ANNUAL REPORT
2007

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

OUR CORE VALUES

Mutual Respect
Team Spirit
Integrity
Discipline

Hi-P International Limited ("Hi-P") provides manufacturing services and electro-mechanical modules to the wireless telecommunications, consumer electronics and computing industries. Our extensive and integrated service offerings range from industrial and product design, to the design of plastic molded components, fabrication of the tools which manufacture the components, manufacturing, assembly, and secondary value–added services such as surface decoration finishing, surface mount and precision metal stamping. The company also undertake turnkey contract manufacturing for key customers in applications where its design and manufacturing strengths can add value.

Headquartered in Singapore, Hi-P has an extensive footprint with 25 manufacturing plants globally. They are located across seven sites in the People's Republic of China, and one each in Singapore, Mexico, Thailand and Poland. We also have marketing and engineering support centres in Finland, Germany and the USA. Hi-P employs about 17,000 people around the world.

Our customers are amongst 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. We serve global industry leaders such as Research In Motion, Motorola, Nokia, the Procter and Gamble Group of companies such as the Gillette Company and Braun, and Colgate Palmolive.

Contents

Corporate Information	**01**
Chairman's Statement	**02**
Operations and Financial Review	**04**
Board of Directors	**06**
Management Team	**07**
Corporate Governance Report	**09**
Annual Financial Statements	**18**
Statistics of Shareholdings	**79**
Notice of Annual General Meeting	**81**
Proxy Form	

CORPORATE INFORMATION

BOARD OF DIRECTORS
Executive:
Yao Hsiao Tung (Executive Chairman)
Wong Huey Fang

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

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

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

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

COMPANY SECRETARY
Tan Ping Ping

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

SHARE REGISTRAR
Boardroom Corporate & Advisory Services Pte. Ltd.
(Formerly known as Lim Associates (Pte) Ltd)
3 Church Street
#08-01 Samsung Hub
Singapore 049483

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

AUDIT PARTNER-IN-CHARGE
Tan Wee Khim
(Appointed since financial year
ended 31 December 2005)

CHAIRMAN'S STATEMENT

2007 was a difficult year. The external business environment was not favorable; competition and price pressures intensified, raw material costs increased and the US dollar weakened considerably. Internally, we had to deal with several issues as well.

However, we are pleased to be able to wrap up a difficult year with a record breaking quarter. All credit must be given to the people of Hi-P who are very resilient and worked very hard to turn around a very challenging first nine months. In Q4 FY2007, Hi-P reported record quarterly revenue and net profit attributable to shareholders of S$313.3 million and S$31.0 million respectively.

For the year ended 31 December 2007, Hi-P International Limited reported revenue of S$976.6 million and net profit attributable to shareholders of S$60.0 million. We also announced a first and final one-tier tax-exempt dividend of Scts 1.5 per share.

Group revenue expanded 16.4% to S$976.6 million, a record for Hi-P. Our customer development and diversification efforts are paying off, with new customers in 2007 contributing largely to the revenue growth. Currently, no single customer accounts for more than 25% of group revenue and this will help us withstand the vagaries of the handset market in particular.

Group net profit rose by 4.4%. Our profitability would have been much better if not for the substantial losses in Poland and inventory and other write-offs in the third quarter.

RESTRUCTURE FOR BETTER EFFICIENCIES AND RETURNS

During the year, we took a long and hard look at our operations and our execution foundation. We discovered that our internal processes and systems had failed to keep up with the needs of our rapid growth over the past few years. As such we had to take painful but prudent measures; we took a substantial charge of S$18.1 million in Q3 FY2007.

We have acted on the review and implemented several positive changes. Processes and systems are being overhauled and better controls have been put in place. We also merged the Computing & Automotive business unit with the Consumer Electronics business unit. This move will allow us to better leverage on our marketing efforts, streamline management communications and drive a more efficient capacity and headcount utilization.

I am pleased to inform you that we now have a stronger execution foundation. We will continue to restructure our internal processes and systems, rationalize our assets and enhance the organization structure to achieve better efficiencies and returns.

RENEW FOR BETTER EXECUTION

We have also renewed and strengthened our management talents. We have recognized talents and promoted from within the ranks; Mr Lim Kay Leong is now our Managing

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Director of the Consumer Electronics business unit while Mr Zhou Wei Dong is now our Managing Director of the Wireless business unit. In the last one year, we have also recruited many new and experienced General Managers and Operations Managers who will be instrumental in executing our strategy.

RE-ALIGN FOR GROWTH

We are re-aligning our strategy to optimize our continuing customer development and diversification efforts, and to better leverage on the wide range of capabilities within the company.

We are pleased to announce that we have been qualified by almost all customers on most of our major plastics and cosmetic finishing technologies which we had invested in the last few years. We have also stepped up marketing efforts to non-Wireless customers for our full suite of process capabilities.

The external business environment remains volatile on fears of a U.S. recession. We will strive to ensure that we respond to challenges in our external environment in a timely manner. And, we will work hard to reinforce your confidence in us as we Restructure, Renew and Re-align the organization towards sustainable and profitable growth. Barring unforeseen circumstances, we expect revenue and profit to be better in 2008.

It was a tough year and I thank you sincerely, our employees, our customers and our shareholders, for standing by Hi-P.

MR YAO HSIAO TUNG
Executive Chairman
Hi-P International Limited.
28 March 2008.

OPERATIONS AND FINANCIAL REVIEW

For the year ended 31 December 2007, Group revenue increased 16.4% to S$976.6 million while net profit attributable to shareholders ("net profit") was up 4.4% to S$60.0 million, compared to a year ago. Revenue growth was largely driven by the Consumer Electronics business unit, where sales soared 44%.

Gross Profit rose 7.3% to S$130.2 million while gross margin was 13.3% compared to 14.5% in FY2006. The slightly lower margin was due mainly to the one-time recognition of costs previously incurred and losses at our Poland plant.

As a result of better cost controls, operating expenses were up 10.2% to S$70.9 million and lagged the 16.4% increase in sales. Other operating income rose 59.4% to S$13.3 million due largely to tax refunds for re-investments and other successful claims from customers. Consequently, operating profit rose 9.5% to S$70.1 million while operating margin was 7.2% compared to 7.6% previously.

The Group also reported a net foreign exchange loss of S$10.0 million for the year, mainly due to the impact of the weakening USD on USD-denominated receivables. Consequently, pretax profit slipped 4.1% to S$59.2 million. The Group enjoyed net tax credits of S$0.3 million as compared to a tax bill of S$3.9 million in FY2006. This was mainly due to recognition of substantial deferred tax assets and tax holidays for some of our profitable China operations. As a result, net profit rose by 4.4% to S$60.0 million.

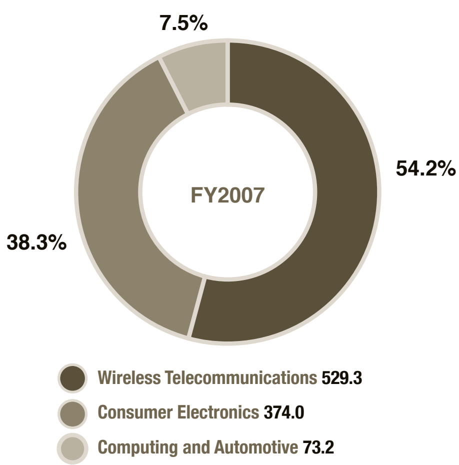
CASHFLOW ANALYSIS

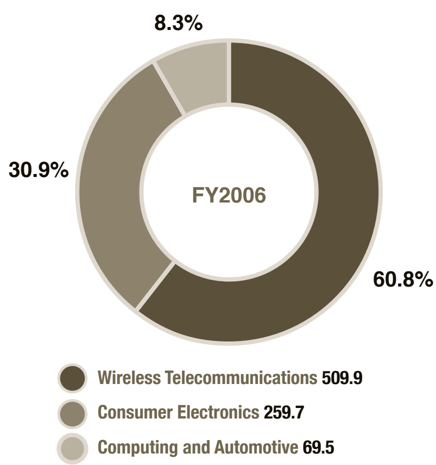
For the year ended 31 December 2007, the Group reported a net increase of S$13.6 million in cash and cash equivalents to S$46.8 million. Net cash generated from operations was S$65.6 million, up from S$16.7 million a year ago due to better working capital management. Net cash used in investing was S$46.7 million, down from S$67.4 million as the Group scaled back sharply on capital expenditure. Net cash used for financing activities was S$5.3 million, down sharply from S$11.4 million inflow in FY2006.

FINANCIAL POSITION

The Group's cash flow improved in FY2007 and financial position remains strong, with cash and cash equivalents of S$46.8 million as at end-December 2007, up from S$33.2 million as at end-December 2006. Gross debt was S$34.3 million as at end-December 2007, giving Hi-P a net cash position of S$12.5 million. Gross gearing is a low 7.5%.

SEGMENTAL REVENUE (S$ MILLION)





WIRELESS TELECOMMUNICATIONS

It was a mixed year for the Wireless business unit in 2007. Although we benefited from significant contributions from a new customer acquired in 2007, this was offset by a sharp decline in sales to an existing customer. Nonetheless, segment revenue edged up 3.8% to S$529.3 million. It accounted for 54.2% of Group turnover, down from 60.8% in FY2006.

The global handset market is expected to grow by about 10% in 2008, with growth largely seen in the low to mid-end market segments as well as in the smart phones segment. We are participating in all of these segments and are optimistic about our growth prospects for the coming year. Competition amongst the key players remains keen. None of our customers currently account for more than 25% of Group revenue and we aim to diversify our customer base further.

Group revenue growth in 2008 will be driven by the Wireless business unit on the back of our growing customer base. In addition, in the last two years, we have invested in new technologies such as In Mold labeling (IML), In Mold Decoration (IMD), Non-Conductive Vacuum Metallization (NCVM) and Surface Mount Test (SMT). All of these processes have since been qualified by our customers in 2007. This year, we will begin to enjoy the full benefits of these investments. We will also continue to invest in technologies, rather than physical capacity, to enhance our suite of offerings.

Our vision is to be an integrated electro-mechanical solutions supplier, built around our core strengths of tool design, fabrication and production, along with metals and our emerging cosmetic technologies. We aim to offer differentiated solutions in the form of modules to market segments that value technology and speed. We will differentiate Hi-P's solution offerings on design, customization and customer support. To that end, we will be investing in R&D and Program Management and enhance our New Product Introduction and Project Management.

CONSUMER ELECTRONICS (CE)

Revenue grew 44% to S$374.0 million in FY2007, primarily due to maiden contributions from our plant in Poland (which produces kitchen appliances) and from a new customer in the battery-operated toothbrushes business segment. The rest of the business were stable and showed modest growth. CE accounted for 38.3% of Group revenue, up from 30.9% a year ago.

Segment profitability was however weakened by losses at the Poland plant, which started operations in April 2007. Since Q4 FY2007, we have managed to reduce operating losses significantly and we expect to improve further this year.

COMPUTING AND AUTOMOTIVE (CA)

Revenue rose a modest 5.3% to S$73.2 million in FY2007, due mainly to subdued sales to hard disk drive customers. CA accounted for 7.5% of Group revenue, down from 8.3% in FY2006.

MERGER OF CE AND CA

Since 1 March 2008, we have merged both the Consumer Electronics and the Computing and Automotive business units. Given the convergence of consumer and digital computing applications, we believe that the strong consumer foundation that we have built up will allow us to achieve greater marketing leverage in the merged entity. The move will also streamline management communications and result in more efficient capacity and headcount utilization. The merged entity, now known as the Consumer Electronics strategic business unit, will start from a stronger foundation than if they had remained as separate units.

In 2007, we also centralized the Business Development functional role. We want to develop greater customer awareness of the abilities that we have developed in the handset market amongst all customers and market these abilities more actively to our Consumer Electronics customers.

Overall revenue growth in the Consumer Electronics SBU for 2008 is expected to be modest in view of the economic conditions facing many of the Group's markets and the absence of the impact of maiden contributions from the Poland plant. Our priorities are to achieve break-even in the Poland plant and a smooth integration of the two business units.

BOARD OF DIRECTORS

MR YAO HSIAO TUNG is our Executive Chairman. He was also previously our Chief Executive Officer from 5 November 2003 to 31 October 2007. He stepped down as part of the Group's succession planning. He continues to be responsible for formulating the strategic directions and for talent development of the Group. Mr Yao has more than 40 years of experience in the precision tooling and plastic injection molding industry. He was a technical service manager with Du Pont Singapore Electronics Pte Ltd before founding the Group in 1980. Mr Yao holds a Diploma in Chemical Engineering from Taiwan Kaoshiung Technical College.

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

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

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

MR CHESTER LIN CHIEN is an Independent Director of the 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.

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, a law firm which she set up in 1987. She graduated from the National University of Singapore in 1981 with LL.B (Honours) and from Boston University in 1985 with LL.M in Banking Law Studies. She was admitted to the Singapore Bar in 1982 and is also a Solicitor of England and Wales. 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, a Singapore charity which has been granted the status of Institution of Public Character. She is also the chair of the Exco of the Southern Asia chapter of the Urban Land Institute, a non-profit organisation based in Washington D. C. Mrs Yeo also serves on the Board of Governors of Raffles Girls' Secondary School.

MANAGEMENT TEAM

ROBERT B. MAHONEY
Chief Executive Officer
Mr Mahoney is responsible for jointly developing the Group's corporate strategy with the Executive Chairman, Mr Yao Hsiao Tung, and overseeing its execution, as well as day-to-day operations of Hi-P. He also ensures the flow of timely and pertinent information between management and the Board. Prior to joining Hi-P on 1 November 2007, he was an Executive Vice President in US-listed Molex Inc and was based in Singapore since 2004 as President of Molex's Asia Pacific South (APS) operations. He was previously the Executive Vice President and Chief Financial Officer of Molex Inc from 1995 to 2004. He also held senior finance positions in US-listed National Semiconductor Corporation Inc. and Texas Instruments Inc. Mr Mahoney graduated with a Bachelor of Arts (Economics & History) degree from the University of Virginia and has a Master of Business Administration degree from the University of Michigan.

SAMUEL YUEN CHUNG SANG
Chief Financial Officer
Mr Yuen is responsible for the overall financial operations and management. Prior to joining the Group on 26 June 2006, he was the Executive Director & Chief Financial Officer of SGX-listed Fu Yu Corporation Limited, a precision plastic injection molding and 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 Master of Business Administration degree (major in Finance) from Dalhousie University, Canada. He is also a member of the Singapore Institute of Directors.

GARY HO HOCK YONG
Managing Director
(Corporate Business Development)
Mr Ho was previously our Managing Director, Wireless strategic business unit (SBU) until 31 March 2007. From 1 April 2007, he was appointed our Managing Director for Corporate Business Development. He is responsible for the overall marketing and business development of the Group; to grow our customer base and also deepen relationships with existing customers. He joined Hi-P in April 1996 and had previously assumed the roles of Regional Sales Manager, Corporate Business Manager & Marketing Director, and Managing Director for Wireless SBU within the group. He holds a Diploma in Production Technology from the German Singapore Institute.

ZHOU WEI DONG
Managing Director
(Wireless SBU)
Mr Zhou was our General Manager of Wireless SBU until 25 February 2008. From 26 February 2008, he was appointed as the Managing Director of the Wireless SBU and is responsible for the overall management of the unit. He replaces Mr Ang Lien Peng, who was the Managing Director, from 1 April 2007 to 14 December 2007. Mr Zhou joined Hi-P in August 2005 as an Operations Manager of the Wireless unit. He has substantial manufacturing experience in innovation decorative processes for the handset market. Previously, he was an Engineering Manager with Uniplas (Shanghai) for nine years. He holds a Bachelor's degree in Mechanical Engineering from the East China Technology University (now known as "Jiangsu University of Science and Technology").

MANAGEMENT TEAM

LIM KAY LEONG
Managing Director
(Consumer Electronics SBU)

Mr Lim was our General Manager of the Consumer Electronics (CE) SBU until 20 December 2007. From 21 December 2007, he was appointed as Managing Director of the Consumer Electronics SBU. He replaces Mr Scott Chang Yu Lai, who was the Managing Director from 10 April 2007 to 30 November 2007. Following the merger of the Consumer Electronics and Computing & Automotive business units, he also replaces Mr Alan Ong Joo Siew who was the Managing Director of the Computing & Automotive SBU from 1 April 2007 to 31 March 2008. Mr Lim is responsible for the overall management of the merged SBU, now known as Consumer Electronics SBU. Prior to joining Hi-P in July 2007, he spent 18 years with companies within the Singapore Technologies group. These include AMS Biomedical, Advanced Materials Technologies and Chartered Industries of Singapore, where he held senior management positions. He holds a Bachelor's degree in Mechanical Engineering (First Class Honors) from the National University of Singapore and also a Master of Science degree in Aeronautical Engineering from the Imperial College of London.

WANG YE-CHUNG
Director of Human Resources

Mr Wang oversees the Group's functions in human resources, administration, environmental health and safety, and security. He replaces Mr Chan Earn Meng, who was the Director from September 2004 to September 2007. Prior to joining Hi-P in November 2007, he was a free-lance Human Resources Consultant. Previously, he was Human Resources Director of Foxlink – Cheng-Uei Precision Industry Co., Ltd. He also held human resource management positions in Novellus Systems (Greater China), KLA-Tencor (Taiwan) and Carrier Taiwan Co., Ltd. He holds a Master of Science degree in Psychology from Florida State University and a Bachelor of Science degree in Applied Psychology from Fu-Jen Catholic University.

PÖYRY RAIMO JUHA
Director of Management Systems and Quality

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

DANNY TAY SECK NAM
Director of Corporate Supply Chain.

Mr Tay is responsible for the Group's materials cost reduction and inventory control programmes. Prior to joining Hi-P in Feb 2006, he used to work with Thomson Multimedia in Guangdong as Materials as its Global Sourcing Director. He had also held various senior managerial positions in materials management at Seagate Technology and managerial positions in financial planning and site accounting services at Texas Instruments. He holds a Bachelor's degree in Economics from the University of Singapore (now known as the "National University of Singapore") and a Master of Business Administration degree from the University of Hull in the United Kingdom.

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 Director

Mr Yeo Tiong Eng

Independent Directors

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

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

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

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

(c) review management performance;

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

(e) nomination of Directors to the Board;

(f) appointment of key personnel;

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

(h) assuming responsibility for corporate governance.

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

CORPORATE GOVERNANCE REPORT

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		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
Mr Yao Hsiao Tung* (Executive Chairman)	6	6	–	–	2	1
Mdm Wong Huey Fang (Executive Director)	6	6	–	–	–	–
Mr Yeo Tiong Eng (Non-executive Director)	6	5	4	3	–	–
Mr Chester Lin Chien* (Independent Director)	6	6	–	–	2	1
Dr Tan Khee Giap (Independent Director)	6	6	4	4	2	2
Mdm Leong Lai Peng (Independent Director)	6	4	4	3	2	2

* In line with the Code, Mr Chester Lin Chien has been appointed as a member of the Remuneration Committee in place of Mr Yao Hsiao Tung with effect from 30 March 2007.

During the financial year, the Nominating Committee carried out its functions by way of resolutions in writing.

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

Principle 6: Access to Information

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

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

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

Principle 3: Chairman and Chief Executive Officer

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

The Executive Chairman of the Company is Mr Yao Hsiao Tung and the Chief Executive Officer is Mr Robert B. Mahoney. Besides giving guidance on the corporate and business direction of the Group, the role of the Executive Chairman includes scheduling and chairing of Board meetings, and controlling of the quality, quantity and timeliness of information supplied to the Board. The Chief Executive Officer has full executive responsibilities over the running of the Group's business, executing the business strategies and directions set by the Executive Chairman and the Board and managing operations of the Group.

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

CORPORATE GOVERNANCE REPORT

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 FY2007 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 Yao Hsiao Tung and Dr Tan Khee Giap be nominated for re-appointment at the forthcoming AGM.

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

CORPORATE GOVERNANCE REPORT

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.

CORPORATE GOVERNANCE REPORT

The remuneration paid and payable to the Directors and executive officers during the financial year ended 31 December 2007 are as follows:

Remuneration Bands	Salary %	Performance Bonus %	Director's fees %	Others %	Total %
Directors					
S$500,000 and above					
Yao Hsiao Tung	21	77	2	–	100
S$250,000 – S$500,000					
Wong Huey Fang	62	27	11	–	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$250,000 – S$500,000				
Samuel Yuen Chung Sang	82	18	–	100
Scott Chang Yu Lai**	68	32	–	100
Gary Ho Hock Yong	69	31	–	100
Ang Lien Peng***	82	18	–	100
Alan Ong Joo Siew****	63	27	10	100
Below S$250,000				
Gerhard J. Zebe*	54	46	–	100
Robert B. Mahoney#	64	5	31	100
Lim Kay Leong##	92	8	–	100
Zhou Wei Dong###	67	33	–	100

* *Resigned with effect from 31 March 2007*
\# *Appointed with effect from 1 November 2007*
** *Resigned with effect from 30 November 2007*
*** *Resigned with effect from 14 December 2007*
\## *Appointed with effect from 21 December 2007*
\### *Appointed with effect from 26 February 2008*
**** *Resigned with effect from 31 March 2008*

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

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

CORPORATE GOVERNANCE REPORT

The directors' fees will be subject to approval by shareholders as a lump sum at the forthcoming Annual General Meeting.

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

The Company has a share option scheme known as Hi-P Employee Share Option Scheme (the "ESOS") which was approved by shareholders of the Company on 7 October 2003. The ESOS complies with the relevant rules as set out in Chapter 8 of the Listing Manual. The ESOS will provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. The ESOS is administered by the RC. Further information on the share option scheme can be found on pages 20 to 22 of the Annual Report.

Audit Committee ("AC")

Principle 11: Audit Committee

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

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

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

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

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

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

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

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

(f) reviewing interested person transactions; and

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

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

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

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

CORPORATE GOVERNANCE REPORT

The AC is currently reviewing the arrangement by which the employees of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, within the Group, with the objectives of ensuring that arrangements are put in place for independent investigation of such matters and for appropriate follow up actions as and when the need arises.

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 Company has been experiencing rapid growth, which had put a huge strain on the Company's control systems. The Company is putting efforts to strengthen its control systems continuously and review the effectiveness of the Company's internal control with the help of Messrs PricewaterhouseCoopers.

Principle 13: Internal Audit

The internal audit function has been outsourced to Messrs PricewaterhouseCoopers ("internal audit managers"). The internal audit managers report directly to the AC on audit matters and to the CEO on administrative matters.

The objective of the internal audit function is to provide independent and reasonable assurance to the AC and management that the Group's risk management, controls and governance processes are adequate and effective.

The AC has reviewed with the internal audit managers 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 general meetings.

CORPORATE GOVERNANCE REPORT

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

The Company does not have a Risk Management Committee. However, the management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The management reviews all significant control policies and procedures and highlights all significant matters to the Directors and the AC.

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 financial year end, as the case may be, and ending on the date of announcements of the relevant results, or when they are in possession of unpublished price-sensitive information on the Group. To provide further guidance to employees on dealings in the Company's shares, the Company has adopted a code of conduct on transactions in the Company's shares.

Material Contracts
(Listing Manual Rule 1207(8))

Save for the service agreements between Mr Yao Hsiao Tung, Madam Wong Huey Fang and Mr Robert B. Mahoney 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 2007.

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	$135,374	N.A.
- Purchases	$1,585,296	N.A.
Haier Group and its group of companies		
- Sales	$753,155	N.A.

Annual Financial Statements

Directors' Report	**19**
Statement by Directors	**23**
Independent Auditors' Report	**24**
Consolidated Profit and Loss Accounts	**25**
Balance Sheets	**26**
Consolidated Statement of Changes in Equity	**28**
Consolidated Cash Flow Statement	**29**
Notes to the Financial Statements	**31**

DIRECTORS' REPORT

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Hi-P International Limited ("the Company") and its subsidiaries (collectively, "the Group") and the balance sheet of the Company for the financial year ended 31 December 2007.

1. Directors

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

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

2. Arrangements to enable directors to acquire shares and debentures

Except as described in paragraph 5 below, neither at the end of nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objective 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 2007 or date of appointment	31 December 2007	1 January 2007 or date of appointment	31 December 2007
Hi-P International Limited				
Ordinary shares				
Yao Hsiao Tung	485,708,400	488,458,920	–	1,000,000
Wong Huey Fang	–	1,000,000	485,708,400	488,458,920
Yeo Tiong Eng	400,000	500,000	–	–
Dr Tan Khee Giap	550,000	580,000	–	–
Chester Lin Chien	1,000,000	2,000,000	–	–
Leong Lai Peng	–	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

DIRECTORS' REPORT

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 2008.

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 any shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

4. Directors' contractual benefits

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

5. Share options

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

Other information regarding the Option Scheme is set out below:

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

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

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

5. **Share options (cont'd)**

Details of all the options to subscribe for ordinary shares of the Company pursuant to the Option Scheme as at 31 December 2007 are as follows:

Date of grant of options	Exercise price per share	Options outstanding as at 1 January 2007	Options granted	Options cancelled/ lapsed	Options exercised	Options outstanding as at 31 December 2007	Exercise period
19/07/2004	$1.39	2,973,000	–	(659,000)	–	2,314,000	20/07/ 2005 to 19/07/2012
22/11/2004	$1.73	40,000	–	(40,000)	–	–	22/11/ 2005 to 21/11/2012
24/02/2005	$1.54	10,000	–	–	–	10,000	24/02/2006 to 23/02/2013
12/05/2005	$1.47	20,000	–	–	–	20,000	12/05/2006 to 11/05/2013
12/08/2005	$1.48	80,000	–	(60,000)	–	20,000	12/08/2006 to 11/08/2013
30/11/2005	$1.63	65,000	–	(60,000)	–	5,000	30/11/2006 to 29/11/2013
25/04/2006	$1.11	2,416,000	–	(1,253,000)	–	1,163,000	26/04/2007 to 25/04/2014

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

Name of Director	Options granted for financial year ended 31 December 2007	Aggregate options granted since commencement of scheme to 31 December 2007	Aggregate options exercised since commencement of scheme to 31 December 2007	Aggregate options outstanding as at 31 December 2007
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

DIRECTORS' REPORT

5. Share options (cont'd)

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) there were no options 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 have expressed their willingness to accept reappointment as auditors.

On behalf of the board of directors,

Yao Hsiao Tung
Chairman

Yeo Tiong Eng
Director

28 March 2008

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,

(i) the accompanying balance sheets, consolidated profit and loss account, statements 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 2007 and of the results of the business, changes in equity and cash flows of the Group for the year ended on that date, and

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

On behalf of the board of directors,

Yao Hsiao Tung
Chairman

Yeo Tiong Eng
Director

28 March 2008

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HI-P INTERNATIONAL LIMITED AND SUBSIDIARIES

We have audited the accompanying financial statements of Hi-P International Limited ("the Company") and its subsidiary companies (collectively, "the Group"), which comprise the balance sheets of the Group and Company as at 31 December 2007, statement of changes in equity, the profit and loss account and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap 50 ("the Act") and Singapore Financial Reporting Standards. This responsibility includes:

(a) 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;

(b) selecting and applying appropriate accounting policies; and

(c) 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' judgement, 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 auditors consider 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,

(a) 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 2007 and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and

(b) 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
Public Accountants and
Certified Public Accountants
Singapore
28 March 2008

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 $'000	2006 $'000
Revenue	3	976,566	839,081
Cost of sales		(846,416)	(717,762)
Gross profit		130,150	121,319
Other operating income	4	13,346	8,373
Other expenses	5	(2,482)	(888)
Selling expenses		(8,401)	(8,492)
Administrative expenses		(62,464)	(56,277)
Financial expenses	6	(1,806)	(1,556)
Financial income	6	793	874
Foreign exchange loss, net		(10,035)	(1,860)
Share of results of associates		67	184
Profit before tax	7	59,168	61,677
Tax credit/(expense)	9	284	(3,886)
Profit for the year		59,452	57,791
Attributable to :			
Equity holders of the Company		59,999	57,461
Minority interests		(547)	330
		59,452	57,791
Earnings per share (cents)	10		
Basic		6.76	6.48
Diluted		6.76	6.48

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

BALANCE SHEETS

AS AT 31 DECEMBER 2007

	Note	Group		Company	
		2007	2006	2007	2006
		$'000	$'000	$'000	$'000
Non-current assets					
Property, plant and equipment	11	291,075	272,549	24,741	28,232
Investment in subsidiaries	12	–	–	195,913	140,256
Investment in associates	13	2,815	2,726	1,478	1,478
Amounts due from subsidiaries	18	–	–	11,879	11,251
Other non-current asset	14	12	12	12	12
Deferred tax asset	26	1,868	252	–	–
Current assets					
Inventories	15	135,202	118,496	5,542	8,373
Trade and other receivables	16	285,047	228,032	11,712	12,674
Notes receivables	17	2,394	673	–	–
Prepayments		3,830	1,812	151	85
Amounts due from subsidiaries	18	–	–	63,861	26,480
Amounts due from minority shareholders of subsidiaries	19	306	840	–	–
Cash and fixed deposits	20	46,764	33,244	4,402	2,115
		473,543	383,097	85,668	49,727
Current liabilities					
Trade and other payables	21	251,172	208,403	7,210	5,468
Accrued operating expenses		23,565	17,487	5,550	5,955
Amounts due to subsidiaries	22	–	–	47,678	61,322
Amounts due to minority shareholders of subsidiaries	23	23	4,399	–	–
Lease obligations	24	547	61	55	55
Interest-bearing loans and borrowings	25	27,588	25,212	20,849	6,200
Provision for income tax		2,480	1,646	357	396
		305,375	257,208	81,699	79,396
Net current assets/(liabilities)		168,168	125,889	3,969	(29,669)

BALANCE SHEETS (CONT'D)
AS AT 31 DECEMBER 2007

	Note	Group		Company	
		2007	2006	2007	2006
		$'000	$'000	$'000	$'000
Non-current liabilities					
Lease obligations	24	6,185	158	68	114
Deferred tax liabilities	26	708	2,530	874	2,418
Net assets		457,045	398,740	237,050	149,028
Equity attributable to equity holders of the Company					
Share capital	27	119,725	119,725	119,725	119,725
Other reserves	28	19,462	6,745	2,838	2,572
Accumulated profits		316,532	269,777	114,487	26,731
		455,719	396,247	237,050	149,028
Minority interests		1,326	2,493	–	–
Total equity		457,045	398,740	237,050	149,028

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2007

	Attributable to equity holders of the Company					
	Share capital (Note 27)	Share premium	Other reserves (Note 28)	Accumulated profits	Minority interests	Total equity
Group	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 31 December 2005	44,357	75,242	19,162	223,016	2,003	363,780
Profit for the year	–	–	–	57,461	330	57,791
Employee share option scheme - Value of employee services (Note 28d)	–	–	492	–	–	492
Transfer to other reserves	–	91	3,544	(3,635)	–	–
Increase in reserve	–	–	33	–	229	262
Currency translation differences	–	–	(16,486)	32	22	(16,432)
Dividends on ordinary shares (Note 30)	–	–	–	(7,097)	(91)	(7,188)
Exercise of employee share options (Note 27)	1	34	–	–	–	35
Transfer of share premium reserves to share capital (Note 27)	75,367	(75,367)	–	–	–	–
Balance at 31 December 2006	119,725	–	6,745	269,777	2,493	398,740
Profit for the year	–	–	–	59,999	(547)	59,452
Employee share option scheme - Value of employee services (Note 28d)	–	–	266	–	–	266
Acquisition of a subsidiary	–	–	–	–	(636)	(636)
Increase in reserve	–	–	7,475	(7,475)	–	–
Currency translation differences	–	–	4,976	51	16	5,043
Dividends on ordinary shares (Note 30)	–	–	–	(5,820)	–	(5,820)
Balance at 31 December 2007	119,725	–	19,462	316,532	1,326	457,045

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 2007

	2007	2006
	$'000	$'000
Cash flows from operating activities		
Profit before tax	59,168	61,677
Adjustments for:		
Allowance /(write back) for doubtful trade receivables	1,538	(917)
Allowance for doubtful receivables for amount due from minority shareholders of subsidiaries	–	120
Property, plant and equipment written off	508	73
Impairment of property, plant and equipment	959	–
Bad debts written off	1,090	–
Equity compensation expense	266	492
Loss on disposal of property, plant and equipment	36	261
Depreciation of property, plant and equipment	40,491	33,134
Interest expense	1,806	1,556
Interest income	(793)	(874)
Share of results of associates	(67)	(184)
Unrealised exchange gain/(loss)	4,852	(15,057)
Operating profit before working capital changes	109,854	80,281
Decrease/(increase) in:		
Inventories	(20,443)	(44,396)
Trade receivables	(49,423)	(49,939)
Notes receivables	(1,722)	1,319
Other receivables, deposits and prepayments	(12,301)	(2,599)
Increase/(decrease) in:		
Trade payables	37,119	39,614
Other payables and accruals	8,527	(835)
Due (to)/ from related parties (trade), net	(3,732)	351
Cash flows generated from operations	67,879	23,796
Income taxes paid	(2,318)	(7,088)
Net cash generated from operating activities	65,561	16,708
Cash flows from investing activities		
Acquisition of equity interest in associates	–	(94)
Acquisition of a subsidiary, net of cash acquired (Note a)	(209)	–
Interest income received	793	874
Proceeds from disposal of property, plant and equipment	2,230	15,509
Purchase of property, plant and equipment (Note b)	(49,496)	(83,680)
Net cash used in investing activities	(46,682)	(67,391)

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007 (CONT'D)

	2007	2006
	$'000	$'000
Cash flows from financing activities		
Dividends paid on ordinary shares	(5,820)	(7,097)
Interest expense paid	(1,806)	(1,556)
Proceeds from loans and borrowings	2,377	20,355
Repayments of finance lease obligation	(78)	(370)
Proceeds from issuance of shares	–	35
Net cash (used in)/ generated from financing activities	(5,327)	11,367
Net increase/ (decrease) in cash and cash equivalents	13,552	(39,316)
Cash and cash equivalents at beginning of year	33,244	73,197
Effects of exchange rate changes on opening cash and cash equivalents	(32)	(637)
Cash and cash equivalents at end of year (Note 20)	46,764	33,244

Notes to the Consolidated Cash Flow Statement

(a) Acquisition of a subsidiary, net of cash

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

(b) Purchase of property, plant and equipment

	Group	
	2007	2006
	$'000	$'000
Current year additions	59,287	86,500
Payable to creditors	(31,408)	(21,936)
	27,879	64,564
Payments for prior year	21,617	19,116
Net cash outflow for purchase	49,496	83,680

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2007

1. Corporate information

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

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 as shown in Note 12 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 of financial statements

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

2.2 Future changes in accounting policies

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

			Effective date (Annual periods beginning on or after)
FRS 23	:	Amendment to FRS 23, Borrowing Costs	1 January 2009
FRS 108	:	Operating Segments	1 January 2009
INT FRS 112	:	Service Concession Arrangements	1 January 2008

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

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

2.3 Significant accounting estimates

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

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2007

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

2.3 Significant accounting estimates (cont'd)

a) Depreciation 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 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. The carrying amount of the Group's plant and machinery at 31 December 2007 was $219,129,000 (2006: $203,815,000). 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.

b) 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 at 31 December 2007 was $3,188,000 (2006: $4,176,000).

2.4 Functional and foreign currency

a) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

b) Foreign currency translation

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

- Assets and liabilities for each balance sheet presented are translated at the rate ruling at that balance sheet date; and
- Income and expenses for each profit and loss account are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions.

All resulting exchange differences are recognised in a separate component of equity as foreign currency translation reserve.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2007

2 Summary of significant accounting policies (cont'd)

2.4 Functional and foreign currency (cont'd)

b) Foreign currency translation (cont'd)

On disposal of a foreign operation, the cumulative amount of exchange differences deferred in equity relating to that foreign operation is recognised in the profit and loss account as a component of the gain or loss on disposal.

2.5 Subsidiaries

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

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

2.6 Principles of consolidation of financial statements

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Acquisitions of subsidiaries are accounted for using the purchase method. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. They are presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity, and are separately disclosed in the consolidated profit and loss account.

2.7 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. This generally coincides with the Group having 20% or more of the voting power, or has representation on the board of directors.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2007

2 Summary of significant accounting policies (cont'd)

2.7 Associates (cont'd)

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

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

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

2.8 Related parties

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

2.9 Property, plant and equipment

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

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

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

Construction-in-progress are not depreciated as these assets are not available for use. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2007

2 Summary of significant accounting policies (cont'd)

2.10 Intangible asset

a) Club membership

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

b) Research and development costs

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

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

2.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the profit and loss account as 'other operating expenses'.

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

2.12 Financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2007

2 Summary of significant accounting policies (cont'd)

2.13 Impairment of financial assets

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

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

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

2.14 Inventories

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

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

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

2.15 Trade and other receivables

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

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

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

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at banks, fixed deposits and short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2007

2 Summary of significant accounting policies (cont'd)

2.17 Financial liabilities

Financial liabilities include trade payables, which are normally settled on 30-90 day terms, other amounts payable, payables to related parties and interest-bearing loans and borrowings. Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognised at fair value of consideration received less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

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

2.18 Borrowing costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

2.19 Derecognition of financial assets and liabilities

a) Financial assets

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

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

b) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Gains and losses are recognised in the profit and loss account when the liability is derecognised as well as through the amortisation process.

2.20 Provisions

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

2.21 Employee benefits

a) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2007

2 Summary of significant accounting policies (cont'd)

2.21 Employee benefits (cont'd)

a) Defined contribution plan (cont'd)

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.

b) Employee leave entitlement

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

c) Equity compensation benefits

Employees of the Group receive remuneration in the form of share options as consideration for services rendered ('equity-settled transactions').

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which the share options are granted. In valuing the share options, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the company ('market conditions'), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in the employee share option reserve, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions 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 equity instruments that will ultimately vest. The charge or credit to the profit and loss account for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards 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 conditions are satisfied. The share option reserve is transferred to accumulated profits upon expiry of the options.

2.22 Leases

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the profit and loss account. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

2 Summary of significant accounting policies (cont'd)

2.22 Leases (cont'd)

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

2.23 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.

a) Sales of goods

Revenue is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, which generally coincides with delivery and acceptance of the goods sold. 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.

b) Interest income

Interest income is recognised as the effective interest method unless collectibility is in doubt.

c) Dividend income

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

2.24 Income taxes

a) Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current taxes are recognised in the income statement except that tax relating to items recognised directly in equity.

b) Deferred tax

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

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

- Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

Deferred income tax assets are recognised for all deductible temporary differences (other than those mentioned above), carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2007

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

2.24 Income taxes (cont'd)

b) Deferred tax (cont'd)

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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

c) Sales tax

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

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

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

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.

2.25 Segment reporting

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

2.26 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.

3. Revenue

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

4. Other operating income

	Group	
	2007	2006
	$'000	$'000
Sale of scrap materials	3,334	2,922
Tax refund on capital investments	1,956	492
Sale of molding samples	270	916
Compensation from customer	5,386	3,623
Service income from trial runs conducted for customers	2,400	–
Others	–	420
	13,346	8,373

5. Other expenses

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

	Group	
	2007	2006
	$'000	$'000
Loss on disposal of property, plant and equipment	36	261
Property, plant and equipment written off	508	73
Impairment of property, plant and equipment (Note 11)	959	–
Loss on sale of raw materials	864	554
Others	115	–
	2,482	888

6. Financial (expenses)/income

	Group	
	2007	2006
	$'000	$'000
Interest expense		
- bank term loans	(1,799)	(1,514)
- lease obligations	(7)	(41)
- bank overdrafts	–	(1)
	(1,806)	(1,556)
Interest income		
- bank balances	634	841
- fixed deposits	159	33
	793	874

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2007

7. Profit before tax

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

	Group	
	2007	**2006**
	$'000	$'000
Allowance/ (write back) for doubtful trade receivables	1,538	(917)
Allowance for doubtful receivables for amount due from minority shareholders of subsidiaries	–	120
Bad debts written off	1,090	–
Non-audit fees paid to:		
- auditors of the Company	205	29
- other auditors	638	121
Depreciation of property, plant and equipment	40,491	33,134
Directors' fees	422	376
Directors' remuneration (Note 8)		
- directors of the Company	2,816*	2,836*
- director of a subsidiary company	211	141
Value of employees services (Note 8)	266	492
Operating lease expenses	19,598	15,361
Research and development costs	4,414	2,264
Personnel expenses (Note 8)	156,284	132,226

* Amount includes performance bonus amounting to approximately $1,866,000 (2006: $1,879,000) pursuant to the Service Agreement entered into with a director. The amount is computed based on 3% of the Group's profit before tax and minority interest for the relevant financial year.

8. Personnel expenses

	Group	
	2007	**2006**
	$'000	$'000
Wages, salaries and bonus	129,877	110,243
Pension contributions	14,285	11,229
Other personnel expenses	14,938	13,590
Value of employees services (Note 7 and 28d)	266	492
	159,366	135,554

The personnel expenses are inclusive of executive directors' remuneration.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2007

9. Tax

a) Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2007 and 2006 are :

	Group	
	2007	2006
	$'000	$'000
Current tax		
- current year	3,029	4,278
- over provision in respect of prior years	(169)	(95)
	2,860	4,183
Deferred tax		
- current year (Note 26)	(3,144)	(297)
Tax (credit)/ expense	(284)	3,886

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 2007 and 2006 is as follows:

	Group	
	2007	2006
	$'000	$'000
Accounting profit before tax	59,168	61,677
Tax at the domestic rates applicable to profits in the countries where the Group operates *	2,838	6,122
Tax effect of losses not available for offset against taxable profits	–	30
Tax effect of expenses that are not deductible in determining taxable profit	743	3,991
Tax effect of income that are not taxable in determining taxable profit	(547)	(4,763)
Over provision in respect of prior years	(169)	(95)
Tax rebate and exemption	(92)	(1,141)
Deferred tax assets not recognized	(3,056)	(297)
Others	(1)	39
Tax (credit)/ expense	(284)	3,886

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

A loss-transfer system of group relief (group relief system) for companies was introduced in Singapore with effect from year of assessment 2003. Under the group relief system, a company belonging to a group may transfer its current year unabsorbed capital allowances, current year unabsorbed trade losses and current year unabsorbed donations (loss items) to another company belonging to the same group, to be deducted against the assessable income of the latter company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2007

9. Tax (cont'd)

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

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

	2007	2006
	%	%
Hi-P Shanghai Electronics Co., Ltd.	15	15
Hi-P Camera Products Co., Ltd.	15	15
Hi-P Precision Plastic Manufacturing (Shanghai) Co., Ltd.	15	7.5
Hi-P (Suzhou) Technology Co., Ltd.	*	7.5
Hi-P (Xiamen) Precision Plastic Manufacturing Co., Ltd.	15	15
Hi-P (Chengdu) Precision Plastic Manufacturing Co., Ltd.	18	10
Hi-P (Chengdu) Mold Base Manufacturing Co., Ltd.	10.5	7.5
Qingdao Haier Hi-P Science Technology Co., Ltd.	*	12
Hi-P Tianjin Electronics Co., Ltd.	7.5	7.5
Hi-P (Shanghai) Industries Co., Ltd.	7.5	7.5
Hi-P (Shanghai) Housing Appliance Co., Ltd	*	7.5
Hi-P (Shanghai) Precision Mold & Die Co., Ltd.	7.5	7.5
Hi-P (Tianjin) Precision Mold & Die Co., Ltd.	7.5	7.5
Hi-P (Suzhou) Electronics Co., Ltd	*	*
Hi-P (Tianjin) Technology Co., Ltd	Tax exempt	Tax exempt
Hi-P (Shanghai) Technology Co., Ltd	Tax exempt	Tax exempt
Hi-P Samkwang Technology (Shanghai) Co., Ltd	Tax exempt	*
Hi-P (Dongguan) Technology Co., Ltd	Tax exempt	**
Hi-P (Dongguan) Precision Mold & Die Co., Ltd	Tax exempt	**
Hi-P (Shanghai) Stamping Mold & Component Industries Co., Ltd	Tax exempt	Tax exempt

* Subsidiary in loss position.
** Subsidiary has not commenced operations.
*** Subsidiary not incorporated yet.

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

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

(ii) Income tax: the applicable corporate income tax rate is 29% (2006: 30%).

9. Tax (cont'd)

Hi-P Poland SP.ZO.O is subject to corporate income tax rate of 19% (2006: 19%).

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

Hi-P Global Trading Ltd. (formerly known as Hi-P Mauritius Ltd.) is granted the Global Business Companies Category 1 Licence and is taxed at a flat rate of 15% (2006: 15%). 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%.

10. 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 reflects the profit and loss and share data used in the computation of basic and diluted earnings per share for the years ending 31 December.

	Group	
	2007	**2006**
Profit for the year attributable to equity holders of the Company ($'000)	59,999	57,461
Weighted average number of ordinary shares for basic earnings per share computations ('000)	887,175	887,175
Dilution effects of share options ('000)	–	–
Weighted average number of ordinary shares for the effect of dilution ('000)	887,175	887,175
Basic earnings per share (cents)	6.76	6.48
Diluted earnings per share (cents)	6.76	6.48

3,532,000 (2006: 2,416,000) 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2007

11. Property, plant and equipment

Group	Factory buildings and leasehold improvements	Construction-in-progress	Renovation	Plant and machinery	Motor vehicles	Office equipment, furniture and fittings	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost							
As at 1.1.2006	17,308	8,250	25,152	245,813	3,912	22,155	322,590
Additions	1,419	8,636	8,958	60,388	299	6,800	86,500
Reclassification	(16)	(3,980)	5,838	1,130	(2,337)	(635)	–
Disposals	–	(1,924)	(636)	(22,176)	(80)	(631)	(25,447)
Translation difference	21	(273)	(1,373)	(11,186)	(132)	(882)	(13,825)
As at 31.12.2006 and 1.1.2007	18,732	10,709	37,938	273,969	1,663	26,807	369,818
Additions	8,363	894	4,476	41,312	315	3,927	59,287
Reclassification	–	(9,325)	7,460	5,816*	–	(230)	3,721
Disposals	–	–	(735)	(2,163)	(67)	(386)	(3,351)
Translation difference	141	(234)	18	(6,007)	45	207	(5,830)
As at 31.12.2007	27,236	2,044	49,157	312,927	1,956	30,325	423,645

* Included is an amount of $3,721,000 of the production tooling molds for the Group which has been reclassified from inventories (Note 15) to plant and machinery.

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

Group	Factory buildings and leasehold improvements	Construction-in-progress	Renovation	Plant and machinery	Motor vehicles	Office equipment, furniture and fittings	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Accumulated depreciation							
As at 1.1.2006	2,332	–	7,209	66,390	794	9,389	86,114
Charge for the year	383	–	3,882	24,345	213	4,311	33,134
Reclassification	(20)	–	473	149	(3)	(599)	–
Disposals	–	–	(69)	(9,695)	(62)	(373)	(10,199)
Translation difference	(9)	–	(379)	(11,035)	(15)	(342)	(11,780)
As at 31.12.2006 and 1.1. 2007	2,686	–	11,116	70,154	927	12,386	97,269
Charge for the year	1,071	–	5,654	28,737	232	4,797	40,491
Impairment loss (Note 5)	–	–	–	959	–	–	959
Reclassification	–	–	5	26	–	(31)	–
Disposals	–	–	(51)	(753)	(43)	(310)	(1,157)
Translation difference	14	–	46	(5,325)	7	266	(4,992)
As at 31.12.2007	3,771	–	16,770	93,798	1,123	17,108	132,570
Net carrying amount							
As at 31.12.2007	23,465	2,044	32,387	219,129	833	13,217	291,075
As at 31.12.2006	16,046	10,709	26,822	203,815	736	14,421	272,549

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

Company	Factory buildings and leasehold improvements	Renovation	Plant and machinery	Motor vehicles	Office equipment, furniture and fittings	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost						
As at 1.1.2006	16,458	417	27,921	716	935	46,447
Additions	–	590	4,802	35	63	5,490
Disposals	–	–	(3,576)	–	–	(3,576)
As at 31.12.2006 and 1.1.2007	16,458	1,007	29,147	751	998	48,361
Additions	–	40	761	–	9	810
Disposals	–	–	(1,920)	–	(18)	(1,938)
As at 31.12.2007	16,458	1,047	27,988	751	989	47,233
Accumulated depreciation						
As at 1.1.2006	2,144	90	15,582	432	626	18,874
Charge for the year	290	156	3,351	100	89	3,986
Disposals	–	–	(2,731)	–	–	(2,731)
As at 31.12.2006 and 1.1.2007	2,434	246	16,202	532	715	20,129
Charge for the year	290	195	3,275	70	91	3,921
Disposals	–	–	(1,554)	–	(4)	(1,558)
As at 31.12.2007	2,724	441	17,923	602	802	22,492
Net carrying amount						
As at 31.12.2007	13,734	606	10,065	149	187	24,741
As at 31.12.2006	14,024	761	12,945	219	283	28,232

11. 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 $59,287,000, of which $6,963,000 (2006: $10,000) was acquired under finance leases.

The carrying amount of property, plant and equipment held under finance leases at the balance sheet date was $6,990,000 (2006: $266,000).

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

Impairment of assets

During the financial year, a subsidiary of the Group carried out a review of the recoverable amount of its production equipment because a particular type of machinery had been persistently underutilised. An impairment loss of $959,000 (2006: $Nil), representing the write-down of these equipment to the recoverable amount was recognised in "Other expenses" (Note 5 Other expenses) line item of the income statement for the financial year ended 31 December 2007. The recoverable amount of the production equipment was based on 50% of its net book value, which is the most probable realisable value based on management's estimation and past experiences.

12. Investments in subsidiaries

	Company	
	2007	2006
	$'000	$'000
Shares, at cost	191,242	114,713
Amounts due from subsidiaries	98,096	50,589
Additional capital contribution	3,091	3,091
	292,429	168,393
Impairment losses	(96,516)	(28,137)
	195,913	140,256

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2007

12. Investments 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 2007	Equity interest held by the Group 2006	Cost of investment 2007	Cost of investment 2006
			%	%	$'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	4,550
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	4,548
High Precision Moulding and Tools, S.A. de C.V. **	Manufacture of plastic injection parts	Mexico	100	100	11,840	11,840
Hi-P Poland SP.ZO.O. **	Manufacture and sale of molds and plastic components	Poland	100	100	3,342	3,047
Hi-P (Chengdu) Precision Plastic Manufacturing Co., Ltd.**	Manufacture of plastic injection parts	People's Republic of China	100	100	8,568	8,568
Hi-P (Chengdu) Mold Base Manufacturing Co., Ltd. **	Manufacture of mold base and components	People's Republic of China	100	100	5,070	5,070
Hi-P (Thailand) Co., Ltd**	Manufacture and sale of molds and plastic components	Thailand	100	100	1,000	1,000
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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2007

12. Investments in subsidiaries (cont'd)

Name of company	Principal activities	Country of incorporation and place of business	Equity interest held by the Group 2007 %	Equity interest held by the Group 2006 %	Cost of investment 2007 $'000	Cost of investment 2006 $'000
Hi-P Tianjin Electronics Co., Ltd. **	Manufacture of molds	People's Republic of China	100	100	30,169	4,519
Hi-P (Tianjin) Technology Co., Ltd **	Manufacture and sale of molds and plastic components	People's Republic of China	100	100	15,118	4,125
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. *	Manufacture and production of in-mold decoration lenses	Singapore	100	52	1,249	1,040
Hi-P Samkwang Technology (Shanghai) Co., Ltd **	Manufacture and production of in-mold decoration lenses	People's Republic of China	100	100	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	4,129
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	5,827
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	585
Hi-P (Dong Guan) Precision Mold & Die Co., Ltd**	Design and fabrication of precision plastic injection molding parts, assembly and provide advisors services	People's Republic of China	100	100	3,823	586

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2007

12. Investments in subsidiaries (cont'd)

Name of company	Principal activities	Country of incorporation and place of business	Equity interest held by the Group 2007	Equity interest held by the Group 2006	Cost of investment 2007	Cost of investment 2006
			%	%	$'000	$'000
Hi-P North America, Inc. ##	Provision of engineering support services	United States of America	100	100	676	580
Hi-P Finland Oy **	Provision of engineering support services	Finland	100	100	16	16
Hi-P Gmbh ###	Development, design and sales of electro-mechanical components	Germany	100	100	51	51
Hi-P Industries Pte. Ltd. *	Manufacture of metal precision components	Singapore	100	100	1,500	1,500
Hi-P (Shanghai) Stamping Mold & Component Industries Co., Ltd**	Design and manufacture of metal and non-metal stamping, molds and electric components	People's Republic of China	100	100	11,260	8,425
Hi-P Global Trading Ltd (f.k.a. Hi-P Mauritius Ltd)**	International sales and marketing activities	Mauritius	100	100	85	85
Hi-P Resources Ltd ***	Provision of human resource to related companies	Mauritius	100	100	8	8
Hi-P Management Services Pte Ltd *	Manufacture and sale of tools, molds and plastic components (dormant)	Singapore	100	100	– @	– @

12. **Investments in subsidiaries (cont'd)**

Name of company	Principal activities	Country of incorporation and place of business	Equity interest held by the Group 2007	2006	Cost of investment 2007	2006
			%	%	$'000	$'000
Held through subsidiaries						
Hi-P (Shanghai) Industries Co., Ltd. **	Manufacture of precision stamped metal components and precision tools and die design and fabrication	People's Republic of China	100	100	–	–
					191,242	114,713

* Audited by Ernst & Young, Singapore.
** Audited by member firms of Ernst & Young Global in respective countries.
*** Not required to be audited by the laws of its country of incorporation.
\# No statutory audit required as the entity was incorporated towards the end of the financial year.
\## Audited by Charles J. Gries & Company L.L.P. Certified Public Accountants.
\### Audited by PricewaterhouseCoopers AG
@ $2 comprising two subscriber shares of $1 each.

13. **Investments in associates**

	Group 2007	Group 2006	Company 2007	Company 2006
	$'000	$'000	$'000	$'000
Unquoted equity shares, at cost	1,478	1,478	1,478	1,478
Share of post-acquisition reserves	1,213	1,124	–	–
Goodwill previously amortised	124	124	–	–
	2,815	2,726	1,478	1,478

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2007

13. Investments in associates (cont'd)

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		Cost of investment by the Company	
			2007	2006	2007	2006
			%	%	$'000	$'000
Express Tech Mfg Pte Ltd*	Manufacture and sale of plastic products and engineering parts	Singapore	30	30	503	503
Hi-Tec Precision Mould Pte. Ltd. **	Manufacture and repair of machinery, machine tools and machine tool accessories and die-casting	Singapore	40	40	494	494
Design Exchange Pte Ltd ***	Provision of product design and development services from concept ideation to mass production support	Singapore	40	40	481	481
					1,478	1,478

* Audited by Philip Lien & Co.
** Audited by Gim Hwa & Co.
*** Audited by Wong, Lee Associate.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2007

13. Investments in associates (cont'd)

The summarised financial information of the associates are as follows:

	2007	2006
	$'000	$'000
Assets and liabilities:		
Current assets	10,467	8,674
Non-current assets	4,441	5,358
Total assets	14,908	14,032
Current liabilities	4,447	3,485
Non-current liabilities	416	687
Total liabilities	4,863	4,172
Results:		
Revenue	9,522	11,183
Profit for the year	389	558

14. Other non-current asset

	Group and Company	
	2007	2006
	$'000	$'000
Club membership:		
At cost	36	36
Impairment loss	(24)	(24)
	12	12

15. Inventories

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Work-in-progress	51,412	43,649	2,186	5,134
Raw materials	54,302	33,125	1,070	958
Finished goods	29,488*	41,722	2,286	2,281
Total inventories at lower of cost and net realisable value	135,202	118,496	5,542	8,373

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2007

15. Inventories (cont'd)

During the financial year, the Group wrote-down $5,758,000 (2006: $6,962,000) of inventories which are recognised as expense in the profit and loss account.

* Included is an amount of $3,721,000 of the production tooling molds for the Group which has been reclassified from inventories to plant and machinery (Note 11).

16. Trade and other receivables

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$'000	$'000	$'000	$'000
Trade receivables	256,244	208,313	10,906	12,320
Other receivables	5,334	234	–	–
Advances to suppliers	6,351	8,123	164	172
Input tax/VAT	16,873	9,869	470	–
Deposits	2,666	2,715	172	182
	287,468	229,254	11,712	12,674
Allowance for trade doubtful receivables	(2,421)	(1,222)	–	–
	285,047	228,032	11,712	12,674

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.

Receivables that are past due but not impaired

The Group has trade receivables amounting to $43,057,000 (2006: $34,096,000) 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	
	2007	**2006**
	$'000	$'000
Trade receivables past due :		
Lesser than 30 days	41,868	30,904
30 to 60 days	1,061	2,535
61 to 90 days	25	359
91 to 120 days	103	19
More than 120 days	–	279
	43,057	34,096

16. Trade and other receivables (cont'd)

Receivables that are impaired

The Group's 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	
	2007	2006
	$'000	$'000
Trade receivables – nominal amounts	2,421	1,222
Less: Allowance for impairment	(2,421)	(1,222)
	–	–
Movement in allowance accounts :		
At 1 January	1,222	6,033
Charge for the year	1,538	(917)
Written off	(291)	(3,461)
Exchange differences	(48)	(433)
	2,421	1,222

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.

17. Notes receivables

Notes receivables were issued by customers for trade purchases. The notes receivables have an average maturity of 3 to 6 months and interest-bearing. The weighted average effective interest rate is 0.3% (2006: 0.3%). They are recognised at their original invoice amounts which represents their fair values on initial recognition.

18. Amounts due from subsidiaries

	Company	
	2007	2006
	$'000	$'000
Current:		
Trade	197	770
Non-Trade	63,664	25,710
	63,861	26,480
Non-current:		
Non-trade	11,879	11,251
	75,740	37,731

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2007

18. Amounts due from subsidiaries (cont'd)

The amounts due from subsidiaries are unsecured and are to be settled in cash.

Amounts due from subsidiaries (current) are non-interest bearing and repayable on demand.

Amounts due from subsidiaries (non-current) are non-interest bearing and repayable within 3 to 5 years. The fair value of the amounts due from subsidiaries amounts to $10,600,000 (2006: $11,251,000) based on the weighted average effective interest rates of 5.75% (2006: 5.75%) per annum.

The difference between the transaction price and the fair value of $3,091,000 has been recorded as an additional capital contribution in the subsidiaries (Note 12).

19. Amounts due from minority shareholders of subsidiaries

	Group	
	2007	**2006**
	$'000	$'000
Trade	323	961
Allowance for doubtful receivables	(17)	(121)
	306	840

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

Allowance for doubtful receivables

For the year ended 31 December 2007, an impairment loss of $Nil (2006: $120,000) was recognised in the profit and loss account subsequent to a debt recovery assessment performed on amounts due from minority shareholders of subsidiaries as at 31 December 2007.

20. Cash and cash equivalents

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$'000	$'000	$'000	$'000
Cash at banks and in hand	46,688	33,177	4,334	2,048
Fixed deposits	76	67	68	67
	46,764	33,244	4,402	2,115

Cash at banks earn interest at floating rates based on daily bank deposit rates ranging from 0.125% to 1.15% (2006: 0.00% to 0.50%) per annum. Short term fixed deposits are made for varying periods of between 1 and 4 weeks depending on the immediate cash requirements of the Group, and earn interest at the respective short term fixed deposit rates. The weighted average effective interest rate of short term fixed deposits is ranging from 2.5% to 4.6% (2006: 4.5% to 4.6%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2007

21. Trade and other payables

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Trade payables	205,814	168,695	6,929	5,392
Other payables	45,358	39,708	281	76
	251,172	208,403	7,210	5,468

Trade payables

Trade payables are non-interest bearing and are normally settled on 30 to 90 day 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.

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22. Amounts due to subsidiaries (trade and non-trade)

Amounts due to subsidiaries are non-interest bearing and are repayable within 12 months. These amounts are unsecured and are to be settled in cash.

23. Amounts due to minority shareholders of subsidiaries (non-trade)

Amounts due to minority shareholders of subsidiaries are non-interest bearing and are repayable within 12 months and 3 years for current and non-current balances respectively. These amounts are unsecured and are to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2007

24. Lease obligations

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

	Group		Company	
	Total minimum lease payments	Present value of payments	Total minimum lease payments	Present value of payments
2007	$'000	$'000	$'000	$'000
Within one year	549	547	64	55
After one year but not more than five years	3,200	3,189	80	68
More than five years	3,005	2,996	–	–
Total minimum lease payments	6,754	6,732	144	123
Less amounts representing finance charges	(22)	–	(21)	–
Present value of minimum lease payments	6,732	6,732	123	123
2006				
Within one year	72	61	63	55
After one year but not more than five years	178	158	133	114
Total minimum lease payments	250	219	196	169
Less amounts representing finance charges	(31)	–	(27)	–
Present value of minimum lease payments	219	219	169	169

The Group has finance leases for certain items of plant and machinery, motor vehicles and office equipment (Note 11). 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. The effective interest rate in the finance leases are 0.0% to 9.0% (2006: 16.3% to 18.2%) per annum.

These obligations are secured by a charge over the leased assets (Note 11).

25. Interest-bearing loans and borrowings

	Effective interest rate	Maturity	Group 2007 $'000	Group 2006 $'000	Company 2007 $'000	Company 2006 $'000
Bank term loan bearing interest at SIBOR plus 1% per annum	6.2%	2007	–	1,544	–	–
Bank term loan bearing interest at SIBOR plus 1% per annum	6.2%	2007	–	2,317	–	–
Bank term loan bearing interest at SIBOR plus 1% per annum	6.2%	2007	–	3,089	–	–
Bank term loan bearing interest at SIBOR plus 1% per annum	5.3%	2007	–	12,062	–	–
Bank term loan bearing interest at 4.78% per annum, repayable over on 25 January 2007	4.8%	2007	–	3,200	–	3,200
Bank term loan bearing interest at 3.97% per annum, repayable over on 25 January 2007	4.0%	2007	–	3,000	–	3,000
Bank term loan bearing interest at 2.62% per annum, repayable over on 12 January 2008	2.6%	2008	5,600	–	5,600	–
Bank term loan bearing interest at 2.62% per annum, repayable over on 12 January 2008	2.6%	2008	4,500	–	4,500	–
Bank term loan bearing interest at 2.99% per annum, repayable over on 17 January 2008	3.0%	2008	6,000	–	6,000	–
Bank term loan bearing interest at 5.50% per annum, repayable over on 24 January 2008	5.5%	2008	4,749	–	4,749	–
Bank term loan bearing interest at 7.13% per annum, repayable over on 21 January 2008	7.1%	2008	4,162	–	–	–
Bank term loan bearing interest at 5.59% per annum, repayable over on 14 March 2008	5.6%	2008	2,577	–	–	–
Due within 12 months			27,588	25,212	20,849	6,200

The bank term loans are secured by a corporate guarantee from the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2007

26. Deferred tax

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

	Group				Company	
	Consolidated balance sheet		Consolidated profit and loss account		Balance sheet	
	2007	2006	2007	2006	2007	2006
	$'000	$'000	$'000	$'000	$'000	$'000
Deferred tax liabilities						
Differences in depreciation	(708)	(2,530)	88	45	(874)	(2,418)
Deferred tax assets						
Unutilised tax losses	1,868	252	3,056	252	–	–
Deferred income tax credit (Note 9)			3,144	297		

No deferred tax was charged to equity during the year.

Unrecognised tax losses

The Group has tax losses of approximately $47,980,00 (2006: $26,767,000) that are available for offset against future taxable profits of the companies in which the losses arose for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

Unrecognised temporary differences relating to investments in subsidiaries and associates

As at 31 December 2007, there was no recognised deferred tax liability (2006: $Nil) for taxes that would be payable on the unremitted earnings of certain of the Company's subsidiaries or associates, as:

- The Company has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future; and

- The Company has agreements with its associates that the profits of the associate will not be distributed until it obtains the consent of the company. The Company does not foresee giving such consent in the foreseeable future.

The temporary differences associated with investments in subsidiaries and associates, for which deferred tax liability has not been recognised, aggregate to $202,045,000 (2006: $243,047,000). According to the circular issued by the State Administration of Taxation China, the distribution of dividends after 1 January 2008 from Pre-2008 profits will be exempt from tax on distribution to shareholders. As a result, there is no deferred tax liabilities arising from undistributed earnings of China subsidiaries accumulated up till 31 December 2007.

Tax consequences of proposed dividends

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 (Note 30).

27. Share capital

	Group and Company			
	2007		2006	
	No. of shares		No. of shares	
	’000	$’000	’000	$’000
Issued and fully paid :				
At 1 January	887,175	119,725	887,150	44,357
Exercise of share option	–	–	25	1
Transfer of share premium reserve to share capital	–	–	–	75,367
At 31 December	887,175	119,725	887,175	119,725

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

The Company has an employee share option scheme (Note 29) under which options to subscribe for the Company’s ordinary shares have been granted to employees.

In accordance with the Companies (Amendment) Act 2005, on 30 January 2006, the shares of the company ceased to have a par value and the amount standing in the share premium reserve became part of the Company’s share capital.

28. Other reserves

	Group		Company	
	2007	2006	2007	2006
	$’000	$’000	$’000	$’000
Reserve fund (a)	28,694	21,286	–	–
Foreign currency translation reserve (b)	(12,144)	(17,187)	–	–
Capital reserve (c)	74	74	–	–
Employee share option reserve (d)	2,838	2,572	2,838	2,572
	19,462	6,745	2,838	2,572

a) Reserve fund

In accordance with the Foreign Enterprise Law applicable to the subsidiary in the People’s Republic of China (“PRC”), the subsidiary is 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 subsidiary’s 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 subsidiary. The SRF is not available for dividend distribution to shareholders.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2007

28. **Other reserves (cont'd)**

a) **Reserve fund (cont'd)**

	Group	
	2007	**2006**
	$'000	$'000
At beginning of year	21,286	17,618
Transfer from accumulated profits	–	3,635
Increase in reserves	7,408	33
At end of year	28,694	21,286

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		Company	
	2007	**2006**	**2007**	**2006**
	$'000	$'000	$'000	$'000
At beginning of year	(17,187)	(664)	–	–
Net effect of exchange differences arising from translation of financial statements of foreign operations	4,977	(16,523)	–	–
Increase in reserves	66	–	–	–
At end of year	(12,144)	(17,187)	–	–

(c) **Capital reserves**

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$'000	$'000	$'000	$'000
At beginning and end of year	74	37	–	–
Currency translation difference	–	37	–	–
At end of year	74	74	–	–

28. Other reserves (cont'd)

(d) Employee share option reserve

Employee share option reserve represents the equity-settled share options granted to employees (Note 29). 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.

	Group and Company	
	2007	2006
	$'000	$'000
At beginning of year	2,572	2,171
Value of employees services	396	492
Granted during the year	–	678
Forfeited during the year	(130)	(665)
Exercised during the year	–	(13)
Transfer to share capital	–	(91)
Closing balance at 31 December	2,838	2,572

29. Equity compensation benefits

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

Other information regarding the Option Scheme is set out below:

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

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

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

(iv) The options are only settled by equity.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2007

29. Equity compensation benefits (cont'd)

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, equity share options during the year.

	No. 2007 '000	WAEP 2007 $	No. 2006 '000	WAEP 2006 $
Outstanding at beginning of year	5,604	1.28	3,843	1.39
Granted during the year	–	–	2,709	1.11
Forfeited during the year	(2,072)	1.24	(923)	1.34
Exercised during the year[1]	–	–	(25)	1.39
Outstanding during the year[1]	3,532	1.30	5,604	1.28
Exercisable at end of year	2,951	1.34	3,101	1.40

[1] The range of exercise prices for options outstanding at the end of the year was $1.11 to $1.73 (2006: $1.11 to $1.73). The weighted average remaining contractual life for these options is 5.17 years (2006: 6.35 years).

There were no options granted during the financial year ended 31 December 2007.

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

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

30. Dividends

	Group and Company 2007 $'000	2006 $'000
Declared and paid during the year		
Dividends on ordinary shares:		
■ Final dividend less tax at 18% (2005: 20%) for 2006: 0.8 cents (2005: 1.0 cents)	5,820	7,097
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 dividend (one-tier tax exempt) (2006: 18%) for 2007: 1.5 cents (2006: 0.8 cents)	13,308	5,820

31. Contingent liabilities and commitments

(a) Capital expenditure commitments

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

	Group		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Commitments in respect of purchase of property, plant and equipment	14,632	10,396	–	169

(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 50 years with options to purchase or renewal options at the end of the lease terms. There are no restrictions upon the Group or the Company by entering into these leases. Operating lease payments recognised in the consolidated profit and loss account during the year amount to $19,598,000 (2006: $15,361,000).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2007

31. Contingent liabilities and commitments (cont'd)

(b) Operating lease commitments (cont'd)

Future minimum rentals under non-cancellable leases are as follows:

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Not later than 1 year	11,510	12,286	400	405
1 year through 5 years	25,411	25,870	1,601	1,620
Later than 5 years	26,446	24,663	17,079	17,480
	63,367	62,819	19,080	19,505

(c) Contingent liabilities

The Group granted corporate guarantees of $47,128,000 (2006: $20,773,000) and $84,958,000 (2006: $17,663,000) in favour to third party suppliers for purchases made by subsidiaries and banks for term loans obtained by subsidiaries respectively as at 31 December 2007.

32. Related party information

a) Sale and purchase of goods and services

In addition to those related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties who are not members of the Group took place during the year at terms agreed between the parties:

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Income				
Sales to a corporate shareholder and companies related to the shareholder	135	218	–	–
Sales to a minority shareholder of a subsidiary and companies related to the shareholder	753	1,863	–	–
Sales to subsidiaries	–	–	682	1,755
Sales of property, plant and equipment to a subsidiary	–	–	307	3,228
Dividend income from subsidiaries	–	–	171,504	25,100

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2007

32. **Related party information (cont'd)**

a) **Sale and purchase of goods and services (cont'd)**

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$'000	$'000	$'000	$'000
Expenses				
Purchases of materials from a corporate shareholder and companies related to the shareholder	1,650	2,905	–	–
Purchases from subsidiaries	–	–	3,808	162
Management fee paid to subsidiary	–	–	–	3,427

b) **Compensation of key management personnel**

	Group	
	2007	**2006**
	$'000	$'000
Other short-term employee benefits	5,696	4,753
Equity compensation expense	232	657
Total compensation paid to key management personnel	5,928	5,410
Comprise amounts paid to :		
Directors of the Company	2,757	2,836
Other key management personnel	3,171	2,574
	5,928	5,410

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 2007, 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2007

33. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency 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 year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings. All of the Group's and the Company's financial assets and liabilities at floating rates are contractually repriced at intervals of less than 6 months (2006: less than 6 months) from the balance sheet date.

The Group's policy is to manage interest cost by only borrowing short-term loan at floating rate to finance its short-term working capital requirement and settling them at its soonest possible. The Group and the Company do not have any fixed rate long term loan and borrowing as at balance sheet date (2006: none).

Sensitivity analysis for interest rate risk

At the balance sheet date, if SGD, USD & RMB interest rates had been 100 (2006:100) basis points higher/lower with all other variables held constant, the Group profit net of tax would have been $273,000 (2006: $254,000) lower/higher, arising mainly as a result of higher/lower interest expenses on floating rate loans and borrowings.

	Group	
	Increase/decrease in basis points	Effect on profit net of tax $'000
2007		
- SGD	+100	(161)
- USD	+100	(45)
- RMB	+100	(67)
- SGD	-100	161
- USD	-100	45
- RMB	-100	67
2006		
- SGD	+100	(62)
- USD	+100	(69)
- RMB	+100	(123)
- SGD	-100	62
- USD	-100	69
- RMB	-100	123

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

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 bank loans and finance leases.

The Group's and the Company's liquidity risk management policy is to manage liquidity risk on group basis, to maintain sufficient liquid financial assets and stand-by credit facilities with several banks and take up short-term loans for short-term working capital requirement. At balance sheet date, the Group has a current ratio of 1.55 and sufficient standby credit facilities with several banks. At the balance sheet date, all of the Group's loans and borrowing (Note 25) will mature in less than one year based on the carrying amount reflected in the financial statements.

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

	2007				2006			
	1 year or less	1 to 5 years	Over 5 years	Total	1 year or less	1 to 5 years	Over 5 years	Total
Group	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Trade and other payables	274,737	–	–	274,737	225,890	–	–	225,890
Lease obligations, Loans and borrowings	28,135	3,189	2,996	34,320	25,273	158	–	25,431
	302,872	3,189	2,996	309,057	251,163	158	–	251,321
Company								
Trade and other payables	12,760	–	–	12,760	11,423	–	–	11,423
Lease obligations, Loans and borrowings	20,904	68	–	20,972	6,255	114	–	6,369
	33,664	68	–	33,732	17,678	114	–	17,792

Foreign exchange risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily SGD and Renminbi (RMB). The foreign currencies in which these transactions are denominated are mainly U.S Dollars (USD). Approximately 83% of the Group's sales are denominated in foreign currencies whilst almost 60% of the Group's purchases are denominated in foreign currencies of the Group entities. The Group's net transactional currency exposures for 2007 is approximately USD316 million. The Group's trade receivable and trade payable balances at the balance sheet date have similar exposures. As at balance sheet date, the Group's net USD trade receivables and payables are approximately USD100 million. USD weakened mainly against RMB and SGD in 2007.

The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes. At the balance sheet date, the Group has approximately $20.6 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 40% of hedging in 2007 (mainly natural hedge) for its transactional currency exposure arising from USD sales and purchases.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2007

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

Foreign exchange risk (cont'd)

Sensitivity analysis for foreign currency risk

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

		Group Profit net of tax	
		2007	**2006**
		$'000	$'000
USD	-strengthened 6% (2006:3%)	10,030	4,373
	-weakened 6% (2006:3%)	(10,030)	(4,373)

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, cash equivalents and derivatives), the Group and the Company minimize credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimizing losses incurred due to increased credit risk exposure. The Group trades only with recognized and creditworthy third parties with credit verification. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on ongoing basis with the results that the Group's exposure to bad debts is not significant (approximately 0.1% of sales for 2007).

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; and
- a nominal amount of $84,958,000 (2006: $17,663,000) relating to a corporate guarantee by the Company to financial institutions in connection with financing facilities given to the subsidiaries.

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:

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

Credit risk (cont'd)

Credit risk concentration profile (cont'd)

	Group			
	2007		2006	
	S$'000	% of total	S$'000	% of total
By country:				
Europe	80,653	32%	34,229	17%
USA and other parts of American Continent	69,054	27%	48,064	23%
People's Republic of China	69,678	27%	88,479	43%
Singapore	22,476	9%	22,484	10%
Malaysia	7,313	3%	3,713	2%
Other countries	4,649	2%	10,122	5%
	253,823	100%	207,091	100%
By industry sectors:				
Wireless Telecommunications	147,108	58%	134,658	65%
Consumer Electronics & Electrical	88,613	35%	56,035	27%
Computing	18,102	7%	16,398	8%
	253,823	100%	207,091	100%

At the balance sheet date, approximately 51% (2006: 53%) 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 that derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies 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 16 (Trade receivables).

34. Financial instruments

Fair values

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

Financial instruments whose carrying amount approximate fair value

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2007

34. Financial instruments (Cont'd)

Fair values (cont'd)

Financial instruments carried at other than fair value

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

	Group				Company			
	Carrying amount		Fair value		Carrying amount		Fair value	
	2007	2006	2007	2006	2007	2006	2007	2006
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets:								
Amounts due from subsidiaries	–	–	–	–	173,836	61,480	172,582	59,195
Financial liabilities:								
Amounts due to minority shareholders of subsidiaries	23	4,399	23	4,399	–	–	–	–
Lease obligations (non-current)	6,185	158	2,884	144	68	114	63	104

Methods and assumptions used to determine fair values

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

35. Capital Management

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

The Group manages its capital structure 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 or issue new shares. For the year ended 31 December 2007, the Group has declared a dividend payment of $13.3 million to shareholders (as disclosed in Note 30).

As disclosed in Note 28(a), a subsidiary of the Group is 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 subsidiary for the financial years 31 December 2007 and 2006.

The Group monitors capital using a gearing ratio, which is total debt divided by total capital. The Group's policy is to keep a gearing ratio to minimise financial risks. The Group has a gearing ratio of 8.0% (2006: 6.8%) as at 31 December 2007. The Group includes within total debt, loans and borrowings and lease obligations. Total capital includes equity attributable to the equity holders of the parent less the above-mentioned restricted statutory reserve fund.

35. Capital Management (cont'd)

	Group	
	2007	**2006**
	$'000	$'000
Loans and borrowings (Note 25)	27,588	25,212
Lease obligations (Note 24)	6,732	219
Total debt	34,320	25,431
Equity attributable to the equity holders of the parent	455,719	396,247
Less: Statutory reserve fund (Note 28)	(28,694)	(21,286)
Total capital	427,025	374,961
Gearing ratio	8.0%	6.8%

36. Segment information

Reporting format

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

Business segments

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

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

Geographical segments

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

Allocation basis and transfer pricing

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2007

36. Segment information (cont'd)

(a) Business segments

2007	PPIM $'000	MDF $'000	Assembly $'000	Eliminations $'000	Consolidated $'000
Revenue:					
Sales to external customers	384,269	60,548	531,749	–	976,566
Inter-segment sales	31,902	–	–	(31,902)	–
	416,171	60,548	531,749	(31,902)	976,566
Results:					
Profit from operations	34,210	8,119	27,820	–	70,149
Financial expenses					(1,806)
Financial income					793
Foreign exchange loss, net					(10,035)
Share of results of associates					67
Profit before tax					59,168
Tax credit					284
Profit for the year					59,452
Other information					
Depreciation	17,384	7,049	16,058	–	40,491
Other non-cash income	3,781	694	2,941	–	7,416

36. **Segment information (cont'd)**

(a) **Business segments (cont'd)**

2006	PPIM $'000	MDF $'000	Assembly $'000	Eliminations $'000	Consolidated $'000
Revenue:					
Sales to external customers	344,060	50,131	444,890	–	839,081
Inter-segment sales	32,939	–	–	(32,939)	–
	376,999	50,131	444,890	(32,939)	839,081
Results:					
Profit from operations	41,852	7,037	15,146	–	64,035
Financial expenses					(1,556)
Financial income					874
Foreign exchange loss, net					(1,860)
Share of results of associates					184
Profit before tax					61,677
Tax expense					(3,886)
Profit for the year					57,791
Other information					
Depreciation	19,304	5,572	8,258	–	33,134
Other non-cash income	318	29	115	–	462

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2007

36. Segment information (cont'd)

(b) Geographical segments

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

	Revenue		Assets		Capital expenditure	
	2007	2006	2007	2006	2007	2006
	$'000	$'000	$'000	$'000	$'000	$'000
Asia						
People's Republic of China	307,142	429,100	541,587	483,164	38,241	71,089
Singapore	34,724	75,944	81,224	130,375	912	5,571
Malaysia	11,945	12,318	–	–	–	–
Others	23,963	16,416	3,879	2,685	249	339
	377,774	533,778	626,690	616,224	39,402	76,999
Europe	299,484	167,559	88,932	9,570	17,365	4,156
United States and the rest of Americas	292,908	137,744	25,226	25,744	2,468	5,343
Others	6,400	–	28,465	7,098	52	2
	976,566	839,081	769,313	658,636	59,287	86,500

37. Authorisation of financial statements

The financial statements for the year ended 31 December 2007 were authorised for issue in accordance with a resolution of the directors on 28 March 2008.

STATISTICS OF SHAREHOLDINGS

AS AT 17 MARCH 2008

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	7	0.22%	1,342	0.01%
1,000 - 10,000	1,754	54.07%	11,485,610	1.29%
10,001 - 1,000,000	1,456	44.88%	81,294,000	9.16%
1,000,001and above	27	0.83%	794,394,048	89.54%
Total	**3,244**	**100.00%**	**887,175,000**	**100.00%**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	YAO HSIAO TUNG	488,458,920	55.06
2	MOLEX INTERNATIONAL INC	178,264,580	20.09
3	DBS NOMINEES PTE LTD	37,083,000	4.18
4	RAFFLES NOMINEES PTE LTD	12,037,200	1.36
5	DBSN SERVICES PTE LTD	17,775,000	2.00
6	UNITED OVERSEAS BANK NOMINEES	7,047,000	0.79
7	HSBC (SINGAPORE) NOMS PTE LTD	6,306,000	0.71
8	CITIBANK NOMS S'PORE PTE LTD	5,893,800	0.66
9	DBS VICKERS SECS (S) PTE LTD	5,118,000	0.58
10	UOB KAY HIAN PTE LTD	5,072,000	0.57
11	PHILLIP SECURITIES PTE LTD	4,115,000	0.46
12	MERRILL LYNCH (S'PORE) P L	2,880,500	0.32
13	CAPITAL INTELLIGENCE LIMITED	2,575,000	0.29
14	KIM ENG SECURITIES PTE. LTD.	2,313,000	0.26
15	TAN HUA TOCK	2,185,000	0.25
16	KUA ENG WATT	2,012,000	0.23
17	CHESTER LIN CHIEN	2,000,000	0.23
18	HO HOCK YONG	1,690,000	0.19
19	CHAN HEAN WEE	1,600,000	0.18
20	LIM & TAN SECURITIES PTE LTD	1,413,000	0.16
	TOTAL	**785,839,000**	**88.57**

STATISTICS OF SHAREHOLDINGS
AS AT 17 MARCH 2008

SHAREHOLDERS' INFORMATION AS AT 17 MARCH 2008

Number of shares	:	887,175,000
Issued and fully paid-up capital	:	$119,725,495.00
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 17 March 2008.

	Direct Interest	%	Deemed Interest	%
Yao Hsiao Tung	488,458,920	55.06	–	–
Wong Huey Fang (Note 1)	–	–	488,458,920	55.06
Molex International Inc	178,361,600	20.10	–	–
Molex Incorporated (Note 2)	–	–	178,361,600	20.10

Notes:

1. Mdm Wong Huey Fang is the spouse of Mr Yao Hsiao Tung. As such, Mdm Wong Huey Fang is deemed to have an interest in the 488,458,920 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.

FREE FLOAT

As at 17 March 2008, approximately 23.94% of the total issued shares of the Company was held in the hands of the public (on the basis of information available to the Company). The Company has no treasury shares as at 17 March 2008.

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

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 Harmony Room, Level 2, Raffles Town Club, 1 Plymounth Avenue, Singapore 297753 on Tuesday, 22 April 2008 at 3.00 pm 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 2007 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final tax exempt (one-tier) dividend of 1.5 cents per ordinary share for the year ended 31 December 2007. [2006: 0.8 cents per ordinary share] **(Resolution 2)**

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

   Mr Yao Hsiao Tung **(Resolution 3)**
   Dr Tan Khee Giap **(Resolution 4)**

   Dr Tan Khee Giap will, upon re-election as a Director of the Company, remain as the Chairman 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 approve the payment of Director's fee of S$38,596 for Mr Yao Hsiao Tung for the years ended 31 December 2005 and 2006. [See Explanatory Note (i)] **(Resolution 5)**

5. To approve the payment of Directors' fees of S$358,000.00 for the year ended 31 December 2007. (2006: S$338,000.00) **(Resolution 6)**

6. To re-appoint Messrs Ernst & Young 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

NOTICE OF ANNUAL GENERAL MEETING

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 (ii)] **(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 "Scheme") and to issue such shares as may be required to be issued pursuant to the exercise of the options granted under the Scheme provided always that the aggregate number of shares to be issued pursuant to the Scheme 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 9)**

By Order of the Board

Yao Hsiao Tung
Executive Chairman

Singapore, 4 April 2008

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) There was a shortfall in the Directors' fees recommended for the financial years ended 31 December 2005 and 31 December 2006 at the Annual General Meetings held on 25 April 2006 and 19 April 2007. This shortfall was caused by a calculation error in the amount provided for Directors' fees in those two years. The error was caused when a Director's pro-rated fee for half a year of service was used as the fee proposal for the following two years. As a result, there was a shortfall in 2005 and 2006 of approximately $38,596. The Ordinary Resolution 5 proposed in item 4 above is arising from the shortfall and not due to any increase in Directors' fees.

(ii) 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 share 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.

(iii) 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 upon the exercise of such options in accordance with the Hi-P Employee Share Option Scheme.

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.

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

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.

PROXY FORM

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 Harmony Room, Level 2, Raffles Town Club, 1 Plymounth Avenue, Singapore 297753 on Tuesday, 22 April 2008 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 2007		
2.	Payment of first and final dividend		
3.	Re-election of Mr Yao Hsiao Tung		
4.	Re-election of Dr Tan Khee Giap		
5.	Approval of Director's fee for Mr Yao Hsiao Tung for the year ended 31 December 2005 and 2006		
6.	Approval of Directors' fees for the year ended 31 December 2007		
7.	Re-appointment of Messrs Ernst & Young 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		

Dated this ____________ day of ______________________ 2008

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.

HI-P GROUP OF COMPANIES

HOLDING COMPANY

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

SUBSIDIARIES - SINGAPORE

Hi-P Industries Pte. Ltd.
No.9 Bukit Batok Street 22,
#01-00, Singapore 659585

Hi-P Samkwang Technology (Singapore) Pte. Ltd.
11 International Business Park,
Jurong East, Singapore 609926

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

Hi-P Precision Mold Manufacturing Pte. Ltd.
11 International Business Park,
Jurong East, Singapore 609926

SUBSIDIARIES - EAST CHINA

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

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

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

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

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

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

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

Hi-P (Shanghai) Precision Mold & Die Co., Ltd.
3151 Gu Gao Road,
Pudong New District Shanghai, the PRC

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

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

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

SUBSIDIARIES - SOUTH CHINA

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

Hi-P (Dong Guan) Technology Co., Ltd.
No. 683, Zhen' An Middle Road,
ShaTou South District,
Chang' An Town, DongGuan,
GuangDong, P.R.C. 523068

Hi-P (Dong Guan) Precision Mold & Die Co., Ltd.
No. 683, Zhen' An Middle Road,
ShaTou South District,
Chang' An Town, DongGuan,
GuangDong, P.R.C. 523068

SUBSIDIARIES - NORTH CHINA

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

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

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

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

SUBSIDIARIES - WEST CHINA

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

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

SUBSIDIARIES - SOUTH AMERICA

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

SUBSIDIARIES - NORTH AMERICA

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

SUBSIDIARIES - EUROPE

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

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

Hi-P Poland SP. ZO.O.
ul. Miechowity 1
51-162 Wroclaw, Poland

SUBSIDIARIES - OTHER

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

Hi-P Resources Ltd.
Level 3 Alexander House,
35 Cybercity, Ebene Mauritius

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

ASSOCIATED CO.

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

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

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

Hi-P INTERNATIONAL LIMITED

赫 比 国 际 有 限 公 司

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