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

Geared for the Future

ANNUAL REPORT 2009

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

The Group provides 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 Taiwan 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.

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Corporate Information
as at 15 March 2010

BOARD OF DIRECTORS

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

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

AUDIT COMMITTEE

Dr Tan Khee Giap (Chairman)
Yeo Tiong Eng
Leong Lai Peng
Tong Choo Cherng

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

REGISTERED OFFICE

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

COMPANY SECRETARY

Tan Ping Ping

SHARE REGISTRAR

Boardroom Corporate &
Advisory Services Pte. Ltd.
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

AUDITORS

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

AUDIT PARTNER-IN-CHARGE

Max Low Khum Whai
(Appointed with effect from financial year
ended 31 December 2009)

Chairman's Statement

Dear Shareholders,

In my FY2008 Chairman Statement, I mentioned that we would be facing the most challenging business environment since our inception in 1980. Like companies worldwide, we faced key issues such as: orders slowdown, increased competition, higher currency volatility and business partners experiencing financial difficulties. We adopted the following strategies and measures to fight through this financial crisis:

- Intensify our team's fighting spirit
- Fight for new business and cherish our existing customers
- Seek ways to lower our breakeven point through disciplined cost control
- Manage foreign exchange risk
- Adopt prudent credit management
- Keep a tight control on capital expenditure
- Be open to strategic investment opportunities

Commendable Results Achieved through the Successful Application of our Strategies & Measures

A year has passed, and we have carried out all the measures and achieved the goals that we have set. With these measures in place, Hi-P achieved a commendable set of financial results during a difficult FY2009. The Group achieved a revenue of S$750 million and managed to generate a net profit of S$53 million and generated S$205 million in cash flows from operations.

This further strengthened the Group's balance sheet. Net cash increased from S$126 million in FY2008 to S$241 million in FY2009. This figure would have been even higher if it was not for our strategic acquisition of a Flexible Printed Circuit Board (FPCB) company in October 2009, which is in line with our electro-mechanics integration strategy.

Standing Strong in Uncertain Times

Looking at 2010, the economic situation remains uncertain due to a high US Government deficit and sovereign debt issues in European countries. This could be worsened if the US, Europe and China were to withdraw its respective government stimulus packages prematurely.

For Hi-P, we are fortunate. We have a strong management team, strong balance sheet and an increasingly diverse customer base, whose prospects remain very healthy. These factors combined will provide a strong base for us to stand through these uncertain times.

Looking at 2010

In the short term, as what I have briefed in our 4Q2009 results announcement, Hi-P's performance will be subdued in 1H2010 due to a loss making 1Q2010. Nevertheless, we have also guided that revenue and profit for FY2010 will be comparable to FY2009. This is a clear indication that we are expecting a strong 2H2010. We are currently preparing for this surge in our business.

Chairman's Statement

"I am pleased to announce that the Board has recommended a first and final dividend of 3.0 Singapore cents per share, to reward our loyal shareholders. This is a 36% increase from the previous year's payout of 2.2 Singapore cents per share."

Reaching New Heights in the Long Term

In our quest for excellence, we are currently adopting the following measures to improve the overall performance of Hi-P:

- Continue to build team capability and spirit
- Grow existing business and capture new business
- Lower cost structure through automation and computerization
- Maximise labor, capacity and space utilization
- Improve Purchase Price Variance and Roll-Out Yield

Of course we will not neglect to manage our foreign currency risk, liquidity risk and credit risk. In addition, we intend to make use of our strong customer base and financial status to achieve our goal of vertical integration through Mergers & Acquisitions, as we have demonstrated with the acquisition of the FPCB company in 2H2009.

I strongly believe that with the execution of our strategies, we will achieve a major breakthrough and bring Hi-P up to new heights in long term!

Rewarding Loyal Shareholders

I am pleased to announce that the Board has recommended a first and final dividend of 3.0 Singapore cents per share, to reward our loyal shareholders. This is a 36% increase from the previous year's payout of 2.2 Singapore cents per share.

Appreciation

I would like to extend my utmost appreciation to our Board of Directors, customers, suppliers, business associates and shareholders for your strong support. I would also like to express my gratitude to our management and staff for their unwavering dedication. Without your hard work, professionalism, loyalty and understanding family members, we would not have achieved these results.

Mr Yao Hsiao Tung
Executive Chairman and Chief Executive Officer
Hi-P International Limited
30 March 2010

Operations and Financial Review

A commendable performance during a difficult year

For the year ended 31 December 2009, Group revenue decreased by 30.4% to S$749.9 million while net profit decreased by 47.9% to S$53.2 million compared to a year ago.

Revenue declined by 30.4% to S$749.9 million compared to the previous year, mainly due to End-Of-Life (EOL) of several projects during 2H2009. This resulted in a drop in volume and average selling price of these products.

Gross profit fell in tandem with the revenue and decreased by 31.4% to S$135.4 million in FY2009. Consequently, gross margins held steady at 18.1%. This was mainly due to a better product mix in 1H2009 and improved cost efficiency.

The Group's selling & distribution expenses and administrative expenses were kept largely in check and decreased 8.4% and 12.0% respectively. Net other expenses improved from S$7.8 million in FY2008 to S$3.4 million in FY2009 mainly due to the forex improvement from a S$4.8 million loss in FY2008 to a S$0.2 million gain in FY2009.

The effective income tax rate for the Group increased from 9.0% in FY2008 to 17.1% in FY2009. This was mainly due to the higher income tax rates for our profitable People's Republic of China subsidiaries.

Cashflow remains strong

The Group's ability to generate cash remains strong. For FY2009, net cash generated from operating activities was S$192.6 million in FY2009 as compared to S$164.8 million in FY2008.

Net cash used in investing activities increased from S$37.4 million in FY2008 to S$52.5 million in FY2009. This was mainly due to capital expenditure for new equipment and our new Flexible Printed Circuit Board plant, Jiamao for S$36.8 million in 4Q2009.

Healthy balance sheet

The Group further improved its financial position with a strong cash balance of S$246.7 million and low gearing.

For FY2009, cash and cash equivalents improved from S$131.6 million to S$246.7 million. Gross debt was S$5.2 million, resulting in a net cash position of S$241.5 million. Gross gearing improved to 0.9% as at 31 December 2009 from 1.0% as at 31 December 2008.

Operations and Financial Review

Strategic Business Units

The Group's Wireless Telecommunication (WL) Strategic Business Unit (SBU), which derives its revenue from the mobile phone industry, saw a decrease in its revenue by 31.9% to S$488.0 million. The WL SBU accounted for 65.1% of the Group's total revenue, down from 66.6% in FY2008.

The Group's Consumer Electronics (CE) SBU was similarly affected. Revenue for the division decreased 27.3% to S$261.9 million. The CE SBU contributed 34.9% the Group's total revenue, up from 33.4% in FY2008.

Evolving for Growth

The Group is constantly looking at ways and means to improve our current structure to fully utilise our strengths and capabilities. From 1 January 2010, the Group's structure has been tweaked to ensure that Hi-P can achieve the next quantum of growth.

Under the previous structure, each SBU operated separately, with plants under the SBU serving specific segments. Whilst this approach allowed each SBU to operate independently as business entities and profit centres, there were possibilities that resources were duplicated, resulting in deviation from the Group's goal of lean manufacturing.

From 1 January 2010, the Group's plants were consolidated under one single Manufacturing Division, where the plants are no longer segregated according to business units.

The Business Development Division, however, was subdivided into two teams. The Component Module team will concentrate on developing specific components like Keypads, Flexible Printed Circuit Boards, Antennas, Hinges and Touch Panels. The Business Unit team has specific personnel dedicated to each targeted industry. The industries targeted by the Group are: Consumer Electronics & Electronics, Wireless Telecommunication and Computing.

There are several advantages to this new structure. The Component Module team can focus on developing critical components which leads to higher sales and margins for the Group. The Business Unit team is able to provide the customer information and expertise that is relevant within that particular industry. In addition, having all the plants under one Manufacturing Division allow each plant the flexibility to capture business from all segments and ensure the Group has a better control on its resources.

Board of Directors

MR YAO HSIAO TUNG is our Executive Chairman and Chief Executive Officer of the Group. He was appointed to the Board in May 1983. He is responsible for formulating the strategic directions of the Group as well as overall management of the operations. Mr Yao has more than 40 years of experience in the precision tooling and plastic injection molding industry. He was a technical service manager with Du Pont Singapore Electronics Pte Ltd before joining the Group in 1980. For his entrepreneurial success and philanthropic contributions, Mr Yao was conferred Honorary Doctorate in Engineering by his Alma Mater, Taiwan Kaohsiung Technical College, on 25 October 2009.

MDM WONG HUEY FANG is an Executive Director and Chief Administrative Officer of the Group. Her key responsibilities include managing our Group's administrative and public relations 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 Group and was appointed to the Board in April 1987. Mr Yeo 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. Mr Yeo is a member of the Institute of Certified Public Accountants of Singapore. He also serves as a member to Nanyang Business School Undergraduate Advisory Board.

DR TAN KHEE GIAP is an Independent Director of the Group and was appointed to the Board in November 2003. Dr Tan is concurrently Chair of the Singapore National Committee for Pacific Economic Cooperation (SINCPEC) and an Associate Professor of Public Policy at Lee Kuan Yew School of Public Policy at National University of Singapore. He also serves as a consultant to multinationals and global organisations in various areas. Dr Tan holds a PhD in Economics from the University of East Anglia, UK.

MR CHESTER LIN CHIEN is an Independent Director of the Group 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.

Board of Directors

MRS JENNIFER YEO (Madam Leong Lai Peng) is an Independent Director of the Group and was appointed to the Board in November 2006. She is the founder and chair of the board of directors of Yeo-Leong & Peh LLC, the successor of the partnership 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. Mrs Yeo 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. Mrs Yeo 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, which she founded in 2006, a Singapore charity which has been granted the status of Institution of Public Character. She is also the chair of the Exco of the South Asia chapter of the Urban Land Institute, a non-profit organisation based in Washington D. C. Mrs Yeo also sits on the Board of Governors of Raffles Girls' Secondary School and on the board of Assisi Hospice. Mrs Yeo also serves as an independent director of the Singapore Clinical Research Institute Pte Ltd.

MR TONG CHOO CHERNG is an Independent Director of the Group and was appointed to the Board in March 2010. Mr Tong is currently a freelance consultant and provides advisory services to multinationals and global organisations in various areas. He was previously the Chief Executive Officer cum Executive Director of mDR Limited. Prior to joining mDR, he was the Chief Financial Officer (South Asia) for Flextronics International Ltd and the Group Chief Financial Officer for JIT Ltd from 1999 to 2000, before JIT Ltd was acquired by Flextronics in 2000. Mr Tong had also previously held various appointments in Thomson Consumer Electronics Marketing Asia Pte Ltd, United Circuits (HK) Ltd, MFS Technologies (S) Pte Ltd, MFS Technologies (Hunan) Ltd, and Motorola Electronics Pte Ltd. Mr Tong is a certified accountant with The Association of Chartered Certified Accountants (United Kingdom).

Management Team

SAMUEL YUEN CHUNG SANG
Chief Financial Officer

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

GARY HO HOCK YONG
Chief Operating Officer

Gary Ho Hock Yong is our Chief Operating Officer. He has been with the Group since April 1996 and had previously assumed the roles of Regional Sales Manager, Corporate Business Manager & Marketing Director, Managing Director for Wireless SBU and Managing Director for Corporate Business Development within the group. Mr Ho holds a Diploma in Production Technology from the German Singapore Institute.

ZHOU WEI DONG
Senior Vice President, Operations

Zhou Wei Dong is our Senior Vice President, Operations. He has been with the Group since August 2005 and had previously assumed the roles of Operations Manager of a Wireless Unit, General Manager of Wireless Units in Shanghai and Managing Director of Wireless SBU with substantial manufacturing and management experience. 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
Senior Vice President, Business Development

Tjoa Mui Liang is our Senior Vice President, Business Development. He has been with the Group since April 2008 and last held the position of Managing Director of Consumer Electronics (CE) SBU. 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 20 years working experience in project management, sales & marketing, customer quality, business development, product line management and operations. His extensive work experience covers various global regions including China, USA and Singapore. Mr Tjoa holds a BSEE from The University of Texas and a MBA from the California State University.

Hi-P Group of Companies
as at 15 March 2010

HOLDING COMPANY

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

SUBSIDIARIES – SINGAPORE

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

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

Hi-P (Singapore) Technology Pte. Ltd.
(previously known as Hi-P Industries 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) 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

Hi-P (Tianjin) Technology Co., Ltd.
No.80 the 9th Street,Tianjin Economic and
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 (Dong Guan) Technology Co., Ltd.
No. 683, Zhen'An Middle Road,
ShaTou South District,
Chang'An Town, DongGuan,
GuangDong, the PRC

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

SUBSIDIARIES - EAST CHINA

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

Hi-P Lens Technology (Shanghai) Co., Ltd.
No.4F, 955 Jin Hai Road,
Pudong Xin Qu, 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 Electronics 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) Industries Co., Ltd.
No.96 Jinwen Road Shanghai Zhuqiao
Airport Industries Nanhui District
Pudong New Area,Shanghai, the PRC

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

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

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

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

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

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

SUBSIDIARIES - WEST CHINA

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

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

SUBSIDIARIES – AMERICA

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

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

SUBSIDIARIES – OTHER

Hi-P Technology Co., Ltd.
4F., No.5, Ln. 345, Yangguang Street.,
Neihu District, Taipei City 11468,
Taiwan, Republic of China

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

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

ASSOCIATED CO.

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

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

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
Mdm Leong Lai Peng
Mr Chester Lin Chien
Mr Tong Choo Cherng (Appointed with effect from 8 March 2010)

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 six 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 and Chief Executive Officer)	6	6	–	–	–	–	–	–
Mdm Wong Huey Fang (Executive Director)	6	6	–	–	–	–	–	–
Mr Yeo Tiong Eng (Non-executive Director)	6	6	4	4	3	3	–	–
Mr Chester Lin Chien (Independent Director)	6	6	–	–	–	–	1	–
Dr Tan Khee Giap (Independent Director)	6	5	4	3	3	2	1	1
Mdm Leong Lai Peng (Independent Director)	6	5	4	4	3	2	1	1
Mr Tong Choo Cherng* (Independent Director)	–	–	–	–	–	–	–	–

* Mr Tong Choo Cherng was appointed to the Board on 8 March 2010.

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

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

Principle 2: Board Composition and Guidance

The Board comprises seven Directors, one of whom is a non-executive Director and four 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 pages 6 and 7 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. The appointment and removal of the Company Secretary is a matter of the Board as a whole.

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 for appropriate balance of power and authority. However, the Board is also of the view that adopting a single leadership structure, i.e. where the CEO and the Chairman of the Board is the same person, would effectively improve the efficiency in decision-making and execution process of the Group. Furthermore five out of seven of the Board members are independent and/or non-executive Directors and all the Board committees are chaired by the independent Directors and as such, the Board believes that there is still a good balance of power and authority within the Board and no individual or small group can dominate the Board's decision making process.

Mr Yao Hsiao Tung is the Group's Chairman and CEO who is responsible for providing guidance on the corporate and business direction of the Group, scheduling and chairing of Board meetings, monitoring the quality, quantity and timeliness of information flow between the Board and the management, as well as managing the day-to-day operations of the Group with the help of senior management. 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.

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 FY2009 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 Chester Lin Chien, Mdm Leong Lai Peng and Mr Tong Choo Cherng be nominated for re-election 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 2009 are as follows:

Remuneration Bands	**Salary %**	**Performance Bonus %**	**Director's fee %**	**Others %**	**Total %**
Directors					
S$4,250,000 - S$4,500,000					
Yao Hsiao Tung	18	80	2	–	100
S$250,000 – S$500,000					
Wong Huey Fang	58	32	10	–	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$500,000 – S$750,000				
Gary Ho Hock Yong	46	48	6	100
Zhou Wei Dong	44	48	8	100
S$250,000 – S$500,000				
Samuel Yuen Chung Sang	66	31	3	100
Tjoa Mui Liang	82	5	13	100
Juha Poyry	68	9	23	100
Lars Lieberwirth	79	1	20	100
Below S$250,000				
Lim Kay Leong#	98	–	2	100

Resigned with effect from 4 March 2009

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.

Other than the brother of Mr Yao Hsiao Tung, there are no employees of the Group who are immediate family members of a Director or CEO, whose remuneration exceeded S$150,000 during the year.

The Company has a share option scheme known as Hi-P Employee Share Option Scheme (the "ESOS") and a share award scheme known as Hi-P Employee Share Award Scheme (the "ESAS") which were approved by shareholders of the Company on 7 October 2003 and 23 April 2009 respectively. The ESOS and the ESAS comply with the relevant rules as set out in Chapter 8 of the Listing Manual. The two schemes 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. Both schemes are administered by the RC. Further information on the ESOS and the ESAS can be found on pages 22 to 23 of the Annual Report.

Audit Committee ("AC")

Principle 11: Audit Committee

The current AC comprises the following 4 members, all non-executive, the majority of whom, including the Chairman, are independent:

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

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 Committee administers the policy. Quarterly reports will be submitted to the AC stating the number and nature of complaints received, the results of the investigation, follow up actions and the unresolved complaints.

Principle 12: Internal Controls

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

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

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

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 believes that a sound enterprise risk management system would enable the Group to identify, evaluate and manage significant risks. Management had commissioned an external review of our existing risk management practices which was completed in 2009. The recommendations arising from the review are being considered by the AC and management to develop a blue-print for establishing a systematic and embedded risk management program where the management will gradually implement into the Group's 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 a 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.

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 statement for the full financial year, as the case may be, and ending on the date of announcements of the relevant results, or when they are in possession of unpublished price-sensitive information on the Group. 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 2009.

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 - Sales	$236,967	N.A.

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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 2009.

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
Tong Choo Cherng (Appointed on 8 March 2010)

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 2009	**31 December 2009**	**1 January 2009**	**31 December 2009**
Name of director				
Ordinary shares of the Company				
Yao Hsiao Tung	488,385,480	488,385,480	1,000,000	1,000,000
Wong Huey Fang	1,000,000	1,000,000	488,385,480	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 2010.

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

(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 10 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 2009 are as follows:

Date of grant of options	Exercise price per share	Options outstanding as at 1 January 2009	Options cancelled/ lapsed	Options outstanding as at 31 December 2009	Exercise period
19/07/2004	$1.39	2,014,000	(12,000)	2,002,000	19/07/2005 to 18/07/2014
24/02/2005	$1.54	5,000	–	5,000	24/02/2006 to 23/02/2015
12/05/2005	$1.47	20,000	–	20,000	12/05/2006 to 11/05/2015
12/08/2005	$1.48	20,000	–	20,000	12/08/2006 to 11/08/2015
30/11/2005	$1.63	5,000	–	5,000	30/11/2006 to 29/11/2015
25/04/2006	$1.11	595,000	(110,000)	485,000	25/04/2007 to 24/04/2016

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 2009	Aggregate options granted since commencement of scheme to 31 December 2009	Aggregate options exercised since commencement of scheme to 31 December 2009	Aggregate options outstanding as at 31 December 2009
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.

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
Executive Chairman
Chief Executive Officer

Yeo Tiong Eng
Director

30 March 2010

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 income statement, consolidated statement of comprehensive income, 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 2009 and 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
Executive Chairman
Chief Executive Officer

Yeo Tiong Eng
Director

30 March 2010

Independent Auditors' Report

For the financial year ended 31 December 2009

To the members of Hi-P International Limited

We have audited the accompanying financial statements of Hi-P International Limited ("the Company") and its subsidiaries (collectively, "the Group") which comprise the balance sheets of the Group and Company as at 31 December 2009, and the consolidated statement of changes in equity, consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory 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 2009 and the results, changes in equity and cash flows of the Group for the 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
30 March 2010

Consolidated Income Statement
for the year ended 31 December 2009

	Note	2009 $'000	2008 $'000
Revenue	4	749,887	1,077,102
Cost of sales		(614,518)	(879,688)
Gross profit		135,369	197,414
Other items of income			
Interest income	5	1,484	1,560
Other income	6	15,805	15,005
Other items of expense			
Selling and distribution expenses		(10,735)	(11,716)
Administrative expenses		(57,975)	(65,886)
Financial costs	7	(521)	(1,323)
Other expenses	8	(19,238)	(22,770)
Share of results of associates		(18)	100
Profit before tax	9	64,171	112,384
Income tax expense	11	(10,955)	(10,156)
Profit net of tax		53,216	102,228
Attributable to:			
Equity holders of the Company		53,721	102,321
Minority interests		(505)	(93)
		53,216	102,228
Earnings per share attributable to equity holders of the Company (cents per share)			
Basic	12	6.15	11.53
Diluted	12	6.15	11.53

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

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2009

	Note	2009 $'000	2008 $'000
Profit net of tax		53,216	102,228
Other comprehensive income:			
Foreign currency translation		(9,241)	12,654
Transfer to statutory reserve fund	26(a)	20	–
Other comprehensive income for the year, net of tax		(9,221)	12,654
Total comprehensive income for the year		43,995	114,882
Total comprehensive income attributable to:			
Equity holders of the Company		44,460	114,898
Minority interests		(465)	(16)
		43,995	114,882

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

Balance Sheets
as at 31 December 2009

	Note	Group 2009 $'000	Group 2008 $'000	Company 2009 $'000	Company 2008 $'000
Non-current assets					
Property, plant and equipment	13	298,563	282,544	19,700	21,515
Investment in subsidiaries	14	–	–	183,960	193,119
Investment in associates	15	2,592	2,616	1,478	1,478
Other investment	16	12	12	12	12
Deferred tax assets	24	3,672	4,381	–	–
Current assets					
Inventories	17	61,237	114,560	4,018	3,676
Trade and other receivables	18	133,215	245,799	34,743	81,184
Notes receivables	19	–	22	–	–
Prepaid operating expenses		2,811	1,988	139	98
Derivatives	20	340	1,197	–	1,160
Cash and cash equivalents	21	246,690	131,566	71,570	23,938
		444,293	495,132	110,470	110,056
Current liabilities					
Trade and other payables	22	124,704	178,126	55,368	51,582
Accrued operating expenses		33,048	36,278	8,251	9,560
Loans and borrowings	23	586	543	68	55
Income tax payable		4,125	5,880	357	357
Derivatives	20	130	21	7	–
		162,593	220,848	64,051	61,554
Net current assets		281,700	274,284	46,419	48,502
Non-current liabilities					
Loans and borrowings	23	4,642	5,136	180	25
Deferred tax liabilities	24	458	51	–	–
Net assets		581,439	558,650	251,389	264,601
Equity attributable to equity holders of the Company					
Share capital	25(a)	119,725	119,725	119,725	119,725
Treasury shares	25(b)	(7,844)	–	(7,844)	–
Other reserves	26	30,906	39,879	2,869	2,869
Accumulated profits	26	432,016	397,736	136,639	142,007
		574,803	557,340	251,389	264,601
Minority interests		6,636	1,310	–	–
Total equity		581,439	558,650	251,389	264,601

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 2009

Group	Share capital (Note 25(a)) $'000	Treasury shares (Note 25(b)) $'000	Other reserves (Note 26) $'000	Accumulated profits $'000	Total equity attributable to equity holders of the Company $'000	Minority interests $'000	Total equity $'000
	Attributable to equity holders of the Company						
Opening balance at 1 January 2008	119,725	–	19,462	316,532	455,719	1,326	457,045
Profit net of tax	–	–	–	102,321	102,321	(93)	102,228
Other comprehensive income for the year	–	–	12,577	–	12,577	77	12,654
Total comprehensive income for the year	–	–	12,577	102,321	114,898	(16)	114,882
Employee share option scheme							
- Equity compensation benefits (Note 26(d))	–	–	31	–	31	–	31
Transfer from retained earnings to statutory reserve fund (Note 26(a))	–	–	7,809	(7,809)	–	–	–
Dividends on ordinary shares (Note 28)	–	–	–	(13,308)	(13,308)	–	(13,308)
Closing balance at 31 December 2008	119,725	–	39,879	397,736	557,340	1,310	558,650
Opening balance at 1 January 2009	119,725	–	39,879	397,736	557,340	1,310	558,650
Profit net of tax	–	–	–	53,721	53,721	(505)	53,216
Other comprehensive income for the year	–	–	(9,261)	–	(9,261)	40	(9,221)
Total comprehensive income for the year	–	–	(9,261)	53,721	44,460	(465)	43,995
Purchase of treasury shares	–	(7,844)	–	–	(7,844)	–	(7,844)
Transfer from retained earnings to statutory reserve fund (Note 26(a))	–	–	288	(288)	–	–	–
Dividends on ordinary shares (Note 28)	–	–	–	(19,153)	(19,153)	–	(19,153)
Capital injection of minority interests	–	–	–	–	–	5,791	5,791
Closing balance at 31 December 2009	119,725	(7,844)	30,906	432,016	574,803	6,636	581,439

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 2009

	Note	2009 $'000	2008 $'000
Cash flows from operating activities			
Profit before tax		64,171	112,384
Adjustments for:			
Depreciation of property, plant and equipment	13	47,877	44,526
Impairment loss on property, plant and equipment	13	8,722	14,109
Net loss on disposal of property, plant and equipment	8	4,006	295
Property, plant and equipment written off	8	658	862
(Reversal of)/ impairment loss on inventory obsolescence	17	(780)	10,104
Inventories written off	17	275	1,351
Provision for onerous contracts	9	1,076	3,813
Write-back of provision for onerous contract	9	(1,723)	–
(Write-back)/ impairment loss on doubtful trade receivables	18	(2,517)	663
Bad debts written off	9	498	410
Equity compensation expense	9	–	31
Interest expense	7	521	1,323
Interest income	5	(1,484)	(1,560)
Net fair value loss/ (gain) on derivatives- unrealised	6	958	(1,131)
Translation difference		(9,339)	2,268
Share of results of associates		18	(100)
Operating cash flows before changes in working capital		112,937	189,348
Changes in working capital			
Decrease in inventories		54,208	9,455
Decrease in trade and other receivables		114,563	38,845
Decrease in notes receivables		22	2,372
(Increase)/ decrease in prepaid operating expenses		(823)	1,842
Decrease in trade and other payables		(72,925)	(78,622)
(Decrease)/ increase in accrued operating expenses		(2,583)	12,057
Decrease/(increase) in amounts due from/(to) related parties		22	(534)
Total changes in working capital		92,484	(14,585)
Cash flows from operations		205,421	174,763
Income taxes paid		(12,776)	(9,928)
Net cash flows from operating activities		192,645	164,835
Cash flows from investing activities			
Dividends received from an associated company		–	300
Net cash outflow on acquisition of a subsidiary	14	(22,270)	–
Interest received		1,484	1,560
Proceeds from disposal of property, plant and equipment		1,764	3,889
Purchase of property, plant and equipment	a	(33,489)	(43,108)
Net cash flows used in investing activities		(52,511)	(37,359)

Consolidated Cash Flow Statement

for the year ended 31 December 2009

	Note	2009 $'000	2008 $'000
Cash flows from financing activities			
Dividends paid on ordinary shares	28	(19,153)	(13,308)
Purchase of treasury shares	25(b)	(7,844)	–
Interest paid		(521)	(1,323)
Payment of loans and borrowings		–	(27,588)
Repayments of obligations under finance lease		(579)	(545)
Net cash flows used in financing activities		(28,097)	(42,764)
Net increase in cash and cash equivalents		112,037	84,712
Effect of exchange rate changes on cash and cash equivalents		3,087	90
Cash and cash equivalents at beginning of year		131,566	46,764
Cash and cash equivalents at end of year	21	246,690	131,566

Note to the Consolidated Cash Flow Statement

(a) Purchase of property, plant and equipment

	Note	2009 $'000	2008 $'000
Current year additions	13	37,174	44,861
Less: Payable to creditors		(9,840)	(12,362)
Acquired by means of finance leases	13	(419)	–
		26,915	32,499
Payments for prior year purchases		6,574	10,609
Net cash outflow for purchase		33,489	43,108

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 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2009, the Group adopted the following standards and interpretations mandatory for annual financial periods beginning on or after 1 January 2009.

- FRS 1 *Presentation of Financial Statements* (Revised)
- Amendments to FRS 18 *Revenue*
- Amendments to FRS 23 *Borrowing Costs*
- Amendments to FRS 32 *Financial Instruments: Presentation* and FRS 1 *Presentation of Financial Statements* – Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendments to FRS 101 *First-time Adoption of Financial Reporting Standards* and FRS 27 *Consolidated and Separate Financial Statements* – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 102 *Share-based Payment* – Vesting Conditions and Cancellations
- Amendments to FRS 107 *Financial Instruments: Disclosures*
- FRS 108 *Operating Segments*
- Improvements to FRSs issued in 2008
- INT FRS 113 *Customer Loyalty Programmes*

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

2.2 Changes in accounting policies (cont'd)

- INT FRS 116 *Hedges of a Net Investment in a Foreign Operation*
- Amendments to INT FRS 109 *Reassessment of Embedded Derivatives* and FRS 39 *Financial Instruments: Recognition and Measurement* – Embedded Derivatives
- INT FRS 118 *Transfers of Assets from Customers*

Adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures, including, in some cases, revisions to accounting policies.

The principal effects of these changes are as follows:

<u>FRS 1 *Presentation of Financial Statements* – Revised presentation</u>

The revised FRS 1 separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented in the statement of other comprehensive income. In addition, the Standard introduces the statement of comprehensive income which presents income and expense recognised in the period. This statement may be presented in one single statement, or two linked statements. The Group has elected to present this statement as two linked statements.

<u>Amendments to FRS 107 *Financial Instruments: Disclosures*</u>

The amendments to FRS 107 require additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. The fair value measurement disclosures and liquidity risk disclosures are presented in Note 33 and Note 32 to the financial statements respectively.

<u>FRS 108 *Operating Segments*</u>

FRS 108 requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary and secondary reporting segments of the Group. The Group determined that the reportable operating segments are the same as the business segments previously identified under FRS 14 *Segment Reporting*. Additional disclosures about each of the segments are shown in Note 35, including revised comparative information.

<u>Improvements to FRSs issued in 2008</u>

In 2008, the Accounting Standards Council issued an omnibus of amendments to FRS. There are separate transitional provisions for each amendment. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group:

- FRS 1 *Presentation of Financial Statements*: Assets and liabilities classified as held for trading in accordance with FRS 39 *Financial Instruments: Recognition and Measurement* are not automatically classified as current in the balance sheet. The Group amended its accounting policy accordingly and analysed whether Management's expectation of the period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any re-classification of financial instruments between current and non-current in the balance sheet.

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

2.2 Changes in accounting policies (cont'd)

Improvements to FRSs issued in 2008 (cont'd)

- FRS 16 *Property, Plant and Equipment*: Replaces the term "net selling price" with "fair value less costs to sell". The Group amended its accounting policy accordingly, which did not result in any change in the financial position.

- FRS 23 *Borrowing Costs*: The definition of borrowing costs is revised to consolidate the two types of items that are considered components of "borrowing costs" into one – the interest expense calculated using the effective interest rate method calculated in accordance with FRS 39. The Group has amended its accounting policy accordingly which did not result in any change in its financial position.

2.3 Standards issued but not yet effective

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

		Effective date (Annual periods beginning on or after)
Amendments to		
FRS 32	Financial Instruments: Disclosure and Presentation	1 February 2010
FRS 39	Financial Instruments: Recognition and Measurement	1 July 2009
FRS 101	First-Time Adoption of Financial Reporting Standards	1 January 2010
FRS 102	Share-based Payment	1 January 2010
INT FRS 109	Reassessment of Embedded Derivatives	30 June 2009
FRS 39	Financial Instruments: Recognition and Measurement	
INT FRS 114	FRS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction	1 January 2011
And		
FRS 24 (R)	Related Party Disclosures	1 January 2011
FRS 27 (R)	Consolidated and Separate Financial Statements	1 July 2009
FRS 101 (R)	First-Time Adoption of Financial Reporting Standards	1 July 2009
FRS 103 (R)	Business Combinations	1 July 2009
INT FRS 117	Distributions of Non-cash Assets to Owners	1 July 2009
INT FRS 118	Transfer of Assets from Customers	1 July 2009
INT FRS 119	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

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

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

		Effective date (Annual periods beginning on or after)
Improvements to FRS issued in 2009:		
FRS 1	Presentation of Financial Statements	1 January 2010
FRS 7	Statement of Cash Flows	1 January 2010
FRS 17	Leases	1 January 2010
FRS 18	Revenue	1 January 2010
FRS 36	Impairment of Assets	1 January 2010
FRS 38	Intangible Assets	1 July 2009
FRS 39	Financial Instruments: Recognition and Measurement	1 January 2010
FRS 102	Share-based Payment	1 July 2009
FRS 105	Non-current Assets Held for Sale and Discontinued Operations	1 January 2010
FRS 108	Operating Segments	1 January 2010
INT FRS 109	Reassessment of Embedded Derivatives	1 July 2009
INT FRS 116	Hedges of a Net Investment in a Foreign Operation	1 July 2009

Except for the revised FRS 103 and the amendments to FRS 27, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 103 and the amendments to FRS 27 are described below.

Revised FRS 103 *Business Combinations* and Amendments to FRS 27 *Consolidated and Separate Financial Statements*

The revised standards are effective for annual periods beginning on or after 1 July 2009. The revised FRS 103 introduces a number of changes in the accounting for business combinations occurring after 1 July 2009. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 27 changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to FRS 7 *Statement of Cash Flows*, FRS 12 *Income Taxes*, FRS 21 *The Effects of Changes in Foreign Exchange Rates*, FRS 28 *Investments in Associates* and FRS 31 *Interests in Joint Ventures*. The changes from the revised FRS 103 and Amendments to FRS 27 will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early applied. However, the Group does not intend to early adopt.

2.4 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.

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

2.4 Basis of consolidation (cont'd)

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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the balance sheet. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in the income statement on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

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

2.5 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 income statement 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 other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to the consolidated income statement on disposal of the foreign operations.

The assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the balance sheet date and their statement of comprehensive income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in the income statement.

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

2.6 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.

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

2.7 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 income statement 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 interests are accounted for as transactions with owners. 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.

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

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, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

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

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

2.9 Related parties

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

2.10 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. 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 lives of the assets as follows:

Factory buildings and leasehold improvements	10 - 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 is not depreciated as these assets are not yet available for use.

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

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

An item of property, plant and equipment is 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 income statement in the year the asset is derecognised.

2.11 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. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

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

2.11 Intangible asset (cont'd)

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. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Club membership

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

2.12 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when 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. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. To determine fair value less costs to sell where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

Impairment losses are recognised in the income statement.

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. 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 income statement.

2.13 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.

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

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

2.13 Financial assets (cont'd)

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

2.14 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 discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the income statement.

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

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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

2.15 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.

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

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

2.16 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 2.13.

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 2.14.

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 investment 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 income statement over the expected repayment period.

2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash on 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.

2.18 Financial liabilities

Financial liabilities within the scope of FRS 39 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 recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, derivatives are measured at fair value. Other financial liabilities (except for financial guarantees) are measured at amortised cost using the effective interest method.

For financial liabilities other than derivatives, gains and losses are recognised in the income statement 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 income statement. Net gains or losses on derivatives include exchange differences.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

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 income statement over the expected repayment period.

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

2.19 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, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in the income statement 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 income statement.

2.20 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that 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 substantially completed for their intended use or sale.

2.21 Provisions

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

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

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.

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

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

2.22 Employee benefits (cont'd)

ii) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for annual leave is recognised for services rendered by employees up to the 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 income statement, 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 income statement 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.

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, the unidentified goods or services received (or to be received) are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date. This is then capitalised or expensed as appropriate.

2.23 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

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 income statement. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

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

2.23 Leases (cont'd)

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 income statement 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.

2.24 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 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 income statement except to the extent that the tax relates to items recognised outside the income statement, either in other comprehensive income or directly in equity.

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

2.25 Income taxes (cont'd)

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 liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and
- In respect of 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, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred 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 income tax relating to items recognised outside the income statement is recognised outside the income statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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

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

2.25 Income taxes (cont'd)

iii) Sales tax

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

- Where the sales tax incurred in 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

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 35, including the factors used to identify the reportable segments and the measurement basis of segment information.

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.

2.28 Treasury shares

When shares recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of treasury shares.

2.29 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

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

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

3.1 Judgement made in applying accounting policies

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

Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payables and net deferred tax assets as at 31 December 2009 were $4,125,000 (2008: $5,880,000) and $3,214,000 (2008: $4,330,000) 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.

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 $97,000 (2008: $339,000).

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

3.2 Key sources of estimation uncertainty (cont'd)

iii) Impairment of property, plant and equipment

The Group determines whether property, plant and equipment are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generated units which required the Group to make an estimate of the expected cash flows from the cash-generated unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the property, plant and equipment as at 31 December 2009 was $298,563,000 (2008: $282,544,000). More details are given in Notes 2.10 and 13.

iv) 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 as at 31 December 2009 was $26,949,000 (2008: $36,207,000) and the unrecognised tax losses as at 31 December 2009 was $104,157,000 (2008: $92,349,000).

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	
	2009	**2008**
	$'000	**$'000**
Interest income from loans and receivables:		
bank balances and short-term fixed deposits	1,484	1,560

6. Other income

	Group 2009 $'000	Group 2008 $'000
Sale of scrap materials	2,154	4,545
Tax refund on capital investments	–	3,832
Sale of molding samples	161	332
Compensation from customer	1,244	917
Incentives from government	2,323	816
Grant income from Jobs Credit Scheme	492	–
Service income from trial runs conducted for customers	1,639	2,364
Net fair value (loss)/gain on derivatives		
- Unrealised	(958)	1,131
- Realised	2,319	–
Foreign exchange gain	3,051	–
Negative goodwill on acquisition, written off to the income statement (Note 14)	372	–
Trade payables written off	1,850	1,068
Others	1,158	–
	15,805	15,005

During the financial year ended 31 December 2009, the Singapore Finance Minister announced the introduction of a Jobs Credit Scheme ("Scheme"). Under this Scheme, the Group received a 12% cash grant on the first $2,500 of each month's wages for each eligible employee on their Central Provident Fund payroll. The Group received its grant income of $492,000 (2008: $Nil) in four receipts in March, June, September and December 2009.

7. Financial costs

	Group 2009 $'000	Group 2008 $'000
Interest expense on		
- Bank term loans	35	786
- Obligations under finance leases	486	537
	521	1,323

8. Other expenses

	Group	
	2009 $'000	2008 $'000
Net loss on disposal of property, plant and equipment	4,006	295
Property, plant and equipment written off	658	862
Impairment loss on property, plant and equipment (Note 13)	8,722	14,109
Foreign exchange loss	2,824	4,834
Loss on sale of raw materials	1,266	689
Compensation paid to customers	97	1,738
Compensation paid to supplier	659	243
Others	1,006	–
	19,238	22,770

9. Profit before tax

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

	Group	
	2009 $'000	2008 $'000
Non-audit fees paid to:		
- Auditors of the Company	158	166
- Other auditors	539	1,619
Depreciation of property, plant and equipment	47,877	44,526
Directors' fees	326	284
Directors' remuneration (Note 10)		
- Directors of the Company [(1)]	3,420	3,245
- Director of a subsidiary company	147	285
Bad debts written off	498	410
(Write-back)/impairment loss on financial assets (Note 18)		
- Trade receivables	(2,517)	663
Inventories recognised as an expense in cost of sales (Note 17)	411,940	625,723
Equity compensation expense (Note 10)	–	31
Operating lease expenses (Note 29(b))	19,515	20,662
Provision for onerous contracts	1,076	3,813
Write-back of provision for onerous contract [(2)]	(1,723)	–
Other personnel expenses (Note 10)	141,764	178,566

(1) Amount includes performance bonus amounting to approximately $2,239,000 (2008: $2,342,000) pursuant to the Service Agreement entered into with a director.

(2) In 2009, the Group settled the early termination of a rental agreement. The amount of $1,723,000, being the difference between the provision made in prior year and the amount paid was written back to the income statement in current year.

10. Personnel expenses

	Group 2009 $'000	Group 2008 $'000
Wages, salaries and bonus	116,189	152,366
Defined contribution plans	16,446	15,753
Other short-term benefits	12,696	13,977
Equity compensation expense (Employee share option plans (Notes 9 and 26(d)))	–	31
	145,331	182,127

The personnel expenses are inclusive of executive directors' remuneration.

Equity compensation benefits are disclosed in Note 27.

11. Income tax expense

a) Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2009 and 2008 are:

	Group 2009 $'000	Group 2008 $'000
Current tax		
- Current year	11,016	12,818
- Provision for Flat Rate Business Tax ("IETU")	265	78
- (Over)/under provision in respect of prior years	(339)	306
	10,942	13,202
Deferred tax		
- Current year		
Origination and reversal of temporary differences	174	(647)
Provision for IETU (Note 24)	250	–
Effect of changes in tax rates	(532)	(1,576)
Total	(108)	(2,223)
- Under/(over) provision in respect of prior years	121	(823)
	13	(3,046)
Income tax expense recognised in consolidated income statement	10,955	10,156

11. Income tax expense (cont'd)

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 2009 and 2008 are as follows:

	Group	
	2009 $'000	2008 $'000
Accounting profit before tax	64,171	112,384
Income tax expense at statutory rate	10,909	20,229
Tax effect of different tax rates of overseas operations	(4,018)	(10,144)
Tax effect of exempt income and rebate	(2,143)	(9,993)
Tax effect of non deductible expenses	815	3,530
Tax effect of income not subject to taxation	(382)	(69)
Deferred tax assets not recognized	3,547	8,616
(Over)/under provision of current income tax in respect of prior years	(339)	306
Under/(over) provision of deferred tax liabilities in respect of prior years	121	(823)
Provision for IETU	515	78
Withholding tax (Note 24)	2,133	–
Effect of changes in tax rates	(532)	(1,576)
Others	329	2
Income tax expense	10,955	10,156

The above is prepared by aggregating separate reconciliations for each national jurisdiction.

The corporate income tax rate applicable to Singapore companies of the Group was reduced to 17.0% for the year of assessment 2010 onwards from 18.0% for year of assessment 2009.

11. Income tax expense (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 offsetting all tax losses carried forward from the previous five years. Accordingly, the profits of these subsidiaries are taxed at the following tax rates:

	2009 %	2008 %
Hi-P Shanghai Electronics Co., Ltd.	20.0	18.0
Hi-P Camera Products Co., Ltd.	20.0	18.0
Hi-P Precision Plastic Manufacturing (Shanghai) Co., Ltd.	20.0	18.0
Hi-P (Suzhou) Technology Co., Ltd.	20.0	9.0
Hi-P (Xiamen) Precision Plastic Manufacturing Co., Ltd.	20.0	18.0
Hi-P (Chengdu) Precision Plastic Manufacturing Co., Ltd.	25.0	25.0
Hi-P (Chengdu) Mold Base Manufacturing Co., Ltd.	25.0	25.0
Qingdao Haier Hi-P Science Technology Co., Ltd.	25.0	25.0
Hi-P Tianjin Electronics Co., Ltd.	20.0	18.0
Hi-P (Shanghai) Industries Co., Ltd.	20.0	18.0
Hi-P (Shanghai) Housing Appliance Co., Ltd.	20.0	18.0
Hi-P (Shanghai) Precision Mold & Die Co., Ltd.	20.0	18.0
Hi-P (Tianjin) Precision Mold & Die Co., Ltd.	20.0	9.0
Hi-P (Suzhou) Electronics Co., Ltd.	Tax exempt	Tax exempt
Hi-P (Tianjin) Technology Co., Ltd.	10.0	Tax exempt
Hi-P (Shanghai) Technology Co., Ltd.	10.0	9.0
Hi-P Lens Technology (Shanghai) Co., Ltd.	10.0	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.	10.0	9.0
Hi-P (Suzhou) Electronics Technology Co., Ltd.	Tax exempt	Tax exempt

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

(i) Flat Rate Business Tax ("IETU") has been introduced in 2008 as a minimum tax. The rate of IETU is 17.0% for 2009 (2008: 16.5%). The new tax is levied on broader taxable income and on a cash basis rather than on an accrual basis. The tax applies only to Mexican residents and to non-residents that have a permanent establishment in Mexico. IETU is levied on the difference between cash collections from the sales of goods, rendering of services and rental of property and cash payments for the acquisition of goods, services and rentals. Income tax paid can be credited against the IETU. IETU paid in excess of income tax for any tax year cannot be carried over.

(ii) Income tax: the applicable corporate income tax rate is 29.0% (2008: 28.0%).

11. Income tax expense (cont'd)

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

Hi-P Poland SP ZO.O is subject to corporate income tax rate of 19.0% (2008: 19.0%).

Hi-P Global Trading Ltd. is granted the Global Business Companies Category 1 Licence and is taxed at a flat rate of 15.0% (2008: 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%.

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.

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.

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

	Group	
	2009	**2008**
Profit for the year attributable to equity holders of the Company ($'000)	53,721	102,321
Weighted average number of ordinary shares for basic earnings per share computation ('000)	872,873	887,175
Dilution effects of share options ('000)	–	–
Weighted average number of ordinary shares for the effect of dilution ('000)	872,873	887,175
Basic earnings per share (cents)	6.15	11.53
Diluted earnings per share (cents)	6.15	11.53

2,537,000 (2008: 2,659,000) 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 $'000	Construction-in-progress $'000	Renovation $'000	Plant and machinery $'000	Motor vehicles $'000	Office equipment, furniture and fittings $'000	Total $'000
Cost							
At 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 and 1 January 2009	26,971	6,857	52,108	345,897	1,951	32,881	466,665
Additions	107	6,433	5,294	22,141	462	2,737	37,174
Acquisition of a subsidiary (Note 14)	4,894	40,801	–	–	–	7	45,702
Reclassification	214	(10,511)	8,580	2,304	(374)	(213)	–
Disposals	(1,515)	(215)	(2,893)	(16,774)	(428)	(1,928)	(23,753)
Written off	–	–	(5)	(3,524)	–	(1,458)	(4,987)
Translation difference	(173)	155	(1,291)	(18,255)	(12)	(1,120)	(20,696)
At 31 December 2009	30,498	43,520	61,793	331,789	1,599	30,906	500,105

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 and impairment loss							
At 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 and 1 January 2009	6,336	–	25,493	129,284	1,378	21,630	184,121
Charge for the year	1,119	–	8,832	33,079	205	4,642	47,877
Impairment loss (Note 8)	–	–	5,530	3,042	–	150	8,722
Reclassification	–	–	17	257	(192)	(82)	–
Disposals	(1,630)	–	(2,769)	(11,589)	(403)	(1,592)	(17,983)
Written off	–	–	(2)	(2,996)	–	(1,331)	(4,329)
Translation difference	(47)	–	(377)	(14,832)	(7)	(1,603)	(16,866)
At 31 December 2009	5,778	–	36,724	136,245	981	21,814	201,542
Net carrying amount							
At 31 December 2009	24,720	43,520	25,069	195,544	618	9,092	298,563
At 31 December 2008	20,635	6,857	26,615	216,613	573	11,251	282,544

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 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 and 1 January 2009	16,458	620	23,760	751	3,839	45,428
Additions	107	31	370	419	75	1,002
Disposals	–	–	(1,050)	(385)	(50)	(1,485)
Written off	–	–	(1,618)	–	(569)	(2,187)
At 31 December 2009	16,565	651	21,462	785	3,295	42,758
Accumulated depreciation						
At 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 and 1 January 2009	3,014	328	16,487	672	3,412	23,913
Charge for the year	290	105	1,943	73	214	2,625
Disposals	–	–	(912)	(380)	(11)	(1,303)
Written off	–	–	(1,616)	–	(561)	(2,177)
At 31 December 2009	3,304	433	15,902	365	3,054	23,058
Net carrying amount						
At 31 December 2009	13,261	218	5,560	420	241	19,700
At 31 December 2008	13,444	292	7,273	79	427	21,515

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 $419,000 (2008: $Nil) by means of finance leases. The cash outflow on purchase of property, plant and equipment amounted to $33,489,000 (2008: $43,108,000).

The carrying amount of property, plant and equipment held under finance leases at the balance sheet date was $6,512,000 (2008: $4,961,000).

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

Impairment of assets

During the financial year, some 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 renovation cost capitalised were planned to be returned to the landlord. Subsequently, the Group has written off fully the carrying value of these equipment, building improvements and renovation costs, amounting to $8,722,000 (2008: $14,109,000) which was recognised in the "Other expenses" (Note 8) line item in the income statement.

14. Investment in subsidiaries

	Company	
	2009	**2008**
	$'000	**$'000**
Shares, at cost	257,356	193,234
Additional capital contribution	1,761	1,961
Amounts due from subsidiaries	49,780	92,381
	308,897	287,576
Impairment losses	(124,937)	(94,457)
	183,960	193,119

The additional capital contribution represents interest foregone on the interest-free loans granted by the Company to its subsidiaries. At the balance sheet date, the difference between the transaction price and the fair value of $1,761,000 (2008: $1,961,000) has been recorded as an additional capital contribution in the subsidiaries.

The amounts due from subsidiaries have no repayment terms, are non-interest bearing and 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	
			2009	2008	2009	2008
			%	%	$'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	38,379	11,840
Hi-P Poland SP.ZO.O. **	Manufacture and sale of molds and plastic components	Poland	100	100	3,342	3,342
Hi-P (Chengdu) Precision Plastic Manufacturing Co., Ltd.***	Manufacture of plastic injection parts	People's Republic of China	100	100	8,568	8,568

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	
			2009	2008	2009	2008
			%	%	$'000	$'000
Held by the Company						
Hi-P (Chengdu) Mold Base Manufacturing Co., Ltd. ***	Manufacture of mold base and components	People's Republic of China	100	100	5,070	5,070
Hi-P (Thailand) Co., Ltd.**	Manufacture and sale of molds and plastic components	Thailand	100	100	2,992	2,992
Hi-P Tianjin Electronics Co., Ltd. ***	Manufacture and sale of 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. #	Liquidated	Singapore	–	100	–	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
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

14. Investment in subsidiaries (cont'd)

Name of company	Principal activities	Country of incorporation and place of business	Equity interest held by the Group 2009 %	Equity interest held by the Group 2008 %	Cost of investment 2009 $'000	Cost of investment 2008 $'000
Held by the Company						
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.[1] ***	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[1] **	Provision of engineering support services	Finland	100	100	16	16
Hi-P GmbH[1 #]	Development, design and sales of electro-mechanical components	Germany	100	100	51	51
Hi-P (Singapore) Technology 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.[1] **	International sales and marketing activities	Mauritius	100	100	85	85

14. Investment in subsidiaries (cont'd)

Name of company	Principal activities	Country of incorporation and place of business	Equity interest held by the Group 2009 %	Equity interest held by the Group 2008 %	Cost of investment 2009 $'000	Cost of investment 2008 $'000
Held by the Company						
Qingdao Haier Hi-P Science Technology Co., Ltd. ***	Manufacture and sale of plastic product modules	People's Republic of China	70	70	2,544	2,544
Hi-P Resources Ltd. #	Liquidated	Mauritius	–	100	–	8
Hi-P Management Services Pte. Ltd. *	Manufacture and sale of tools, molds and plastic components	Singapore	100	100	@	@
Hi-P Flex Pte. Ltd. *	Investment holding	Singapore	87	–	37,000	–
Hi-P (Shanghai) Industries Co., Ltd. [2] ***	Manufacture of precision stamped metal components and precision tools and die design and fabrication	People's Republic of China	100	–	1,840	–
Held through a subsidiary						
Hi-P (Suzhou) Electronics Technology Co., Ltd. ***	Manufacture, assembly and trading of flexible printed circuit boards and flexible rigid printed circuit boards	People's Republic of China	100	–	–	–
Hi-P (Shanghai) Industries Co., Ltd.[2] ***	Manufacture of precision stamped metal components and precision tools and die design and fabrication	People's Republic of China	–	100	–	–
					257,356	193,234

14. Investment in subsidiaries (cont'd)

* 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.

1 These companies are undergoing liquidation as at year end.

2 In 2008, the investment in this company was held through a subsidiary, Hi-P Industries Pte. Ltd.. During the year, a restructuring exercise took place and the investment was transferred directly to the Company.

During the year, the Company increased its investment in High Precision Moulding and Tools, S.A. de C.V. by $26,539,000 from $11,840,000 to $38,379,000.

The Company has disposed of its investments in Hi-P Samkwang Technology (Singapore) Pte. Ltd. and Hi-P Resources Ltd. at a gain of $1,406,000. This amount has been taken to the income statement of the Company accordingly.

Acquisition of a subsidiary

On 23 October 2009, the Group's subsidiary, Hi-P Flex Pte. Ltd. ("Hi-P Flex") acquired a 100% equity interest in Global Flex (Suzhou) Plant II Co. Ltd ("Jiamao") and the flexible printed circuit boards and flexible-rigid printed circuit boards business and assets of Global Flex (Suzhou) Co. Ltd. ("Jiatong"), which was renamed Hi-P (Suzhou) Electronics Technology Co., Ltd. ("Hi-P (Suzhou) Electronics Technology") subsequent to the acquisition. Upon the acquisition, Hi-P (Suzhou) Electronics Technology became a subsidiary of the Group.

The fair values of the identifiable assets and liabilities of Hi-P (Suzhou) Electronics Technology as at the date of acquisition were:

	Recognised on date of acquisition $'000	Carrying amount before combination $'000
Property, plant and equipment	45,702	40,987
Trade payables	(16,087)	(16,087)
Deferred tax liability	(1,182)	–
	(17,269)	(16,087)
Net identifiable assets	28,433	24,900

14. Investment in subsidiaries (cont'd)

Acquisition of a subsidiary (cont'd)

Total cost of business combination

The total cost of the business combination is as follows:

	$'000
Consideration for 100% equity interest:	
- Cash paid	21,722
- 5.5 million ordinary shares issued	5,791
- Directly attributable professional fees	548
	28,061

The effect of acquisition on cash flows is as follows:

	$'000
Total consideration for 100% equity interest acquired	28,061
Less: Non-cash consideration	(5,791)
Consideration settled in cash	22,270
Less: Cash and cash equivalents of subsidiary acquired	–
Net cash outflow on acquisition	22,270

The total consideration for the 100% equity interest in Hi-P (Suzhou) Electronics Technology was paid by Hi-P Flex on 23 October 2009 and it represented the fair value of the share of net identifiable assets acquired on that date.

In connection with the acquisition, Hi-P Flex issued 5,500,000 ordinary shares with a fair value of $5,791,000, at the date of exchange to the vendor.

Impact of acquisition on income statement

From the date of acquisition, Hi-P (Suzhou) Electronics Technology contributed losses of $1,379,000 to the Group's profit net of tax. If the combination had taken place at the beginning of the financial year, the Group's profit net of tax would have been $28,940,000 and revenue would have been $749,887,000.

Goodwill arising on acquisition

The acquisition of the 100% equity interest in Hi-P (Suzhou) Electronics Technology on 23 October 2009 gave rise to negative goodwill of $372,000 which has been credited to "Other income" (Note 6) in the statement of comprehensive income.

15. Investment in associates

	Group		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Unquoted equity shares, at cost	1,478	1,478	1,478	1,478
Share of post-acquisition reserves	990	1,014	–	–
Goodwill previously amortised	124	124	–	–
	2,592	2,616	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 2009 %	Effective equity interest held by the Group 2008 %	Cost of investment by the Company 2009 $'000	Cost of investment by the Company 2008 $'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 Ascent CPA.

** Audited by NSC & Associates PAC.

*** 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:

	2009 $'000	2008 $'000
Assets and liabilities:		
Current assets	7,307	9,047
Non-current assets	2,744	3,059
Total assets	10,051	12,106
Current liabilities	2,389	4,276
Non-current liabilities	167	325
Total liabilities	2,556	4,601
Results:		
Revenue	5,583	8,864
(Loss)/profit for the year	(340)	413

16. Other investment

	Group and Company	
	2009 $'000	2008 $'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	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Balance sheet:				
Work-in-progress	24,170	44,235	1,123	432
Raw materials	19,415	47,560	683	456
Finished goods	17,652	22,765	2,212	2,788
	61,237	114,560	4,018	3,676

17. Inventories (cont'd)

	Group	
	2009 $'000	2008 $'000
Income statement:		
Inventories recognised as an expense in cost of sales	411,940	625,723
Inclusive of the following charge:		
- Inventories written off	275	1,351
- (Reversal of)/ impairment loss on inventory obsolescence	(780)	10,104

The reversal of allowance for inventory obsolescence was made when the related inventories were sold above their carrying amounts.

18. Trade and other receivables

	Group		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Trade and other receivables (current):				
Trade receivables	116,488	202,872	11,577	8,682
Other receivables	5,444	10,881	203	170
Amounts due from subsidiaries	–	–	22,488	71,885
Amounts due from minority shareholders of a subsidiary	805	827	–	–
Input tax/VAT	7,515	26,670	403	340
Refundable deposits	2,963	4,549	72	107
Total trade and other receivables	133,215	245,799	34,743	81,184
Add: Cash and cash equivalents (Note 21)	246,690	131,566	71,570	23,938
Total loans and receivables	379,905	377,365	106,313	105,122

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 repayable on demand in cash.

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

18. Trade and other receivables (cont'd)

Receivables that are past due but not impaired

The Group has trade receivables amounting to $19,001,000 (2008: $39,515,000) 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	
	2009 $'000	2008 $'000
Trade receivables past due :		
Lesser than 30 days	15,854	31,543
30 to 60 days	2,445	6,397
61 to 90 days	702	1,575
	19,001	39,515

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	
	2009 $'000	2008 $'000
Trade receivables – nominal amounts	969	3,388
Less: Allowance for impairment	(969)	(3,388)
	–	–
Movement in allowance accounts for trade receivables:		
At 1 January	3,388	2,421
(Write-back)/charge for the year	(2,517)	663
Written off	80	–
Exchange differences	18	304
At 31 December	969	3,388

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 (2008: $17,000) for impairment of the unsecured amounts due from minority shareholders of a subsidiary with a nominal amount of $805,000 (2008: $827,000).

There has been no movement in this allowance account for the financial years ended 31 December 2009 and 2008.

19. Notes receivables

There are no notes receivables issued by customers for trade purchases in 2009.

In 2008, the notes receivables had an average maturity of 3 to 6 months and were interest-bearing. The weighted average effective interest rate was 0.3%. They were recognised at their original invoice amounts which represented their fair values on initial recognition. These amounts were received during the year.

20. Derivatives

	2009			2008		
	Contract/ Notional Amount[1]	Assets $'000	Liabilities $'000	Contract/ Notional Amount[1]	Assets $'000	Liabilities $'000
Group						
Forward currency contracts	72,865	340	(130)	51,171	1,197	(21)
Total held for trading assets/ (liabilities)		340	(130)		1,197	(21)
Company						
Forward currency contracts	2,000	–	(7)	46,500	1,160	–
Total held for trading assets/ (liabilities)		–	(7)		1,160	–

Forward currency contracts are used to hedge the Group's sales and purchases denominated in USD, JPY and EUR for which firm commitments existed at the balance sheet date, extending to December 2010 (2008: September 2009) (Note 32(c)).

1 Contract/notional amounts are denominated in United States Dollar.

21. Cash and cash equivalents

	Group		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Cash at banks and in hand	174,943	109,428	14,535	9,696
Short term fixed deposits	71,747	22,138	57,035	14,242
	246,690	131,566	71,570	23,938

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 earned interest at the respective short term fixed deposit rates.

22. Trade and other payables

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Trade and other payables (current):				
Trade payables	102,906	152,384	6,106	6,966
Other payables	21,786	25,730	263	305
Amounts due to subsidiaries	–	–	48,999	44,311
Amounts due to minority shareholders of a subsidiary	12	12	–	–
Total trade and other payables	124,704	178,126	55,368	51,582
Add:				
- Accrued operating expenses	33,048	36,278	8,251	9,560
- Loans and borrowings (Note 23)	5,228	5,679	248	80
Total financial liabilities carried at amortised cost	162,980	220,083	63,867	61,222

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 repayable on demand.

23. Loans and borrowings

		Group		Company	
		2009	2008	2009	2008
	Maturity	$'000	$'000	$'000	$'000
Current:					
Obligations under finance lease (Note 29 (c))	2010	586	543	68	55
Non-current:					
Obligations under finance lease (Note 29 (c))	2011-2017	4,642	5,136	180	25
Total loans and borrowings		5,228	5,679	248	80

Obligations under finance lease

These obligations are secured by a charge over the leased assets (Note 13). The effective interest rate on the finance leases are 2.2% to 9.0% (2008: 4.3% to 9.1%) per annum. These obligations are denominated in the respective functional currencies of the relevant entities in the Group.

24. Deferred tax

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

	Group			
	Consolidated balance sheet		Consolidated income statement	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Deferred tax liability				
Differences in depreciation for tax purposes	(208)	(51)	157	(840)
Provision for Flat Rate Business Tax ("IETU")	(250)	–	250	–
	(458)	(51)		
Deferred tax asset				
Provisions	3,672	4,381	(394)	(2,206)
Deferred income tax expense/ (credit) (Note 11)			13	(3,046)

Unrecognised tax losses

At the balance sheet date, the Group has tax losses of approximately $104,157,000 (2008: $92,349,000) 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

At the balance sheet date, the Group has recognised withholding tax liabilities of $2,133,000 (2008: $Nil) that would be payable on the undistributed earnings of certain of the Group's subsidiaries, on the following basis:

- The Group has determined that 20% of the earnings of its subsidiaries will be distributed in the foreseeable future based on historical trend.

Temporary differences on the remaining earnings for which no withholding tax liability has been recognised, aggregate to $170,634,000 (2008: $144,251,000). Such withholding tax liability is estimated to be $8,532,000 (2008: $7,213,000).

Tax consequences of proposed dividends

There are no income tax consequences (2008: $Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 28).

25. Share capital and treasury shares

a) Share capital

	Group and Company			
	2009		2008	
	No. of shares '000	$'000	No. of shares '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 (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

The Company has an employee share option scheme (Note 27) pursuant to which options to subscribe for the Company's ordinary shares have been granted to employees of the Group.

b) Treasury shares

	Group and Company			
	2009		2008	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid :				
Acquired during the financial year and at 31 December	(18,429)	(7,844)	–	–

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

The Company acquired 18,429,000 (2008: Nil) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was $7,844,000 (2008: $Nil) and this is presented as a component within shareholders' equity.

26. Other reserves and accumulated profits

Other reserves

	Group		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Statutory reserve fund (a)	36,848	36,540	–	–
Foreign currency translation reserve (b)	(8,811)	470	–	–
Capital reserve (c)	–	–	–	–
Employee share option reserve (d)	2,869	2,869	2,869	2,869
	30,906	39,879	2,869	2,869

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

Other reserves (cont'd)

a) Statutory reserve fund

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

	Group	
	2009	**2008**
	$'000	**$'000**
At 1 January	36,540	28,694
Reclassification from capital reserve	–	37
Transfer from retained earnings	288	7,809
Transfer from other comprehensive income	20	–
At 31 December	36,848	36,540

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	
	2009	**2008**
	$'000	**$'000**
At 1 January	470	(12,144)
Net effect of exchange differences arising from translation of financial statements of foreign operations	(9,281)	12,577
Reclassification from capital reserve	–	37
At 31 December	(8,811)	470

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

Other reserves (cont'd)

c) Capital reserve

	Group	
	2009 $'000	2008 $'000
At 1 January	–	74
Reclassification to statutory reserve fund	–	(37)
Reclassification to foreign currency translation reserve	–	(37)
At 31 December	–	–

d) Employee share option reserve

Employee share option reserve represents the equity-settled share options granted to employees (Note 27). 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	
	2009 $'000	2008 $'000
At 1 January	2,869	2,838
Equity compensation expense	–	35
Forfeited during the year	–	(4)
At 31 December	2,869	2,869

Accumulated profits

	Company	
	2009 $'000	2008 $'000
At 1 January	142,007	114,487
Profit net of tax and total comprehensive income for the year	13,785	40,828
Dividends on ordinary shares (Note 28)	(19,153)	(13,308)
At 31 December	136,639	142,007

27. 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 a price equal to the Market Price or a price which is set at a discount to the Market Price (subject to a maximum discount of 20%). Market price is equal to the average of the last dealt prices for the Company's shares on the Singapore Exchange Securities Trading Limited (SGX-ST) for the five consecutive 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 10 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. 2009 '000	WAEP 2009 $	No. 2008 '000	WAEP 2008 $
Outstanding at 1 January	2,659	1.33	3,532	1.30
- Forfeited	(122)	1.14	(873)	1.21
Outstanding at 31 December	2,537	1.34	2,659	1.33
Exercisable at 31 December	2,537	1.34	2,659	1.33

The range of exercise prices for options outstanding at the end of the year was $1.11 to $1.63 (2008: $1.11 to $1.63). The weighted average remaining contractual life for these options is 2.79 years (2008: 3.98 years).

There were no options granted or exercised during the financial year ended 31 December 2009.

28. Dividends

	Group and Company	
	2009	2008
	$'000	$'000
Declared and paid during the financial year		
Dividend on ordinary shares:		
■ Final exempt one-tier dividend for 2008: 2.2 cents (2007: 1.5 cents) per share	19,153	13,308
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 2009: 3.0 cents (2008: 2.2 cents) per share	26,062	19,518

The difference between dividend amount proposed in 2008 and amount declared and paid in 2009 was due to the difference in number of ordinary shares resulting from the acquisition of treasury shares by the Company (Note 25(b)).

29. 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	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Capital commitments in respect of property, plant and equipment	9,706	10,571	519	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 renew at the end of the lease terms. Operating lease payments recognised in the consolidated income statement during the year amount to $19,515,000 (2008: $20,662,000) (Note 9).

29. 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	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Within one year	8,533	15,142	380	221
Later than one year but not later than five years	12,496	16,176	1,493	772
Later than five years	5,989	7,850	2,044	2,127
	27,018	39,168	3,917	3,120

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 $'000	Present value of payments $'000	Total minimum lease payments $'000	Present value of payments $'000
2009				
Within one year	996	586	72	68
After one year but not more than five years	3,381	2,253	192	180
More than five years	2,573	2,389	–	–
Total minimum lease payments	6,950	5,228	264	248
Less amounts representing finance charges	(1,722)	–	(16)	–
Present value of minimum lease payments	5,228	5,228	248	248

29. Commitments (cont'd)

c) Finance lease commitments (cont'd)

	Group		Company	
	Total minimum lease payments $'000	Present value of payments $'000	Total minimum lease payments $'000	Present value of payments $'000
2008				
Within one year	1,005	543	64	55
After one year but not more than five years	3,317	1,970	29	25
More than five years	3,547	3,166	–	–
Total minimum lease payments	7,869	5,679	93	80
Less amounts representing finance charges	(2,190)	–	(13)	–
Present value of minimum lease payments	5,679	5,679	80	80

30. Contingencies

Guarantees

The Company granted corporate guarantees of $12,157,000 (2008: $14,152,000) in favour of third party suppliers for purchases made by subsidiaries as at 31 December 2009.

31. Related party transactions

a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place on terms agreed between the parties during the financial year:

	Group		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Income				
Sales to a corporate shareholder and companies related to the shareholder	616	131	–	–
Sales to a minority shareholder of a subsidiary and companies related to the shareholder	–	2	–	–
Sales of materials to subsidiaries	–	–	645	840
Sales of property, plant and equipment to a subsidiary	–	–	–	20
Dividend income from subsidiaries	–	–	53,986	58,237
Expenses				
Purchase of materials from a corporate shareholder and companies related to the shareholder	1,806	1,973	–	–
Purchase of materials from an associate	31	12	–	–
Rendering of services from subsidiaries	–	–	62	434

b) Compensation of key management personnel

	Group	
	2009 $'000	2008 $'000
Defined contribution plans	83	74
Other short-term employee benefits	8,961	6,342
Equity compensation expense	–	24
Total compensation paid to key management personnel	9,044	6,440
Comprise amounts paid to :		
Directors of the Company	4,662	1,961
Other key management personnel	4,382	4,479
	9,044	6,440

31. 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 2009, 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.

32. 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 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) 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 sufficient standby credit facilities with several banks. At 31 December 2009, there were no bank loans and borrowings.

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

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

a) Liquidity risk (cont'd)

	2009				2008			
	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Group								
Financial assets								
Trade and other receivables	133,215	–	–	133,215	245,799	–	–	245,799
Notes receivables	–	–	–	–	22	–	–	22
Derivatives	340	–	–	340	1,197	–	–	1,197
Cash and cash equivalents	246,690	–	–	246,690	131,566	–	–	131,566
Total undiscounted financial assets	380,245	–	–	380,245	378,584	–	–	378,584
Financial liabilities								
Trade and other payables	124,704	–	–	124,704	178,126	–	–	178,126
Accrued operating expenses	33,048	–	–	33,048	36,278	–	–	36,278
Derivatives	130	–	–	130	21	–	–	21
Loans and borrowings	996	3,381	2,573	6,950	1,005	3,317	3,547	7,869
Total undiscounted financial liabilities	158,878	3,381	2,573	164,832	215,430	3,317	3,547	222,294
Total net undiscounted financial assets/liabilities	221,367	(3,381)	(2,573)	215,413	163,154	(3,317)	(3,547)	156,290
Company								
Financial assets								
Trade and other receivables	34,743	–	–	34,743	81,184	–	–	81,184
Derivatives	–	–	–	–	1,160	–	–	1,160
Cash and cash equivalents	71,570	–	–	71,570	23,938	–	–	23,938
Total undiscounted financial assets	106,313	–	–	106,313	106,282	–	–	106,282
Financial liabilities								
Trade and other payables	55,368	–	–	55,368	51,582	–	–	51,582
Accrued operating expenses	8,251	–	–	8,251	9,560	–	–	9,560
Derivatives	7	–	–	7	–	–	–	–
Loans and borrowings	72	192	–	264	64	29	–	93
Total undiscounted financial liabilities	63,698	192	–	63,890	61,206	29	–	61,235
Total net undiscounted financial assets/ liabilities	42,615	(192)	–	42,423	45,076	(29)	–	45,047

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

a) Liquidity risk (cont'd)

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

	2009				2008			
	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Company								
Financial guarantees	12,157	–	–	12,157	14,152	–	–	14,152

b) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily SGD, Renminbi (RMB), 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 77% (2008: 81%) of the Group's sales and 57% (2008: 49%) of the Group's purchases are denominated in USD respectively. The Group's net transactional currency exposure for 2009 is approximately USD285 million (2008: USD406 million). As at balance sheet date, the Group's net USD receivables and payables are approximately USD48 million (2008: USD92 million). The USD remained relatively stable against RMB and weakened against SGD in 2009.

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 $42 million (2008: $61 million) and $5 million (mainly in USD) of such foreign currency balances.

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 51% of hedging in 2009 for its transactional currency arising from USD sales and purchases.

<u>Sensitivity analysis for foreign currency risk</u>

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	
	2009 $'000	2008 $'000
USD/ RMB – strengthened 0.3% (2008: 5.0%)	222	9,467
– weakened 0.3% (2008: 5.0%)	(222)	(9,467)

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

c) 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 minimises 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 result that the Group's exposure to bad debts is not significant (approximately 0.1% of sales for 2009).

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

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

- a nominal amount of $12,157,000 (2008: $14,152,000) relating to corporate guarantees by the Company in favour to third party suppliers for purchases made by the subsidiaries.

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

c) 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			
	2009		2008	
	$'000	% of total	$'000	% of total
By country:				
Europe	19,768	17%	44,611	22%
USA and other parts of American Continent	52,676	45%	104,240	51%
People's Republic of China	26,844	23%	39,053	19%
Singapore	6,561	6%	7,005	4%
Malaysia	5,546	5%	5,118	3%
Other countries	5,093	4%	2,845	1%
	116,488	100%	202,872	100%
By industry sectors:				
Telecommunications	63,909	55%	155,810	77%
Consumer Electronics & Computing	52,579	45%	47,062	23%
	116,488	100%	202,872	100%

At the balance sheet date, approximately 79% (2008: 74%) 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.

33. 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.

a) *Fair value of financial instruments that are carried at fair value*

The following table shows an analysis of the financial instruments carried at fair value by the level of fair value hierarchy:

	As at 31 December 2009 $'000			
	Quoted prices in active markets for identical instruments (Level 1)	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Group				
Financial assets:				
Derivatives (Note 20)				
— Forward currency contracts	–	340	–	340
Financial liabilities:				
Derivatives (Note 20)				
— Forward currency contracts	–	130	–	130
Company				
Financial liabilities:				
Derivatives (Note 20)				
— Forward currency contracts	–	7	–	7

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

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

a) *Fair value of financial instruments that are carried at fair value (cont'd)*

Determination of fair value

Derivatives (Note 20): Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties as well as foreign exchange spot and forward rates.

b) *Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are a reasonable approximation of fair value*

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

c) *Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value*

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value as at 31 December are as follows:

	Group				Company			
	Carrying amount		Fair value		Carrying amount		Fair value	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Financial assets:								
Amounts due from subsidiaries (Note 14)	–	–	–	–	49,780	92,381	*	*
Financial liabilities:								
Obligations of finance lease (non-current) (Note 23)	4,642	5,136	3,503	3,816	180	25	169	24

** Amount due from subsidiaries (Note 14)*

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

Determination of fair value

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

34. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions. To manage the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, repurchase shares or issue new shares. For the year ended 31 December 2009, the Group has declared a dividend payment of $26.1 million to shareholders (as disclosed in Note 28).

As disclosed in Note 26(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 2009 and 2008.

The Group monitors capital using a gearing ratio, which is total debt divided by total capital. The Group has a gearing ratio of 1.0% (2008: 1.1%) as at 31 December 2009. Total debt pertains to finance lease obligations. Total capital includes equity attributable to owners of the parent less the above-mentioned restricted statutory reserve fund.

	Group	
	2009	**2008**
	$'000	**$'000**
Lease obligations (Note 29(c))	5,228	5,679
Total debt	5,228	5,679
Equity attributable to equity holders of the Company	574,803	557,340
Less: Statutory reserve fund (Note 26(a))	(36,848)	(36,540)
Total capital	537,955	520,800
Gearing ratio	1.0%	1.1%

35. Segment information

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

i. Precision plastic injection molding ("PPIM")

ii. Mold design and fabrication ("MDF")

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

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

35. Segment information (cont'd)

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

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

	PPIM $'000	MDF $'000	Assembly $'000	Eliminations $'000	Notes	Consolidated $'000
2009						
Revenue:						
Sales to external customers	332,825	48,922	368,140	–		749,887
Inter-segment sales	32,247	–	–	(32,247)	A	–
	365,072	48,922	368,140	(32,247)		749,887
Results:						
Profit from operations	41,162	2,241	23,256	–		66,659
Interest income						1,484
Other income						15,805
Financial costs						(521)
Other expenses						(19,238)
Share of results of associates						(18)
Profit before tax						64,171
Income tax expense						(10,955)
Profit, net of tax						53,216
Other information						
Depreciation of property, plant and equipment	25,141	6,032	16,704	–		47,877
Other non-cash expenses	6,288	342	3,553	–	B	10,183
2008						
Revenue:						
Sales to external customers	494,112	40,468	542,522	–		1,077,102
Inter-segment sales	47,724	–	–	(47,724)	A	–
	541,836	40,468	542,522	(47,724)		1,077,102
Results:						
Profit from operations	74,348	3,854	41,610	–		119,812
Interest income						1,560
Other income						15,005
Financial costs						(1,323)
Other expenses						(22,770)
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	–	B	31,607

35. Segment information (cont'd)

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

A Inter-segment revenues are eliminated on consolidation.

B Other non-cash expenses consist of impairment of property, plant and equipment, doubtful receivables, inventory obsolescence, provision for onerous contracts and net loss on disposal of property, plant and equipment as presented in the respective notes to the financial statements.

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Asia				
People's Republic of China	151,421	265,771	258,736	244,887
Singapore	19,340	16,636	23,252	21,528
Malaysia	28,470	27,800	–	–
Others	31,352	24,278	1,682	1,905
	230,583	334,485	283,670	268,320
Europe	177,538	278,711	13,752	15,659
United States and the rest of Americas	341,766	463,906	4,825	2,958
	749,887	1,077,102	302,247	286,937
Unallocated assets:				
- Investment in associates	–	–	2,592	2,616
	749,887	1,077,102	304,839	289,553

Non-current assets information presented above consist of property, plant and equipment, investment in associates, other investment and deferred tax assets.

Information about major customers

The Group has 2 major customers each for PPIM and Assembly segments, and the revenues amounted to $189,877,000 (2008: $305,528,000) and $249,183,000 (2008: $371,659,000) respectively.

36. Events occurring after the balance sheet date

(i) Employee share options

On 12 January 2010, 8,403,000 options were issued to employees at an exercise price of S$0.74 with a vesting period of 2 years. The options have 2 tranches and the fair value of the options derived for Tranche 1 and Tranche 2 is S$0.21 and S$0.22 per option respectively.

(ii) Incorporation of a wholly-owned subsidiary in Taiwan

On 12 February 2010, the Company incorporated a wholly-owned subsidiary in Taiwan known as Hi-P Technology Co. Ltd. ("Hi-P Technology"). Hi-P Technology is registered with a paid-up capital of New Taiwan Dollar 6 million which is funded through the Company's internal resources.

37. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2009 were authorised for issue in accordance with a resolution of the directors on 30 March 2010.

Statistics of Shareholdings

as at 15 March 2010

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholding	No. of Shareholders	%	No. of Shares	%
1 - 999	7	0.28%	861	–
1,000 - 10,000	1,434	58.39%	8,899,806	1.03%
10,001 - 1,000,000	991	40.35%	52,501,065	6.04%
1,000,001 and above	24	0.98%	807,344,268	92.93%
Total	**2,456**	**100.00%**	**868,746,000**	**100.00%**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	YAO HSIAO TUNG	488,385,480	56.22
2	MOLEX INTERNATIONAL INC	178,236,020	20.52
3	DBS NOMINEES PTE LTD	35,949,600	4.14
4	RAFFLES NOMINEES (PTE) LTD	26,078,000	3.00
5	CITIBANK NOMS S'PORE PTE LTD	25,685,025	2.96
6	DBSN SERVICES PTE LTD	13,683,743	1.58
7	HSBC (SINGAPORE) NOMS PTE LTD	7,225,000	0.83
8	UNITED OVERSEAS BANK NOMINEES	6,573,000	0.76
9	RODERICK SER PHUAY KEE	2,440,000	0.28
10	UOB KAY HIAN PTE LTD	2,426,000	0.28
11	BNP PARIBAS SECS SVCS SPORE	2,188,000	0.25
12	TAN HUA TOCK	2,185,000	0.25
13	CHESTER LIN CHIEN	2,000,000	0.23
14	HO HOCK YONG	1,500,000	0.17
15	MERRILL LYNCH (S'PORE) P L	1,470,000	0.17
16	ONG ENG LOKE	1,445,000	0.17
17	CITIBANK CONSUMER NOMS PTE LTD	1,408,000	0.16
18	CHEW POH CHEE	1,400,000	0.16
19	OCBC SECURITIES PRIVATE LTD	1,300,000	0.15
20	SZETO TZEN	1,282,000	0.15
Total		**802,859,868**	**92.43**

SHAREHOLDERS' INFORMATION

No. of issued shares (excluding treasury shares)	:	868,746,000
No. and percentage of treasury shares	:	18,429,000 (2.12%)
Class of shares	:	Ordinary share fully paid
Voting rights (excluding treasury shares)	:	One vote per ordinary share

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 15 March 2010.

	Direct Interest	**%[3]**	**Deemed Interest**	**%[3]**
Yao Hsiao Tung	488,385,480	56.22	1,000,000	0.12
Wong Huey Fang (Note 1)	1,000,000	0.12	488,385,480	56.22
Molex International Inc	178,361,600	20.53	–	–
Molex Incorporated (Note 2)	–	–	178,361,600	20.53

Notes:

1. Mdm Wong Huey Fang is the spouse of Mr Yao Hsiao Tung. 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 868,746,000 shares as at 15 March 2010 (excluding treasury shares).

FREE FLOAT

As at 15 March 2010, approximately 22.76% 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 15 March 2010, the Company held 18,429,000 treasury shares, representing 2.12% 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 Monday, 26 April 2010 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 2009 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final tax exempt one-tier dividend of 3.0 cents per ordinary share for the year ended 31 December 2009. [2008: 2.2 cents per ordinary share] **(Resolution 2)**

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

   Mr Chester Lin Chien **(Resolution 3)**
   Mdm Leong Lai Peng **(Resolution 4)**

   Mdm Leong Lai Peng will, upon re-election as a director of the Company, remain as a member of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

4. To re-elect Mr Tong Choo Cherng retiring pursuant to Article 97 of the Company's Articles of Association. **(Resolution 5)**

   Mr Tong Choo Cherng will, upon re-election as a director of the Company, remain as a member of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

5. To approve the payment of Directors' fees of S$358,000.00 for the year ended 31 December 2009. (2008: S$358,000.00) **(Resolution 6)**

6. To re-appoint Messrs Ernst & Young LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**

7. 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:

8. 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 8)**

9. 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 "Option Scheme") and to allot and issue such shares as may be required to be issued pursuant to the exercise of the options granted under the Option Scheme provided always that the aggregate number of shares to be issued pursuant to the Option Scheme, together with the aggregate number of shares to be issued pursuant to the Hi-P Employee Share Award Scheme, 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 9)**

10. Authority to grant awards and issue shares under the Hi-P Employee Share Award Scheme

"That, pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be and are hereby authorised to offer and grant awards in accordance with the Hi-P Employee Share Award Scheme (the "Award Scheme") and to allot and issue such number of fully paid shares as may be required to be issued pursuant to the vesting of the awards under the Award Scheme provided always that the aggregate number of shares to be issued pursuant to the Award Scheme, together with the aggregate number of shares to be issued pursuant to the Hi-P Employee Share Option Scheme, 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 (iii)] **(Resolution 10)**

By Order of the Board

Yao Hsiao Tung
Executive Chairman and Chief Executive Officer

Singapore, 9 April 2010

Explanatory Notes:

(i) The Ordinary Resolution 8 proposed in item 8 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 8) 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 8) 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 9 proposed in item 9 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 the Hi-P Employee Share Award Scheme, 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.

(iii) The Ordinary Resolution 10 proposed in item 10 above, if passed, will empower the Directors of the Company, to grant awards and to allot and issue shares pursuant to the vesting of awards under the Hi-P Employee Share Award Scheme, together with the allotment and issue of shares pursuant to the Hi-P Employee Share Option Scheme, 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, Singapore 609926 not less than forty-eight (48) hours before the time for holding the Meeting.

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 Monday, 26 April 2010 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 2009		
2.	Payment of first and final dividend		
3.	Re-election of Mr Chester Lin Chien		
4.	Re-election of Mdm Leong Lai Peng		
5.	Re-election of Mr Tong Choo Cherng		
6.	Approval of Directors' fees for the year ended 31 December 2009		
7.	Re-appointment of Messrs Ernst & Young LLP as Auditors		
8.	Authority to issue and allot shares pursuant to Section 161 of the Companies Act, Cap. 50		
9.	Authority to grant options and issue shares under the Hi-P Employee Share Option Scheme		
10.	Authority to grant awards and issue shares under the Hi-P Employee Share Award Scheme		

Dated this________day of______________________ 2010

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, 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.

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

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