to be presented separately. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line item. In addition, the revised standard introduces the statement of comprehensive income: it presents all items of income and expenses recognised in profit or loss, together with all other items of recognised income and expenses, either in one single statement, or in two linked statements. The Group is concurrently evaluating the format to adopt.

FRS 108 Operating Segments

FRS 108 requires entities to disclose segment information based on the information reviewed by the entity's chief operating decision maker. The impact of this standard on the other segment disclosures is still to be determined. As this is a disclosure standard, it will have no impact on the financial position and results of the Group when implemented in 2009.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. 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 for like transactions and events in similar circumstances.

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

Acquisitions of subsidiaries are accounted for by applying the purchase method. Subsidiaries are fully 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.

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

2.4 Foreign currency

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 balance sheet date. 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 determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the profit and loss account except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in equity as foreign currency translation reserve in the consolidated balance sheet and recognised in the consolidated profit and loss account on disposal of the foreign operations.

The results and financial position of foreign operations are translated into SGD using the following procedures:

- Assets and liabilities for each balance sheet presented are translated at the rate ruling at that balance sheet date; and

- Income and expenses for each profit and loss account are translated at weighted average exchange rates for the year.

The exchange differences arising on the translation are taken directly to a separate component of equity as foreign currency translation reserve. On disposal of a foreign operation, the cumulative amount recognised in foreign currency translation reserve relating to that particular foreign operation is recognised in the profit and loss account.

2.5 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it, directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

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

2.6 Transactions with minority interests

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the consolidated profit and loss account and within equity in the consolidated balance sheet, separately from the parent shareholders' equity. Transactions with minority interests are accounted for using the entity concept method, whereby, transactions with minority interest are accounted for as transactions with equity holders. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is reflected as being a transaction between owners and recognised directly in equity. Gain or loss on disposal to minority interests is recognised directly in equity.

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

2.7 Associates

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

The Group's investment in associates are accounted for using the equity method. Under the equity method, the investment in associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate.

The Group's share of the profit or loss of the associate is recognised in the consolidated profit and loss account. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate. Goodwill relating to an associate is included in the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

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

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not co-terminous with those of the Group, the share of results is arrived at from the last audited financial statements available and unaudited management financial statements to the end of the accounting period. Consistent accounting policies are applied for like transactions and events in similar circumstances. In the Company's separate financial statements, investment in associates are accounted for at cost less impairment losses.

2.8 Related parties

A related party is a company, not being a subsidiary or an associate, in which the shareholders or directors of the Company have an equity interest or exercise control or significant influence over the operations of the company.

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

2.9 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows:

Factory buildings and leasehold improvements	20 - 57 years
Renovation	3 - 10 years
Plant and machinery	3 - 10 years
Motor vehicles	5 - 6 years
Office equipment, furniture and fittings	3 - 10 years

Construction-in-progress are not depreciated as these assets are not 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 values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

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

2.10 Intangible asset

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable.

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

2.10 Intangible asset (cont'd)

i) Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an individual project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use or more frequently when an indication of impairment arises during the reporting year. Upon completion, development costs are amortised over the estimated useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

ii) Club membership

Club membership is measured at cost less accumulated amortisation and impairment loss, if any.

2.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when 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 to sell 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 groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the profit and loss account as 'other expenses'.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in the profit and loss account. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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

2.12 Financial assets

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognised at fair value, plus directly attributable transaction costs and subsequently carried at amortised cost using the effective interest method. Gains and losses are recognised in profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

2.13 Impairment of financial assets

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

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the profit and loss account.

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

2.14 Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and conditions are accounted as follows:

- Raw materials - purchase cost on a weighted average basis;
- Work-in-progress and finished goods - cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

2.15 Trade and other receivables

Trade and other receivables, including notes receivables, amounts due from subsidiaries and amounts due from minority shareholders of a subsidiary are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.12.

An allowance is made for uncollectible amounts when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are stated in Note 2.13.

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

2.15 Trade and other receivables (cont'd)

In the Company's financial statements, interest-free loans to subsidiaries are stated at fair value at inception. The difference between the fair value and the loan amount at inception is recognised as additional investments in subsidiaries in the Company's financial statements. Subsequently, these loans are measured at amortised cost using the effective interest method. The unwinding of the difference is recognised as interest income in the profit and loss account over the expected repayment period.

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks and short-term fixed deposits. These also include bank overdrafts that form an integral part of the Group's cash management.

Cash at banks and in hand and short term fixed deposits carried in the balance sheet are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.12.

2.17 Financial liabilities

Financial liabilities include trade payables, which are normally settled on 30-90 day terms, other amounts payable, payables to subsidiaries/ minority shareholders of a subsidiary and interest-bearing loans and borrowings.

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are initially recognised at fair value of consideration received less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

The interest-free loans from minority shareholders of a subsidiary are stated at fair value at inception. The difference between the fair value and the loan amount at inception is recognised in shareholders' equity in the subsidiary's financial statements. Subsequently, these loans are measured at amortised cost using the effective interest method. The unwinding of the difference is recognised as interest income in the profit and loss account over the expected repayment period.

2.18 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.

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

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

2.19 Borrowing costs

Borrowing costs are recognised in the profit and loss account as incurred except to the extent that they are capitalised. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are being incurred.

Borrowing costs are capitalised until the assets are ready for their intended use.

2.20 Derecognition of financial assets and liabilities

i) Financial assets

A loan and receivable is derecognised where the contractual rights to receive cash flows from the asset have expired which usually coincides with receipt of payments for the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration is recognised in the profit and loss account.

ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is extinguished. For financial liabilities other than derivatives, gains and losses are recognised in the profit and loss account when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in the profit and loss account. Net gains or losses on derivatives include exchange differences.

2.21 Provisions

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

2.22 Employee benefits

i) Defined contribution plan

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. The subsidiary in Mexico maintains and administers a savings plan for its employees whereby the subsidiary and its permanent employees jointly contribute monthly to the savings plan. The funds collected under this savings plan are allocated to the relevant employees every year. In the event of a termination of employment, the relevant employee may withdraw his entitlement to the funds.

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

2.22 Employee benefits (cont'd)

i) Defined contribution plan (cont'd)

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

ii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. The estimated liability for annual leave is recognised for services rendered by employees up to the balance sheet date.

iii) Equity compensation benefits

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in the profit and loss account, 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 the profit and loss account for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employee share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employee share option reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury shares.

2.23 Leases

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 the profit and loss account. 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 the profit and loss account on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

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

2.24 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

i) Sales of goods

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

ii) Interest income

Interest income is recognised using the effective interest method.

iii) Dividend income

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

2.25 Income taxes

i) Current tax

Current 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 by the balance sheet date.

Current taxes are recognised in the profit and loss account except that tax relating to items recognised directly in equity.

ii) Deferred tax

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

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

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

Deferred income tax assets are recognised for all deductible temporary differences (other than those mentioned above), 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.

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

2.25 Income taxes (cont'd)

ii) Deferred tax (cont'd)

The carrying amount of deferred income tax assets is reviewed at each balance sheet date 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 income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to 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 balance sheet date.

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

Deferred taxes are recognised in the profit and loss account except that deferred tax relating to items recognised directly in equity is recognised directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

iii) Sales tax

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

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

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

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

2.26 Segment reporting

A business segment is a distinguishable component of the Group that is engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environment.

2.27 Share capital and share issue 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. Summary of significant accounting policies (cont'd)

2.28 Contingencies

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

Contingent liabilities and assets are not recognised on the balance sheet of the Group.

3. Significant accounting judgements and estimates

Estimates, assumptions concerning the future are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Judgements made in applying accounting policies

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

i) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payables and net deferred tax assets at 31 December 2008 were $5,880,000 (2007: $2,480,000) and $4,330,000 (2007: $1,160,000) respectively.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

i) Useful lives of plant and machinery

The cost of plant and machinery for the manufacture of electronic components is depreciated on a straight-line basis over the plant and machinery's estimated economic useful lives. Management estimates the useful lives of these plant and machinery to be within 3 to 10 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's plant and machinery at the balance sheet date is disclosed in Note 13 to the financial statements.

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

3.2 Key sources of estimation uncertainty (cont'd)

ii) Impairment of loans and receivables

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the balance sheet date is disclosed in Note 18 to the financial statements. If the present value of estimated future cash flows varies by 10% from management's estimates, the Group's allowance for impairment will increase by $339,000 (2007: $242,000).

iii) Deferred tax assets

Deferred tax assets are recognised for all temporary differences to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognised temporary differences at 31 December 2008 was $34,294,000 (2007: $13,342,000) and the unrecognised tax losses at 31 December 2008 was $87,684,000 (2007: $47,980,000).

4. Revenue

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

5. Interest income

	Group	
	2008	**2007**
	$'000	$'000
Interest income from loans and receivables: bank balances and short-term fixed deposits	1,560	793

6. Other income

	Group 2008 $'000	2007 $'000
Sale of scrap materials	4,545	3,334
Tax refund on capital investments	3,832	1,956
Sale of molding samples	332	270
Compensation from customer	917	5,386
Incentives from governments	816	–
Service income from trial runs conducted for customers	2,364	2,400
Net fair value gains on derivatives	1,131	–
Others	1,068	–
	15,005	13,346

7. Financial costs

	Group 2008 $'000	2007 $'000
Interest expense on		
- Bank term loans	786	1,289
- Obligations under finance leases	537	517
Total finance costs	1,323	1,806

8. Other expenses

The following items have been included in arriving at other expenses:

	Group 2008 $'000	2007 $'000
Net loss on disposal of property, plant and equipment	295	36
Property, plant and equipment written off	862	508
Impairment loss on property, plant and equipment (Note 13)	14,109	959
Net foreign exchange loss	4,834	10,035
Loss on sale of raw materials	689	864
Compensation paid to customers	1,738	–

9. Profit before tax

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

	Group	
	2008	2007
	$'000	$'000
Non-audit fees paid to:		
- Auditors of the Company	166	205
- Other auditors	1,619	638
Depreciation of property, plant and equipment	44,526	40,491
Directors' fees	284	422
Directors' remuneration (Note 10)		
- Directors of the Company	3,245*	2,816*
- Director of a subsidiary company	285	211
Bad debts written off	410	1,090
Impairment loss on financial assets		
- Trade receivables (Note 18)	663	1,538
Inventories recognised as an expense in cost of sales (Note 17)	625,723	627,286
Equity compensation expense (Note 10)	31	266
Operating lease expenses	20,662	19,598
Provision for onerous contracts	3,813	–
Personnel expenses (Note 10)	178,566	156,073

* Amount includes performance bonus amounting to approximately $2,342,000 (2007: $1,866,000) pursuant to the Service Agreement entered into with a director.

10. Personnel expenses

	Group	
	2008	2007
	$'000	$'000
Wages, salaries and bonus	152,366	129,877
Defined contribution plans	15,753	14,285
Other short-term benefits	13,977	14,938
Equity compensation expense (Employee share option plans (Notes 9 and 27 (d))	31	266
	182,127	159,366

The personnel expenses are inclusive of executive directors' remuneration.

Equity compensation benefits are disclosed in Note 28.

11. Income tax expense/ (credit)

a) Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2008 and 2007 are:

	Group	
	2008	2007
	$'000	$'000
Profit and loss account		
Current tax		
- Current year	12,896	3,029
- Under/ (over) provision in respect of prior years	306	(169)
	13,202	2,860
Deferred tax		
- Current year	(2,223)	(3,064)
- Overprovision in respect of prior years	(823)	(80)
	(3,046)	(3,144)
Income tax expense/ (credit)	10,156	(284)

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 is as follows:

	Group	
	2008	2007
	$'000	$'000
Accounting profit before tax	112,384	59,168
Income tax expense at statutory rate	20,229	10,650
Tax effect of different tax rates of overseas operations	(10,144)	(3,018)
Tax effect of tax exempt income	(9,027)	(12,197)
Tax effect of expenses that are not deductible in determining taxable profit	3,530	2,655
Tax effect of income that are not taxable in determining taxable profit	(69)	(1,105)
Tax rebate and exemption	(966)	(143)
Deferred tax assets not recognized	7,118	2,986
Under/ (over) provision of current income tax in respect of prior years	306	(169)
Overprovision of deferred tax liabilities in respect of prior years	(823)	(80)
Others	2	137
Income tax expense/ (credit)	10,156	(284)

The corporate income tax rate applicable to Singapore companies of the Group was reduced to 18.0% for the year of assessment 2008 onwards from 20.0% for year of assessment 2007.

11. Income tax expense/ (credit) (cont'd)

b) Relationship between tax expense and accounting profit (cont'd)

In accordance with the "Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises", the subsidiaries in the PRC are entitled to full exemption from Enterprise Income Tax ("EIT") for the first two years and a 50% reduction in EIT for the next three years, commencing from the first profitable year after offset all tax losses carried forward from the previous five years. Accordingly, the profits of these subsidiaries are taxed at the following tax rates:

	2008	2007
	%	%
Hi-P Shanghai Electronics Co., Ltd.	18.0	15.0
Hi-P Camera Products Co., Ltd.	18.0	15.0
Hi-P Precision Plastic Manufacturing (Shanghai) Co., Ltd.	18.0	15.0
Hi-P (Suzhou) Technology Co., Ltd.	9.0	7.5
Hi-P (Xiamen) Precision Plastic Manufacturing Co., Ltd.	18.0	10.0
Hi-P (Chengdu) Precision Plastic Manufacturing Co., Ltd.	25.0	18.0
Hi-P (Chengdu) Mold Base Manufacturing Co., Ltd.	25.0	10.5
Qingdao Haier Hi-P Science Technology Co., Ltd.	25.0	24.0
Hi-P Tianjin Electronics Co., Ltd.	18.0	7.5
Hi-P (Shanghai) Industries Co., Ltd.	18.0	7.5
Hi-P (Shanghai) Housing Appliance Co., Ltd.	18.0	7.5
Hi-P (Shanghai) Precision Mold & Die Co., Ltd.	18.0	7.5
Hi-P (Tianjin) Precision Mold & Die Co., Ltd.	9.0	7.5
Hi-P (Suzhou) Electronics Co., Ltd.	Tax exempt	Tax exempt
Hi-P (Tianjin) Technology Co., Ltd.	Tax exempt	Tax exempt
Hi-P (Shanghai) Technology Co., Ltd.	9.0	Tax exempt
Hi-P Samkwang Technology (Shanghai) Co., Ltd.	Tax exempt	Tax exempt
Hi-P (Dongguan) Technology Co., Ltd.	Tax exempt	Tax exempt
Hi-P (Dongguan) Precision Mold & Die Co., Ltd.	Tax exempt	Tax exempt
Hi-P (Shanghai) Stamping Mold & Component Industries Co., Ltd.	12.5	Tax exempt

11. Income tax expense/ (credit) (cont'd)

High Precision Moulding and Tools, S.A. de C.V. is subject to the following types of income taxes:

(i) Asset tax: the 1.8% asset tax rate (which is a minimum income tax rate) for 2007 was computed on the average value of most assets net of certain liabilities. Since asset tax may be credited against income tax, the former is actually payable only to the extent that it exceeds income tax and any amount actually paid may be recovered in any of the succeeding ten years in which income tax exceeds asset tax; and

(ii) Flat Rate Business Tax (IETU) has been introduced in 2008 as a minimum tax to replace the Asset tax. The rate of IETU is 16.5% for 2008. The new tax is levied on broader taxable income and on a cash basis rather than an accrual basis. The tax applies only to Mexican residents and to non-residents that have a permanent establishment in Mexico. IETU is levied on the difference between cash collections from the sales of goods, rendering of services and rental of property and cash payments for the acquisition of goods, services and rentals. Income tax paid can be credited against the IETU. IETU paid in excess of income tax for any tax year cannot be carried over.

(iii) Income tax: the applicable corporate income tax rate is 28.0% (2007: 29.0%).

Hi-P Poland SP. ZO.O is subject to corporate income tax rate of 19.0% (2007: 19.0%).

There are no income tax consequences attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements.

Hi-P Global Trading Ltd. is granted the Global Business Companies Category 1 Licence and is taxed at a flat rate of 15.0% (2007: 15.0%). However, the subsidiary is entitled to unilateral foreign tax credits under the Income Tax (Foreign Tax Credit) Regulations 1996, which would result in a maximum effective tax rate of 3.0%.

12. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share amounts are calculated by dividing profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the 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.

12. Earnings per share (cont'd)

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

	Group 2008	Group 2007
Profit for the year attributable to equity holders of the Company ($'000)	102,321	59,999
Weighted average number of ordinary shares for basic earnings per share computation ('000)	887,175	887,175
Dilution effects of share options ('000)	–	–
Weighted average number of ordinary shares for the effect of dilution ('000)	887,175	887,175
Basic earnings per share (cents)	11.53	6.76
Diluted earnings per share (cents)	11.53	6.76

2,659,000 (2007: 3,532,000) of share options granted to employees under the existing employee share option plan have not been included in the calculation of diluted earnings per share because they are anti-dilutive for the current and previous financial periods presented.

13. Property, plant and equipment

Group	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
Cost							
At 1 January 2007	18,732	10,709	37,938	273,969	1,663	26,807	369,818
Additions	8,363	894	4,476	41,312	315	3,927	59,287
Reclassification	–	(9,325)	7,460	5,816*	–	(230)	3,721
Disposals	–	–	(735)	(2,235)	(67)	(386)	(3,423)
Written off	–	–	(429)	(136)	–	(112)	(677)
Translation difference	141	(234)	447	(5,799)	45	319	(5,081)
At 31 December 2007 and 1 January 2008	27,236	2,044	49,157	312,927	1,956	30,325	423,645
Additions	1,280	8,733	2,782	28,510	46	3,510	44,861
Reclassification	–	(2,448)	426	2,689	–	(667)	–
Disposals	–	(3)	(2,321)	(7,130)	(12)	(854)	(10,320)
Written off	–	(3)	(1,659)	(1,628)	–	(286)	(3,576)
Translation difference	(1,545)	(1,466)	3,723	10,529	(39)	853	12,055
At 31 December 2008	26,971	6,857	52,108	345,897	1,951	32,881	466,665

* Included is an amount of $3,721,000 of the production tooling molds for the Group has been reclassified from inventories (Note 17) to plant and machinery.

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

Group	Factory buildings and leasehold improvements $'000	Construction-in-progress $'000	Renovation $'000	Plant and machinery $'000	Motor vehicles $'000	Office equipment, furniture and fittings $'000	Total $'000
Accumulated depreciation							
At 1 January 2007	2,686	–	11,116	70,154	927	12,386	97,269
Charge for the year	1,071	–	5,654	28,737	232	4,797	40,491
Impairment loss (Note 8)	–	–	–	959	–	–	959
Reclassification	–	–	5	26	–	(31)	–
Disposals	–	–	(51)	(753)	(43)	(310)	(1,157)
Written off	–	–	(21)	(75)	–	(73)	(169)
Translation difference	14	–	67	(5,250)	7	339	(4,823)
At 31 December 2007 and 1 January 2008	3,771	–	16,770	93,798	1,123	17,108	132,570
Charge for the year	1,258	–	6,954	30,999	263	5,052	44,526
Impairment loss (Note 8)	1,947	–	1,925	10,128	–	109	14,109
Reclassification	–	–	–	(87)	–	87	–
Disposals	–	–	(1,160)	(4,441)	(9)	(526)	(6,136)
Written off	–	–	(583)	(1,719)	–	(412)	(2,714)
Translation difference	(640)	–	1,587	606	1	212	1,766
At 31 December 2008	6,336	–	25,493	129,284	1,378	21,630	184,121
Net carrying amount							
At 31 December 2008	20,635	6,857	26,615	216,613	573	11,251	282,544
At 31 December 2007	23,465	2,044	32,387	219,129	833	13,217	291,075

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

Company	Factory buildings and leasehold improvements $'000	Renovation $'000	Plant and machinery $'000	Motor vehicles $'000	Office equipment, furniture and fittings $'000	Total $'000
Cost						
At 1 January 2007	16,458	1,007	26,074	751	4,071	48,361
Additions	–	40	632	–	138	810
Disposals	–	–	(1,707)	–	(207)	(1,914)
Written off	–	–	–	–	(24)	(24)
At 31 December 2007 and 1 January 2008	16,458	1,047	24,999	751	3,978	47,233
Additions	–	195	335	–	141	671
Sales to a subsidiary	–	–	(20)	–	–	(20)
Disposals	–	–	(169)	–	(3)	(172)
Written off	–	(622)	(1,385)	–	(277)	(2,284)
At 31 December 2008	16,458	620	23,760	751	3,839	45,428
Accumulated depreciation						
At 1 January 2007	2,434	246	14,318	532	2,599	20,129
Charge for the year	290	195	2,660	70	706	3,921
Disposals	–	–	(1,380)	–	(154)	(1,534)
Written off	–	–	–	–	(24)	(24)
At 31 December 2007 and 1 January 2008	2,724	441	15,598	602	3,127	22,492
Charge for the year	290	222	2,446	70	563	3,591
Disposals	–	–	(177)	–	(3)	(180)
Written off	–	(335)	(1,380)	–	(275)	(1,990)
At 31 December 2008	3,014	328	16,487	672	3,412	23,913
Net carrying amount						
At 31 December 2008	13,444	292	7,273	79	427	21,515
At 31 December 2007	13,734	606	9,401	149	851	24,741

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

Assets held under finance leases

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of $Nil (2007: $6,963,000) by means of finance leases. The cash outflow on purchase of property, plant and equipment amounted to $43,108,000 (2007: $49,496,000).

The carrying amount of property, plant and equipment held under finance leases at the balance sheet date was $4,961,000 (2007: $6,990,000).

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

Impairment of assets

During the financial year, subsidiaries of the Group carried out a review of the recoverable amount of its property, plant and equipment because some machinery had been persistently under utilised and certain factories with building improvement and renovation cost capitalised were planned to be returned to the landlord. The Group has written off fully the carrying value of these equipments, building improvements and renovation costs, amounting to $14,109,000 (2007: $959,000) which was recognised in "Other expenses" (Note 8) line item of the profit and loss account for the financial year ended 31 December 2008.

14. Investment in subsidiaries

	Company	
	2008	**2007**
	$'000	$'000
Shares, at cost	193,234	191,242
Additional capital contribution	1,961	3,091
Amounts due from subsidiaries	92,381	98,096
	287,576	292,429
Impairment losses	(94,457)	(96,516)
	193,119	195,913

The additional capital contribution represents interest foregone on the interest-free long term loans granted by the Company to its subsidiaries (Note 18).

The amounts due from subsidiaries have no repayment terms, non-interest bearing and are repayable only when the cash flows of the subsidiaries permit. Accordingly, the fair value of these amounts is not determinable as the timing of the future cash flows arising from these amounts cannot be estimated reliably.

14. Investment in subsidiaries (cont'd)

Details of subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation and place of business	Equity interest held by the Group		Cost of investment	
			2008	2007	2008	2007
			%	%	$'000	$'000
Held by the Company						
Hi-P Shanghai Electronics Co., Ltd. ***	Manufacture of molds	People's Republic of China	100	100	10,737	10,737
Hi-P Camera Products Co., Ltd. ***	Manufacture of camera products	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. ***	Manufacture of molds and related housing appliance plastic components	People's Republic of China	100	100	14,027	14,027
Hi-P (Suzhou) Technology Co., Ltd. ***	Manufacture of plastic injection parts	People's Republic of China	100	100	4,258	4,258
Hi-P (Xiamen) Precision Plastic Manufacturing Co., Ltd. ***	Manufacture and sale of plastic product modules	People's Republic of China	100	100	8,438	8,438
High Precision Moulding and Tools, S.A. de C.V. **	Manufacture of plastic injection parts	Mexico	100	100	11,840	11,840
Hi-P Poland SP.ZO.O. **	Manufacture and sale of molds and plastic components	Poland	100	100	3,342	3,342

14. Investment in subsidiaries (cont'd)

Name of company	Principal activities	Country of incorporation and place of business	Equity interest held by the Group		Cost of investment	
			2008	2007	2008	2007
			%	%	$'000	$'000
Hi-P (Chengdu) Precision Plastic Manufacturing Co., Ltd.***	Manufacture of plastic injection parts	People's Republic of China	100	100	8,568	8,568
Hi-P (Chengdu) Mold Base Manufacturing Co., Ltd. ***	Manufacture of mold base and components	People's Republic of China	100	100	5,070	5,070
Hi-P (Thailand) Co., Ltd.**	Manufacture and sale of molds and plastic components	Thailand	100	100	2,992	1,000
Hi-P Tianjin Electronics Co., Ltd. ***	Manufacture and sale of plastic product modules	People's Republic of China	100	100	30,169	30,169
Hi-P (Tianjin) Technology Co., Ltd. ***	Manufacture and sale of molds and plastic components	People's Republic of China	100	100	15,118	15,118
Hi-P (Suzhou) Electronics Co., Ltd. ***	Manufacture and sale of molds and plastic components	People's Republic of China	100	100	8,311	8,311
Hi-P Samkwang Technology (Singapore) Pte. Ltd. #	In member's voluntary liquidation	Singapore	100	100	1,249	1,249
Hi-P Lens Technology (Shanghai) Co., Ltd. (f.k.a. Hi-P Samkwang Technology (Shanghai) Co., Ltd.) ***	Manufacture and production of in-mold decoration lenses	People's Republic of China	100	100	4,588	4,588

14. Investment in subsidiaries (cont'd)

Name of company	Principal activities	Country of incorporation and place of business	Equity interest held by the Group		Cost of investment	
			2008	2007	2008	2007
			%	%	$'000	$'000
Hi-P (Shanghai) Technology Co., Ltd. ***	Manufacture and sale of molds and plastic components	People's Republic of China	100	100	14,367	14,367
Hi-P (Shanghai) Precision Mold & Die Co., Ltd. ***	Manufacture of molds	People's Republic of China	100	100	6,506	6,506
Hi-P (Tianjin) Precision Mold & Die Co., Ltd. ***	Manufacture of molds	People's Republic of China	100	100	7,590	7,590
Hi-P (Dong Guan) Technology Co., Ltd.***	Design and fabrication of precision plastic injection molding parts, assembly and provide advisors services	People's Republic of China	100	100	3,843	3,843
Hi-P (Dong Guan) Precision Mold & Die Co., Ltd.***	Design and fabrication of precision plastic injection molding parts, assembly and provide advisors services	People's Republic of China	100	100	3,823	3,823
Hi-P North America, Inc. ***	Provision of engineering support services	United States of America	100	100	676	676
Hi-P Finland Oy **	Provision of engineering support services	Finland	100	100	16	16
Hi-P Gmbh #	Development, design and sales of electro-mechanical components	Germany	100	100	51	51

14. Investment in subsidiaries (cont'd)

Name of company	Principal activities	Country of incorporation and place of business	Equity interest held by the Group 2008 %	Equity interest held by the Group 2007 %	Cost of investment 2008 $'000	Cost of investment 2007 $'000
Hi-P Industries Pte. Ltd. *	Manufacture of metal precision components	Singapore	100	100	1,500	1,500
Hi-P (Shanghai) Stamping Mold & Component Industries Co., Ltd. ***	Design and manufacture of metal and non-metal stamping, molds and electric components	People's Republic of China	100	100	11,260	11,260
Hi-P Global Trading Ltd. **	International sales and marketing activities	Mauritius	100	100	85	85
Qingdao Haier Hi-P Science Technology Co., Ltd. ***	Manufacture and sale of plastic product molds	People's Republic of China	70	70	2,544	2,544
Hi-P Resources Ltd. #	Deregistered	Mauritius	100	100	8	8
Hi-P Management Services Pte Ltd. *	Manufacture and sale of tools, molds and plastic components (dormant)	Singapore	100	100	– @	– @
Held through a subsidiary						
Hi-P (Shanghai) Industries Co., Ltd. ***	Manufacture of precision stamped metal components and precision tools and die design and fabrication	People's Republic of China	100	100	–	–
					193,234	191,242

* Audited by Ernst & Young LLP, Singapore.
** Audited by member firms of Ernst & Young Global in respective countries.
*** Audited by local auditors in respective countries.
# Not required to be audited by the laws of its country of incorporation.
@ $2 comprising two subscriber shares of $1 each.

During the year, the Company increased its investment in Hi-P (Thailand) Co., Ltd by $1,992,000 from $1,000,000 to $2,992,000.

15. Investment in associates

	Group 2008 $'000	Group 2007 $'000	Company 2008 $'000	Company 2007 $'000
Unquoted equity shares, at cost	1,478	1,478	1,478	1,478
Share of post-acquisition reserves	1,014	1,213	–	–
Goodwill previously amortised	124	124	–	–
	2,616	2,815	1,478	1,478

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 2008 %	Effective equity interest held by the Group 2007 %	Cost of investment by the Company 2008 $'000	Cost of investment by the Company 2007 $'000
Held by the Company						
Express Tech Mfg Pte. Ltd.*	Manufacture and sale of plastic products and engineering parts	Singapore	30	30	503	503
Hi-Tec Precision Mould Pte. Ltd. **	Manufacture and repair of machinery, machine tools and machine tool accessories and die-casting	Singapore	40	40	494	494
Design Exchange Pte. Ltd. ***	Provision of product design and development services from concept ideation to mass production support	Singapore	40	40	481	481
					1,478	1,478

* Audited by Philip Liew & Co.
** Audited by Yong Chern Nan & Co.
*** Audited by Wong, Lee Associate.

15. Investment in associates (cont'd)

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

	2008	2007
	$'000	$'000
Assets and liabilities:		
Current assets	9,047	10,467
Non-current assets	3,059	4,441
Total assets	12,106	14,908
Current liabilities	4,276	4,447
Non-current liabilities	325	416
Total liabilities	4,601	4,863
Results:		
Revenue	8,864	9,522
Profit for the year	413	389

16. Other investment

	Group and Company	
	2008	2007
	$'000	$'000
Club membership:		
At cost	36	36
Impairment loss	(24)	(24)
	12	12

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

17. Inventories

	Group		Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Balance sheet:				
Work-in-progress	44,235	51,412	432	2,186
Raw materials	47,560	54,919	456	1,687
Finished goods	22,765	29,527*	2,788	2,286
	114,560	135,858	3,676	6,159

17. Inventories (cont'd)

	Group	
	2008	**2007**
	$'000	$'000
Profit and loss account:		
Inventories recognised as an expense in cost of sales	625,723	627,286
Inclusive of the following charge:		
- Inventories written off	1,351	2,475
- Impairment loss on inventory obsolescence	10,104	3,284

* Included was an amount of $3,721,000 of the production tooling molds for the Group has been reclassified from inventories to plant and machinery (Note 13).

18. Trade and other receivables

	Group		Company	
	2008	**2007**	**2008**	**2007**
	$'000	$'000	$'000	$'000
Trade and other receivables (current):				
Trade receivables	202,872	253,823	8,682	10,906
Other receivables	10,881	11,685	170	164
Amounts due from subsidiaries	–	–	71,885	63,861
Amounts due from minority shareholders of a subsidiary	827	306	–	–
Input tax/ VAT	26,670	16,873	340	470
Refundable deposits	4,549	2,666	107	172
	245,799	285,353	81,184	75,573
Other receivables (non-current):				
Amounts due from subsidiaries	–	–	–	11,879
Total trade and other receivables (current and non-current)	245,799	285,353	81,184	87,452
Add: Cash and cash equivalents (Note 21)	131,566	46,764	23,938	4,402
Total loans and receivables	377,365	332,117	105,122	91,854

18. Trade and other receivables (cont'd)

Trade and other receivables

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

Related party balances

– Amounts due from subsidiaries are unsecured, non-interest bearing and are repayable on demand in cash. At the balance sheet date, the difference between the transaction price and the fair value of $1,961,000 (2007: $3,091,000) has been recorded as an additional capital contribution in the subsidiaries (Note 14).

– Amounts due from minority shareholders of a subsidiary are non-interest bearing, unsecured and repayable on demand in cash. They are recognised at their original invoice amounts which represents their fair values on initial recognition.

Receivables that are past due but not impaired

The Group has trade receivables amounting to $42,239,000 (2007: $43,057,000) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group	
	2008	**2007**
	$'000	$'000
Trade receivables past due :		
Lesser than 30 days	31,543	41,868
30 to 60 days	6,397	1,061
61 to 90 days	1,575	25
91 to 120 days	1,338	103
More than 120 days	1,386	–
	42,239	43,057

18. Trade and other receivables (cont'd)

Receivables that are impaired

The Group has trade receivables that are impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

	Group Individually impaired	
	2008	**2007**
	$'000	$'000
Trade receivables – nominal amounts	3,388	2,421
Less: Allowance for impairment	(3,388)	(2,421)
	–	–
Movement in allowance accounts :		
At 1 January	2,421	1,222
Charge for the year	663	1,538
Written off	–	(291)
Exchange differences	304	(48)
As at 31 December	3,388	2,421

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

At the balance sheet date the Group has provided an allowance of $17,000 (2007: $17,000) for impairment of the unsecured amounts due from minority shareholders of a subsidiary with a nominal amount of $827,000 (2007:$306,000).

There has been no movement in this allowance account for the financial year ended 31 December 2008 (2007: $Nil).

19. Notes receivables

Notes receivables were issued by customers for trade purchases. The notes receivables have an average maturity of 3 to 6 months and interest-bearing. The weighted average effective interest rate is 0.3% (2007: 0.3%). They are recognised at their original invoice amounts which represents their fair values on initial recognition.

20. Derivatives

	Group 2008			Company 2008		
	Contract/ Notional Amount	Assets $'000	Liabilities $'000	Contract/ Notional Amount	Assets $'000	Liabilities $'000
Forward currency contracts	51,171	1,197	(21)	46,500	1,160	–
Total held for trading assets/ (liabilities)		1,197	(21)		1,160	–

Forward currency contracts are used to hedge the Group's sales and purchases denominated in USD and JPY for which firm commitments existed at the balance sheet date, extending to September 2009 (Note 33(c)).

21. Cash and cash equivalents

	Group		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Cash at banks and in hand	109,428	46,688	9,696	4,334
Short term fixed deposits	22,138	76	14,242	68
	131,566	46,764	23,938	4,402

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short term fixed deposits are made for varying periods of between 1 week and 6 months depending on the immediate cash requirements of the Group, and earn interest at the respective short term fixed deposit rates.

22. Trade and other payables

	Group		Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Trade and other payables (current):				
Trade payables	152,384	205,814	6,966	6,929
Other payables	25,730	45,358	305	281
Amounts due to subsidiaries	–	–	44,311	47,678
Amounts due to minority shareholders of a subsidiary	12	23	–	–
Total trade and other payables	178,126	251,195	51,582	54,888
Add:				
- Accrued operating expenses	36,278	24,221	9,560	6,167
- Loans and borrowings (Note 23)	5,679	34,320	80	20,972
Total financial liabilities carried at amortised cost	220,083	309,736	61,222	82,027

Trade payables

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

Other payables

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

Amounts due to subsidiaries and minority shareholders of a subsidiary

These amounts are unsecured, non-interest bearing and are repayable on demand.

23. Loans and borrowings

		Group		Company	
		2008	2007	2008	2007
	Maturity	$'000	$'000	$'000	$'000
Current:					
Obligations under finance lease (Note 30 (c))	2009-2017	543	547	55	55
Short-term bank loans (Note 24)		–	27,588	–	20,849
		543	28,135	55	20,904
Non-current:					
Obligations under finance lease (Note 30 (c))	2009-2017	5,136	6,185	25	68
Total loans and borrowings		5,679	34,320	80	20,972

<u>Obligations under finance lease</u>

These obligations are secured by a charge over the leased assets (Note 13). The effective interest rate in the finance leases are 4.3% to 9.1% (2007: 0.0% to 9.1%) per annum. These obligations are denominated in the respective functional currencies of the relevant entities in the Group.

<u>Short-term bank loans</u>

These loans were secured by a corporate guarantee from the Company. Repayment of this loan was due in 2008. These loans bear interests ranged 2.6% to 7.1% in 2007 (Note 24).

24. Short-term bank loans

	Effective interest rate	Maturity	Group 2008 $'000	Group 2007 $'000	Company 2008 $'000	Company 2007 $'000
Bank term loan bearing interest at 2.62% per annum, repayable over on 12 January 2008	2.6%	2008	–	5,600	–	5,600
Bank term loan bearing interest at 2.62% per annum, repayable over on 12 January 2008	2.6%	2008	–	4,500	–	4,500
Bank term loan bearing interest at 2.99% per annum, repayable over on 17 January 2008	3.0%	2008	–	6,000	–	6,000
Bank term loan bearing interest at 5.50% per annum, repayable over on 24 January 2008	5.5%	2008	–	4,749	–	4,749
Bank term loan bearing interest at 7.13% per annum, repayable over on 21 January 2008	7.1%	2008	–	4,162	–	–
Bank term loan bearing interest at 5.59% per annum, repayable over on 14 March 2008	5.6%	2008	–	2,577	–	–
Due within 12 months			–	27,588	–	20,849

In 2007, the bank term loans were secured by a corporate guarantee from the Company.

25. Deferred tax

Deferred income tax as at 31 December relates to the following:

	Group				Company	
	Consolidated balance sheet		Consolidated profit and loss account		Balance sheet	
	2008	2007	2008	2007	2008	2007
	$'000	$'000	$'000	$'000	$'000	$'000
Deferred tax liabilities						
Differences in depreciation	(51)	(708)	840	88	–	(874)
Deferred tax assets						
Temporary differences	4,381	1,868	2,206	3,056	–	–
Deferred income tax credit (Note 11)			3,046	3,144		

Unrecognised tax losses

At the balance sheet date, the Group has tax losses of approximately $87,684,000 (2007: $47,980,000) 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.

Unrecognised temporary differences relating to investments in subsidiaries and associates

At the balance sheet date, no deferred tax liability has been recognised for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries and associates, as:

- The Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future; and
- The Company has agreements with its associates that the profits of the associates will not be distributed until it obtains the consent of the Company. As at the balance sheet date, the Company does not foresee giving such consent in the foreseeable future.

The temporary differences associated with investments in subsidiaries and associates, for which deferred tax liability has not been recognised, aggregate to $168,970,000 (2007: $202,045,000).

Tax consequences of proposed dividends

There are no income tax consequences (2007:$Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 29).

26. Share capital

	Group and Company			
	2008		2007	
	No. of shares		No. of shares	
	'000	$'000	'000	$'000
Issued and fully paid :				
At 1 January and 31 December	887,175	119,725	887,175	119,725

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

The Company has an employee share option scheme (Note 28) under which options to subscribe for the Company's ordinary shares have been granted to employees of the Group.

27. Other reserves

	Group		Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Statutory reserve fund (a)	36,540	28,694	–	–
Foreign currency translation reserve (b)	470	(12,144)	–	–
Capital reserve (c)	–	74	–	–
Employee share option reserve (d)	2,869	2,838	2,869	2,838
	39,879	19,462	2,869	2,838

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	
	2008	2007
	$'000	$'000
At 1 January	28,694	21,286
Reclassification from capital reserve	37	–
Transfer from retained earnings	7,809	7,408
At 31 December	36,540	28,694

27. Other reserves (cont'd)

(b) Foreign currency translation reserve

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

	Group 2008 $'000	Group 2007 $'000
At beginning of year	(12,144)	(17,187)
Net effect of exchange differences arising from translation of financial statements of foreign operations	12,577	5,043
Reclassification from capital reserve	37	–
At end of year	470	(12,144)

(c) Capital reserve

	Group 2008 $'000	Group 2007 $'000
At beginning and end of year	74	74
Reclassification to statutory reserve fund	(37)	–
Reclassification to foreign currency translation reserve	(37)	–
At end of year	–	74

(d) Employee share option reserve

Employee share option reserve represents the equity-settled share options granted to employees (Note 28). 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 and is reduced by the expiry or exercise of the share options.

	Group and Company 2008 $'000	Group and Company 2007 $'000
At 1 January	2,838	2,572
Equity compensation expense	35	396
Forfeited during the year	(4)	(130)
At 31 December	2,869	2,838

28. Equity compensation benefits

The Hi-P Employee Share Option Scheme ("the Option Scheme") was approved and adopted at the Company's Extraordinary General Meeting held on 7 October 2003. The Option Scheme applies to executive directors, employees of the Group, controlling shareholders and their associates. The Option Scheme is administered by the Remuneration Committee, comprising Messrs Leong Lai Peng (Chairman), Chester Lin Chien and Dr Tan Khee Giap.

Other information regarding the Option Scheme is set out below:

(i) The exercise price of the options is determined at the average of the last dealt price for the Company's shares on the Singapore Exchange Securities Trading Limited ("SGX-ST") on the five business days immediately preceding the date of grant of such options.

(ii) 50% of the options vest one year after the grant date, and the remaining 50% vest two years after the grant date.

(iii) The options expire 8 years after the grant date.

(iv) The options are only settled by equity.

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

	No. 2008 '000	WAEP 2008 $	No. 2007 '000	WAEP 2007 $
Outstanding at 1 January	3,532	1.30	5,604	1.28
- Forfeited	(873)	1.21	(2,072)	1.24
Outstanding at 31 December	2,659	1.33	3,532	1.30
Exercisable at 31 December	2,659	1.33	2,951	1.34

[1] The range of exercise prices for options outstanding at the end of the year was $1.11 to $1.63 (2007: $1.11 to $1.73). The weighted average remaining contractual life for these options is 3.98 years (2007: 5.17 years).

There were no options granted or exercised during the financial year ended 31 December 2008.

As at 31 December 2006, the fair value of share options as at the date of grant is estimated by an external valuer using a binomial model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used for the year ended 31 December 2006 is shown below:

	2006
Expected volatility (%)	38.40
Historical volatility (%)	40.50
Risk-free interest rate (%)	3.55
Expected dividend yield (%)	1.00
Expected life of options (years)	8
Weighted average share price ($)	1.04

29. Dividends

	Group and Company	
	2008	2007
	$'000	$'000
Declared and paid during the financial year		
Dividends on ordinary shares:		
▪ Final exempt one-tier dividend for 2007: 1.5 cents (2006: 0.8 cents per share)	13,308	5,820
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 2008: 2.2 cents (2007: 1.5 cents per share)	19,518	13,308

30. Commitments

(a) Capital commitments

Capital expenditure contracted for as at the balance sheet date but not recognised in the financial statements are as follows:

	Group		Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Capital commitments in respect of property, plant and equipment	10,571	14,632	389	–

(b) Operating lease commitments

The Group and Company have entered into commercial leases on plant and machinery, motor vehicles, office equipment, factory sites, offices and staff accommodation. The lease terms range from 1 year to 30 years with options to purchase or renewal options at the end of the lease terms. Operating lease payments recognised in the consolidated profit and loss account during the year amount to $20,662,000 (2007: $19,598,000).

30. Contingent liabilities and commitments (cont'd)

(b) Operating lease commitments (cont'd)

Future minimum rental payables under non-cancellable leases at the balance sheet date are as follows:

	Group		Company	
	2008	**2007**	**2008**	**2007**
	$'000	$'000	$'000	$'000
Not later than 1 year	15,142	11,510	221	400
Later than 1 year but not later than 5 years	16,176	25,411	772	1,601
Later than 5 years	7,850	26,446	2,127	17,079
	39,168	63,367	3,120	19,080

(c) Finance lease commitments

The Group has finance leases for certain items of plant and machinery, motor vehicles and office equipment (Note 13). These leases have terms of renewal but no purchase options and escalation clauses. There are no restrictions placed upon the Group by entering into these leases. Renewals are at the option of the specific entity that holds the lease.

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

	Group		Company	
	Total minimum lease payments	**Present value of payments**	**Total minimum lease payments**	**Present value of payments**
2008	$'000	$'000	$'000	$'000
Within one year	552	543	64	55
After one year but not more than five years	1,974	1,970	29	25
More than five years	3,166	3,166	–	–
Total minimum lease payments	5,692	5,679	93	80
Less amounts representing finance charges	(13)	–	(13)	–
Present value of minimum lease payments	5,679	5,679	80	80

30. Contingent liabilities and commitments (cont'd)

(c) Finance lease commitments (cont'd)

	Group		Company	
2007	**Total minimum lease payments** $'000	**Present value of payments** $'000	**Total minimum lease payments** $'000	**Present value of payments** $'000
Within one year	549	547	64	55
After one year but not more than five years	3,200	3,189	80	68
More than five years	3,005	2,996	–	–
Total minimum lease payments	6,754	6,732	144	123
Less amounts representing finance charges	(22)	–	(21)	–
Present value of minimum lease payments	6,732	6,732	123	123

31. Contingencies

Guarantees

The Group granted corporate guarantees of $14,152,000 (2007: $47,128,000) and $29,089,000 (2007: $84,958,000) in favour to third party suppliers for purchases made by subsidiaries and banks for facilities obtained by subsidiaries respectively as at 31 December 2008.

32. 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 at terms agreed between the parties during the financial year:

	Group		Company	
	2008	**2007**	**2008**	**2007**
	$'000	$'000	$'000	$'000
Income				
Sales to a corporate shareholder and companies related to the shareholder	131	135	–	–
Sales to a minority shareholder of a subsidiary and companies related to the shareholder	2	753	–	–
Sales of materials to subsidiaries	–	–	840	682
Sales of property, plant and equipment to a subsidiary	–	–	20	307
Dividend income from subsidiaries	–	–	58,237	171,504
Expenses				
Purchase of materials from a corporate shareholder and companies related to the shareholder	1,986	1,650	–	–
Rendering of services from subsidiaries	–	–	434	3,808

b) Compensation of key management personnel

	Group	
	2008	**2007**
	$'000	$'000
Defined contribution plans	74	63
Other short-term employee benefits	6,342	5,633
Equity compensation expense	24	232
Total compensation paid to key management personnel	6,440	5,928
Comprise amounts paid to :		
Directors of the Company	1,961	2,757
Other key management personnel	4,479	3,171
	6,440	5,928

32. Related party transactions (cont'd)

b) Compensation of key management personnel (cont'd)

The remuneration of key management personnel are determined by the Remuneration Committee having regard to the performance of individuals and market trends.

Directors' and key management personnel's interests in the Hi-P Employee Share Option Scheme

During the year ended 31 December 2008, no options were granted to the aforementioned executive directors. No options were exercised by the executive directors during the year.

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

33. Financial risk management objectives and policies

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

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

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

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings. All of the Group's and the Company's financial assets and liabilities at floating rates are contractually repriced at intervals of less than 6 months (2007: less than 6 months) from the balance sheet date.

The Group's policy is to manage interest cost by only borrowing short-term loan at floating rate to finance its short-term working capital requirement and settling them at its soonest possible. The Group and the Company do not have any long term loan and borrowing as at balance sheet date.

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

(a) Interest rate risk (cont'd)

Sensitivity analysis for interest rate risk

The table below demonstrates the sensitivity to a reasonably possible change in interest rate with all of the variables held constant, of the Group's profit net of tax (through the impact on interest expenses on floating rate loans and borrowings). At 31 December 2008, there is no outstanding loans and borrowing. Hence, there is no effect on profit net of tax by changes in basis points. The impact in 2007 is $273,000 higher/lower for interest expense for fluctuation of 100 basis points higher/lower of interest.

	Group	
	Increase/ decrease in basis points	Effect on profit net of tax $'000
2007		
- SGD	+100	(161)
- USD	+100	(45)
- RMB	+100	(67)
- SGD	-100	161
- USD	-100	45
- RMB	-100	67

(b) Liquidity risk

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

The Group's and the Company's liquidity risk management policy is to manage liquidity risk on 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 requirement. At balance sheet date, the Group has a current ratio of 2.24 and sufficient standby credit facilities with several banks. At 31 December 2008, there were no loans and borrowings.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the balance sheet date based on contractual undiscounted payments.

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

(b) Liquidity risk (cont'd)

	2008				2007			
	1 year or less S$'000	1 to 5 years S$'000	Over 5 years S$'000	Total S$'000	1 year or less S$'000	1 to 5 years S$'000	Over 5 years S$'000	Total S$'000
Group								
Trade and other payables	178,126	–	–	178,126	251,195	–	–	251,195
Accrued operating expenses	36,278	–	–	36,278	24,221	–	–	24,221
Derivatives	21	–	–	21	–	–	–	–
Loans and borrowings	543	2,778	2,358	5,679	28,135	3,189	2,996	34,320
	214,968	2,778	2,358	220,104	303,551	3,189	2,996	309,736
Company								
Trade and other payables	51,582	–	–	51,582	54,888	–	–	54,888
Accrued operating expenses	9,560	–	–	9,560	6,167	–	–	6,167
Loans and borrowings	55	25	–	80	20,904	68	–	20,972
	61,197	25	–	61,222	81,959	68	–	82,027

(c) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily SGD, Renminbi (RMB), Mexico Pesos (PSO), Polish Zloty (PLN) and Thai Baht (THB). The foreign currencies in which these transactions are denominated are mainly U.S. Dollars (USD). Approximately 81% of the Group's sales and 49% of the Group's purchases are denominated in USD respectively. The Group's net transactional currency exposure for 2008 is approximately USD406 million. As at balance sheet date, the Group's net USD trade receivables and payables are approximately USD132 million. The USD weakens against RMB and strengthens against SGD in 2008.

The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes. At the balance sheet date, the Group and the Company have approximately $61 million and $7 million (mainly in USD) of such foreign currency balances.

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

(c) Foreign currency risk (cont'd)

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 measurement currency as and when management deems necessary. The unhedged exposure is reviewed and monitored closely on an ongoing basis and management will consider hedging any exposure where appropriate. The Group had approximately 54% of hedging in 2008 for its transactional currency arising from USD sales and purchases.

Sensitivity analysis for foreign currency risk

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

	Group Profit net of tax	
	2008	**2007**
	$'000	$'000
USD/ RMB – strengthened 5% (2007: 6%)	9,467	10,030
– weakened 5% (2007: 6%)	(9,467)	(10,030)

(d) Credit risk

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

The Group's objective is to seek continual revenue growth while minimizing losses incurred due to increased credit risk exposure. The Group trades only with recognized and creditworthy third parties with credit verification procedures. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on ongoing basis with the results that the Group's exposure to bad debts is not significant (less than 0.1% of sales for 2008).

Exposure to credit risk

At the balance sheet date, the Group's and the Company's maximum exposure to credit risk is represented by:

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

- a nominal amount of $29,089,000 (2007: $84,958,000) relating to corporate guarantees by the Company to financial institutions in connection with financing facilities given to the subsidiaries.

- a nominal amount of $14,152,000 (2007: $47,128,000) relating to corporate guarantees by the Company in favour to third party suppliers for purchases made by the subsidiaries.

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

(d) Credit risk (cont'd)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an on going basis. The credit risk concentration profile of the Group's trade receivables at the balance sheet date is as follows:

	Group			
	2008		2007	
	$'000	% of total	$'000	% of total
By country:				
Europe	44,611	22%	80,653	32%
USA and other parts of American Continent	104,240	51%	69,054	27%
People's Republic of China	39,053	19%	69,678	27%
Singapore	7,005	4%	22,476	9%
Malaysia	5,118	3%	7,313	3%
Other countries	2,845	1%	4,649	2%
	202,872	100%	253,823	100%
By industry sectors:				
Telecommunications	155,810	77%	147,108	58%
Consumer Electronics & Computing	47,062	23%	106,715	42%
	202,872	100%	253,823	100%

At the balance sheet date, approximately 86% (2007: 51%) of the Group's trade receivables were due from 5 major customers who are multinational conglomerates.

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 18.

34. Fair value of financial instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Financial instruments whose carrying amount approximate fair value

Management has determined that the carrying amounts of cash and cash equivalents, current trade and other receivables, current trade and other payables and current obligation finance lease, based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently.

Financial instruments carried at other than fair value

Set out below is a comparison by category of carrying amounts and fair values of all of the Group and Company's financial instruments that are carried in the financial statements at other than fair values as at 31 December:

	Group				Company			
	Carrying amount		Fair value		Carrying amount		Fair value	
	2008	2007	2008	2007	2008	2007	2008	2007
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets:								
Amounts due from subsidiaries	–	–	–	–	164,266	173,836	164,266	172,582
Financial liabilities:								
Amounts due to minority shareholders of a subsidiary	12	23	12	23	–	–	–	–
Obligations of finance lease (non-current)	5,136	6,185	3,816	2,884	25	68	24	63

Methods and assumptions used to determine fair values

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

35. 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 of shares or issue new shares. For the year ended 31 December 2008, the Group has declared a dividend payment of $19.5 million to shareholders (as disclosed in Note 29).

As disclosed in Note 27(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 31 December 2008 and 2007.

The Group monitors capital using a gearing ratio, which is total debt divided by total capital. The Group has a gearing ratio of 1.1% (2007: 8.0%) as at 31 December 2008. The Group includes within total debt, loans and borrowings and lease obligations. Total capital includes equity attributable to the equity holders of the parent less the above-mentioned restricted statutory reserve fund.

	Group	
	2008	**2007**
	$'000	$'000
Loans and borrowings (Note 23)	–	27,588
Lease obligations (Note 30(c))	5,679	6,732
Total debt	5,679	34,320
Equity attributable to the equity holders of the Company	557,340	455,719
Less: Statutory reserve fund (Note 27(a))	(36,540)	(28,694)
Total capital	520,800	427,025
Gearing ratio	1.1%	8.0%

36. Segment information

Reporting format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Business segments

For management purposes, the Group is organised on a world-wide basis into three major operating activities. These operating activities are the basis on which the Group reports its primary segment information which are namely:

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

Geographical segments

The Group's geographical segments are based on the location of the Group's operations. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

Allocation basis and transfer pricing

Segment assets and liabilities cannot be directly attributable to individual business segments and it is impractical to allocate them to the business segments. Accordingly, it is not meaningful to disclose assets, liabilities and capital expenditure by business segments.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

36. Segment information (cont'd)

(a) Business segment

2008	PPIM $'000	MDF $'000	Assembly $'000	Eliminations $'000	Consolidated $'000
Revenue:					
Sales to external customers	494,112	40,468	542,522	–	1,077,102
Inter-segment sales	47,724	–	–	(47,724)	–
	541,836	40,468	542,522	(47,724)	1,077,102
Results:					
Profit from operations	70,328	3,561	38,158	–	112,047
Financial costs					(1,323)
Interest income					1,560
Share of results of associates					100
Profit before tax					112,384
Income tax expense					(10,156)
Profit, net of tax					102,228
Other information					
Depreciation of property, plant and equipment	23,286	5,776	15,464	–	44,526
Other non-cash expenses	19,434	1,196	10,977	–	31,607

36. Segment information (cont'd)

(a) Business segment (cont'd)

2007	PPIM $'000	MDF $'000	Assembly $'000	Eliminations $'000	Consolidated $'000
Revenue:					
Sales to external customers	384,269	60,548	531,749	–	976,566
Inter-segment sales	31,902	–	–	(31,902)	–
	416,171	60,548	531,749	(31,902)	976,566
Results:					
Profit from operations	30,261	7,497	22,356	–	60,114
Financial costs					(1,806)
Interest income					793
Share of results of associates					67
Profit before tax					59,168
Income tax credit					284
Profit, net of tax					59,452
Other information					
Depreciation of property, plant and equipment	17,384	7,049	16,058	–	40,491
Other non-cash expenses	3,781	694	2,941	–	7,416

36. Segment information (cont'd)

(b) Geographical segments

The following table presents revenue, assets and other segment information regarding the Group's geographical segments as at and for the years ended 31 December 2008 and 2007.

Revenue is based on the location of customers. Assets and additions to property, plant and equipment are based on the location of those assets.

	Revenue		Segment assets		Capital expenditure	
	2008	2007	2008	2007	2008	2007
	$'000	$'000	$'000	$'000	$'000	$'000
Asia						
People's Republic of China	265,771	307,142	618,142	541,587	41,141	38,241
Singapore	16,636	34,724	61,091	79,026	671	912
Malaysia	27,800	11,945	–	–	–	–
Others	24,278	23,963	3,877	3,879	103	249
	334,485	377,774	683,110	624,492	41,915	39,402
Europe	278,711	299,484	44,948	88,932	2,482	17,365
United States and the rest of Americas	463,906	299,308	54,011	53,730	464	2,520
	1,077,102	976,566	782,069	767,154	44,861	59,287
Unallocated assets:						
-Investment in associates	–	–	2,616	2,815	–	–
	1,077,102	976,566	784,685	769,969	44,861	59,287

37. Events occurring after the balance sheet date

(i) Change in the corporate tax

On 22 January 2009, the Singapore Minister for Finance announced the revision in the Singapore corporate tax rate from 18.0% to 17.0% with effect from year of assessment 2010. In accordance with *FRS 12, Income taxes and FRS 10, Events after the Balance Sheet Date,* this is a non-adjusting subsequent event and the financial effect of the reduced tax rate will be reflected in the financial year ended 31 December 2009.

(ii) Share buyback

On 19 January 2009, the shareholders approved the share purchase mandate. The repurchases of shares are financed by internal sources of funds. The amounts are adjusted against the Company's share capital.

38. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2008 were authorised for issue in accordance with a resolution of the directors on 25 March 2009.

Statistics of Shareholdings

as at 11 March 2009

Distribution of Shareholdings

Size of shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	7	0.24%	1,505	-
1,000 - 10,000	1,647	56.64%	10,511,777	1.19%
10,001 - 1,000,000	1,228	42.23%	69,092,300	7.83%
1,000,001 and above	26	0.89%	802,602,418	90.98%
Total	**2,908**	**100.00%**	**882,208,000**	**100.00%**

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1	Yao Hsiao Tung	488,385,480	55.36
2	Molex International Inc	178,236,020	20.20
3	DBS Nominees Pte Ltd	41,311,978	4.68
4	Citibank Noms S'pore Pte Ltd	20,745,952	2.35
5	Raffles Nominees Pte Ltd	16,300,940	1.85
6	DBSN Services Pte Ltd	13,022,000	1.48
7	HSBC (Singapore) Noms Pte Ltd	7,672,000	0.87
8	United Overseas Bank Nominees	4,372,000	0.49
9	UOB Kay Hian Pte Ltd	3,872,000	0.44
10	DBS Vickers Secs (S) Pte Ltd	2,968,000	0.34
11	Phillip Securities Pte Ltd	2,918,000	0.33
12	Roderick Ser Phuay Kee	2,440,000	0.28
13	Merrill Lynch (S'pore) P L	2,260,000	0.26
14	Tan Hua Tock	2,185,000	0.25
15	Chester Lin Chien	2,000,000	0.23
16	Chan Hean Wee	1,600,000	0.18
17	Ho Hock Yong	1,500,000	0.17
18	Ong Eng Loke	1,445,000	0.16
19	Chew Poh Chee	1,400,000	0.16
20	Szeto Tzen	1,282,000	0.14
Total		**795,916,370**	**90.22**

SHAREHOLDERS' INFORMATION AS AT 11 MARCH 2009

Number of shares excluding Treasury shares	:	882,208,000
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share, except treasury shares

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 11 March 2009.

	Direct Interest	**%[3]**	**Deemed Interest**	**%[3]**
Yao Hsiao Tung	488,385,480	55.36	1,000,000	0.11
Wong Huey Fang (Note 1)	1,000,000	0.11	488,385,480	55.36
Molex International Inc	178,361,600	20.22	-	-
Molex Incorporated (Note 2)	-	-	178,361,600	20.22

Notes:

1. Mdm Wong Huey Fang is the spouse of Mr Yao Hsiao Tung. As such, Mdm Wong Huey Fang is deemed to have an interest in the 488,385,480 shares held by Mr Yao Hsiao Tung.

2. Molex International Inc is a subsidiary of Molex Incorporated. As such, Molex Incorporated is deemed to have an interest in the 178,361,600 shares held by Molex International Inc.

3. Percentage shareholding is based on the Company's total issued shares of 882,208,000 shares as at 11 March 2009 (excluding treasury shares).

FREE FLOAT

As at 11 March 2009, approximately 23.95% of the total issued shares (excluding treasury shares) of the Company was held in the hands of the public (on the basis of information available to the Company).

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

TREASURY SHARES

As at 11 March 2009, the Company held 4,967,000 treasury shares, representing 0.56% of the total issued shares excluding treasury shares.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Hi-P International Limited (the "Company") will be held at Ficus 1 Room, Level 2, Jurong Country Club, 9 Science Centre Road Singapore 609078 on Thursday, 23 April 2009 at 3.00 p.m. for the following purposes:

Ordinary Business

1. To receive and adopt the Directors' Report and Audited Accounts of the Company for the year ended 31 December 2008 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final exempt one-tier dividend of 2.2 cents per ordinary share for the year ended 31 December 2008. [2007: 1.5 cents per ordinary share] **(Resolution 2)**

3. To re-elect the following Directors retiring pursuant to Articles 91 of the Company's Articles of Association:

   Mr Yeo Tiong Eng **(Resolution 3)**
   Madam Wong Huey Fang **(Resolution 4)**

   Mr Yeo Tiong Eng will, upon re-election as a director of the Company, remain as a member of the Audit Committee and will not be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

4. To approve the payment of Directors' fees of S$358,000.00 for the year ended 31 December 2008. (2007: S$358,000.00) **(Resolution 5)**

5. To re-appoint Messrs Ernst & Young LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**

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

Special Business

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

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

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

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

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

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

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

(ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the rules of the Listing Manual; and

(iii) any subsequent bonus issue, consolidation or subdivision of shares."
[See Explanatory Note (i)] **(Resolution 7)**

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

"That, pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be and are hereby authorised to offer and grant options in accordance with the Hi-P Employee Share Option Scheme (the "Scheme") and to issue such shares as may be required to be issued pursuant to the exercise of the options granted under the Scheme provided always that the aggregate number of shares to be issued pursuant to the Scheme, together with the aggregate number of shares to be issued pursuant to all other scheme(s) that may be approved by the members of the Company, shall not exceed fifteen per cent. (15%) of the total number of issued shares excluding treasury shares of the Company from time to time." [See Explanatory Note (ii)] **(Resolution 8)**

By Order of the Board

Yao Hsiao Tung
Executive Chairman

Singapore, 7 April 2009

Explanatory Notes:

(i) The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company. The aggregate number of shares (including any shares issued pursuant to the convertible securities) which the Directors may allot and issue under this Resolution will not exceed fifty per cent. (50%) of the total number of issued shares excluding treasury shares (as defined in Resolution 7) of the Company. For issues of shares and convertible securities other than on a pro-rata basis to all shareholders, the aggregate number of shares to be issued shall not exceed twenty per cent. (20%) of the total number of issued shares excluding treasury shares (as defined in Resolution 7) of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue shares pursuant to any convertible securities issued under this authority.

(ii) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors of the Company, to grant options and to allot and issue shares pursuant to the exercise of the options under the Hi-P Employee Share Option Scheme, together with the allotment and issue of shares pursuant to all other scheme(s) that may be approved by the members of the Company, of up to a number not exceeding in total fifteen per cent. (15%) of the total number of issued shares excluding treasury shares of the Company from time to time.

Notes:

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

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

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

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HI-P INTERNATIONAL LIMITED
Company Registration Number 198004817H
(Incorporated in the Republic of Singapore)

Proxy Form

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

I/We____(Name)

of____(Address)

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

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

and/or (delete as appropriate)

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

as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting of the Company (the "Meeting") to be held at Ficus 1 Room, Level 2, Jurong Country Club, 9 Science Centre Road Singapore 609078 on Thursday, 23 April 2009 at 3.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any matter arising at the Meeting.

No.	Resolutions Relating to:	For	Against
1.	Directors' Report and Accounts for the year ended 31 December 2008		
2.	Payment of first and final dividend		
3.	Re-election of Mr Yeo Tiong Eng		
4.	Re-election of Madam Wong Huey Fang		
5.	Approval of Directors' fees for the year ended 31 December 2008		
6.	Re-appointment of Messrs Ernst & Young LLP as Auditors		
7.	Authority to issue and allot shares pursuant to Section 161 of the Companies Act, Cap. 50		
8.	Authority to grant options and issue shares under the Hi-P Employee Share Option Scheme		

Dated this _______ day of ___________________ 2009

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

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES

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

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

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

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

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

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

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

GENERAL:

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

Hi-P Group of Companies

HOLDING COMPANY

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

SUBSIDIARIES – SINGAPORE

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

Hi-P Management Services Pte. Ltd.
(previously known as Hi-P Tech
Singapore Pte Ltd)
11 International Business Park,
Jurong East, Singapore 609926

SUBSIDIARIES - NORTH CHINA

Hi-P Tianjin Electronics Co., Ltd.
6, Building C, Xiang-an Road,
Tianjin Technological and Economic
Development Area, Tianjin, the PRC

Hi-P (Tianjin) Technology Co., Ltd.
No. 156, Nan Hai Road,
Technological and Economic
Development Area, Tianjin, the PRC

Hi-P (Tianjin) Precision Mold & Die Co., Ltd.
South Side, Building F, Fenghua
Industrial Park, No. 66 the 9th Avenue,
Tianjin Technological and Economic
Development Area, Tianjin, the PRC

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

SUBSIDIARIES - SOUTH CHINA

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

Hi-P (Dong Guan) Technology Co., Ltd.
No. 683, Zhen'An Middle Road,
ShaTou South District,
Chang'An Town, DongGuan,
GuangDong, the PRC

**Hi-P (Dong Guan) Precision Mold
& Die Co.,Ltd.**
No. 683, Zhen'An Middle Road,
ShaTou South District,
Chang'An Town, DongGuan,
GuangDong, the PRC

SUBSIDIARIES - EAST CHINA

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

Hi-P Camera Products Co., Ltd.
No. 366, Jin Zang Road,
Pudong New District, Shanghai, the PRC

**Hi-P Precision Plastic
Manufacturing (Shanghai) Co., Ltd.**
No. 366, Jin Zang Road,
Pudong New District, Shanghai, the PRC

**Hi-P (Shanghai) Housing Appliance
Co., Ltd.**
No. 366, Jin Zang Road,
Pudong New District, Shanghai, the PRC

Hi-P Shanghai Electronics Co., Ltd.
No. 366, Jin Zang Road,
Pudong New District, Shanghai, the PRC

Hi-P (Suzhou) Technology Co., Ltd.
Building G, No. 72 Loujiang Road,
Kuatang Sub-Zone, Suzhou Industrial
Park, Jiangsu, the PRC

Hi-P (Suzhou) Electronics Co., Ltd.
No.73 Lu Shan Road,
Suzhou New District, Jiangsu, the PRC

**Hi-P (Shanghai) Precision Mold
& Die Co., Ltd.**
No.4/40B Plot,1006 Jinmin Road,
Jinqiao Export & Processing Zone,
Pudong New Area, Shanghai, the PRC

Hi-P (Shanghai) Technology Co., Ltd
No.3F, 955 Jin Hai Road,Pudong XinQu,
Shanghai, the PRC

Hi-P Lens Technology (Shanghai) Co., Ltd
(previously known as Hi-P Samkwang
Technology (Shanghai) Co., Ltd)
No.4F, 955 Jin Hai Road,
Pudong Xin Qu, Shanghai, the PRC

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

SUBSIDIARIES - WEST CHINA

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

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

SUBSIDIARIES – SOUTH AMERICA

**High Precision Moulding and Tools,
S.A. de C.V.**
Circuito De La Productividad No.103
Parque Industrial Guadalajara El Salto,
Jalisco Mexico

SUBSIDIARIES - NORTH AMERICA

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

SUBSIDIARIES - EUROPE

Hi-P Finland Oy
Helsingintie 13B 16, Salo 24100, Finland

Hi-P GmbH
Hofmannstrasse 54, D-81379 München,
Germany

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

SUBSIDIARIES – OTHER

Hi-P Global Trading Ltd.
(formerly known as Hi-P Mauritius Ltd.)
Level 3 Alexander House,
35 Cybercity, Ebene Mauritius

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

ASSOCIATED CO.

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

Hi-Tec Precision Mould Pte. Ltd.
Blk 2 Skytech #04-01,
Bukit Batok Street 24,
Singapore 659480

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

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

11 International Business Park
Jurong East Singapore 609926
Company Registration Number: 198004817H