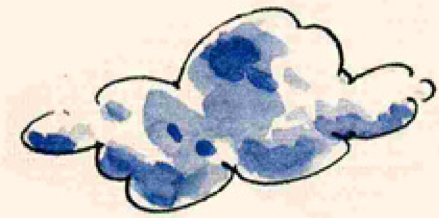
Annual Report 2004



Unifying Our Aspirations

Hi-P International Limited

CONTENTS

Quotations in the following pages are attributed to our Chairman and CEO, Mr Yao Hsiao Tung. These sayings reflect his personal and management philosophies.

HIGHLIGHTS OF 2004

Awards

- Awarded "Fastest Growing 50" certification for 2004 from DP Information Network Pte Ltd
- Received Most Transparent Company Award (Runner-up in New Issues category) in SIAS Investors' Choice Awards

Achievements

- Achieved ISO 9001 – Hi-P (Shanghai) Industries Co., Ltd.
- Achieved ISO 9001 – Hi-P Tianjin Electronics Co., Ltd.
- Achieved ISO 9001 – Hi-P Suzhou Technology Co., Ltd.

Results

- Achieved 151% rise in revenue and 170% rise in net profit for Q1
- Achieved 159% rise in revenue and 196% rise in net profit for Q2
- Achieved 133% rise in revenue and 117% rise in net profit for Q3
- Achieved 81% rise in revenue and 114% rise in net profit for Q4

New Subsidiaries

- Incorporated Hi-P (Suzhou) Electronics Co., Ltd.
- Incorporated Hi-P (Tianjin) Technology Co., Ltd.
- Incorporated Hi-P Samkwang Technology (Singapore) Pte. Ltd.
- Incorporated Hi-P (Shanghai) Technology Co., Ltd.

New Initiatives / Programmes

- Launched Toolmaker Apprentice Programme
- Announced new corporate initiative to reorganize business into Strategic Business Units
- Conducted campus recruitment campaigns at universities in the PRC to select candidates for the Management Associates Programme

Others

- Convened first Annual General Meeting
- Issued share options for the first time under the Employee Share Option Scheme
- Appointed Mr Chester Lin Chien as Non-Executive Director
- Entered into joint venture with Samkwang Industry Company Limited
- Relocated to new factory premises in Xiamen

"Our aspirations are key to our success. Without aspirations, there will be no accomplishment.
一个人对自己的期许很重要。没有自许，就很难谈什么成就。"

COMPANY PROFILE

Hi-P International Limited is an integrated contract manufacturing services provider specialising in precision plastic injection molding, mold design and fabrication, assembly, ancillary value-added services (mainly surface finishing services) and precision metal stamping. We provide turnkey contract manufacturing services to our customers, who are mainly original equipment manufacturers. The majority of our customers are multinational corporations in the following industries:

- Telecommunications
- Consumer Electronics & Electrical
- Data Storage
- Life Sciences / Medical
- Automotive

Our principal markets include the PRC, Singapore, Europe, USA and other parts of the Americas. Our customers' end products include mobile phones, toothbrushes (battery-operated and electric), battery razors, electric shavers, hairdryers, cameras (digital, reloadable and disposable), hard disk drives, connectors and medical devices. Some of our major customers include Motorola, the Gillette Company, Siemens, Maxtor, Hitachi, NEC, Toshiba, Kodak and Baxter.

We have 16 manufacturing plants located across six sites in the People's Republic of China (Shanghai, Chengdu, Qingdao, Tianjin, Xiamen and Suzhou), two plants in Singapore and one in Guadalajara, Mexico. We have also established marketing and engineering support centers in the USA and Finland as well as a strategic alliance with Oechsler AG in Germany.


Salo, Finland
Hi-P/Oechsler Alliance
Ansbach, Germany
Tianjin
Qingdao
Chengdu
China
Shanghai
Suzhou
Xiamen
Singapore
Manufacturing Plant
Marketing & Engineering Support Centre

PERFORMANCE AT A GLANCE

5-YEAR KEY FINANCIAL DATA

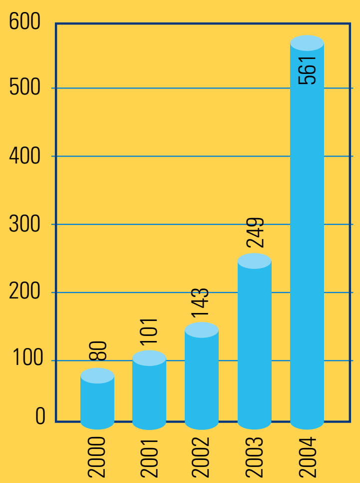
	2000	2001	2002	2003	2004
For the Year (S$ m)					
Revenue	80	101	143	249	**561**
Gross Profit	29	28	41	66	**140**
Pretax Profit	18	12	20	40	**92**
Net Profit	14	10	18	37	**88**
Capital Expenditure	19	26	32	55	**63**
Gross Margin	36%	28%	29%	26%	**25%**
Net Margin	18%	10%	13%	15%	**16%**
At Year End (S$ m)					
Total Assets	89	124	164	342	**443**
Net Assets	48	62	77	194	**271**
Total Liabilities	40	62	87	149	**172**
Share Capital	18	18	18	44	**44**
Shareholders' Funds	48	61	75	191	**269**
Cash & Cash Equivalents	8	13	8	112	**88**
Interest-bearing Debts	22	35	39	47	**22**
Debt/Equity Ratio	45%	57%	52%	25%	**8%**
Return on Assets *	19%	9%	12%	14%	**22%**
Return on Equity **	35%	18%	26%	27%	**38%**
Per Share Data (Singapore cents)					
Earnings Per Share ***	1.63	1.11	2.02	4.12	**9.93**
Net Assets Per Share ***	5.46	7.05	8.64	21.84	**30.58**

* Return on Assets is calculated based on net profit and average total assets.

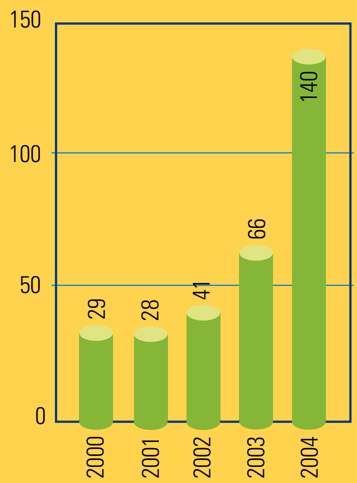
** Return on Equity is calculated based on net profit and average shareholders' equity.

*** For comparative purposes, Earnings Per Share and Net Assets Per Share are calculated based on the post-Invitation share capital of 887,000,000 shares.

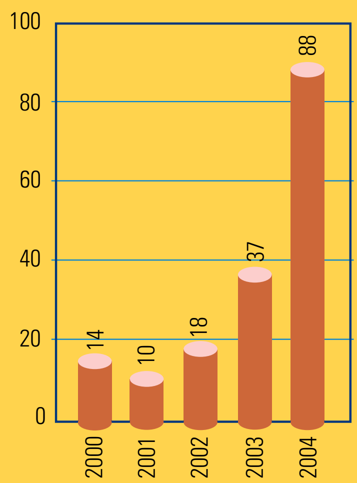
Revenue (S$ m)



Gross Profit (S$ m)

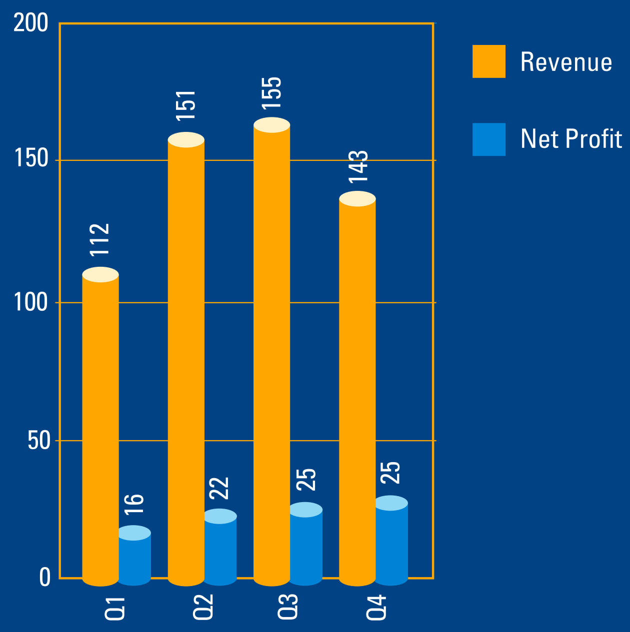


Net Profit (S$ m)

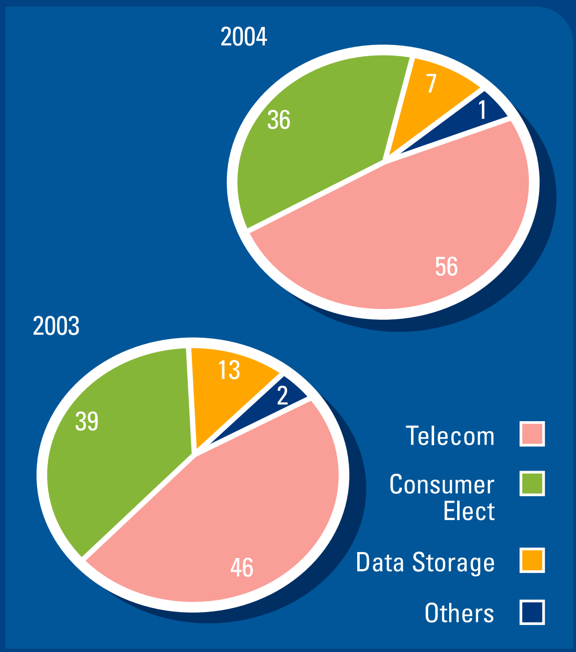


2004 FINANCIAL HIGHLIGHTS

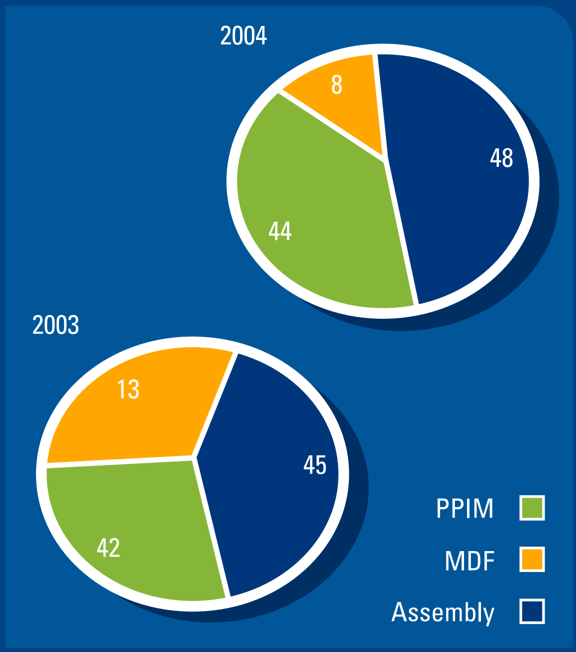
2004 Quarterly Performance



Revenue Contribution By Segment (%)



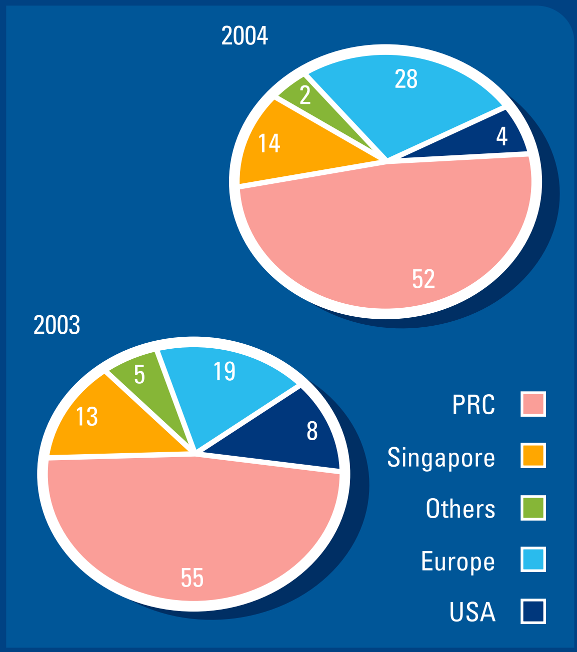
Revenue Contribution By Activity (%)



PPIM
Precision Plastic Injection Molding

MDF
Mold Design & Fabrication

Revenue Contribution By Geography (%)



LETTER TO SHAREHOLDERS



Dear Shareholders,

2004 was another outstanding year in Hi-P's 24-year history. We achieved record revenues of S$561 million, an increase of 125%. What is more remarkable is that we have managed to achieve this spectacular growth in revenue even after chalking up a cumulative average growth rate of 53% for the five years from 1999 to 2003. Net profit attributable to shareholders rose 141% to S$88 million. The Board of Directors has proposed a first and final dividend of Singapore cents 1.0 per share (2003: Singapore cents 0.5 per share).

2004 also marked the first full year of Hi-P's listing on the Singapore Exchange. Hi-P's market capitalization has almost tripled from S$506 million (based on our initial public offer in December 2003) to S$1.4 billion as at 15 March 2005.

I am proud that Hi-P is a company of people that share a common vision and enduring commitment to excellence. Our people have worked very hard to build a company that stands on integrity, excellence and superior customer service. As a result, we have been able to build and deepen relationships with some of the world's leading brands. Besides expressing my appreciation to the dedicated employees of Hi-P, I am also thankful to our board of directors for their prudent counsel and guidance in the execution of our strategy last year. And to our customers, I am grateful for their continuing confidence and support.

A year of great execution

2004 was a year of strong demand across all our customers' end markets. Especially strong were the telecommunications segment and the consumer electronics and electrical segment as we undertook new projects for Siemens, Motorola and the Gillette Company. We also managed more turnkey projects and the expanded scope of work helped boost average selling prices last year.

Even as the company grew, Hi-P continued to exercise financial prudence. Last year, we generated a healthy net operating cashflow of S$58 million (2003: S$54 million). As at end December 2004, Hi-P's financial position remained strong with net cash of S$69 million and a low Debt to Equity ratio of 8%. Return on Equity was a robust 38% (2003: 27%).

...we have been able to build and deepen relationships with some of the world's leading brands...

> I have experienced many hardships when I was young. Life is like a teacher. It teaches me "never to quit".
> 我小时候遭受的挫折很多，生活就像老师，教导我要 "永不言败".

SBU strategy to take Hi-P to new heights

Over the years, I have seen Hi-P through many transformations. We have come a long way from our beginnings as a tooling company in the 1980s. Today, we are one of the world's fastest growing contract manufacturers that specialize in precision plastic injection molding and our customers are leading brands in the global market. Today, the Hi-P family has more than 9,500 employees (including contract workers) spread across six countries.

The transformation into a global manufacturing force has been dramatic and yet it has also been deliberate. At Hi-P, one of our key strengths has been our ability to develop and implement effective strategies at each stage of our growth. We have been very successful with our 3-axis strategy in moving up the value chain; in the last four years, we have significantly broadened our core expertise beyond plastic injection molding and are now able to offer our customers integrated, cost efficient turnkey manufacturing solutions. Importantly too, we have established a strong execution foundation in all functional areas and we have built a strong Hi-P culture that is dedicated to excellence.

Going forward, while the outsourcing trend remains intact, we have noticed that manufacturers are also looking beyond leveraging mere comparative cost advantages. They are increasingly focusing on strategic competitive and value advantages, and they prefer to deal with fewer suppliers in their outsourcing process. To better serve the needs of these global manufacturers, we have to be more customer-centric and be able to provide a one-stop solution.

In light of these challenges, Hi-P has announced new corporate initiatives to better position itself for a new era of growth as a global integrated contract manufacturer.

Since January 2005, Hi-P's business has been reorganized into three Strategic Business Units (SBUs):- Wireless, Consumer Electronics and Computing. These three SBUs will each be driven by very capable and experienced senior management. Under this new initiative, each SBU will have greater accountability and greater flexibility to grow their business while at the same time allow Hi-P as a group to offer our customers better value and the convenience of a one-stop shop. As a result, we will be expanding our process abilities as well as component module manufacturing capabilities to continue the transformation of the company.

Another year of growth in 2005

2005 will be another year of growth. We expect to participate actively in several new product roll-outs by our customers. Our new SBU strategy is also gathering momentum and we are starting to see visible and positive results across the company; our staff are getting more focused and specialised, and the friendly internal competition is driving all to work harder and smarter. We expect to see exponential benefits from our SBU strategy – higher volumes resulting from new customer acquisitions across product and geographical markets, and higher average selling prices as we continue to expand our capabilities and undertake more turnkey work for our customers.

Unifying Our Aspirations

To you, our dear shareholders, I thank you for your support. I am confident that Hi-P has the right people and the right strategy to sustain growth for many years to come and I hope we can continue to scale each new milestone together.

At Hi-P, we believe in attracting, retaining and nurturing the best talents available. We have built up a strong management team that will lead the Group into the next era of growth. Our employees dare to dream and be challenged because they know that they are recognized for their efforts as they grow with the company. Our SBU strategy and our unique Hi-P culture will be the cornerstone of our future ambitions and help us realize our vision of becoming the world's leading global integrated contract manufacturer.

Yao Hsiao Tung
Chairman and Chief Executive Officer
April 2005

BOARD OF DIRECTORS

Mr Yao Hsiao Tung is our Chairman and Chief Executive Officer. He was appointed to the Board in May 1983. He is responsible for formulating the strategic directions of the Group as well as overall management of the operations. Mr Yao has more than 40 years of experience in the precision tooling and plastic injection molding industry. He was a technical service manager with Du Pont Singapore Electronics Pte Ltd before joining the Group in 1980. Mr Yao holds a Diploma in Chemical Engineering from Taiwan Kaohsiung 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.

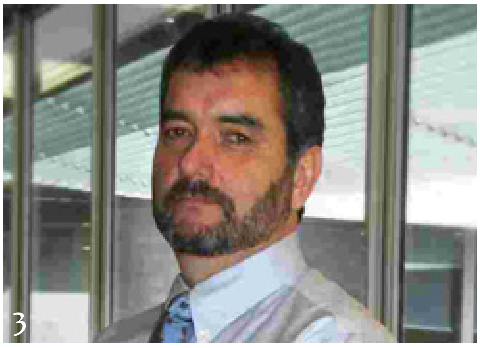
Mr Yeo Tiong Eng is a Non-Executive Director of the Group and was appointed to the Board in April 1987. He is currently the Senior Regional Financial Director of Molex Far East South Management Pte Ltd. Mr Yeo graduated with a Bachelor's degree in Accountancy from Nanyang University. He also holds a 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 with 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 Wong Meng Meng is an Independent Director of the Group and was appointed to the Board in November 2003. He is the Senior Partner of Wong Partnership, and a director of Clifford Chance Wong Pte Ltd. He has more than 30 years of experience in litigation and arbitration in banking, corporate and commercial matters. He is a member of the International Arbitration Institute, the Singapore International Arbitration Centre's Main Panel of Arbitrators, the Butterworths Asia Advisory Panel on Construction Industry and the Singapore Institute of Architects Panel of Arbitrators.

Mr Chester Lin Chien is a Non-Executive 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.

KEY MANAGEMENT TEAM



1. **Philip Tan Tor Howe** is our Chief Financial Officer. He is responsible for the overall financial operations of our Group. Prior to joining the Group in June 2002, he was the Director of Financial Planning and Analysis of Solectron Technology Pte Ltd (previously known as NatSteel Electronics Limited). Mr Tan was also previously the Chief Financial Officer of Uraco Holdings Limited and an auditor with Deloitte & Touche. He holds a Bachelor of Accountancy degree (Honours) from the National University of Singapore and is also a Chartered Financial Analyst. He is a member of the Institute of Certified Public Accountants of Singapore.

2. **Gary Ho Hock Yong** is our Managing Director, Wireless SBU. He is responsible for the overall management and business development of the business unit. He has been with the Group since April 1996 and had previously assumed the roles of Marketing Director, Senior Sales Engineer, Assistant Sales Manager, Sales Manager, Regional Sales Manager and Corporate Business Manager within the group. Mr Ho holds a Diploma in Production Technology from the German Singapore Institute.

3. **Gerhard J. Zebe** is our Managing Director, Consumer Electronics SBU. He is responsible for the overall management and business development of the business unit. Mr Zebe has more than 29 years of experience in the precision plastic injection mold design and fabrication industry. He was previously Managing Director of the Group's Greater China operations. Prior to joining the Group in June 2002, Mr Zebe was the Technical Director in Braun (Shanghai) Co., Ltd. He had previously held various managerial positions in German-based companies. Mr Zebe holds a Diploma for tool making/tool design with the German Chamber for Industry and Commerce.

> Self-expectation is key. It is like high jump. Will you put the pole so low such that you can jump over it easily; or will you put the pole higher and work harder to reach the goal? Ambition is the pole to measure life's goals.
>
> 自我期许非常关键。这就好比跳高，你是把标杆放得低低的，随便就能跨过去；还是把标杆放得高一点，经过一番努力去实现新的跨越？企图心就是设置人生高度的一根标杆。

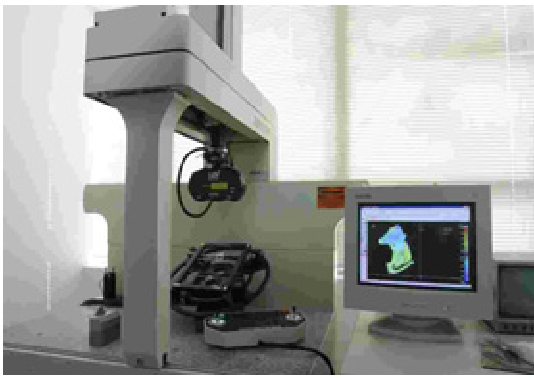
4. **Ang Lien Peng** is our General Manager, Computing SBU. He is responsible for the overall management and business development of the business unit. He first joined the Group in September 1998 as a Customer Account Manager. Mr Ang has more than 18 years of experience in the precision plastic injection molding field, having worked in Omni Plastics Pte Ltd, Singa Plastics Pte Ltd and Phillips Singapore Pte Ltd. He holds a Bachelor's Degree in Business Administration from the Oklahoma City University and a Diploma in Production Technology from the German Singapore Institute.

5. **Chan Hean Wee** is our Managing Director, Metal Stamping SPU (Special Process Unit). He is responsible for the overall management and business development of the process unit. Mr Chan has more than 20 years of experience in the metal stamping field. Prior to joining the Group in November 2001, he was Chief Executive Officer and Executive Director of Bi-link Metal Specialties (S) Pte Ltd. Previously, he also held management and supervisory positions in NMB Precision Tool & Die Pte, Ltd. and NMB Singapore Ltd. Mr Chan holds a Bachelor's degree (First Class Honours) in Mechanical Engineering from Strathclyde University, Scotland and a Diploma in Mechanical Engineering from Singapore Polytechnic.

6. **Lee Kam Choon** is our Vice-President of Human Resources. Prior to joining the Group in October 2003, Mr Lee was the Senior Vice-President of Group Human Resources at the United Overseas Bank Group. He had previously held senior management positions in various multi-national corporations. Mr Lee holds a Bachelor of Commerce (Honours) from Nanyang University and a Masters of Arts (Human Resources Development) from George Washington University in the United States.

OPERATIONS REVIEW AND OUTLOOK

Revenues (S$ m)	FY2004	FY2003	Change
Telecommunications	315	115	+175%
Consumer Electronics & Electrical	201	96	+109%
Data Storage	38	33	+15%
Life Sciences/Medical	7	5	+40%



2004 was a very good year for Hi-P International Limited as the demand for outsourcing of electronics manufacturing services continued to gather momentum. At Hi-P, we are able to provide our OEM customers with not only competitive costs, but also faster time-to-market due to our extensive manufacturing network.

Growing Global Network

In 2004, Hi-P continued to expand its global manufacturing network. We now have 19 manufacturing plants in eight locations, following the addition of new plants in Suzhou, Tianjin and Shanghai in 2004. In terms of manufacturing capacity, Hi-P's total factory floor space was 1.5 million square feet with a total of 488 plastic injection molding machines and 8 spray painting lines as at 31 December 2004.

TELECOMMUNICATIONS

Hi-P benefited from the continued growth in global sales of mobile phones and the sharp rise in new model launches as phone manufacturers created even more market segments to differentiate themselves from the competitors. As a result, demand for high precision tooling and surface decoration services rose significantly. Revenues from the telecommunications segment grew 175% to S$315 million, accounting for 56% of Group revenue. During the year, we embarked on several projects for Motorola and Siemens, including the Motorola models for its GSM, CDMA and 3G phones. For Motorola projects, we have expanded the extent of our involvement from just casings to higher value-added services such as in-mold design and sub-assembly of all mechanical components, including the keypad.

Outlook

Since January 2005, the telecommunications segment has been classified under the Wireless SBU. Global demand for mobile phones will continue to be driven by rising subscriber numbers in China, India and Russia, three of the world's most populous nations. In addition, consumer demand is expected to be fueled by wider range of offerings, new and innovative features as well as the rising popularity of 3G phones. We will continue to drive vertical integration so as to provide a complete solution to our customers by expanding on our range of capabilities, including industrial and mechanical engineering as well as electronics manufacturing capabilities. By doing so, we hope to attract new customers as well as deepen the scope of work with our existing customers.

CONSUMER ELECTRONICS AND ELECTRICAL

It was also a busy year at the Consumer Electronics and Electrical segment. Apart from ongoing projects for Braun, segment revenue was boosted by new projects with the Gillette Company. These include the Gillette Mach3 Power razor, a battery-operated shaver for men, which had a very successful launch in the United States in 2004.

At the end of the third quarter ended 30 September 2004, we were affected by an abrupt end-of-life cycle for one of Braun's electric toothbrush project. This affected revenue and capacity utilization for the 3rd and 4th quarter in FY2004. However, we have commenced production of a new Braun electric toothbrush since January 2005.

Revenue from the Consumer Electronics and Electrical segment achieved a more than 2-fold increase to S$201 million, accounting for 36% of Group revenue in 2004.

Outlook

Following the reorganization of the Group in January 2005, this segment will be classified under the Consumer Electronics SBU. We continue to be optimistic on prospects for 2005 in view of the pipeline of projects as indicated in the product roll-out plans of our existing customers such as the Gillette Company and Braun as well as that of new customers. Our strategy is to work with the brand leaders in each market segment as we expand into the other consumer electronics segments such as kitchen machines, power tools and household appliances.

DATA STORAGE/LIFE SCIENCES

2004 marked a year of revival in the data storage market, particularly in consumer electronics products. The Data Storage segment picked up in the second half of the year on the back of rising popularity of small form formats, particularly the 1" drives. As a result, the segment reported 15% growth in revenues to S$38 million.

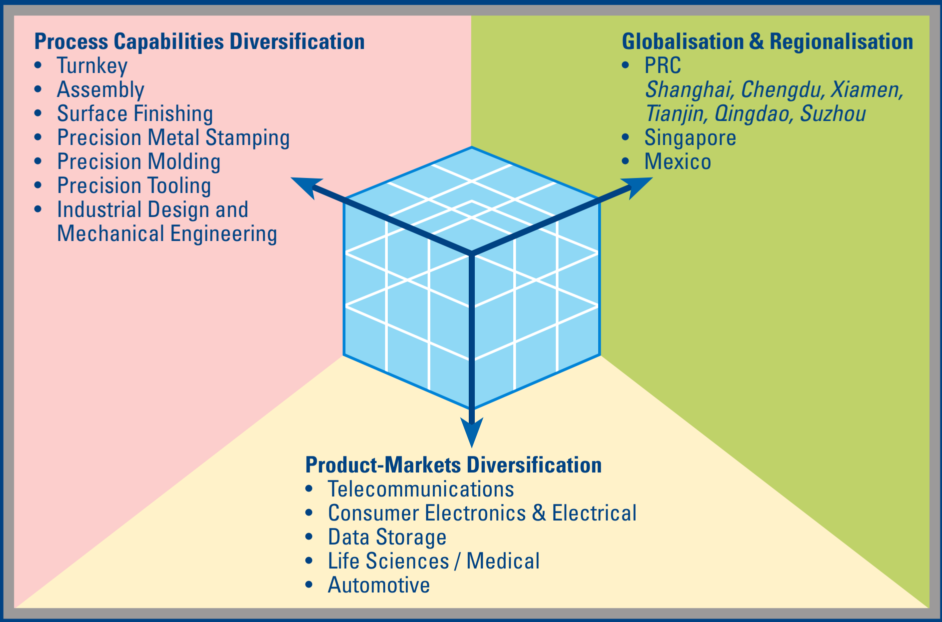
The Life Sciences segment continued to show strong growth, chalking up revenue growth of 40% to S$7 millon last year. One of the major projects we undertook was a turnkey project for intravenous drip subsystems for Baxter Healthcare SA.

Outlook

Since January 2005, both the data storage segment and life sciences segment have been classified under the Computing SBU. We expect continued steady growth in the data storage segment, especially the 1" drives on the back of buoyant consumer demand for MP3 players, digital video recorders, set-top boxes and games consoles. With greater vertical and horizontal integration, we expect to secure new customers in the computing and medical industries.

"To cultivate aspiration, one needs to understand oneself and the environment one is in.
建立自许，首先要认识自己，认识自己所处的环境和时代。"

CORPORATE AND BUSINESS STRATEGIES: 3-AXIS STRATEGY



Vertical Integration & Diversification Across Processes and Services

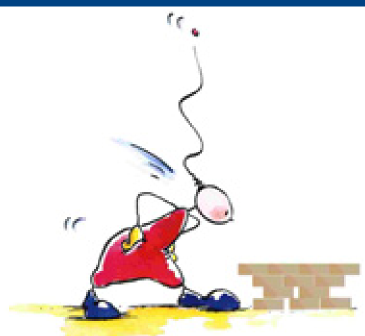
Hi-P has continuously developed extensive process capabilities to enable us to provide a wide range of services to our global OEM customers. We currently offer integrated and turnkey services, including supply chain management and overall project management. We also position ourselves as a strategic partner in our customer's product development plans by increasing our participation in early supplier involvement, as well as from product design, components design, process engineering to logistics management. Our aim is to be a one-stop manufacturing solutions provider.

Globalisation and Regionalisation

Hi-P's 19 manufacturing plants are strategically located in these key hubs; – the PRC, Singapore and Mexico. As most of our customers have multiple manufacturing locations in the countries that we operate in, we are able to help our customers achieve a faster time-to-market. With China emerging as the world's manufacturing hub, Hi-P's strong market presence and track record for quality will position us well as the integrated contract manufacturer of choice for global manufacturers.

Diversification Across Industries and End Markets

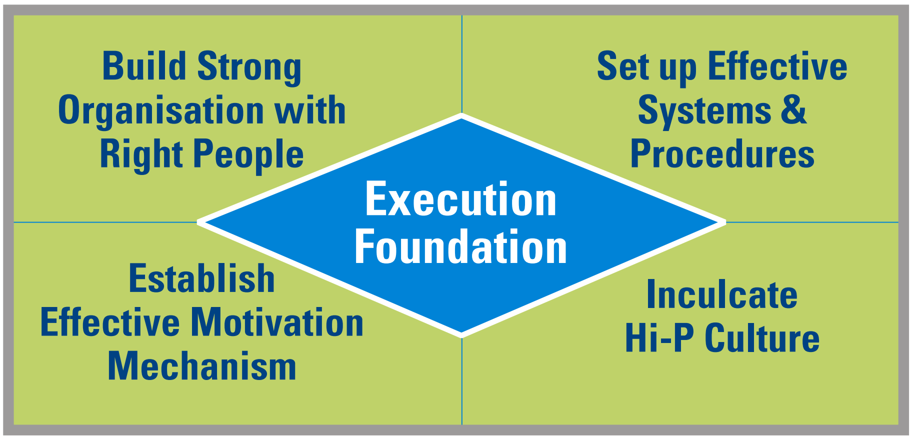
Over the years, as we added new capabilities and expanded our manufacturing locations, we have also penetrated new markets and industries. Our experience and track record have allowed us to attract many MNC customers. Today, we have a broad base of customers from the telecommunications, consumer electronics and electrical, data storage as well as life sciences industries. Our customers are global brand leaders in their respective markets and they include the Gillette Company, Motorola, Siemens, Hitachi, NEC, Toshiba, Kodak and Baxter.



“A skyscraper starts with a single brick”. When you build a skyscraper, you have to have a solid foundation. You have to be conscientious with each step because each step leaves a single footprint.

"万丈高楼平地起"，你要盖一个高楼，必须夯实基础，
把每一个步都做得非常严谨。一步一个脚印。

CORPORATE AND BUSINESS STRATEGIES: EXECUTION FOUNDATION



A strong Execution Foundation has been the cornerstone of the successful implementation of our corporate strategy over the years. At Hi-P, we are performance driven and yet, people-centered. Our people seek continuous improvement in all areas so as to maximise results. The principles of our execution foundation are applied consistently throughout all functional areas, from Finance, HR, Supply Chain, Quality, Information Technology to Business Development and Operations. The key areas of execution are:

STRONG ORGANISATION STRUCTURE

In Hi-P, we seek to build a strong organisation structure by attracting, retaining and nurturing the best talents available. Jobs are structured to provide adequate depth and scope to the individuals as well as aligned with their personal interests and ambitions. At Hi-P, we emphasise continuous learning and provide regular training across all levels of staff. We continually identify, groom and train potential talents for key positions. Given Hi-P's size and span of business, we are able to offer our employees not only broader scope but also regional and global exposure. Our goal is to cultivate a diverse pool of skilled talents who are innovative, flexible and ambitious, while adhering to the highest standard of integrity and commitment to society, as embodied by our Hi-P Culture.

EFFECTIVE SYSTEMS AND PROCEDURES

Hi-P seeks continuous improvement in its systems and procedures to maximise productivity across the company. We have successfully implemented the SAP R/3 4.6C Enterprise Resource Planning ("ERP") system in 10 manufacturing plants. By linking various business functions such as production, planning, manufacturing, inventory management, purchasing, sales and finance, we have been able to promote the sharing of information and knowledge. The ERP system has also improved operating efficiencies and helped tightened internal controls within the organisation. We are in the process of extending the ERP system throughout all locations of the Group. To support the rapid growth of our business and our positioning as a strategic partner to our customers, we will also be introducing electronic integration of our customers' systems with our ERP system. This will deepen the relationships with our customers and allow us to provide an end-to-end supply chain system to support our ambition of being the fastest growing integrated contract manufacturer. At the same time, we also rigorously enforce applications of the system to drive operational performance and improve our efficiency. We do so by the continuous strengthening of operational procedures and training at all levels of the organisation.

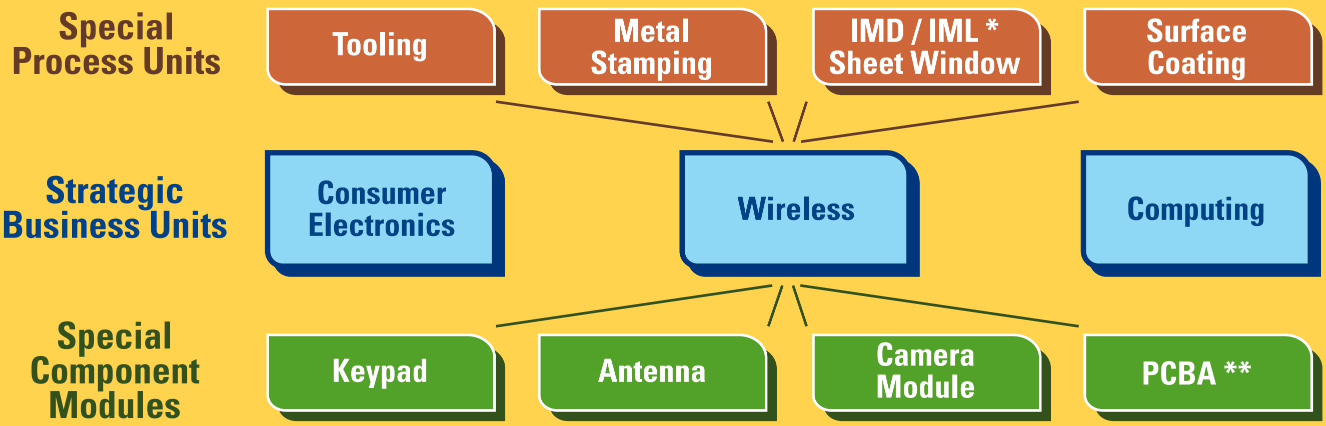
EFFECTIVE MOTIVATION MECHANISM

Hi-P has designed a reward system that aligns employees' personal goals with that of the organisation so that each employee is effectively motivated and is able to add value to the organisation. We recognise and reward employees according to their contribution and performance. At Hi-P, we also believe in rewarding our employees appropriately by rewarding them at the optimal intervals according to their levels in the organisation. For example, for production staff, we have implemented a variable wage structure with a high variable component that comprises monthly incentives and a half-yearly variable bonus, based on an employee's individual and team productivity as well as his ability to contribute to meeting clear targets of key performance indicators. Employee evaluations are conducted regularly and targets are also reviewed constantly to ensure that they remain relevant and objective.

Hi-P CULTURE

The two pillars of Hi-P culture are People and Results. We believe that everyone plays a part in the success of the company and we seek to maximise each employee's potential and contribution. Our reward system is designed to motivate employees by ensuring that their compensation is directly commensurate with their contribution and performance as an individual and as well as a team member. We also promote shared values that create a harmonious working environment by emphasising mutual respect, team spirit, integrity and discipline. We aim to build a group of highly productive people who can contribute positively to the individual, family, the company and society.

CORPORATE AND BUSINESS STRATEGIES: SBU STRATEGY AND BUSINESS MODEL



* In-mold Decoration / In-mold Label
** Printed Circuit Board Assembly

Hi-P has been very successful with our 3-axis strategy in moving up the value chain; in the last four years, we have significantly broadened our core expertise beyond plastic injection molding and are now able to offer our customers integrated, cost efficient turnkey manufacturing solutions. We have also expanded geographically and now have one of the largest tooling and plastic injection capacity in China, which is fast becoming the global manufacturing hub. We have also penetrated new customers and now serve global brand names in the telecommunications, consumer electronics and electrical, data storage as well as life sciences industries.

For our next stage of growth, we have adopted a new business initiative that we believe will effectively position us for sustainable growth ahead and sharpen our competitive edge as we evolve into a one-stop solution provider. Our OEM customers are increasingly focusing on strategic competitive and value advantages and thus prefer to deal with fewer and more integrated suppliers.

Since 1 January 2005, the Group has been reorganised into three Strategic Business Units ("SBUs"): – Wireless, Consumer Electronics and Computing. The SBUs are headed by very experienced senior management.

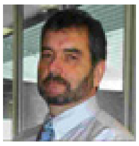
Each SBU will now have its own manufacturing and tooling operations while sharing resources in the various special processes such as metal stamping and surface coating. This new initiative effectively removes geographic barriers and allows each SBU to operate as independent business entities and profit centers.

We will also integrate vertically to better serve the needs of our customers and to enhance our value-add to them. As such, we will be actively broadening both process and component manufacturing capabilities. These capabilities may include processes such as industrial and mechanical design as well as manufacturing modules such as keypads, LCDs and antennas.

We believe that our new business model will support and strengthen the execution of our 3-axis strategy. We expect to optimise resource utilisation as we move towards realigning our existing resources and maximising the yields from these same resources. We also expect greater accountability and flexibility at each SBU. With this new strategic realignment in our business strategy, we believe that Hi-P can offer customers even greater value and undertake larger turnkey projects. This should result in higher volumes and higher unit prices for Hi-P from each project, thereby helping us to achieve accelerated growth in revenue for the Group.

"At Hi-P, we position ourselves as strategic partners to our customers. We will be expanding our manufacturing capabilities to allow us to offer our customers a total integrated solution that also fast tracks their time-to-market in the very competitive mobile phone market."

Gary Ho
Managing Director
Wireless SBU



"Our strategy is to work with the brand leaders in each market segment and we will be looking to penetrate other exciting markets within the Consumer Electronics sector such as housing appliances, kitchen machines and power tools, to name just a few."

Gerhard Zebe
Managing Director
Consumer Electronics SBU

"The world of computing holds endless opportunities for Hi-P in the information age. With greater integration of our capabilities and our track record for reliability and quality, we aim to broaden our customer base and expand our end product range in this sector."

Ang Lien Peng
General Manager
Computing SBU

FINANCIAL REPORT 2004

HI-P GROUP OF COMPANIES

HOLDING CO.

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

SUBSIDIARIES - SINGAPORE

Hi-P Industries Pte. Ltd.
11 Woodlands Sector 1
Singapore 738357

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

SUBSIDIARIES - EAST CHINA

Hi-P (Shanghai) Industries Co., Ltd.
Building 8, No. 1006, Jinmin Road,
Pudong New District,
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,
Suzhou, the PRC

Hi-P (Suzhou) Electronics Co., Ltd
No. 72 Loujiang Road, Kua Tang Town,
Suzhou Industrial Park,
Jiangsu, the PRC

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

Hi-P (Shanghai) Technology Co., Ltd
No. 3151 Gu Gao Road,
Pudong New District,
Shanghai, the PRC

SUBSIDIARIES - SOUTH CHINA

Hi-P (Xiamen) Precision Plastic Manufacturing Co., Ltd.
Xiamen Hai Cang Xing Gang Road,
Export Processing Zone,
4D Building, the PRC

SUBSIDIARIES - NORTH CHINA

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

Hi-P (Tianjin) Technology Co., Ltd.
No. 80, the 9th Street, Tianjin Economic
and Development Area, 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 Plastic Manufacturing Co., Ltd.
D.E.F. Area, 1st floor, #11, Gaopeng Road,
Chengdu High-Tech Development Zone,
Chengdu, the PRC

Hi-P (Chengdu) Mold Base Manufacturing Co., Ltd.
B2, C, 1st floor, #11, Gaopeng Road,
Chengdu High-Tech Development Zone,
Chengdu, the PRC

SUBSIDIARIES - MEXICO

High Precision Moulding and Tools, S.A. de C.V.
Av. De la Exportacion
No. 317 Parque Industrial Guadalajara Carretera
Guadalajara –
Chapala Km 7.5 Las Pintas, MP10, El Salto,
Jalisco, C.O. 44690, Mexico

SUBSIDIARIES - NORTH AMERICA

Hi-P North America, Inc.
2020 Hammond Drive,
Schaumburg, IL 60173, USA

SUBSIDIARIES - OTHERS

Hi-P Finland Oy
Hornin Katu 7A, 1, Salo 24100, Finland

Hi-P Mauritius Ltd.
802 St James Court, St Denis Street
Port Louis, Mauritius

Hi-P Resources Ltd.
802 St James Court, St Denis Street
Port Louis, Mauritius

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

CORPORATE GOVERNANCE REPORT

Hi-P International Limited (the "Company") is committed to achieving a high standard of corporate governance within the Group. The Company believes it has 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 (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 Conduct of its Affairs

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

Executive Directors

Mr Yao Hsiao Tung
Mdm Wong Huey Fang

Non-executive Directors

Mr Yeo Tiong Eng
Mr Chester Lin Chien

Independent Directors

Dr Tan Khee Giap
Mr Wong Meng Meng

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

(a) overseeing the management and affairs of the Group;
(b) approving the Group's corporate and strategic directions;
(c) nomination of Directors to the Board;
(d) appointment of key personnel;
(e) reviewing the financial performance of the Group and implementing policies relating to financial matters, which include risk management and internal control and compliance;
(f) approving annual budgets, major funding proposals, investment and divestment proposals; and
(g) assuming responsibility for corporate governance.

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

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

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

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

Name	**Board**		**Audit Committee**		**Nominating Committee**		**Remuneration Committee**	
	No. of meetings held	**No. of meetings attended**	**No. of meetings held**	**No. of meetings attended**	**No. of meetings held**	**No. of meetings attended**	**No. of meetings held**	**No. of meetings attended**
Mr Yao Hsiao Tung *(Chairman)*	5	5	4	4	1	1	1	1
Mdm Wong Huey Fang *(Executive Director)*	5	5	4	4	1	1	1	1
Mr Yeo Tiong Eng *(Non-executive Director)*	5	5	4	4	1	1	1	1
Mr Chester Lin Chien *(Non-executive Director)*	5	1*	4	1*	N.A.	N.A.	N.A.	N.A.
Dr Tan Khee Giap *(Independent Director)*	5	4	4	4	1	1	1	1
Mr Wong Meng Meng *(Independent Director)*	5	5	4	4	1	1	1	1

* Mr Chester Lin Chien was appointed a Director of the Company on 4 August 2004.

Principle 2: Board Composition and Balance

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

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

The Board, taking into account the nature of operations of the Company, considers its current size to be adequate for effective decision-making. Key information regarding the Directors' academic and professional qualifications and other appointments is set out on pages 8 and 9 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 Board is provided with adequate and timely information 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

It is the view of the Board that it is in the best interest of the Group to adopt a single leadership structure, i.e. where the CEO and the Chairman of the Board is the same person, so as to ensure that the decision-making process of the Group would not be unnecessarily hindered.

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

The Group's Chairman and CEO is Mr Yao Hsiao Tung, who is responsible for the day-to-day operations of the Group, as well as monitoring the quality, quantity and timeliness of information flow between the Board and the management. Mr Yao is the founder of the Group and has played a key role in developing the Group's business. Through the Group's successful development in these few years, Mr Yao has demonstrated his vision, strong leadership and enthusiasm in this business.

Board Committees

Nominating Committee ("NC")

Principle 4: Board Membership
Principle 5: Board Performance

The NC comprises Dr Tan Khee Giap, Mr Yeo Tiong Eng and Mr Wong Meng Meng. The Chairman of the NC is Dr Tan Khee Giap.

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.

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 NC assessed the Board's performance as a whole in FY2004.

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.

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.

A newly-appointed Director will have to submit himself for re-election at the AGM immediately following his appointment and, thereafter, be subjected to the one-third rotation rule.

The NC recommended to the Board that Mr Yao Hsiao Tung, Dr Tan Khee Giap and Mr Chester Lin Chien be nominated for re-appointment at the forthcoming AGM.

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

Remuneration Committee ("RC")

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

The RC comprises Mr Wong Meng Meng, Mr Yao Hsiao Tung and Dr Tan Khee Giap. The Chairman of the RC is Mr Wong Meng Meng.

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 are competitive and sufficient to attract, retain and motivate Directors and senior management with adequate experience and expertise to manage the business and operations of the Group. The remuneration paid and payable to the Directors, executive officers and employees related to Directors or the CEO for services rendered during the financial year ended 31 December 2004 are as follows:

Remuneration Bands	Salary %	Performance Bonus %	Director's fees %	Others %	Total %
Directors					
S$500,000 and above					
Yao Hsiao Tung	15	83	2	–	100
S$250,000 – S$500,000					
Wong Huey Fang	62	28	10	–	100
Below S$250,000					
Yeo Tiong Eng	–	–	100	–	–
Dr Tan Khee Giap	–	–	100	–	–
Wong Meng Meng	–	–	100	–	–
Chester Lin Chien	–	–	100	–	–

Remuneration Bands	Salary %	Performance Bonus %	Others %	Total %
Executive Officers				
S$500,001 – S$750,000				
Gerhard J. Zebe	57	33	10	100
S$250,000 – S$500,000				
Philip Tan Tor Howe	70	30	–	100
Gary Ho Hock Yong	56	36	8	100
Ang Lien Peng	65	31	4	100
Chan Hean Wee	69	22	9	100
Lee Kam Choon	67	26	7	100
Employees related to Directors or the CEO				
Exceeding S$150,000				
Niece of Yao Hsiao Tung / Niece-in-law of Wong Huey Fang	60	20	20	100

The remuneration of the non-executive and independent Directors is in the form of a fixed fee. The remuneration of the non-executive and independent Directors will be subject to approval at the AGM.

The Executive Chairman and CEO has a service agreement with the Company. His compensation consists of salary, bonus and performance award that is dependent on the Group's performance.

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

The Company has a share option scheme known as the 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 33 and 69 of the Annual Report.

Audit Committee ("AC")

Principle 11: Audit Committee

The AC comprises Mr Wong Meng Meng, Dr Tan Khee Giap and Mr Yeo Tiong Eng. The Chairman of the AC is Mr Wong Meng Meng.

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.

Principle 12: Internal Controls

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

The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Group's management and that was in place throughout the year and up to the date of this Report, is adequate to meet the needs of the Group in its current business environment.

Principle 13: Internal Audit

The internal audit function has been outsourced to Messrs PricewaterhouseCoopers ("internal audit managers") with effect from 11 January 2005. The internal audit function will 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 will review 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; and the adequacy of the internal audit function.

Communication with Shareholders

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

The Company recognizes 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.

Risk Management
(Listing Manual Rule 1207(4)(d))

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 710(2)(b))

The Group has adopted the SGX-ST's Best Practices Guide 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 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. The code of conduct is modeled after the Best Practices Guide with some modifications.

Material Contracts
(Listing Manual Rule 1207(8))

Save for the service agreement between Mr Yao Hsiao Tung and the Company, there were no material contracts of the Company or its subsidiaries involving the interest of the chief executive officer or any Director or controlling shareholders subsisting at the end of the financial year ended 2004.

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 - Purchases	 S$1,018,383 S$1,445,140	 N.A. N.A.
Wong Partnership and Clifford Chance Wong Pte Ltd - Fees paid for professional legal services rendered	S$101,000	N.A.

Best Practices Guide

The Company has complied with the Best Practices Guide issued by SGX-ST.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

REVIEW OF RESULTS OF OPERATIONS

Revenue

Our revenue increased by approximately $312.0 million or 125.3% from $248.9 million in FY2003 to $560.9 million in FY2004. In terms of business activity, the significant increase in revenue was due mainly to the increase in sales from all our business segments i.e. Precision Plastic Injection Molding (PPIM), Mold Design and Fabrication (MDF) and Assembly.

Revenue derived from our PPIM division improved significantly by approximately $143.4 million or 137.0% from $104.7 million in FY2003 to $248.1 million in FY2004. The increase was primarily accounted for by existing customers such as Braun, Haier, Motorola, Siemens, ZTE and a customer in the data storage industry and was mainly due to increased orders for existing products or new projects. This was partially offset by the decrease in sales to our existing customers, namely Maxtor, DBtel, Nokia and Phillips due to the completion of some of our existing projects or lower demand from these customers.

Revenue from our MDF division increased by approximately $8.9 million or 27.3%, from $32.6 million in FY2003 to $41.5 million in FY2004. The increase was due mainly to an increase in orders received from Motorola, Braun, Palm, Haier and Siemens. This was partially offset by the decrease in demand from other existing customers such as Maxtor, Nokia and ZTE.

Revenue from our Assembly division increased by approximately $159.7 million or 143.0%, from $111.6 million in FY2003 to $271.3 million in FY2004. The increase was due mainly to the higher sales to Braun, Motorola and Siemens. This was partially offset by the decrease in sales to ZTE due to the completion of some of the existing projects.

By geographical markets, the increase in Group revenue was due mainly to higher sales to our customers in the PRC, Europe, Singapore and the United States. Sales to our customers in the PRC increased by approximately $153.4 million or 112.2%, from $136.8 million in FY 2003 to $290.2 million in FY2004. The increase was primarily attributable to Motorola, Siemens, Haier, Capitel and Kodak, and was partially offset by a decrease to other existing customers such as Braun, DBtel, ZTE and Nokia.

Sales to our customers in Europe increased by approximately $109.2 million or 233.0%, from $46.9 million in FY2003 to $156.1 million in FY2004. The increase was mainly attributed to higher sales to our existing customer, Braun, in all three activities.

Sales to our customers in Singapore increased by approximately $47.3 million or 144.4%, from $32.8 million in FY2003 to $80.1 million in FY2004. The increase was mainly attributed to higher sales to Motorola, a customer in the data storage industry and Baxter, and was partially offset by a decrease to Maxtor, an existing customer.

Sales to our customers in the United States increased by approximately $3.6 million or 17.5%, from $21.0 million in FY2003 to $24.6 million in FY2004. The increase was mainly attributed to higher sales to Motorola and MEI, and was partially offset by a decrease to our other existing customer, Phillips.

By industry, the increase in revenue was mainly contributed by our customers operating in the telecommunications, consumer electronics and electrical and data storage industries.

Revenue to our customers operating in the telecommunications industry increased by approximately $200.6 million or 174.8% from $114.8 million in FY2003 to $315.4 million in FY2004. The increase was due mainly to a significant increase in sales to our existing customers Motorola, Siemens, Haier and Capitel. This was partially offset by lower sales to ITT, Nokia and DBtel.

Revenue to our customers operating in the consumer electronics and electrical industry increased by approximately $104.4 million or 108.7% from $96.1 million in FY2003 to $200.5 million in FY2004. The increase was due mainly to increased sales to existing customers Braun, Kodak and MEI. This was partially offset by lower sales to Phillips.

Revenue (Cont'd)

Revenue to our customers operating in the data storage industry increased by approximately $5.1 million or 15.2%, from $33.3 million in FY2003 to $38.4 million in FY2004. The increase was due mainly to increased sales to an existing customer, and partially offset by lower sales to Maxtor.

Cost of Sales

Our cost of sales increased by approximately $237.9 million or 129.9%, from $183.1 million in FY2003 to $421.0 million in FY2004. Cost of sales as a percentage of revenue increased marginally from approximately 73.6% in FY2003 to 75.0% in FY2004. The percentage increase in cost of sales was attributed to higher material costs as a percentage of sales.

Material costs increased by approximately $172.2 million or 149.3% from $115.3 million in FY2003 to $287.5 million in FY2004. The increase in material costs as a percentage of revenue from 46.3% in FY2003 to 51.3% in FY2004 was due primarily to the increase in sales contributed by our Assembly division which generally requires higher material content.

Labour costs increased by approximately $21.4 million or 76.9%, from $27.9 million in FY2003 to $49.3 million in FY2004. The increase was due mainly to an increase in headcount in FY2004 and more labour hours which were required to meet the increase in production as well as salary increments. Labour costs as a percentage of revenue however decreased from approximately 11.2% in FY2003 to 8.8% in FY2004 arising primarily from the increase in sales contribution by our Assembly and PPIM divisions, which generally have a lower labour costs to revenue percentage.

Overhead costs increased by approximately $44.2 million or 110.9%, from $39.9 million in FY2003 to $84.1 million in FY2004. The increase in overhead was mainly attributed to the increase in utilities, freight charges, factory supplies, depreciation, sales tax (4% non-refundable VAT for export sales), stock obsolescence and physical inventory written off of $3.3 million, $3.7 million, $18.0 million, $4.7 million, $8.3 million, $4.4 million and $1.7 million respectively. Overhead costs as a percentage of revenue decreased from 16.0% in FY2003 to 15.0% in FY2004 arising primarily from the increase in sales contribution from our Assembly and PPIM divisions, which generally have a lower overhead costs to revenue percentage.

Gross Profit

Our gross profit increased by approximately $74.1 million or 112.5% from $65.8 million in FY2003 to $139.9 million in FY2004. The increase was in line with the increase in revenue, and was partially offset by the overall decrease in gross profit margins.

Gross profit margins decreased from 26.4% in FY2003 to 24.9% in FY2004 mainly as a result of higher material costs included in cost of sales due to higher Assembly activities.

Operating Expenses

Our total operating expenses increased by approximately $23.6 million or 93.1% from $25.4 million in FY2003 to $49.0 million in FY2004. Operating expenses as a percentage of revenue decreased from 10.2% in FY2003 to 8.7% in FY2004 as a result of economies of scale.

Our administrative expenses increased by approximately $22.4 million or 99.6% from $22.4 million in FY2003 to $44.8 million in FY2004. The increase was mainly due to the increase in personnel related costs, depreciation and provision for doubtful debts by $13.0 million, $1.4 million and $5.8 million respectively. The increase in personnel related costs was due mainly to an increase in headcount and annual salary increments and was in line with the increase in revenue. The Company has been strengthening its technical and management team especially in program management, quality control, materials and operations. The increase in depreciation expense was due mainly to our expansion in China. The increase in provision for doubtful debts was mainly attributed to PRC customers.

Our selling expenses increased by approximately $1.3 million or 43.4% from $2.9 million in FY2003 to $4.2 million in FY2004. The increase was mainly due to the increase in staff costs to meet expanding business needs.

Other Operating Income

Our other operating income increased by approximately $1.1 million or 45.4%, from $2.5 million in FY2003 to $3.6 million in FY2004 due mainly to the increase in sales of scrap, as a result of higher revenue.

Profit from Operations

Our profit from operations increased significantly by approximately $51.6 million or 120.0% from $42.9 million in FY2003 to $94.5 million in FY2004. The increase in profit from operations was attributable to the increase in gross profit of $74.1 million and other operating income of $1.1 million, partially offset by a $23.6 million increase in operating expenses. Operating profit margin decreased from 17.3% in FY2003 to 16.9% in FY2004 as a result of lower gross profit margin, partly offset by the lower operating expenses as a percentage of revenue.

Financial Income / Expenses and Foreign Exchange Gain / Loss, Net

Our net financial expenses decreased by approximately $0.8 million or 45.3% from $1.8 million in FY2003 to $1.0 million in FY2004 due mainly to the decrease in total bank borrowings and lease obligations by $25.0 million or 53.1% from $47.1 million as at 31 December 2003 to $22.1 million as at 31 December 2004.

Our foreign exchange loss increased by approximately $0.2 million or 19.8% from $1.3 million in FY2003 to $1.5 million in FY2004. The increase was mainly attributed to our China operations which reported an exchange loss of $0.9 million in FY2003 versus an exchange loss of $2.2 million in FY2004, as a result of higher depreciation of the USD against the SGD, Euro and JPY during FY2004. On the other hand, Hi-P Singapore registered a $0.3 million loss in FY2003 versus a $0.8 million gain in FY2004 on the back of the depreciation of the USD against SGD during FY2004.

Profit Before Taxation and Share of Results of Associated Companies

Our profit before tax and share of results of associated companies increased by approximately $52.1 million or 130.5%, from $39.9 million in FY2003 to $92.0 million in FY2004. The increase was due mainly to the significant increase in revenue and gross profit, which were partially offset by the increase in operating expenses.

Tax

Our tax charge for FY2004 was approximately $3.1 million as compared to $2.9 million in FY2003 due mainly to higher profit before tax. However, our effective tax rate declined from 7.2% in FY2003 to 3.4% in FY2004 mainly due to the increase in profit contribution from certain PRC subsidiaries whose profits were entitled to full tax exemption in FY2004.

LIQUIDITY AND CAPITAL RESOURCES

In FY2004, we generated net cash from operating activities before working capital changes of approximately $119.3 million. Cash utilised for working capital purposes amounted to $52.9 million due mainly to an increase in inventories, trade receivables, other receivables, deposits and prepayments, and decrease in other payables and accruals, and amounts due to related parties (trade) of $38.6 million, $57.4 million, $1.2 million, $2.1 million and $0.9 million respectively. This was partially offset by an increase in trade payables and decrease in notes receivable amounting to $46.8 million and $ 0.4 million respectively. We also made dividend payments and income tax payments of $4.8 million and $4.2 million respectively, resulting in net cash generated from operating activities of approximately $57.5 million.

Net cash used in investing activities amounted to approximately $56.3 million due mainly to our purchase of fixed assets of $59.8 million, partially offset by proceeds from disposal of fixed assets and interest income of approximately $3.2 million and $0.3 million respectively.

We recorded net cash outflow of $25.1 million from our financing activities due mainly to repayment of bank term loans, short-term bank loans and lease obligations amounting to $9.5 million, $9.6 million and $4.8 million. In addition, interest expense paid amounted to $1.3 million.

REVIEW OF FINANCIAL POSITION

Fixed Assets

Our fixed assets comprise factory buildings, leasehold improvements, construction-in-progress, renovations, plant and machinery, furniture and fittings, office equipment and motor vehicles.

Our fixed assets increased by approximately $35.1 million or 26.2% from $133.9 million as at 31 December 2003 to $169.0 million as at 31 December 2004 due mainly to the additions in fixed assets of $63.2 million.

Fixed assets additions comprised mainly of investments in leasehold improvements amounting to approximately $0.5 million, machines under commissioning of $5.6 million, renovations of $4.6 million, plant and machinery of $48.6 million, computer equipment of $3.4 million and office equipment, furniture and fittings of $0.5 million. During FY2004, new machines were purchased to support the expansion of operations in Hi-P International, Hi-P Shanghai Housing Appliance, Hi-P Shanghai Plastic, Hi-P Tianjin Electronics, Hi-P Shanghai Industries, Hi-P Shanghai Mold & Die, Hi-P Chengdu Plastic, Hi-P Suzhou Technology and Hi-P Xiamen. In addition, machines were acquired for the newly incorporated sites namely; Hi-P Suzhou Electronics, Hi-P Tianjin Technology and Hi-P Shanghai Technology. The increase in office equipment, furniture and fittings was mainly attributed to Hi-P Shanghai Housing Appliance. The increase in computer equipment was mainly attributed to Hi-P International, Hi-P Shanghai Housing Appliance, Hi-P Tianjin Technology, Hi-P Suzhou Technology, Hi-P Suzhou Electronics and Hi-P Shanghai Mold & Die. The increase in renovations was mainly attributed to Hi-P Shanghai Housing Appliance, Hi-P Tianjin, Hi-P Suzhou Technology and Hi-P Suzhou Electronics. The increase in leasehold improvements was mainly related to Hi-P International, Hi-P Suzhou Technology and Hi-P Suzhou Electronics.

Current Assets

Our current assets increased by approximately $65.1 million or 31.5% from $206.7 million as at 31 December 2003 to $271.9 million as at 31 December 2004. The increase was due mainly to increase in inventories, trade receivables, other receivables, deposits and prepayments, amounts due from related parties (trade) and fixed deposits, partially offset by the decrease in notes receivable and cash and bank balance. Inventories increased by $35.6 million or 144.4% from $24.7 million as at 31 December 2003 to $60.3 million as at 31 December 2004. Trade receivables increased by $52.1 million or 103.2% from $50.5 million as at 31 December 2003 to $102.6 million as at 31 December 2004. The increase in inventories and trade receivables was in line with the increase in revenue. Average inventory turnover had shortened from 38 days to 36 days for the year ended 31 December 2004. Average receivables turnover had shortened from 62 days to 49 days for the year ended 31 December 2004. Other receivables, deposits and prepayments increased by $1.2 million or 7.3% from $16.3 million as at 31 December 2003 to $17.5 million as at 31 December 2004. Amounts due from related parties (trade) increased by $1.7 million or 217.7% from $0.8 million as at 31 December 2003 to $2.5 million as at 31 December 2004 due mainly to higher sales to Haier in FY2004. Notes receivable decreased by $0.4 million or 30.8%, from $1.2 million as at 31 December 2003 to $0.8 million as at 31 December 2004 due mainly to factoring of notes receivable. Cash at bank decreased by $65.1 million or 57.5%, from $113.2 million as at 31 December 2003 to $48.1 million as at 31 December 2004 due mainly to transfer to fixed deposits.

Current Liabilities

Our current liabilities increased by approximately $42.4 million or 34.8% from $121.9 million as at 31 December 2003 to $164.3 million as at 31 December 2004. The increase was due mainly to the increase in trade payables, other payables and accruals, amounts due to related parties (trade) and the current portion of bank term loans, partly offset by the decrease in short term bank loans, bank overdrafts, provision for taxation and the current portion of lease liabilities. Trade payables increased by $46.9 million or 92.3% from $50.7 million as at 31 December 2003 to $97.6 million as at 31 December 2004. The increase was a result of higher inventory purchases to meet production requirements towards the last quarter of the financial year. Other payables and accruals increased by $1.4 million or 3.0% from $45.5 million as at 31 December 2003 to $46.9 million as at 31 December 2004. Bank term loans increased by $7.6 million or 303.7% from $2.5 million as at 31 December 2003 to $10.1 million as at 31 December 2004 due mainly to transfers from the non-current protion of the loan. The provision for taxation decreased by $0.7 million or 27.9% from $2.5 million as at 31 December 2003 to $1.8 million as at 31 December 2004 due to lower profits at taxable plants.

Current Liabilities (Cont'd)

Lease obligations decreased by approximately $3.0 million or 61.3% from $4.9 million as at 31 December 2003 to $1.9 million as at 31 December 2004, due to repayment of certain lease liabilities. Short term loans decreased by $9.6 million or 66.2% from $14.5 million as at 31 December 2003 to $4.9 million as at 31 December 2004 due mainly to repayment of certain short term loans. Bank overdrafts decreased by $1.2 million or 100.0% from $1.2 million as at 31 December 2003 to nil as at 31 December 2004 due to repayment made.

Non-current Liabilities

Non-current liabilities decreased by approximately $18.9 million or 70.4% from $26.8 million as at 31 December 2003 to $7.9 million as at 31 December 2004. The decrease was due mainly to repayment of lease obligations and the transfer of term loans to short term loans. Lease obligations decreased by approximately $1.8 million or 75.6% from $2.4 million as at 31 December 2003 to $0.6 million as at 31 December 2004. Bank term loans decreased by approximately $17.1 million or 78.9% from $21.7 million as at 31 December 2003 to $4.6 million as at 31 December 2004.

Shareholders' Equity

Shareholders' equity increased by approximately $77.6 million or 40.6% from $191.4 million as at 31 December 2003 to $269.0 million as at 31 December 2004. The increase was mainly due to net profit attributable to shareholders of $88.1 million for FY2004. This was partially offset by the decrease in translation reserve of approximately $7.7 million. The accumulated profits took into account the deduction of dividend payments of $3.5 million.

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 ("the Group") for the financial year ended 31 December 2004 and the balance sheet of the Company as at 31 December 2004.

Directors

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

Yao Hsiao Tung	(Chairman and Chief Executive Officer)
Wong Huey Fang	
Yeo Tiong Eng	
Dr Tan Khee Giap	
Wong Meng Meng	
Chester Lin Chien	(appointed on 4 August 2004)

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year, was the Company a party to any arrangement whose objective was 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 corporations.

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 Companies Act, an interest in shares of the Company and related corporations, as stated below:

	Direct interest as at		Deemed interest as at	
	1 January 2004 or date of appointment	31 December 2004	1 January 2004 or date of appointment	31 December 2004
Hi-P International Limited				
Ordinary shares of $0.05 each				
Yao Hsiao Tung	492,485,200	489,029,200	–	–
Wong Huey Fang	–	–	492,485,200	489,029,200
Yeo Tiong Eng	400,000	400,000	–	–
Dr Tan Khee Giap	550,000	550,000	–	–
Wong Meng Meng	500,000	500,000	–	–
Chester Lin Chien	1,000,000	1,000,000	–	–

Save for Mr Yao Hsiao Tung who holds 486,955,600 shares as at 21 January 2005, there was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2005.

By virtue of Section 7 of the Companies Act, Mr Yao Hsiao Tung is deemed to have an interest in the shares held by the Company in all its subsidiaries.

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 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.

Directors' contractual benefits

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than as disclosed as directors' remuneration and fees in the accompanying financial statements or remuneration and benefits pursuant to the terms of the Service Agreement with Mr Yao Hsiao Tung included in the aggregate amount of emoluments shown in the financial statements, or any emoluments received from a related corporation) 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.

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 Wong Meng Meng (Chairman), Yao Hsiao Tung and Dr Tan Khee Giap.

Other information regarding the Option Scheme is set out below:

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

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

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

At the end of the financial year, details of the options granted under the Option Scheme on the unissued ordinary shares of $0.05 each of the Company are as follows:

Date of grant of options	Exercise price per share	Options outstanding as at 1 January 2004	Options granted	Options cancelled/ lapsed	Options outstanding as at 31 December 2004	Exercise period
19/7/2004	$1.39	–	4,230,000	(221,000)	4,099,000	20/7/2005 to 19/7/2012
22/11/2004	$1.73	–	130,000	–	130,000	22/11/2005 to 21/11/2012

There were no options exercised during the financial year.

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

Share options (cont'd)

Details of Options granted to directors of the Company under the Option Scheme

Name of Directors	Options granted for financial year ended 31 December 2004	Aggregate options granted since commencement of Option Scheme to 31 December 2004	Aggregate options exercised since commencement of Option Scheme to 31 December 2004	Aggregate options outstanding as at 31 December 2004
Yao Hsiao Tung	1,300,000	1,300,000	–	1,300,000
Wong Huey Fang	300,000	300,000	–	300,000

Except as disclosed above, since the commencement of the Option Scheme, no options have been granted to the controlling shareholders of the Company or their associates and no participant under the Option Scheme has been granted 5% or more of the total options available under the Option Scheme.

The options granted by the Company do not entitle the holders of the options by virtue of such holding, to any rights to participate in any share issue of any other company.

Audit committee

The Audit Committee performed the functions specified in the Companies Act. The functions performed are detailed in the Report on Corporate Governance.

Auditors

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

On behalf of the board of directors,

Yao Hsiao Tung
Chairman and Chief Executive Officer

Yeo Tiong Eng
Director

16 March 2005

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, consolidated statement of changes in equity and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004 and of the results of the business, changes in equity and cash flows of the Group for the year then ended, 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 and Chief Executive Officer

Yeo Tiong Eng
Director

16 March 2005

AUDITORS' REPORT TO THE MEMBERS OF Hi-P INTERNATIONAL LIMITED AND SUBSIDIARIES

We have audited the financial statements of Hi-P International Limited ("the Company") and its subsidiaries ("the Group") for the year ended 31 December 2004 set out on pages 37 to 77. These financial statements are the responsibility of the Company's directors. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Companies Act ("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 2004 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 by 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
Certified Public Accountants

Singapore
16 March 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	Group	
		2004	2003
		$'000	$'000
Revenue	3	560,931	248,946
Cost of sales		(421,040)	(183,103)
Gross profit		139,891	65,843
Other operating income	4	3,624	2,493
Selling expenses		(4,216)	(2,940)
Administrative expenses		(44,770)	(22,432)
Profit from operations	5	94,529	42,964
Financial expenses	7	(1,302)	(1,811)
Financial income	7	343	58
Foreign exchange loss, net		(1,548)	(1,292)
Profit before tax and share of results of associated companies		92,022	39,919
Share of results of associated companies		355	337
Profit before tax		92,377	40,256
Tax	8	(3,113)	(2,911)
Profit after tax but before minority interests		89,264	37,345
Minority interests		(1,211)	(759)
Net profit for the year		88,053	36,586
Earnings per share (cents)	9		
Basic		9.93	4.93
Diluted		9.93	4.93

The accounting policies and explanatory notes on pages 44 through 77 form an integral part of the financial statements.

BALANCE SHEETS
AS AT 31 DECEMBER 2004

	Note	Group		Company	
		2004	2003	2004	2003
		$'000	$'000	$'000	$'000
Non-current assets					
Fixed assets	10	168,965	133,895	22,205	22,166
Investment in subsidiaries	11	-	-	58,345	50,735
Investment in associated companies	12	2,073	1,805	903	903
Other non-current asset	13	12	12	12	12
Deferred expenditure	14	514	-	514	-
Current assets					
Inventories	15	60,278	24,668	3,453	3,444
Trade receivables	16	102,591	50,487	10,396	7,631
Notes receivable	17	840	1,214	-	-
Other receivables, deposits and prepayments	18	17,500	16,304	308	408
Amounts due from subsidiaries (non-trade)	19	-	-	46,305	10,977
Amounts due from subsidiaries (trade)		-	-	230	94
Amounts due from related parties (trade)		2,481	781	-	-
Cash and bank balances		48,128	113,227	15,723	80,053
Fixed deposits	20	40,067	66	40,067	66
		271,885	206,747	116,482	102,673
Current liabilities					
Trade payables		97,586	50,737	6,758	4,396
Other payables and accruals	21	46,867	45,516	11,444	9,215
Amounts due to subsidiaries (trade)		-	-	307	390
Amount due to a subsidiaries (non-trade)	19	-	-	31,186	40
Amounts due to related parties (trade)		1,079	38	-	-
Lease obligations, current portion	22	1,879	4,861	1,442	4,337
Provision for income tax		1,831	2,538	374	1,282
Bank term loans, current portion	23	10,153	2,515	1,387	2,244
Short-term bank loans	24	4,911	14,509	-	3,020
Bank overdrafts (secured)	24	-	1,206	-	1,179
		164,306	121,920	52,898	26,103
Net current assets		107,579	84,827	63,584	76,570

The accounting policies and explanatory notes on pages 44 through 77 form an integral part of the financial statements.

	Note	Group		Company	
		2004	2003	2004	2003
		$'000	$'000	$'000	$'000
Non-current liabilities					
Lease obligations, non-current portion	22	577	2,368	406	1,768
Bank term loans, non-current portion	23	4,574	21,666	694	5,937
Deferred tax liability	25	2,774	2,774	2,774	2,774
		271,218	193,731	141,689	139,907
Equity					
Share capital	27	44,350	44,350	44,350	44,350
Share premium		75,041	75,041	75,041	75,041
Capital reserve		812	37	775	-
Reserve fund	28	16,044	9,313	-	-
Translation reserve		(10,035)	(2,339)	-	-
Accumulated profits	29	142,761	64,962	21,523	20,516
		268,973	191,364	141,689	139,907
Minority interests		2,245	2,367	-	-
		271,218	193,731	141,689	139,907

The accounting policies and explanatory notes on pages 44 through 77 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2004

	Share capital $'000	Share premium $'000	Capital reserve $'000	Reserve fund $'000	Translation reserve $'000	Accumulated profits $'000	Total Group $'000
Group							
Balance at 31 December 2002	18,400	-	37	5,505	223	50,818	74,983
Net profit for the year	-	-	-	-	-	36,586	36,586
Capitalisation of accumulated profits by way of a bonus issue of 18,400,000 ordinary shares of $1 each	18,400	-	-	-	-	(18,400)	-
Issue of shares	7,550	78,520	-	-	-	-	86,070
Share issue expenses pursuant to IPO	-	(3,479)	-	-	-	-	(3,479)
Transfer to reserve fund	-	-	-	3,808	-	(3,808)	-
Currency translation differences	-	-	-	-	(2,562)	-	(2,562)
Dividend (Note 30)	-	-	-	-	-	(234)	(234)
Balance at 31 December 2003	44,350	75,041	37	9,313	(2,339)	64,962	191,364
Net profit for the year	-	-	-	-	-	88,053	88,053
Equity compensation expense	-	-	775	-	-	-	775
Transfer to reserve fund	-	-	-	6,706	-	(6,706)	-
Currency translation differences	-	-	-	25	(7,696)	-	(7,671)
Dividend (Note 30)	-	-	-	-	-	(3,548)	(3,548)
Balance at 31 December 2004	44,350	75,041	812	16,044	(10,035)	142,761	268,973

The accounting policies and explanatory notes on pages 44 through 77 form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004

	Group	
	2004	2003
	$'000	$'000
Cash flows from operating activities		
Profit before tax and share of results of associated companies	92,022	39,919
Adjustment for:		
Provision for doubtful debt - related parties	227	-
Provision for doubtful trade debts	5,573	-
Provision for doubtful debt written back	(14)	-
Provision for inventory obsolescence	3,162	1,154
Equity compensation expense	775	-
Fixed assets impairment loss	-	103
Gain on disposal of fixed assets	(483)	(590)
Depreciation of fixed assets	18,841	13,257
Interest expense	1,302	1,811
Interest income	(343)	(58)
Translation difference	(1,718)	(77)
Operating profit before working capital changes	119,344	55,519
Decrease (increase) in:		
Inventories	(38,560)	(11,503)
Trade receivables	(57,398)	(14,845)
Notes receivable	374	(30)
Other receivables, deposits and prepayments	(1,196)	(10,513)
Increase (decrease) in:		
Trade payables	46,849	20,773
Other payables and accruals	(2,053)	15,428
Due from/to related parties (trade), net	(886)	541
Cash generated from operations	66,474	55,370
Dividends paid	(4,772)	(234)
Income taxes paid	(4,193)	(941)
Net cash generated from operating activities	57,509	54,195
Cash flows from investing activities		
Acquisition of equity interest in an associated company	-	(400)
Interest income received	343	58
Proceeds from disposal of fixed assets	3,204	1,223
Purchase of fixed assets (Note B)	(59,821)	(34,530)
Net cash used in investing activities	(56,274)	(33,649)

The accounting policies and explanatory notes on pages 44 through 77 form an integral part of the financial statements.

	Group	
	2004	**2003**
	$'000	**$'000**
Cash flows from financing activities		
Interest expense paid	(1,302)	(1,811)
(Repayment of)/proceeds from bank term loans, net	(9,454)	12,989
Repayment of short-term bank loans, net	(9,598)	(6,179)
Lease obligation repayments	(4,773)	(3,892)
Proceeds from issuance of shares	-	86,070
Share issue expenses pursuant to IPO	-	(3,479)
Net cash (used in) / generated from financing activities	(25,127)	83,698
Net (decrease) / increase in cash and cash equivalents	(23,892)	104,244
Cash and cash equivalents at beginning of year	112,087	7,843
Cash and cash equivalents at end of year (Note A)	88,195	112,087

Notes to the Consolidated Cash Flow Statement

A. Cash and cash equivalents

Cash and cash equivalents comprise the following balance sheet amounts:

	Group	
	2004	**2003**
	$'000	**$'000**
Cash and bank balances	48,128	113,227
Fixed deposits	40,067	66
Bank overdrafts (secured)	-	(1,206)
Cash and cash equivalents	88,195	112,087

The accounting policies and explanatory notes on pages 44 through 77 form an integral part of the financial statements.

B. Purchase of fixed assets

	Group	
	2004	**2003**
	$'000	**$'000**
Current year additions to fixed assets	63,226	55,180
Less:		
Financed by leases	-	(5,202)
Payable to creditors	(23,442)	(22,417)
	39,784	27,561
Payments for prior year purchase of fixed assets	20,037	6,969
Net cash outflow for purchase of fixed assets	59,821	34,530

The accounting policies and explanatory notes on pages 44 through 77 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2004

1. Corporate information

Hi-P International Limited ("the Company") was incorporated in Singapore and it is listed on the Singapore Exchange Securities Trading Limited.

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

The principal activities of the Group 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 11 to the financial statements.

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

The Group operates in six (2003: six) countries and the Group and Company have 3,454 and 218 (2003: 1,864 and 198) permanent employees as of 31 December 2004, respectively.

2. Significant accounting policies

(a) Basis of preparation of financial statements

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") as required by the Companies Act.

The financial statements have been prepared on a historical cost basis, and are presented in Singapore dollars.

The accounting policies have been consistently applied by the Company, and are consistent with those used in the previous financial year except for the early adoption of FRS 102 - Share-Based Payments as discussed more fully below.

FRS 102 Share-Based Payments

The Company has adopted FRS 102 Share-Based Payments issued in July 2004 by the Council on Corporate Disclosure And Governance, with effect from financial year beginning 1 January 2005.

Under FRS 102, the Company accounts for options issued under the Hi-P Employee Share Option Scheme ("the Option Scheme") as an equity-settled share-based compensation. The equity-settled share-based compensation is measured at fair value at the date of grant and the expense is amortised and recognised in the income statement on a straight-line basis over the vesting period.

The early adoption of FRS 102 did not result in a restatement of comparative information.

(b) Principles of consolidation of financial statements

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries after the elimination of all material intragroup transactions and resulting unrealised profits. Unrealised losses resulting from intragroup transactions are also eliminated unless costs cannot be recovered.

2. Significant accounting policies (cont'd)

(b) Principles of consolidation of financial statements (cont'd)

Subsidiaries are consolidated from the date on which control is transferred to the group and cease to be consolidated from the date on which the Group ceases to have control of the subsidiaries. Acquisitions of subsidiaries are accounted for using the purchase method of accounting.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of identifiable net assets of a subsidiary or associate at the date of acquisition. Goodwill is amortised using the straight-line basis over a period of 5 years that benefits are expected to be received. Goodwill is stated at cost less accumulated amortisation and any impairment losses.

(c) Subsidiaries

A subsidiary is a company, in which the Group, 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 impairment losses.

(d) Associated companies

An associated company is an entity, not being a subsidiary, in which the Group has a long-term interest of not less than 20% nor more than 50% of the equity and in whose financial and operating policy decisions the Group exercises significant influence.

The Group's investments in associated companies are accounted for using the equity method. The Group's investments in associated companies include goodwill (net of accumulated amortisation) on acquisition, which is accounted for in accordance with the accounting policy for goodwill stated in (b) above.

The most recent available audited financial statements of the associated companies are used by the Group in applying the equity method. In the Company's separate financial statements, investments in associated companies are accounted for at cost less any impairment losses.

(e) Related parties

A related party is a company, not being a subsidiary or an associated company, 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.

(f) Other non-current asset

Other non-current asset relates to investment in a club membership stated at cost less any impairment loss.

2. Significant accounting policies (cont'd)

(g) Deferred expenditure

Deferred expenditure comprises cost of materials, direct labour and an appropriate proportion of overheads, incurred for production of toolings. Deferred expenditure is stated at cost less accumulated amortisation and impairment losses. Amortisation of deferred expenditure is over the term of contract with customers commencing in the year when mass production commences and revenue is derived.

(h) 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 raw materials and direct labour and an attributable proportion of manufacturing overheads based on normal operating capacity.

Provision is made for deteriorated, damaged, obsolete and slow-moving stocks.

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

(i) Foreign currency translation

Foreign currency transactions

The accounting records of the Company and its subsidiaries are maintained in their respective measurement currencies.

Foreign currency transactions are converted into the measurement currencies at exchange rates closely approximating those ruling at the transaction dates. Foreign currency monetary assets and liabilities outstanding at the balance sheet are converted into the measurement currencies at the rates of exchange approximating those ruling at that date. Non-monetary assets and liabilities are measured using the exchange rates ruling at the transaction dates or, in the case of items carried at fair value, the exchange rates that existed when the values were determined. All resultant exchange differences are recognised in the profit and loss account.

Foreign entities

For consolidation purposes, assets and liabilities of the foreign subsidiaries are translated into Singapore dollars at the exchange rates ruling at balance sheet date. Share capital and reserves are translated at historical exchange rates. Revenue and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions. All resultant exchange differences are taken directly to equity. Foreign currency translation adjustments arising on consolidation are accumulated as a separate component of equity. The Group's share of the foreign currency translation adjustments accounted for under the equity method is included in the Group's investments in associated companies.

2. Significant accounting policies (cont'd)

(j) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and any impairment in value. All items of fixed assets are initially recorded at cost.

The initial cost of fixed assets comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use, any trade discounts and rebates are deducted in arriving at the purchase price. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the profit and loss account in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of fixed asset beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of fixed asset.

Depreciation is computed on a straight-line basis over the estimated useful life of the fixed asset as follows:

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

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of fixed assets. An assessment of the carrying value of fixed assets is made when there are indications that the assets have been impaired or the impairment loss recognised in prior years no longer exist.

No depreciation is provided for construction-in-progress.

(k) Trade and other receivables

Trade receivables, which generally have 30-90 days credit terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amount. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Notes receivable which have an average maturity of 2.5 to 6 months, are interest-free and backed by banks or commercial organisations. Notes receivable are carried at cost, being the fair value of the consideration given.

Receivables from subsidiaries and related parties are recognised and carried at cost less an allowance for any uncollectible amounts.

(l) Borrowing costs

Borrowing costs are expensed as incurred.

2. Significant accounting policies (cont'd)

(m) Cash and cash equivalents

Cash consists of cash on hand and cash with banks, including fixed deposits and bank overdrafts. Cash equivalents are 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.

Cash on hand and at banks and short-term deposits which are held to maturity are carried at cost.

(n) Trade and other payables

Trade and other payables, which are normally settled on 30-90 day terms, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Payables to subsidiaries and related parties are carried at cost.

(o) Impairment of assets

Fixed assets and other non-current asset are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not have been recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the profit and loss account.

Reversal of an impairment loss recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised in the profit and loss account. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for that asset in prior years.

(p) Leases

(i) Finance Lease

Finance leases, which effectively transfer to the Group and the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the amounts equal, at the inception of the lease, to the fair value of the leased item, or, if lower, at the present value of the minimum lease payments. 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 for each period. Finance charges are charged directly to the profit and loss account.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease.

(ii) Operating Lease

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. 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. Significant accounting policies (cont'd)

(q) Employee benefits

(i) Defined contribution plan

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Singapore companies in the Group make contributions to the Central Provident Fund ("CPF") Scheme in Singapore, a defined contribution pension scheme. The subsidiaries incorporated and operating in the People's Republic of China ("PRC") are required to provide certain staff pension benefits to their employees under existing PRC regulations. Pension contributions are provided at rates stipulated by PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiaries' employees. The subsidiary in Mexico maintains and administers a savings plan for its employees whereby the subsidiary and its permanent employees jointly contribute monthly to the savings plan. The funds collected under this savings plan are allocated to the relevant employees every year. In the event of a termination of employment, the relevant employee may withdraw his entitlement to the funds.

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

(ii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(iii) Equity compensation benefits

The Company accounts for the options issued under the Hi-P Employee Share Option Scheme ("the Option Scheme") as an equity-settled share-based compensation. The equity-settled share-based compensation is measured at fair value at the date of grant by applying an option-pricing model. The equity compensation expense is amortised and charged to the profit and loss statement using the straight-line method over the vesting periods of the underlying options and credited to capital reserve.

(r) Revenue

Revenue from sale of goods is recognised upon delivery of goods and acceptance by customers.

Revenue from the manufacturing of molds and metal stamps is recognised upon acceptance by customers. All known or anticipated losses are provided for in the period in which such losses are determined.

Interest income is recognised on an accrual basis. Dividend income is recognised gross on the date it is declared payable by the investee company.

Group revenue excludes intercompany transactions and turnover of associates.

2. Significant accounting policies (cont'd)

(s) Income taxes

Deferred income tax is provided, using the liability method, on all 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 assets and liabilities are measured at the tax rates that are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled, based on tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences including those associated with investment in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax losses and unabsorbed capital allowances, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax losses and unused tax credits can be utilised.

At each balance sheet date, the Group re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Group conversely reduces the carrying amount of a deferred tax asset to the extent it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised.

(t) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where applicable, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

(u) 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.

Segment revenue, expenses and results include transfers between business segments. Such transfers are accounted for on an arm's length basis.

(v) Research and development costs

Research and development costs are expensed as incurred, except for development costs which relate to the design and testing of new or improved materials, products or processes which are recognised as an asset to the extent that it is expected that such assets will generate future economic benefits.

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	
	2004	2003
	$'000	$'000
Gain on disposal of fixed assets	483	590
Gain on sale of raw materials	369	309
Sale of scrap materials	1,452	275
Refund of value-added tax	-	161
Tax refund on capital investment	1,080	993
Others	240	165
	3,624	2,493

5. Profit from operations

This is determined after charging (crediting) the following:

	Group	
	2004	2003
	$'000	$'000
Auditors' remuneration		
- auditors of the Company	118	57
- other auditors	466	214
Depreciation of fixed assets	18,841	13,257
Directors' fees	338	34
Directors' remuneration		
- directors of the Company	3,400*	1,919*
- director of a subsidiary company	372	290
Equity compensation expense	775	-
Provision for doubtful debt - related parties	227	-
Provision for doubtful trade debts	5,573	-
Write back of provision for doubtful trade debts	(14)	-
Provision for inventory obsolescence	3,162	1,154
Fixed assets impairment loss	-	103
Operating lease expenses	4,479	3,651
Research and development costs	2,329	686
Personnel expenses (Note 6)	80,047	40,343

* Amount includes performance bonus amounting to approximately $2,906,000 (2003: $1,245,000) pursuant to the Service Agreement entered into, computed based on 3% of the Group's profit before tax and minority interest for the relevant financial year.

6. Personnel expenses

	Group	
	2004	2003
	$'000	$'000
Wages, salaries and bonus	67,575	34,484
Pension contributions	4,991	4,042
Other personnel expenses	7,481	1,817
	80,047	40,343

7. Financial (expenses) income

	Group	
	2004	2003
	$'000	$'000
Interest expense		
- bank term loans	(847)	(1,172)
- lease obligations	(453)	(625)
- bank overdrafts	(2)	(14)
	(1,302)	(1,811)
Interest income		
- bank balances	311	52
- fixed deposits	32	6
	343	58

8. Tax

	Group	
	2004	2003
	$'000	$'000
Current tax		
- current year	3,330	2,580
- under provision in respect of prior years	-	62
Deferred tax		
- current year	-	50
- (over) under provision in respect of prior years	(287)	165
Share of tax of associated companies	70	54
	3,113	2,911

8. Tax (cont'd)

The reconciliation of the tax expense and that of accounting profit multiplied by the applicable tax rate is as follows:

	Group	
	2004	2003
	$'000	$'000
Profit before tax and share of results of associated companies	92,022	39,919
Tax at the domestic rates applicable to profits in the countries concerned *	2,635	2,047
Tax effect of losses not available for offset against taxable profits	129	157
Tax effect of expenses that are not deductible in determining taxable profit	521	296
(Over) under provision in respect of prior years	(287)	227
Tax rebate and exemption	44	-
Share of tax of associated companies	70	54
Others	1	130
Tax expense	3,113	2,911

* *This is computed by aggregating separate computations for each company in their respective countries.*

8. Tax (cont'd)

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

	2004 %	2003 %
Hi-P Shanghai Electronics Co., Ltd.	15	15
Hi-P Camera Products Co., Ltd.	7.5	7.5
Hi-P Precision Plastic Manufacturing (Shanghai) Co., Ltd.	7.5	Tax exempt
Hi-P (Chengdu) Precision Plastic Manufacturing Co., Ltd.	10	7.5
Hi-P (Chengdu) Mold Base Manufacturing Co., Ltd.	Tax exempt	Tax exempt
Hi-P (Xiamen) Precision Plastic Manufacturing Co., Ltd.	7.5	7.5
Qingdao Haier Hi-P Science Technology Co., Ltd.	12	Tax exempt
Hi-P Tianjin Electronics Co., Ltd.	Tax exempt	Tax exempt
Hi-P (Shanghai) Industries Co., Ltd.	Tax exempt	Tax exempt
Hi-P (Shanghai) Housing Appliance Co., Ltd	Tax exempt	Tax exempt
Hi-P (Shanghai) Precision Mold & Die Co., Ltd.	Tax exempt	Tax exempt
Hi-P (Suzhou) Technology Co., Ltd.	Tax exempt	*
Hi-P (Tianjin) Precision Mold & Die Co., Ltd.	Tax exempt	*
Hi-P (Suzhou) Electronics Co., Ltd	*	**
Hi-P (Tianjin) Technology Co., Ltd	*	**

* *Subsidiary in loss position.*

** *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 33%.

Hi-P North America, Inc. is subject to the following types of income taxes:

(i) Federal tax: Graduated tax structure that begins at 15% to a maximum of 35%; and

(ii) State tax: Comprises corporate income tax rate of 4.8% and state replacement tax rate of 2.5%.

8. Tax (cont'd)

Hi-P Mauritius Ltd. is granted the Global Business Companies Category 1 Licence and is taxed at a flat rate of 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%.

Hi-P Resources Ltd. is granted the Global Business Companies Category 2 Licence and is tax exempt.

Hi-P Finland Oy is subject to corporate income tax at 29%.

9. Earnings per share

	Group	
	2004	**2003**
Profit attributable to shareholders ($'000)	88,053	36,586
Weighted average number of ordinary shares in issue used for computing basic earnings per share	887,000,000	742,205,479
Adjustment for number of unissued ordinary shares under share options	1,859,109	-
Weighted average number of ordinary shares in issue used for computing diluted earnings per share	888,859,109	742,205,479
Basic earnings per share (cents)	9.93	4.93
Diluted earnings per share (cents)	9.93	4.93

Basic earnings per share is calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares in issue during the financial year.

For purposes of calculating diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect of share options.

10. Fixed assets

(a) Group	Factory buildings and leasehold improvements $'000	Construction -in-progress $'000	Renovation $'000	Plant and machinery $'000	Motor vehicles $'000	Office equipment, furniture and fittings $'000	Total $'000
Cost							
As at 1.1.2004	25,919	234	12,339	128,034	1,375	12,172	180,073
Additions	461	5,623	4,612	48,638	40	3,852	63,226
Reclassification	(1,547)	(1,378)	1,547	1,399	11	(32)	-
Disposals	(4,427)	(6)	-	(395)	(66)	-	(4,894)
Translation difference	(236)	(147)	(1,572)	(5,674)	(25)	(328)	(7,982)
As at 31.12.2004	20,170	4,326	16,926	172,002	1,335	15,664	230,423
Accumulated depreciation							
As at 1.1.2004	5,076	-	3,259	32,865	386	4,592	46,178
Charge for the year	437	-	2,356	13,547	220	2,281	18,841
Reclassification	118	-	(118)	18	(2)	(16)	-
Disposals	(1,405)	-	(660)	(40)	(28)	-	(2,133)
Translation difference	(162)	-	(681)	(307)	(7)	(271)	(1,428)
As at 31.12.2004	4,064	-	4,156	46,083	569	6,586	61,458
Charge for 2003	701	-	1,565	9,145	137	1,709	13,257
Net book value							
As at 31.12.2004	16,106	4,326	12,770	125,919	766	9,078	168,965
As at 31.12.2003	20,843	234	9,080	95,169	989	7,580	133,895

As at 31 December 2004, the Group had plant and machinery, motor vehicles and office equipment under lease with net book values of approximately $5,307,687 (2003: $14,062,000), $325,824 (2003: $443,000) and $69,546 (2003: $112,000) respectively.

10. Fixed assets (cont'd)

(b) Company	Factory buildings and leasehold improvements $'000	Renovation $'000	Plant and machinery $'000	Motor vehicles $'000	Office equipment, furniture and fittings $'000	Total $'000
Cost						
As at 1.1.2004	15,329	176	19,049	781	857	36,192
Additions	300	42	2,193	-	42	2,577
Disposals	-	-	(168)	(65)	-	(233)
As at 31.12.2004	15,629	218	21,074	716	899	38,536
Accumulated depreciation						
As at 1.1.2004	1,588	14	11,749	216	459	14,026
Charge for the year	272	33	1,948	125	82	2,460
Disposals	-	-	(128)	(27)	-	(155)
Reclassification	-	-	(3)	-	3	-
As at 31.12.2004	1,860	47	13,566	314	544	16,331
Charge for 2003	266	14	1,837	76	78	2,271
Net book value						
As at 31.12.2004	13,769	171	7,508	402	355	22,205
As at 31.12.2003	13,741	162	7,303	565	395	22,166

As at 31 December 2004, the Company had plant and machinery and motor vehicles under lease with net book values of approximately $54,000 (2003: $3,007,000) and $326,000 (2003: $443,000) respectively.

11. Investment in subsidiaries

Subsidiaries comprise:

	Company 2004 $'000	Company 2003 $'000
Unquoted equity shares -		
Cost at beginning of year	59,235	40,237
Additional investments during the year	7,610	18,998
Cost at end of year	66,845	59,235
Provision for impairment	(8,500)	(8,500)
	58,345	50,735

Movement in provision for impairment of investment in subsidiaries during the year is as follows:

	2004 $'000	2003 $'000
At beginning of year and end of the year	8,500	8,500

The Company and the Group had the following subsidiaries as at 31 December 2004:

Name of company	Principal activities	Country of incorporation and place of business	Equity interest held by the Group 2004 %	Equity interest held by the Group 2003 %	Cost of investment 2004 $'000	Cost of investment 2003 $'000
Held by the Company						
Hi-P Shanghai Electronics Co., Ltd. **	Manufacture of molds	People's Republic of China	100	100	3,530	3,530
High Precision Moulding and Tools, S.A. de C.V. ***	Manufacture of plastic injection parts	Mexico	100	100	11,840	11,840
Hi-P (Chengdu) Precision Plastic Manufacturing Co., Ltd.**	Manufacture of plastic injection parts	People's Republic of China	100	100	3,871	3,352
Hi-P Camera Products Co., Ltd. **	Manufacture of camera products	People's Republic of China	100	100	8,489	8,489

11. Investment in subsidiaries (cont'd)

Name of company	Principal activities	Country of incorporation and place of business	Equity interest held by the Group 2004 %	Equity interest held by the Group 2003 %	Cost of investment 2004 $'000	Cost of investment 2003 $'000
Hi-P Precision Plastic Manufacturing (Shanghai) Co., Ltd. **	Spray painting	People's Republic of China	100	100	3,769	3,769
Hi-P (Xiamen) Precision Plastic Manufacturing Co., Ltd. **	Manufacture and sale of plastic product modules	People's Republic of China	100	100	4,548	4,548
Qingdao Haier Hi-P Science Technology Co., Ltd. **	Manufacture and sale of plastic product modules	People's Republic of China	70	70	2,544	2,544
Hi-P (Chengdu) Mold Base Manufacturing Co., Ltd. **	Manufacture of mold base and components	People's Republic of China	100	100	3,007	3,007
Hi-P (Shanghai) Housing Appliance Co., Ltd **	Manufacture of molds and related housing appliance plastic components	People's Republic of China	100	100	4,550	4,550
Hi-P Tianjin Electronics Co., Ltd. **	Manufacture of molds	People's Republic of China	100	100	4,519	4,343
Hi-P Management Services Pte Ltd * (formerly known as Hi-P Tech Singapore Pte Ltd)	Manufacture and sale of tools, molds and plastic components (currently dormant)	Singapore	100	100	- @	- @
Hi-P Industries Pte. Ltd. *	Manufacture of metal precision components	Singapore	100	100	1,500	1,500
Hi-P North America, Inc. ##	Provision of engineering support services	United States of America	100	100	2	2
Hi-P Finland Oy ###	Provision of engineering support services	Finland	100	100	16	16

11. Investment in subsidiaries (cont'd)

Name of company	Principal activities	Country of incorporation and place of business	Equity interest held by the Group 2004 %	Equity interest held by the Group 2003 %	Cost of investment 2004 $'000	Cost of investment 2003 $'000
Hi-P (Shanghai) Precision Mold & Die Co., Ltd. **	Manufacture of molds	People's Republic of China	100	100	4,335	4,335
Hi-P (Suzhou) Technology Co., Ltd. **	Manufacture of plastic injection parts	People's Republic of China	100	100	2,949	2,949
Hi-P (Tianjin) Precision Mold & Die Co., Ltd. **	Manufacture of molds	People's Republic of China	100	100	2,431	368
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 (Suzhou) Electronics Co., Ltd **	Manufacture and sale of molds and plastic components	People's Republic of China	100	100	1,276	-
Hi-P (Tianjin) Technology Co., Ltd **	Manufacture and sale of molds and plastic components	People's Republic of China	100	100	2,536	-
Hi-P (Shanghai) Technology Co., Ltd #	Manufacture and sale of molds and plastic components	People's Republic of China	100	-	-	-
Hi-P Samkwang Technology (Singapore) Pte. Ltd. #	Manufacture and production of in-mold decoration lenses	Singapore	52	-	1,040	-
Held by a subsidiary company						
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	-	-
					66,845	59,235

11. Investment in subsidiaries (cont'd)

*	*Audited by Ernst & Young, Singapore.*
**	*Audited by Ernst & Young Hua Ming, an associated firm of Ernst & Young, Singapore.*
***	*Audited by Mancera, S.C., an associated firm of Ernst & Young, Singapore.*
****	*Not required to be audited under the laws of the country of incorporation.*
#	*Not required to be audited under the laws of the country of incorporation as the company is newly incorporated.*
##	*Audited by Charles J. Gries & Company L.L.P. Certified Public Accountants.*
###	*Audited by Ernst & Young Oy, an associated firm of Ernst & Young, Singapore.*
####	*Audited by Ernst & Young, Mauritius, an associated firm of Ernst & Young, Singapore.*
@	*$2 comprising two subscriber shares of $1 each.*

12. Investment in associated companies

Investment in associated companies comprises:

	Group		Company	
	2004	**2003**	**2004**	**2003**
	$'000	**$'000**	**$'000**	**$'000**
Unquoted equity shares at cost	903	903	903	903
Share of post-acquisition profits of associated companies				
- current year	355	337	-	-
- prior years	1,161	824	-	-
Share of tax of associated companies				
- current year	(70)	(54)	-	-
- prior years	(244)	(190)	-	-
Share of translation reserve	(43)	(15)	-	-
Share of reserve fund	11	-	-	-
	2,073	1,805	903	903

12. Investment in associated companies (cont'd)

The Group had the following associated companies as at 31 December 2004:

Name of company	Principal activities	Country of incorporation and place of business	Equity interest held by the Group 2004 %	Equity interest held by the Group 2003 %	Cost of investment 2004 $'000	Cost of investment 2003 $'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	400	400
					903	903

* *Audited by Deloitte & Touche, Singapore.*

** *Audited by Lau Chin Huat & Co.*

13. Other non-current asset

This relates to investment in a club membership, stated at cost less provision for impairment.

	Group and Company 2004 $'000	Group and Company 2003 $'000
At cost	36	36
Provision for impairment	(24)	(24)
	12	12

14. Deferred expenditure

	Group and Company	
	2004	2003
	$'000	$'000
At cost:		
Additions during the year and balance at end of year	514	-

Amortisation of toolings cost will commence from January 2005, over the term of contract with the customer for a period of four years.

15. Inventories

	Group		Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Work-in-progress				
At cost	13,792	3,848	1,302	976
At net realisable value	-	-	-	-
Raw materials				
At cost	28,889	14,734	423	535
At net realisable value	-	25	-	-
Finished goods				
At cost	17,597	5,955	1,728	1,933
At net realisable value	-	106	-	-
Total inventories at lower of cost and net realisable value	60,278	24,668	3,453	3,444
Work-in-progress, raw materials and finished goods are stated after deducting provision for inventory obsolescence	4,023	1,192	21	-
At beginning of year	1,192	277	-	45
Provision for the year	3,162	1,154	21	-
Written off against provision	(119)	(210)	-	(45)
Translation difference	(212)	(29)	-	-
At end of year	4,023	1,192	21	-

16. Trade receivables

	Group		Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Trade receivables	107,969	50,591	10,431	7,631
Provision for doubtful trade debts	(5,378)	(104)	(35)	-
	102,591	50,487	10,396	7,631

Movements in provision for doubtful trade debts during the year are as follows:

At beginning of year	104	787	-	-
Provision for the year	5,573	-	35	-
Write back of provision	(14)	-	-	-
Written off against provision	(20)	(673)	-	-
Translation difference	(265)	(10)	-	-
At end of year	5,378	104	35	-

17. Notes receivable

Notes receivable have an average maturity of 2.5 to 6 months and are interest free.

18. Other receivables, deposits and prepayments

	Group		Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Other receivables	8,875	9,848	-	-
Deposits	1,466	629	239	339
Prepayments	7,159	5,827	69	69
	17,500	16,304	308	408

19. Amounts due from subsidiaries and due to a subsidiary (non-trade)

These balances are unsecured, interest-free and repayable on demand.

20. Fixed deposits

Fixed deposits of the Company have an average maturity of 30 days with effective interest rates ranging from 1.1875% to 1.47% (2003: 0.625% to 1.5%) per annum.

21. Other payables and accruals

	Group		Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Other payables*	27,141	37,869	3,035	4,611
Accrued operating expenses	19,726	7,647	8,409	4,604
	46,867	45,516	11,444	9,215

* *This balance includes payables to creditors in relation to the purchase of fixed assets.*

22. Lease obligations

	Group		Company	
	Total minimum lease payments $'000	Present value of payments $'000	Total minimum lease payments $'000	Present value of payments $'000
2004				
Within one year	1,998	1,879	1,518	1,442
After one year but not more than five years	728	577	541	406
Total minimum lease payments	2,726	2,456	2,059	1,848
Less amounts representing finance charges	(269)	-	(211)	-
Present value of minimum lease payments	2,457	2,456	1,848	1,848
2003				
Within one year	5,430	4,861	4,855	4,337
After one year but not more than five years	2,565	2,368	1,905	1,768
Total minimum lease payments	7,995	7,229	6,760	6,105
Less amounts representing finance charges	(766)	-	(655)	-
Present value of minimum lease payments	7,229	7,229	6,105	6,105

Lease terms range from 1 year to 7 years with options to purchase at the end of the lease term. Lease terms do not contain restrictions concerning dividends, additional debt or further leasing.

The average discount rate implicit in the leases is 2.3% to 4.25% (2003: 2.3% to 4.25%) per annum.

23. Bank term loans

	Group		Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
(a) Bank term loan bearing interest at SWAP offer rate (6 months) plus 1.25% per annum and is repayable over 17 equal half-yearly instalments, commencing 30 June 1998 (Note 31a)	2,081	3,467	2,081	3,467
(b) Bank term loan bearing interest at 4.7% per annum (fixed for 7 years), repayable over 84 equal monthly instalments, commencing 25 July 2002	-	4,714	-	4,714
(c) Bank term loan bearing interest at SIBOR plus 1% per annum and maturing in October 2005	4,413	4,592	-	-
(d) Bank term loan bearing interest at SIBOR plus 1% per annum and maturing in October 2005	1,637	4,259	-	-
(e) Bank term loan bearing interest at SIBOR plus 1% per annum and maturing in October 2005	2,456	2,571	-	-
(f) Bank term loan bearing interest at SIBOR plus 1% per annum and maturing in February 2006	3,831	3,986	-	-
(g) Bank term loan bearing interest at 3.34% (2003: SIBOR plus 2%) per annum, repayable over 11 equal quarterly instalments, commencing September 2003	203	379	-	-

23. Bank term loans (cont'd)

	Group		Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
(h) Bank term loan bearing interest at 3.34% (2003: 3.34%) per annum, repayable over 11 equal quarterly instalments commencing May 2003	106	213	-	-
	14,727	24,181	2,081	8,181
After 1 year but not more than 5 years	4,574	21,237	694	5,937
More than 5 years	-	429	-	-
Due after 12 months	4,574	21,666	694	5,937
Due within 12 months	10,153	2,515	1,387	2,244

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

24. Short-term bank loans / bank overdrafts (secured)

	Group		Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
(a) Short-term bank loan bearing interest at the rate of nil% (2003: 2.23%) per annum and maturing in January 2004.	-	1,100	-	1,100
(b) Short-term bank loan bearing interest at the rate of nil% (2003: 2.16%) per annum and maturing in January 2004.	-	400	-	400
(c) Short-term bank loan bearing interest at the rate of nil% (2003: 1.68%) per annum and maturing in January 2004.	-	600	-	600

24. Short-term bank loans/ bank overdrafts (secured) (cont'd)

	Group		Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
(d) Short-term bank loan bearing interest at the rate nil % (2003: 1.66%) per annum and maturing in January 2004.	-	420	-	420
(e) Short-term bank loan bearing interest at the rate of nil % (2003: 1.8%) per annum and maturing in January 2004.	-	500	-	500
(f) Short-term bank loan bearing interest at the rate of nil % (2003: 4.425%) per annum and maturing in July 2004.	-	1,235	-	-
(g) Short-term bank loan bearing interest at the rate of nil% (2003: 4.536%) per annum and maturing in April 2004.	-	5,968	-	-
(h) Short-term bank loan bearing interest at the rate of nil% (2003: 2.1875%) per annum and maturing in January 2004.	-	2,551	-	-
(i) Short-term bank loan bearing interest at the rate of nil% (2003: 4.536%) per annum and maturing in January 2004.	-	1,235	-	-
(j) Short-term bank loan bearing interest at the rate of nil% (2003: 2.32%) per annum and maturing in January 2004.	-	500	-	-
(k) Short-term bank loan bearing interest at the rate of 2.04% per annum and maturing in January 2005.	4,911	-	-	-
	4,911	14,509	-	3,020

In 2003, the short-term bank loans (a), (b), (c), (d) and (e) were secured by way of a legal mortgage over the factory building of the Company with a net book value of $13,741,000. These short-term bank loans have been fully repaid during the year.

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

25. Deferred tax liability

Deferred tax liability arises as a result of:

	Group and Company 2004 $'000	2003 $'000
Deferred tax liability		
Excess of net book value over tax written down value of fixed assets	2,800	2,800
Deferred tax asset		
Unrealised exchange loss	(26)	(26)
Net deferred tax liability	2,774	2,774

26. Employee benefits

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 Wong Meng Meng (Chairman), Yao Hsiao Tung and Dr Tan Khee Giap.

Other information regarding the Option Scheme is set out below:

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

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

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

At the end of the financial year, details of the options granted under the Option Scheme on the unissued ordinary shares of $0.05 each of the Company were as follows:

Date of grant of options	Exercise price per share	Share price at grant date	Options outstanding as at 1 January 2004	Options granted	Options cancelled/ lapsed	Options outstanding as at 31 December 2004	Exercise period
19/7/2004	$1.39	$1.33	-	4,230,000	(221,000)	4,099,000	20/7/2005 to 19/7/2012
22/11/2004	$1.73	$1.70	-	130,000	-	130,000	22/11/2005 to 21/11/2012

26. Employee benefits (cont'd)

Equity compensation benefits (cont'd)

The estimated weighted average fair value per share option granted under the Option Scheme is $0.4886. This was calculated by using the Black-Scholes model based on the following assumptions:

Expected volatility	49.21%
Risk-free interest rates	3.33%
Expected dividend yield	0.30%
Expected life	3 years

To allow for the effects of early exercise, it was assumed that employees would exercise the options after vesting date when the share price was above the exercise price.

Historical volatility was 43.3%, based on the Company's share price movements since listing on 17 December 2003.

27. Share capital

	2004 $'000	2003 $'000
Authorised		
2,000,000,000 (2003: 25,000,000) ordinary shares of $0.05 (2003: $1) each	100,000	25,000
- Creation of nil (2003: 75,000,000) ordinary shares of $1 each	-	75,000
2,000,000,000 (2003: 2,000,000,000) ordinary shares of $0.05 (2003: $0.05) each	100,000	100,000
Issued and fully paid		
At beginning and end of year		
887,000,000 (2003: 887,000,000) ordinary shares of $0.05 each (2003: $0.05 each)	44,350	44,350

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 restriction.

28. Reserve fund

Pursuant to the relevant laws in the People's Republic of China ("PRC"), the Group has set aside reserve fund, which may be utilised to offset accumulated losses or increase the capital of subsidiaries, subject to approval from the PRC authorities. The above fund is not available for dividend distribution to the shareholders.

29. Accumulated profits

	Group	
	2004	2003
	$'000	$'000
Retained in:		
- the Company	21,523	20,516
- subsidiaries	120,009	43,529
- associated companies	1,229	917
	142,761	64,962

The accumulated profits of the Company are available for distribution as dividends.

30. Dividends

	Group and Company	
	2004	2003
	$'000	$'000
Final dividend of 0.5 cents per share (2003: 1.63 cents per share) less tax at 20% (2003: 22%) amounting to $3,548,000 (2003: $234,000) is proposed and paid in respect of the previous financial year	3,548	234

After the balance sheet date, the directors proposed a first and final dividend of 1.0 (2003: 0.50) cent per ordinary share less tax at 20% (2003: 20%), amounting to $7,096,000 (2003: $3,548,000) for the financial year ended 31 December 2004. These dividends were not provided for as at year-end, as they are subject to approval by shareholders at the Annual General Meeting of the Company.

31. Contingent liabilities and commitments

(a) Financial derivatives

As at 31 December 2004, the Group and the Company have an interest rate swap contract to exchange a floating rate obligation for a fixed rate obligation. The notional amount of the interest rate swap contract is $2,081,000 (2003: $3,467,000). The swap contract was entered into to hedge the Company's interest rate exposure on the bank term loan (a) disclosed in Note 23. Unrealised exchange loss of approximately $47,305 (2003: $119,000) has not been recognised in the profit and loss account.

31. Contingent liabilities and commitments (cont'd)

(b) Capital expenditure commitments

	Group		Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Commitments in respect of purchase of fixed assets	8,625	1,551	1,041	428

(c) Operating lease commitments

The Group and the Company have various operating lease agreements for factory sites, offices, staff accommodation and equipment. Most leases contain renewable options. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

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

	Group		Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Future minimum lease payments				
- not later than 1 year	6,249	5,223	400	400
- 1 year through 5 years	12,239	10,111	1,601	1,601
- later than 5 years	19,097	18,778	18,680	19,081
	37,585	34,112	20,681	21,082

(d) Litigation

As disclosed in the previous financial year, there is a claim from Hytech Builders Pte Ltd ("Hytech") in relation to the Company's leasehold property at 11, International Business Park, Jurong East, Singapore 609926 (the "Project") amounting to approximately $1.0 million for the balance construction sum due. The Company and Hytech are negotiating to settle these claims. No provision has been made for the liability that may arise from the potential settlement as the directors do not expect any material loss to result from it.

32. Related party information

In addition to the related party information disclosed elsewhere, transactions with related parties, on terms agreed between the parties, were as follows:

	Group		Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Income				
Sales to a corporate shareholder and companies related to it	1,018	1,149	-	-
Sales to minority shareholder of a subsidiary and companies related to it	10,486	2,630	-	-
Sales to subsidiaries	-	-	167	243
Dividend income from unquoted subsidiaries	-	-	2,894	10,772
Expenses				
Purchases of materials from a corporate shareholder and companies related to it	1,445	1,332	-	-
Purchases of materials from minority shareholder of a subsidiary and companies related to it	7,258	6,493	-	-
Purchases from subsidiaries	-	-	98	884
Remuneration paid to Directors	3,772	2,209	3,772	2,209
Remuneration paid to other key management personnel	2,353	1,770	1,364	1,134
Management fee paid to subsidiary	-	-	374	271

33. Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The policies for managing each of these risks are summarised below.

Interest rate risk

The Group obtains additional financing through bank borrowings and leasing arrangements. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

The Group's policy is to manage its interest cost using a mix of fixed and floating rate debts. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps. The interest rate swaps allow the Group to raise long term borrowings at either fixed or floating rates and swap them into floating and fixed rates respectively, with the objective of lowering the interest costs on these borrowings.

Surplus funds are placed with reputable banks.

Information relating to the Group's interest rate exposure is also disclosed in the notes on the Group's borrowings, including leasing obligations.

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

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the directors to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Short-term funding is obtained from banking facilities.

Foreign exchange risk

The foreign exchange risk of the Group arises from its subsidiaries operating in the People's Republic of China and Mexico, which generate revenue and incur costs denominated in foreign currencies. The Company also generates revenue and incurs costs in foreign currencies, which give rise to foreign exchange risk. The Group enters into forward exchange contracts to hedge against its foreign exchange risk resulting from sales and purchase transactions denominated in foreign currencies.

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.

Credit risk

The carrying amount of cash and cash equivalents, trade receivables and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

The Group has no significant concentration of credit risk.

Fair value

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models where practical.

The following methods and assumptions are used to estimate the fair value of each class of financial instrument:

Cash and cash equivalents, other current assets and current liabilities

The carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments.

Bank term loans

The fair value of the non-current portions of bank term loans with variable interest rates approximate their carrying amounts.

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

Lease obligations

The fair values of these financial instruments approximate the carrying amounts after discounting the relevant cash flows using current interest rates for similar instruments at balance sheet date.

Disclosure of the nature of financial instruments and their significant terms and conditions that could affect the amount, timing and certainty of future cash flow is presented in the respective notes to the financial statements, where applicable.

Derivatives and other financial instruments

The fair value of the interest rate swap contract as at 31 December 2004 is as follows:

	Notional amount $'000	Estimated negative fair value $'000
Interest rate swap	2,081	47

The Group enters in forward foreign currency contracts to eliminate the currency exposures that arise from fixed asset purchases denominated in foreign currencies. Changes in the fair value of instruments used as hedges are not recognised in the financial statements until the hedged position matures.

The fair value of the forward foreign currency contracts as at 31 December 2004 is as follows:

	Notional amount $'000	Unrecognised gain $'000
Forward foreign currency contracts	4,249	183

34. Segment information

(a) Business segments

The Group is organised into three main operating activities, namely:

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

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.

34. Segment information (cont'd)

(a) Business segments (cont'd)

	PPIM $'000	MDF $'000	Assembly $'000	Eliminations $'000	Consolidated $'000
2004					
Segment revenue					
Sales to external customers	248,140	41,447	271,344	-	560,931
Inter-segment sales	20,813	-	-	(20,813)	-
	268,953	41,447	271,344	(20,813)	560,931
Profit from operations	59,569	8,402	26,558	-	94,529
Financial expenses					(1,302)
Financial income					343
Foreign exchange loss, net					(1,548)
Share of results of associated companies					355
Tax					(3,113)
Minority interests					(1,211)
Net profit					88,053
Depreciation	11,873	1,675	5,293	-	18,841
Other non-cash expenses	5,639	795	2,514	-	8,948
2003					
Segment revenue					
Sales to external customers	104,722	32,571	111,653	-	248,946
Inter-segment sales	25,982	-	-	(25,982)	-
	130,704	32,571	111,653	(25,982)	248,946
Profit from operations	22,269	5,715	14,980	-	42,964
Financial expenses					(1,929)
Financial income					176
Foreign exchange loss, net					(1,292)
Share of results of associated companies					337
Tax					(2,911)
Minority interests					(759)
Net profit					36,586
Depreciation	6,358	2,623	4,276	-	13,257
Other non-cash expenses	1,737	446	1,168	-	3,351
Fixed assets impairment loss	103	-	-	-	103

34. 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	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Asia						
People's Republic of China	290,255	136,814	253,154	193,253	58,000	51,739
Singapore	80,075	32,760	146,277	116,703	2,874	3,131
Malaysia	4,949	5,146	-	-	-	-
Others	4,919	6,375	-	-	-	-
	380,198	181,095	399,431	309,956	60,874	54,870
Europe	156,100	46,879	127	35	-	11
United States and the rest of Americas	24,633	20,972	6,025	6,640	216	299
Others	-	-	37,866	25,828	126	-
	560,931	248,946	443,449	342,459	61,216	55,180

35. Authorisation of financial statements

The financial statements for the year ended 31 December 2004 were authorised for issue in accordance with a resolution of the Directors on 16 March 2005.

STATISTICS OF SHAREHOLDINGS AS AT 15 MARCH 2005

Authorised Share Capital	:	$100,000,000
Issued and Fully Paid-up Capital	:	$44,350,000
Number of Shares	:	887,000,000
Class of Shares	:	Ordinary shares at $0.05 each
Voting Rights	:	One vote per share

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	3	0.16	440	0.00
1,000 - 10,000	1,443	75.83	7,668,000	0.87
10,001 - 1,000,000	434	22.80	25,226,000	2.84
1,000,001 and above	23	1.21	854,105,560	96.29
Total	1,903	100.00	887,000,000	100.00

Substantial Shareholders

Substantial shareholders as recorded in the Register of Substantial Shareholders

Name	Direct Interest	%	Deemed Interest	%
Yao Hsiao Tung	486,955,600	54.90	-	-
Wong Huey Fang	-	-	486,955,600	54.90 *
Molex International Inc	178,924,400	20.17	-	-
Molex Incorporated	-	-	178,924,400	20.17 #

* *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 486,955,600 shares held by Mr Yao Hsiao Tung.*

\# *Molex International Inc is a subsidiary of Molex Incorporated. As such, Molex Incorporated is deemed to have an interest in the 178,924,400 shares held by Molex International Inc.*

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1	Yao Hsiao Tung	481,955,600	54.34
2	Molex International Inc	178,924,400	20.17
3	DBS Nominees Pte Ltd	66,267,000	7.47
4	Citibank Nominees Singapore Pte Ltd	48,846,900	5.51
5	Raffles Nominees Pte Ltd	27,317,745	3.08
6	United Overseas Bank Nominees Pte Ltd	13,514,500	1.52
7	HSBC (Singapore) Nominees Pte Ltd	10,766,000	1.21
8	UOB Kay Hian Pte Ltd	3,614,000	0.41
9	Chan Hean Wee	2,140,000	0.24
10	DB Nominees (S) Pte Ltd	1,932,915	0.22
11	Kim Eng Securities Pte. Ltd.	1,915,000	0.22
12	Ho Teck Heng	1,700,000	0.19
13	Ho Hock Yong	1,690,000	0.19
14	The Asia Life Assurance Society Ltd - Par Fund	1,635,000	0.18
15	Tan Tor Howe	1,590,000	0.18
16	Chew Poh Chee	1,550,000	0.17
17	Phillip Securities Pte Ltd	1,357,000	0.15
18	Lee Kam Choon	1,300,000	0.15
19	Szeto Tzen	1,282,000	0.14
20	Morgan Stanley Asia (S'pore) Securities Pte Ltd	1,242,500	0.14
Total		850,540,560	95.88

Free Float

As at 15 March 2005, approximately 24.7% of the issued share capital of the Company was held in the hands of the public (on the basis of information available to the Company).

Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

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 Meritus Mandarin Singapore, Meeting Room 832, 8th floor, South Tower, 333 Orchard Road, Singapore 238867, on Thursday, 28 April 2005 at 5.30 p.m. for the following purposes:

Ordinary Business

1. To receive and adopt the Directors' Report and Audited Accounts of the Company for the year ended 31 December 2004 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final dividend of 1.0 Singapore cent per share less income tax for the year ended 31 December 2004. **(Resolution 2)**

3. To re-elect the following Directors retiring pursuant to Articles 91 and 97 of the Company's Articles of Association:

Mr Yao Hsiao Tung	[Article 91]	**(Resolution 3)**
Dr Tan Khee Giap	[Article 91]	**(Resolution 4)**
Mr Chester Lin Chien	[Article 97]	**(Resolution 5)**

Dr Tan Khee Giap will, upon re-election as a Director of the Company, remain as a member of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

4. To approve the payment of Directors' fees of S$338,000.00 for the year ended 31 December 2004. (2003: S$34,000.00) **(Resolution 6)**

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

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

Special Business

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

7. Authority to allot and issue shares up to fifty per cent. (50%) of issued capital **(Resolution 8)**

"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 issued share capital of the Company for the time being and that the aggregate number of shares in the Company to be issued other than on a pro-rata basis to the then existing shareholders of the Company shall not exceed twenty per cent. (20%) of the issued share capital of the Company for the time being. Unless revoked or varied by the Company in general meeting, such authority shall continue in full force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting is required by law to be held, whichever is the 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 percentage of issued share capital is based on the issued share capital of the Company 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 consolidation or subdivision of shares." [See Explanatory Note (i)]

8. Authority to grant options and issue shares under the Hi-P Employee Share Option Scheme **(Resolution 9)**

"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 issued share capital of the Company from time to time."
[See Explanatory Note (ii)]

By Order of the Board

Tan Tor Howe
Company Secretary

Singapore, 11 April 2005

Explanatory Notes:

(i) The Ordinary Resolution 8 proposed in item 7 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company. The aggregate number of shares (including any shares issued pursuant to the convertible securities) which the Directors may allot and issue under this Resolution will not exceed fifty per cent. (50%) of the issued share capital (as defined in Resolution 8) of the Company. For issues of shares 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 issued share capital (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 the earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue shares pursuant to any convertible securities issued under this authority.

(ii) The Ordinary Resolution 9 proposed in item 8 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 a proxy to attend and vote instead of him. A proxy need not be a member of the Company.

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

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

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

PROXY FORM

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 Meritus Mandarin Singapore, Meeting Room 832, 8th floor, South Tower, 333 Orchard Road, Singapore 238867, on Thursday, 28 April 2005, at 5.30 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 2004		
2.	Payment of proposed first and final dividend		
3.	Re-election of Mr Yao Hsiao Tung		
4.	Re-election of Dr Tan Khee Giap		
5.	Re-election of Mr Chester Lin Chien		
6.	Approval of Directors' fees		
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 _____________ 2005.

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

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or 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.

CORPORATE INFORMATION

Executive Directors

Yao Hsiao Tung
Chairman and Chief Executive Officer
(Appointed 21 May 1983)

Wong Huey Fang
(Appointed 21 January 1988)

Non-Executive Directors

Yeo Tiong Eng
(Appointed 1 April 1987)

Chester Lin Chien
(Appointed 4 August 2004)

Independent Directors

Dr Tan Khee Giap
(Appointed 5 November 2003)

Wong Meng Meng
(Appointed 5 November 2003)

Audit Committee

Wong Meng Meng
Chairman

Dr Tan Khee Giap

Yeo Tiong Eng

Remuneration Committee

Wong Meng Meng
Chairman

Yao Hsiao Tung

Dr Tan Khee Giap

Nominating Committee

Dr Tan Khee Giap
Chairman

Yeo Tiong Eng

Wong Meng Meng

Company Secretary

Philip Tan Tor Howe
CPA, CFA

Registered Office

11 International Business Park
Jurong East
Singapore 609926
tel: 65-6268 5459
fax: 65-6564 1787
web-site: www.hi-p.com

Share Registrar

Lim Associates (Pte) Ltd
10 Collyer Quay #19-08
Ocean Building
Singapore 049315

Auditor

Ernst & Young
Certified Public Accountants
10 Collyer Quay #21-01
Ocean Building
Singapore 049315

Audit Partner-in-charge

Max Loh Khum Whai
(Appointed since financial year ended 31 December 2002)

Hi-P International Limited

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

Hi-P International Limited

Unifying Our Aspirations

Annual Report 2004