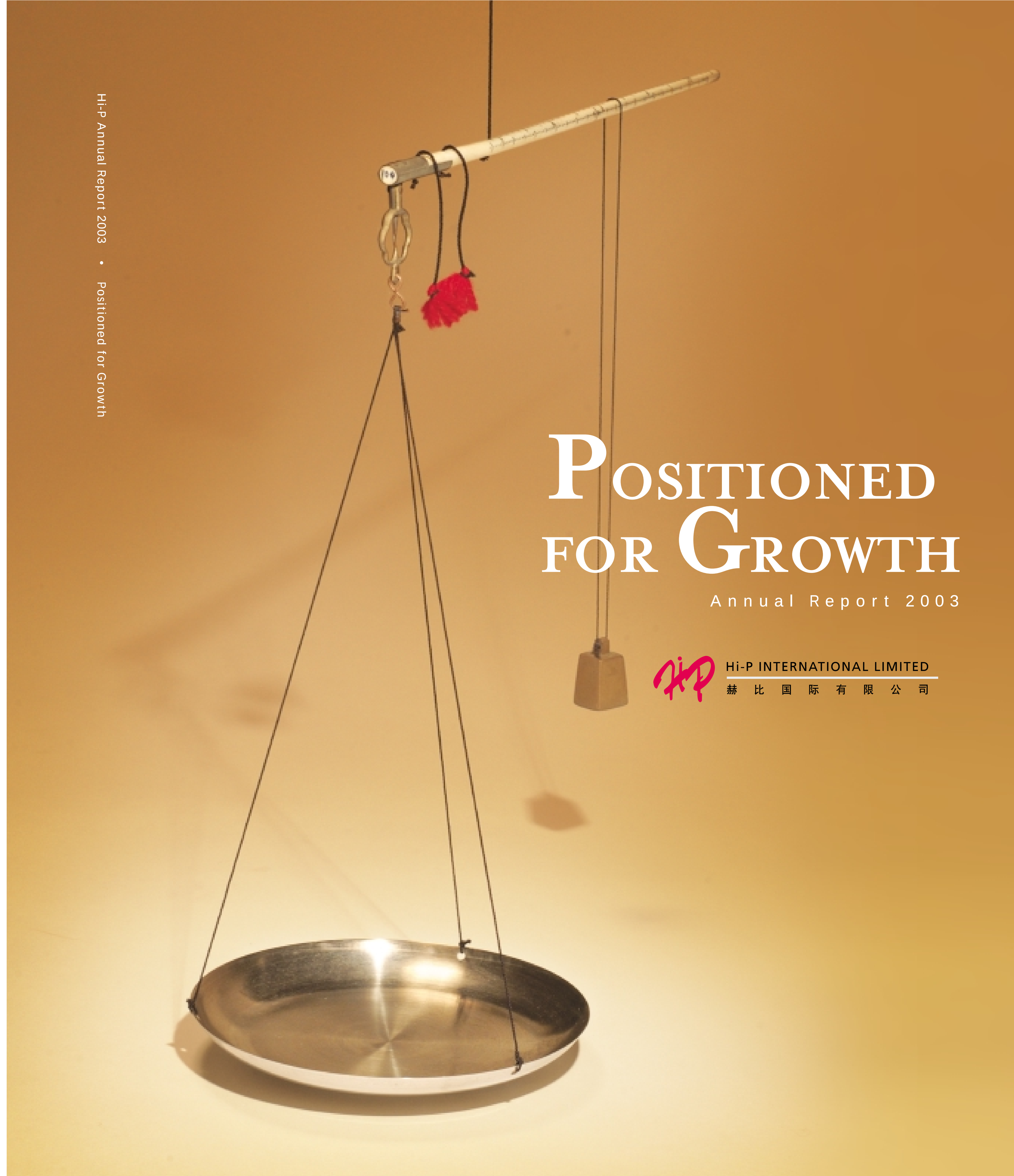
Hi-P INTERNATIONAL LIMITED
赫 比 国 际 有 限 公 司

11 International Business Park, Jurong East, Singapore 609926

Hi-P Annual Report 2003 • Positioned for Growth

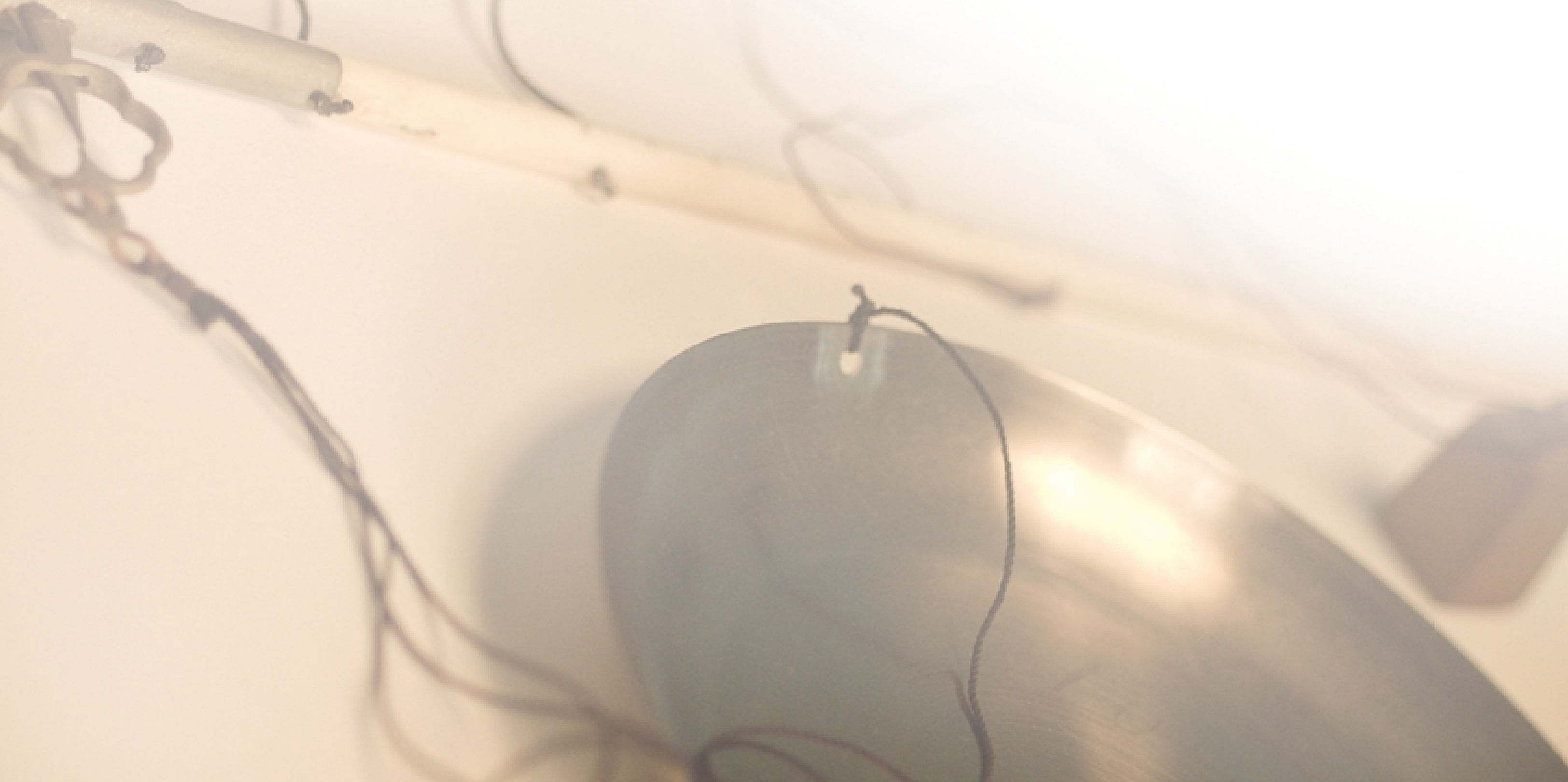


Positioned for Growth

Annual Report 2003

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

Content



Company Profile

We are an integrated contract manufacturing services provider specialising in precision plastic injection molding, mold design and fabrication, assembly, surface finishing and precision metal stamping. We provide turnkey contract manufacturing services to our customers in the consumer electronics & electrical industry. Our customers are mainly multi-national original equipment manufacturers in:

- **Telecommunications**
- **Consumer electronics & electrical**
- **Data storage**
- **Life sciences / medical**
- **Automotive**

Our principal markets include the PRC, Singapore, USA and Europe. Our customers' end products include mobile phones, razors, electric toothbrushes, electric shavers, hairdryers, cameras (digital, reloadable and disposable), hard disk drives and medical devices. Some of our major customers include Motorola, Gillette, Braun, Siemens, Kodak, Seagate, Maxtor and Elcoteq. We have a total of 16 manufacturing plants, 13 in the PRC (Shanghai, Chengdu, Xiamen, Tianjin, Qingdao, Suzhou), 2 in Singapore and another in Mexico.

Performance at a Glance

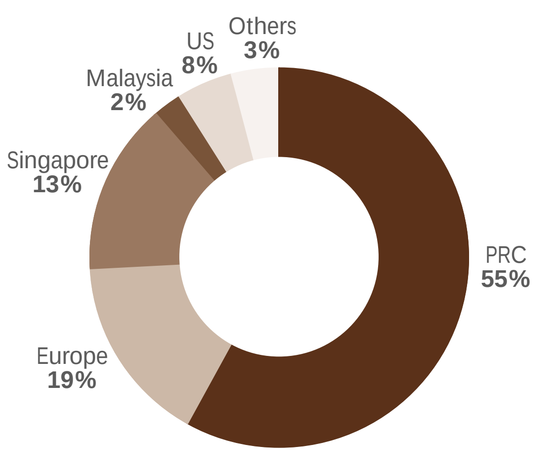
Consolidated Income Statement Years ended 31 December ($'m)	2003	2002	2001	2000
Revenue	248.9	143.1	100.5	80.4
PBT MI	40.3	20.3	11.8	17.7
Net Profit	36.6	17.9	9.9	14.5
EPS* (Cents)	4.12	2.02	1.11	1.63
Consolidated Balance Sheet **As at 31 December** **($'m)**				
Working Capital	84.8	(5.9)	(5.2)	(0.4)
Total Assets	342.5	164.1	124.4	88.8
Long Term Liabilities	26.8	13.9	11.7	10.5
Shareholders' Equity	191.4	75.0	61.4	48.4
Gearing (Times) **	0.25	0.52	0.57	0.45
Return on Equity (%) ***	27	26	18	35
Liquidity **Years ended 31 December** **($'m)**				
Net cash generated from operating activities	54.2	18.7	18.6	18.7

* For comparative purposes, EPS is calculated based on profit attributable to shareholders and the post-invitation share capital of 887,000,000 shares.

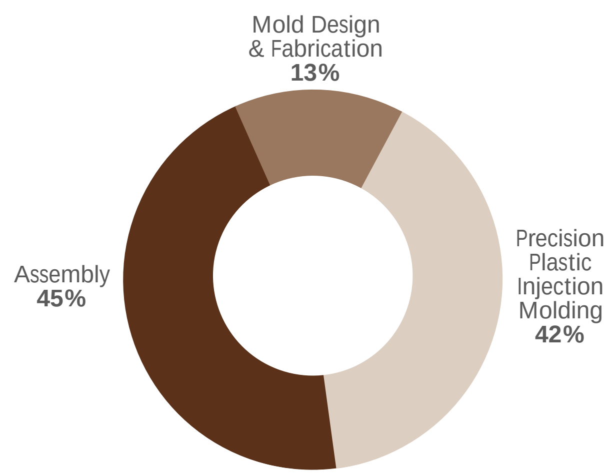
** Gearing is calculated based on total borrowings and shareholders' equity.

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

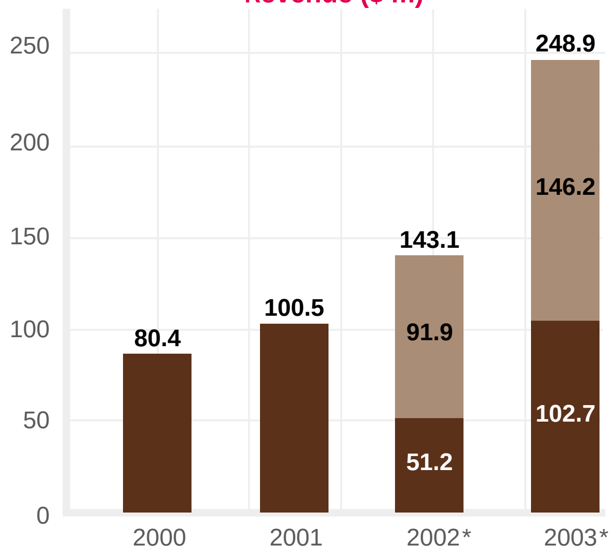
Revenue by Geographical Markets FY 2003



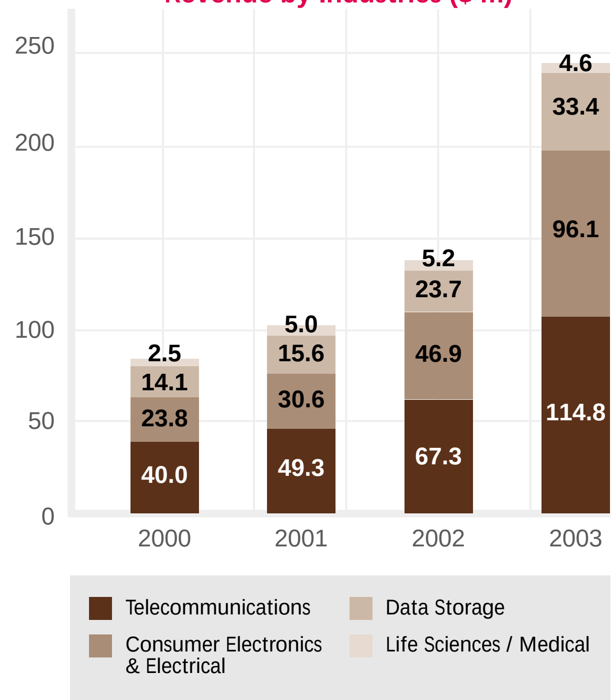
Revenue by Activities FY 2003



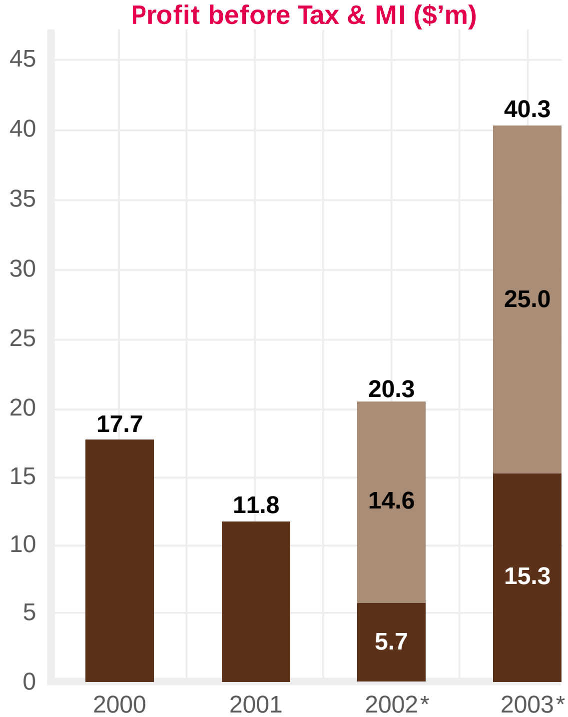
Revenue ($'m)



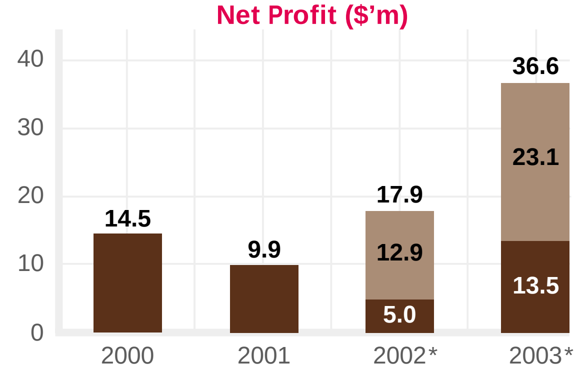
Revenue by Industries ($'m)



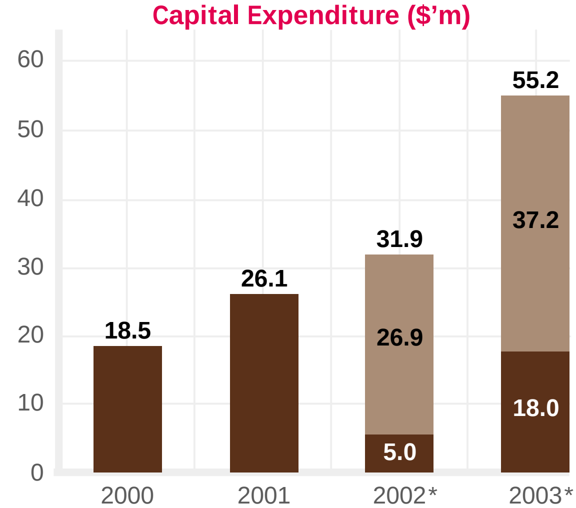
Profit before Tax & MI ($'m)



Net Profit ($'m)



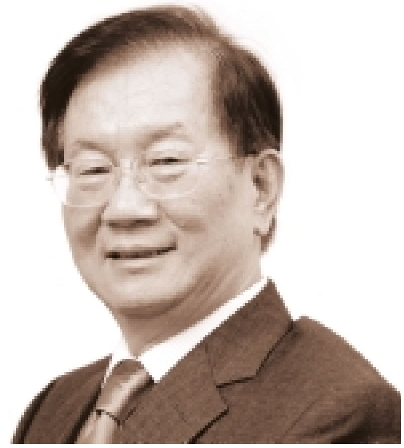
Capital Expenditure ($'m)



* Half-year figures are available, as indicated.

Platforms of Growth

Letter To Shareholders



Dear Shareholders,

I am pleased to report that in 2003 Hi-P International Limited ("Hi-P" or "the Group") grew its revenue 74.0 percent to $248.9 million, from $143.1 million in 2002. Net profit after tax correspondingly saw a more than 100 percent surge to $36.6 million from $17.9 million.

Despite the war in Iraq and SARS outbreak, Hi-P has maintained its strong growth momentum as a result of careful positioning, and by virtue of the able management team we have systematically assembled over the years.

In this letter, I simply wish to share with you my excitement over Hi-P's performance and potential. Our performance has been encouraging, especially in the past year. This has reinforced our confidence to build on our foundations of growth to expand from strength to strength.

However, we will not be contented with our achievements. After all, in my more than 40 years' experience in this industry and my close association with Hi-P, I have always viewed each milestone achieved as a new starting point.

My core management team and I have a strong desire to achieve growth for the company, while not neglecting the need to build a strong foundation to sustain the momentum.

Chinese names are known to bear the central desired attributes of the named in form and meaning. Ours is no exception.

Our Chinese name "赫比" takes the almost symmetrical form of double "red" "赫", signifying intense passion for the business, and double "dagger" "比", representing force and penetration in market positioning.

The continuous positioning and repositioning in building our strength is inherent in the meaning of our Chinese name. With this, we are set to be the most competitive player in the high-growth value chain that we serve.

Hence, it is easy to see why, as an integrated contract manufacturer providing turnkey solutions to our customers, we do not limit ourselves to telecommunications, consumer electronics and electrical, data storage, life sciences / medical, and automotive industries. We continue to expand our reach, scope and depth to extract larger economies.

Simply put, beyond aesthetics, our Chinese name is a constant reminder to keep faith with our value proposition.

In my previous presentations, briefings and addresses, I had explained how Hi-P embarked on the growth path using our 3-Axis Strategy and entrenching ourselves as a turnkey contract manufacturer. In the ensuing pages, we will update you on how our strategies are panning out.

In the next section, you will see how our people strengthen the execution foundation. We have developed a culture steeped in discipline, respect, quality and responsiveness, yet quick to identify and recognise good performance.

Being awarded the Certificate of Excellence from Motorola and Supplier Recognition Award from Braun, among others, lends testimony to our standards.

Before I end, let me accord my thanks to my Board of Directors and Management Team for their friendship, leadership and talent. The entire staff has been very dedicated to achieving growth for the company. And you, the shareholders, have been most supportive.

I am looking forward to a great year ahead. I base my optimism on the continued outsourcing trend by OEMs, and the fast growth of the PRC as a manufacturing and huge end-market base. We are now serving our customers through a network of 16 manufacturing plants located across eight manufacturing cities in different parts of the world.

More importantly, **we have well positioned ourselves to expand vertically and horizontally in products, solutions, process and markets, assuring us of diversified growth.**

Yao Hsiao Tung
Chairman & Chief Executive Officer

April 2004

DIRECTORS' PROFILE

Mr Yao Hsiao Tung is our Chairman and Chief Executive Officer. Mr Yao is responsible for the overall management, operations and formulation of business strategies for our Group. He 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 our Group. 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 our Group. Her key responsibilities include managing our Group's administrative and public relations functions. 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 our Group. He is currently the regional financial director of Molex Far East South Management Pte Ltd. Mr Yeo graduated with a Bachelor Degree in Accountancy from the Nanyang University. He holds a Master of Business Administration (Business Law) from Nanyang Technological University. He is a member of the Institute of Certified Public Accountants, Singapore.

Dr Tan Khee Giap is an Independent Director of our Group. He is an Associate Professor of Banking and Finance with Nanyang Technological University of Singapore. Dr Tan serves as consultant to MNCs and international organisations in various areas. Dr Tan holds a PhD in Economics from the University of East Anglia, UK, and is currently the Deputy President of the Economic Society of Singapore.

Mr Wong Meng Meng is an Independent Director of our Group. 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 litigating and arbitrating in various 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.

EXECUTIVE OFFICERS' PROFILE

Tan Tor Howe is our Chief Financial Officer. He is responsible for the overall financial operations of our Group. He was the director of financial planning and analysis of Solectron Technology Pte Ltd (previously known as NatSteel Electronics Limited "NatSteel") before joining the Group. Prior to his employment at NatSteel, he held positions as the Chief Financial Officer of Uraco Holdings Limited and as an auditor with Deloitte & Touche. He holds a Bachelor of Accountancy Degree (Honours) from the National University of Singapore.

Lee Kam Choon is our Vice President of Human Resources. Prior to joining our Company, Mr Lee was the senior vice president of group human resources at United Overseas Bank Group. Before joining United Overseas Bank Group, he held senior management positions in various multi-national corporations. Mr Lee holds a Bachelor of Commerce (Honours) from Nanyang University, and a Master of Arts (Human Resources Development) from George Washington University in the United States.

Ho Hock Yong is our Marketing Director. He oversees the sales and business development functions of our Group and is responsible for developing new business potentials and managing sales performance for our PRC operations. He has previously assumed roles of 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.

Gerhard J. Zebe is our Managing Director, Great China. Mr Zebe has more than 28 years of experience in the precision plastic injection mold design and fabrication field. Previously, he was Technical Director in Braun (Shanghai) Co., Ltd. Prior to that, he 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.

Ang Lien Peng is the General Manager of our Singapore operations. Mr Ang has more than 17 years of experience in the precision plastic injection molding field. Previously, he has assumed sales and design roles in Omni Plastics Pte Ltd, Singa Plastics Pte Ltd and Philips Singapore Pte Ltd. Mr Ang holds a Bachelor Degree in Business Administration from the Oklahoma City University and a Diploma in Production Technology from the German Singapore Institute.

Chan Hean Wee is the Managing Director of Hi-P Industries Pte Ltd. Mr Chan has more than 20 years of experience in the metal stamping field. Previously, he was Chief Executive Officer and Executive Director of Bi-link Metal Specialties (S) Pte Ltd ("Bi-Link"). Prior to his employment at Bi-Link, he held management and supervisory positions in NMB Precision Tool & Die Pte. Ltd. and NMB Singapore Limited. Mr Chan holds a Bachelor Degree (First Class Honours) in Mechanical Engineering from Strathclyde University, Scotland and a Diploma in Mechanical Engineering from Singapore Polytechnic.

Levers of Growth

OUR VISION

Our vision is to become a global integrated contract manufacturing services provider to offer a broader, more diversified and vertically-integrated range of products and turnkey services to our global customers.

Our range of products and services, integrated as our turnkey solutions, currently include:

- Product design/design improvement
- Process automation
- Project management
- Design and fabrication of precision plastic injection molds
- Precision plastic injection molding
- Surface finishing services such as spray painting and IMD technology
- Precision die design and fabrication and precision metal stamping
- Assembly and supply chain management

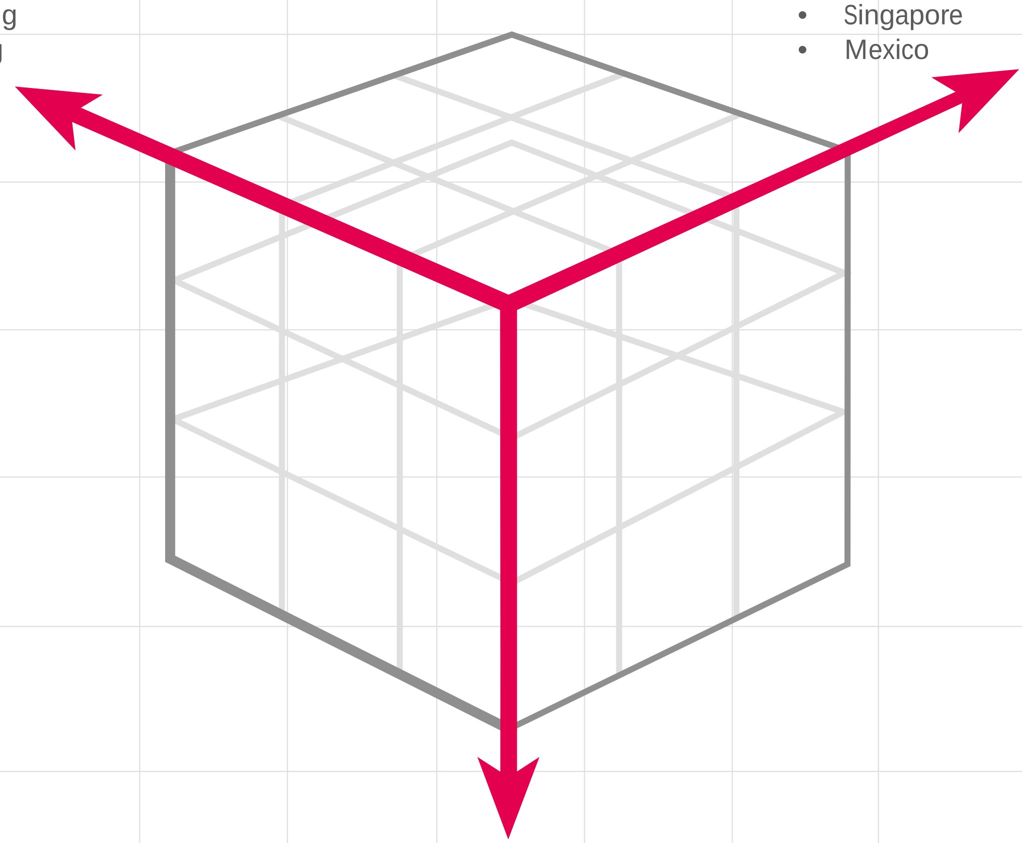
Our Business Strategies

Products & Services Diversification & Vertical Integration

- Turnkey contract manufacturing
- Assembly
- Surface finishing
- Precision metal stamping
- Molding
- Tooling

Globalisation & Regionalisation

- PRC
  Shanghai, Chengdu, Xiamen, Tianjin, Qingdao, Suzhou
- Singapore
- Mexico



Industry-Markets Diversification

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

3-Axis Strategy

The 3-axis Strategy for Growth

In our bid to grow, our business strategy is to grow our markets and operations in the industries that we service, along product/service offerings and geographical coverage. We seek to broaden and deepen our involvement in these three dimensions. Our 3-axis strategy helps to chart continuous improvement and streamlining in the Company, while monitoring our systems and procedures for enhanced execution efficiencies.

Vertical integration of process diversification across products and services. We continually broaden and diversify our range of product and services to meet the needs of OEMs more comprehensively and proactively. By offering integrated and turnkey services, which includes supply chain management and overall project management, we enable the OEMs to deal with us directly and solely, without having to manage multiple service providers.

Diversified base of entrenched customers from a wide spectrum of industries. We are honoured to be a supplier to many leading world-class companies in the telecommunications, consumer electronics & electrical, data storage, medical and automotive industries. Most of our customers have multi-manufacturing locations in the countries in which we operate; they support our vision of becoming a global integrated supplier. Increasing business from them means expanding our revenue base and sales momentum. To retain their loyalty, we provide reliability, speed and scope.

Global and regional expansion. Our manufacturing plants are strategically located in the PRC, Singapore and Mexico to service our target clients internationally, Our extensive experience and familiarity with the China market puts us in good stead to grow extensively in one of the largest economies in the years to come.

Turnkey contract manufacturing

We have established turnkey contract manufacturing capabilities for consumer electronics and electrical products for clients globally. We run a low cost and high quality manufacturing base for the global market. To enable our customers to bring innovation to life through many cutting edge projects, we engage in process and product engineering. Our involvement allows us to provide higher value-added services to the customers and thus strengthen our competitive position. In this connection, our involvement extends from product design/design improvement, components design/design improvement and various integrated manufacturing activities.

Awards

As a testament to our quality standards and systems, the majority of our subsidiaries under Precision Plastic Business have achieved certifications including ISO 9002: 1994, QS9000: 1998, UL, ISO 9001: 2000. ISO/TS 16949: 2002 and ISO 13488.
We have won the Enterprise 50 Awards for five consecutive years. Besides, we received the Awarded Certificate of Excellence from Motorola. Braun awarded us a Supplier Recognition Award.

Foundations of Growth

Execution Foundation

Results and continuous improvements are important to Hi-P. We have mentioned that in the business of integrated contract manufacturing and value-added industrial design, continuously increasing scale and scope are essential. Beyond vision and market dynamics, we rely on our people to execute our growth strategy and achieve high levels of performance.

Our people are the cornerstone in delivering performance. As the FOUNDATIONS OF GROWTH, they form the backbone to the company's performance culture. Our organisation structure, reward, training and information systems are geared towards increasing our scale and scope, and boosting profitability. To this end, we seek to motivate the performers and weed out non-performers, hence ensuring that resources and rewards are allocated most appropriately.

In short, we are performance driven and yet people-centred. To do so, we strengthen our EXECUTION FOUNDATION continuously.

Execution Foundation

We seek to build and maintain a strong organisational structure in order to fulfil our business functions and cope with rapid growth. To remain nimble, we review our organisation structure constantly. We are meticulous in our hiring, development, retention and reward process.

We work closely with universities to hire the top students from Singapore and China at entry levels. Mid-career hires should be better than the average of our cohort in order to level up our quality of human resources. We restructure our pay and bonus plans where necessary to keep in sync with pay-for-performance culture. We also structure the bonus and stock option plans to attract top performers.

We structure jobs to provide adequate depth and scope to offer a challenging career locally and abroad. Staff with proven abilities and high potential are assigned greater responsibilities swiftly. They are given overseas exposures in our rapidly expanding units. We constantly assess staff based on their interests and ambitions to match them with jobs that maximise their potential.

Systems and Procedures

To systematise the way we carry out our work, we embarked on SAP's R/3 4.6C Enterprise Resource Planning (ERP) system in 2002. Since then, we have successfully implemented the system in seven operations: six factories in China (five in Shanghai, one in Xiamen) and the plant in Singapore. The ERP system has improved efficiency and internal controls in our operations. It has also enabled information and knowledge sharing. This is achieved by linking various business functions such as production planning, manufacturing, inventory management, purchasing, sales and finance. We continue to apply the SAP ERP system, together with the consolidation tools, to obtain the business intelligence for supporting our business requirements. We will continue to extend the coverage of the ERP system in our group. The system will also be installed in the companies that come online as we expand.

In addition, electronic integration with strategic partners, which links back to our ERP system, is being built. This will enable us to be closely linked with our customers and to support the business growth in the information age.

Motivation mechanism

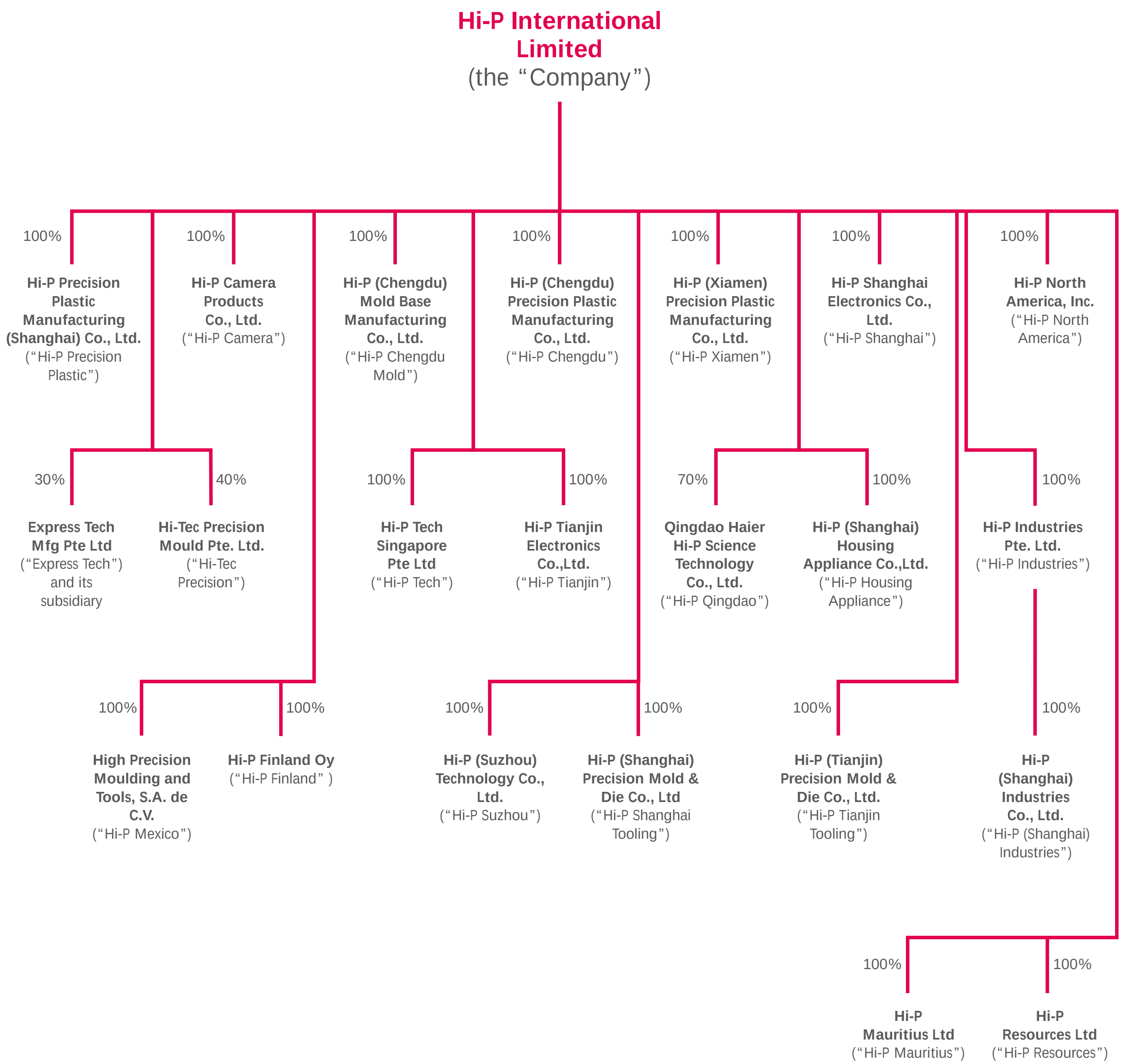
To motivate the delivery of superior perfomance, we have developed a sound reward system – a high variable wage structure. It has been instrumental in motivating the staff members to work towards the goals set for them. We structure a high proportion of variable pay into the wage structure. The variable component consists of monthly job incentives and a half-yearly variable bonus. The company customises the evaluation criteria and targets to ensure relevance and objectivity. The targets are reviewed and assessed constantly in determining the rewards.

Hi-P culture

To cultivate the right conduct and behaviour conducive to growing our business, we have been promoting our own cultural values that focus on results and people. In general, we recognise employee contributions and design reward system and bonus plans that commensurate directly with positive employee contributions and provide differentiated compensation according to performance.

On promoting the right behaviour, we emphasise respect, manners, team spirit, integrity, discipline and humility. In doing so, we hope to create a harmonious working environment, highly productive teams that could make positive contributions to individual, family, company and society.

ORGANISATION STRUCTURE



Corporate Information

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

Non-Executive Director
Yeo Tiong Eng (Appointed 1 April 1987)

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
Tan Tor Howe, CPA, CFA

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

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

Auditors
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)

Financial Report 2003

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:

<u>Executive Directors</u>

Mr Yao Hsiao Tung
Mdm Wong Huey Fang

<u>Non-executive Director</u>

Mr Yeo Tiong Eng

<u>Independent Directors</u>

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; and
(f) approving any investment proposal.

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 will be 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 allows a Board meeting to be conducted by way of tele-conference and video-conference.

Since the Initial Public Offering of the Company in December 2003, the Board had met once via video-conference with full attendance.

Prior to their respective appointments to the Board, each of the Directors was given an orientation on the Group's business strategies and operations. The Directors will, from time to time, receive further relevant training, particularly on applicable new laws, regulations and changing commercial risks relating to the business and operations of the Group. The Directors will also be updated on the business of the Group through regular presentations and meetings.

Principle 2: Board Composition and Balance

The Board comprises five Directors, one of whom is a non-executive Director and two of whom 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 page 6 of the Annual Report.

Principle 6: Access to Information

To assist the Board in fulfilling its responsibilities, the Board will be 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 prospect 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 will assess the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board. In drawing up the objective performance criteria for such evaluation and determination, the NC considers a number of factors, including achieving financial targets, performance of the Board, performance of individual Director's vis-à-vis attendance and contributions during Board meetings.

The NC will be initiating Board performance evaluation to assess the effectiveness of the Board as a whole in FY2004.

Pursuant to the Company's Articles of Association, other than the Managing Director, all Directors must submit themselves for re-election at least once every three years.

The Company will examine the need to alter its Articles of Association to provide the Managing Director to be subject to the one-third rule. This is to enable shareholders to exercise their full right to select all Board members.

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

In making their recommendations, 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 Directors' 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 and executive officers for services rendered during the financial year ended 31 December 2003 are as follows:

Remuneration Bands	Salary %	Performance Bonus %	Directors' fees %	Others %	Total %
Directors					
$500,000 and above					
Yao Hsiao Tung	25	75	-	-	100
$250,000 – $500,000					
Wong Huey Fang	79	21	-	-	100
Below $250,000					
Yeo Tiong Eng	-	-	100	-	100
Dr Tan Khee Giap	-	-	100	-	100
Wong Meng Meng	-	-	100	-	100

Remuneration Bands	Salary %	Performance Bonus %	Others %	Total %
Executive Officers				
$250,000 – $500,000				
Tan Tor Howe	75	25	-	100
Ang Lien Peng	58	41	1	100
Chan Hean Wee	88	-	12	100
Gerhard J. Zebe	61	20	19	100
Ho Hock Yong	65	25	10	100
Below $250,000				
Lee Kam Choon	75	19	6	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.

None of the employees who are immediate family members of a Director receives remuneration exceeding $150,000 during the year.

The Company has a share option scheme known as Hi-P Employee Share Option Scheme (the "ESOS") which was approved by shareholders of the Company on 7 October 2003. The ESOS complies with the relevant rules as set out in Chapter 8 of the Listing Manual. The ESOS will provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. The ESOS is administered by the RC. No options have been granted under the ESOS during the current financial period.

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) review and evaluate financial and operating results and accounting policies;
(b) review audit plan of external auditors, their evaluation of the system of internal accounting controls and their audit report;
(c) review the Group's financial results and the announcements before submission to the Board for approval;
(d) review the assistance given by the management to external auditors;
(e) consider the appointment/ re-appointment of external auditors;
(f) review 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. 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 Board recognises and is responsible for maintaining a system of internal control processes to safeguard shareholders' investments and the Group's business and assets. The Internal Audit Department is independent of the activities it audits. The Head of Internal Audit reports to the AC on any material non-compliance and internal control weaknesses and the AC will oversee and monitor the implementation of any improvements thereto.

Communication with Shareholders

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

The Company recognises that effective communication can highlight transparency and enhance accountability to its shareholders. The Company provides information to its shareholders via MASNET announcements, news releases and the Company's website. The Company ensures that price-sensitive information is publicly released and announced within the mandatory period.

All shareholders will receive the Annual Report and notice of the AGM. At the AGM, all shareholders will be given opportunity to voice their views and to direct questions regarding the Group to Directors, including the chairperson of each of the Board Committees. The Company ensures that there are separate resolutions at general meetings on each distinct issue.

The Company's Articles of Association allows a member of the Company to appoint one or two proxies to attend and vote at general meetings. The external auditors are also present to assist the Directors in addressing any relevant queries from the shareholders.

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 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 statements 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 2003.

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	$1,149,000	N.A.
- Purchases	$1,332,000	N.A.
Wong Partnership and Clifford Chance Wong Pte Ltd		
- Fees paid for professional legal services rendered	$145,000	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 OPERATION

Review of Results of Operations

Revenue

Our revenue increased by approximately $105.8 million or 74.0% from $143.1 million in FY2002 to $248.9 million in FY2003. All our business segments i.e. PPIM, MDF and Assembly contributed to the significant increase in revenue.

Revenue derived from our PPIM division improved significantly by approximately $26.4 million or 33.7% from $78.3 million in FY2002 to $104.7 million in FY2003. The increase was primarily accounted for by existing customers such as Maxtor, Kodak, MEI and a customer in the telecommunications industry mainly due to increased orders for existing products, and the contribution from a Japanese customer from the data storage industry. This is partially offset by the decrease in sales to our other existing customers, namely Siemens and a customer in the telecommunications industry, due to the completion of some of our existing projects with these customers.

Revenue from our MDF division increased by approximately $9.3 million or 40.0%, from $23.3 million in FY2002 to $32.6 million in FY2003. The increase was due mainly to an increase in orders received from an existing customer in the telecommunications industry, Braun and new customers such as ZTE and Rockwell. This is partially offset by the decrease from other existing customers such as Molex and Siemens.

Revenue from our Assembly division increased by approximately $70.2 million or 169.1%, from $41.5 million in FY2002 to $111.7 million in FY2003. The increase was due mainly to higher sales to an existing customer in the telecommunications industry, Braun and our new customer ZTE. This was partially offset by the decrease in sales to Siemens and UTStarcom due to the completion of some of the existing projects.

By geographical markets, the increase was due mainly to higher sales to our customers in PRC, Europe and Singapore. Sales to our customers in the PRC increased by approximately $52.5 million or 62.4%, from $84.3 million in FY2002 to $136.8 million in FY2003. The increase was primarily attributable to PPIM sales to Kodak and PPIM, MDF and Assembly sales to some of our existing customers in the telecommunications industry and our new customer ZTE, which was partially offset by a decrease to other existing customers such as Siemens.

Sales to our customers in Europe increased by approximately $29.6 million or 170.5%, from $17.3 million in FY2002 to $46.9 million in FY2003. 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 $13.3 million or 67.9%, from $19.5 million in FY2002 to $32.8 million in FY2003. The increase was mainly attributed to higher sales to a customer in the telecommunications industry, a customer in the data storage industry and Maxtor.

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

Revenue from our customers operating in the telecommunications industry increased by approximately $47.4 million or 70.3% from $67.4 million in FY2002 to $114.8 million in FY2003. The increase was due mainly to a significant increase in sales to our existing customers in the telecommunications industry and our new customer, ZTE. This was partially offset by lower sales to Siemens.

Revenue from our customers operating in the consumer electronics and electrical industry increased by approximately $49.1 million or 104.5% from $47.0 million in FY2002 to $96.1 million in FY2003. The increase was due mainly to increased sales to existing customers, Braun and Kodak, in all three activities.

Revenue from our customers operating in the data storage industry increased by approximately $9.7 million or 40.7%, from $23.7 million in FY2002 to $33.4 million in FY2003. The increase was due mainly to increased sales to our existing customers.

Cost of sales

Our cost of sales increased by approximately $80.8 million or 79%, from $102.3 million in FY2002 to $183.1 million in FY2003. Cost of sales as a percentage of revenue increased marginally from approximately 71.5% in FY2002 to 73.6% in FY2003 primarily due to higher material costs incurred in FY2003.

Material costs increased by approximately $62.1 million or 100.9% from $61.5 million in FY2002 to $123.6 million in FY2003. The increase in material costs as a percentage of revenue from 43.0% in FY2002 to 49.7% in FY2003 was due primarily to the increase in sales contributed by our Assembly division which generally requires higher material content.

Labour costs increased by approximately $9.7 million or 66.1%, from $14.8 million in FY2002 to $ 24.5 million in FY2003. The increase was due mainly to an increase in headcount in FY2003 and more labour hours, which were required to meet the increase in production as well as salary increment. Labour costs as a percentage of revenue however decreased from approximately 10.3% in FY2002 to 9.8% in FY2003 arising primarily from the increase in sales contribution by our Assembly division, which generally has a lower labour costs to revenue percentage.

Overheads increased by approximately $8.9 million or 34.5%, from $26.1 million in FY2002 to $35.0 million in FY2003. The increase in overheads were mainly attributed to the increase in utilities ($1.3 million), freight charges ($1.4 million), factory supplies ($3.0 million) and depreciation ($3.2 million). Overheads as a percentage of revenue however decreased from 18.2% in FY2002 to 14.1% in FY2003 arising primarily from the increase in sales contribution from our Assembly division, which generally has a lower overheads cost to revenue ratio.

Gross profit

Our gross profit increased by approximately $25.0 million or 61.5% from $40.8 million in FY2002 to $65.8 million in FY2003. The increase was in line with the increase in revenue, which was partially offset by the overall decrease in gross profit margins.

Gross profit margins decreased from 28.5% in FY2002 to 26.4% in FY2003 mainly as a result of higher material costs incurred due to a change in product mix.

Operating expenses

Our total operating expenses increased by approximately $6.0 million or 31.0% from $19.4 million in FY2002 to $25.4 million in FY2003. Operating expenses as a percentage of revenue decreased from 13.5% in FY2002 to 10.2% in FY2003 as a result of economies of scale.

Our administrative expenses increased by approximately $6.0 million or 31.5% from $19.2 million in FY2002 to $25.2 million in FY2003. The increase was mainly due to the increase in personnel related costs, amortisation expense and telecommunication expense by $4.6 million, $0.8 million and $0.5 million respectively. The increase in personnel and related costs was due mainly to an increase in headcount and annual salaries increment. In addition, headcounts have increased as a result of our newly set-up manufacturing plants. The increase in amortisation expense was due mainly to the full year amortisation of SAP system. The increase in telecommunication expense was in line with the higher volume of transactions.

Our selling expenses have remained relatively unchanged for FY2003 as compared to FY2002.

Other operating income

Our other operating income increased by approximately $1.3 million or 99.8%, from $1.2 million in FY2002 to $2.5 million in FY2003 due mainly to the gain on disposal of fixed assets of approximately $0.4 million arising from the sale of a factory premise in Shanghai, Puxi and the tax refund from the China Tax Authority of approximately $1.0 million relating to the reinvestments of profits in China.

Profit from operations

Our profit from operations increased by approximately $20.4 million or 89.7% from $22.6 million in FY2002 to $43.0 million in FY2003. The increase in profit from operations was attributable to the overall increase in gross profit and other operating income of $25.0 million and $1.3 million respectively, partially offset by a $6.0 million increase in operating expenses. Profit from operations margin increased from 15.8% in FY2002 to 17.3% in FY2003 as a result of the marginal increase in gross profit margin more than decrease in operating expenses as a percentage of revenue as described above.

Financial income (expenses) and foreign exchange loss, net

Our net financial expenses increased by approximately $0.4 million or 21.5% from $1.4 million in FY2002 to $1.8 million in FY2003 due mainly to the increase in total bank borrowings and lease obligations by $8.0 million or 20.6% from $39.1 million as at 31 December 2002 to $47.1 million as at 31 December 2003. However, interest rates in FY2003 were lower as compared to FY2002.

Our foreign exchange loss decreased by approximately $0.2 million or 15.2% from $1.5 million in FY2002 to $1.3 million in FY2003. The decrease was mainly attributed to Hi-P Mexico, which registered an exchange loss of $0.7 million in FY2002 versus an exchange loss of $0.2 million in FY2003, as a result of higher depreciation of the MPeso against the SGD in FY2002. On the other hand, China registered a $0.8 million loss in FY2003 versus a $0.5 million loss in FY2002 with the weakening of USD during FY2003.

Profit before taxation and share result of associated companies

Our profit before tax and share of results of associated companies increased by approximately $20.2 million or 102.9%, from $19.7 million in FY2002 to $39.9 million in FY2003. 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 FY2003 was approximately $2.9 million as compared to $1.8 million in FY2002 due mainly to higher profit before tax. However, our effective tax rate declined from 8.8% in FY2002 to 7.2% in FY2003 mainly due to the increase in profit contribution from certain PRC subsidiaries whose profits were entitled to full tax exemption in FY2003.

Liquidity and Capital Resources

In FY2003, we generated net cash from operating activities before working capital changes of approximately $57.8 million. Cash utilised for working capital purposes amounted to $2.4 million due mainly to an increase in inventories, trade receivables, other receivables, deposits and prepayments of $13.8 million, $14.8 million and $10.5 million respectively. This was partially offset by an increase in trade payables, other payables and accruals and amounts due to related parties (trade) amounting to $20.8 million, $15.4 million and $0.5 million respectively. We also made dividends payment and income tax payments of $0.2 million and $0.9 million respectively, resulting in net cash generated from operating activities of approximately $54.2 million.

Net cash used in investing activities amounted to approximately $33.6 million due mainly to our purchase of fixed assets and acquisition of an associated company of $34.5 million and $0.4 million respectively, partially offset by proceeds from disposal of fixed assets of approximately $1.2 million.

We recorded net cash inflow of $83.7 million from our financing activities due mainly to proceeds from the issuance of shares pursuant to the IPO and bank term loans amounting to $86.1 million and $13.0 million respectively. This was partially offset by the repayment of the short-term bank loans and lease obligations amounting to $6.2 million and $3.9 million respectively. In addition, share issue expenses and interest expense paid amounted to $3.5 million and $1.8 million respectively.

Review of Financial Position

Fixed Assets

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

Our fixed assets increased by approximately $38.6 million or 40.5% from $95.3 million as at 31 December 2002 to $133.9 million as at 31 December 2003 due mainly to current year additions of $55.2 million.

Fixed assets additions comprise mainly of investments in factory buildings and leasehold improvements amounting to approximately $1.6 million, construction-in-progress of $0.5 million, renovation of $1.6 million, plant & machinery of $46.9 million, motor vehicles of $0.7 million, office equipment and furniture & fittings of $3.9 million. During the year, new machines were purchased to support the expansion of operation in the Company, Hi-P Camera, Hi-P Shanghai, Hi-P Housing Appliance, Hi-P Precision Plastic, Hi-P Tianjin, Hi-P Industries, Hi-P Chengdu and Hi-P Xiamen. In addition, machines were acquired for the newly incorporated sites namely, Hi-P Shanghai Tooling, Hi-P Tianjin Tooling and Hi-P Suzhou. The increase in office equipment, furniture and fittings was mainly attributed to the Company, Hi-P Shanghai, Hi-P Shanghai Tooling, Hi-P Xiamen and Hi-P Chengdu Plastic. The increase in renovation was mainly attributed to Hi-P Tianjin, amounting to $1.3 million and Hi-P Tianjin Tooling amounting to $0.5 million. The increase in factory buildings and leasehold improvement of $1.3 million was mainly related to Hi-P Shanghai Tooling.

Current Assets

Our current assets increased by approximately $139.0 million or 205.5% from $67.7 million as at 31 December 2002 to $206.7 million as at 31 December 2003. The increase was due mainly to the increase in inventories, trade receivables, other receivables, deposits and prepayments, and cash and bank balances, partially offset by the decrease in trade amount from related parties. Inventories increased by $10.4 million or 72.6% from $14.3 million as at 31 December 2002 to $24.7 million as at 31 December 2003. Trade receivables increased by $14.9 million or 41.7% from $35.6 million as at 31 December 2002 to $50.5 million as at 31 December 2003. The increase in inventories and trade receivables were in line with the increase in revenue. Average inventory turnover has remained fairly constant at approximately 39 days for the year ended 31 December 2003. Average receivables turnover has shortened from 71 days to 63 days for the year ended 31 December 2003. Other receivables, deposits and prepayments increased by $10.5 million or 181.5% from $5.8 million as at 31 December 2002 to $16.3 million as at 31 December 2003. This is due to the increase in other receivables of $7.3 million or 292.4% from $2.5 million in FY2002 to $9.8 million in FY2003 because of the increase in VAT receivables and prepayment of $2.8 million or 96.5% from $3.0 million in FY2002 to $5.8 million in FY2003. Cash at bank increased by $104.5 million or 1,199.5%, from $8.7 million as at 31 December 2002 to $113.2 million as at 31 December 2003 due mainly to the IPO proceeds. Trade amount due from related parties decreased by $0.9 million or 53.1% from $1.7 million as at 31 December 2002 to $0.8 million as at 31 December 2003 due mainly to the lower sales to Haier in FY2003.

Current Liabilities

Our current liabilities increased by approximately $48.4 million or 65.8% from $73.5 million as at 31 December 2002 to $121.9 million as at 31 December 2003. The increase was due mainly to the increase in trade payables, other payables and accruals, provision for taxation and lease obligations (current portion), partly offset by the decrease in short-term bank loans. Trade payables increased by $20.7 million or 69.3% from $30.0 million as at 31 December 2002 to $50.7 million as at 31 December 2003. 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 $30.9 million or 210.9% from $14.6 million as at 31 December 2002 to $45.5 million as at 31 December 2003. This was due mainly to machinery acquisition towards the end of FY2003. Provision for income tax increased by $1.7 million or 203.6% from $0.8 million as at 31 December 2002 to $2.5 million as at 31 December 2003 as a result of higher taxable profits in FY2003. The lease obligations increased by approximately $1.6 million or 45.5% from $3.3 million as at 31 December 2002 to $4.9 million as at 31 December 2003, as new finance leases were obtained to finance part of our acquisitions of fixed assets during the year. The short-term bank loans decreased by $6.2 million or 29.9% from $20.7 million as at 31 December 2002 to $14.5 million as at 31 December 2003 due mainly to repayment of certain short-term bank loans.

Non-current Liabilities

Non-current liabilities increased by approximately $12.9 million or 92.6% from $13.9 million as at 31 December 2002 to $26.8 million as at 31 December 2003. The increase was due to the increase in bank term loans (non-current portion). The increase in bank term loans (non-current portion) was due mainly to the draw down of additional bank term loans during the financial year to finance the purchase of fixed assets.

Shareholders' equity

Shareholders' equity increased by approximately $116.4 million or 155.2% from $75.0 million as at 31 December 2002 to $191.4 million as at 31 December 2003. The increase was mainly due to net profits attributable to shareholders of $36.6 million for FY2003 and the issue of new shares pursuant to the IPO of $82.6 million. This is partially offset by the decrease in translation reserve of approximately $2.6 million. The accumulated profits took into account the deduction of dividends payment of $0.2 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 (formerly known as Hi-P International Pte Ltd) (the Company) and its subsidiaries (the Group) for the financial year ended 31 December 2003 and the balance sheet of the Company as at 31 December 2003.

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	(appointed on 5 November 2003)
Wong Meng Meng	(appointed on 5 November 2003)

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 object 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 body corporate.

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 2003 or date of appointment if later	**31 December 2003**	**1 January 2003 or date of appointment if later**	**31 December 2003**
Hi-P International Limited (formerly known as Hi-P International Pte Ltd)				
Ordinary shares of $0.05 (1 January 2003: $1) each				
Yao Hsiao Tung	13,173,250	492,485,200	-	-
Wong Huey Fang	-	-	13,173,250	492,485,200
Yeo Tiong Eng	-	400,000	-	-
Dr Tan Khee Giap	-	550,000	-	-
Wong Meng Meng	-	500,000	-	-

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

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2004.

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 Company has an existing share option scheme, ("Hi-P Employee Share Option Scheme"), for the granting of share options to executive directors, employees of the Group, controlling shareholders and their associates. The Hi-P Employee Share Option Scheme is administered by the Remuneration Committee, comprising Messrs Wong Meng Meng (Chairman), Yao Hsiao Tung and Dr Tan Khee Giap. Options granted under the Hi-P Employee Share Option Scheme will have an exercise period of 10 years.

No share options to take up unissued shares were granted during the financial year. As at 31 December 2003, no options under the unissued shares were outstanding.

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

19 March 2004

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 2003 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

19 March 2004

Auditors' Report

TO THE MEMBERS OF HI-P INTERNATIONAL LIMITED

(Formerly known as Hi-P International Pte Ltd)

We have audited the accompanying financial statements of Hi-P International Limited (formerly known as Hi-P International Pte Ltd) (the Company) and its subsidiaries (the Group) for the year ended 31 December 2003 set out on pages 35 to 75. 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 2003 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 (excluding registers) 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.

We have considered the financial statements and, where they are required by the laws of the countries of incorporation, the auditors' reports of all subsidiaries of which we have not acted as auditors, being financial statements included in the consolidated financial statements. The names of these subsidiaries are stated in Note 11 to the financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and in respect of the subsidiaries incorporated in Singapore, did not include any comment made under section 207(3) of the Act.

ERNST & YOUNG
Certified Public Accountants

Singapore
19 March 2004

Consolidated Profit and Loss Account

FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	Group	
		2003 $'000	**2002 $'000**
Revenue	3	**248,946**	143,086
Cost of sales		**(183,103)**	(102,317)
Gross profit		**65,843**	40,769
Other operating income	4	**2,493**	1,248
Selling expenses		**(163)**	(162)
Administrative expenses		**(25,209)**	(19,173)
Other operating expenses		**-**	(38)
Profit from operations	5	**42,964**	22,644
Financial expenses	7	**(1,811)**	(1,480)
Financial income	7	**58**	37
Foreign exchange loss, net		**(1,292)**	(1,524)
Profit before tax and share of results of associated companies		**39,919**	19,677
Share of results of associated companies		**337**	644
Profit before tax		**40,256**	20,321
Tax	8	**(2,911)**	(1,788)
Profit after tax but before minority interests		**37,345**	18,533
Minority interests		**(759)**	(629)
Net profit for the year		**36,586**	17,904
Earnings per share (cents)	9		
Basic		**4.93**	2.43
Diluted		**4.93**	2.43

The accounting policies and explanatory notes on pages 42 through 75 form an integral part of the financial statements.

Balance Sheets

AS AT 31 DECEMBER 2003

	Note	Group		Company	
		2003 $'000	2002 $'000	2003 $'000	2002 $'000
Non-current assets					
Fixed assets	10	**133,895**	95,285	**22,166**	21,753
Investment in subsidiaries	11	**-**	-	**50,735**	31,737
Investment in associated companies	12	**1,805**	1,127	**903**	503
Other investment	13	**12**	12	**12**	12
Current assets					
Inventories	14	**24,668**	14,290	**3,444**	2,221
Trade receivables	15	**50,487**	35,622	**7,631**	6,605
Notes receivable	16	**1,214**	1,183	**-**	-
Other receivables, deposits and prepayments	17	**16,304**	5,791	**408**	762
Amounts due from subsidiaries (non-trade)	18	**-**	-	**10,977**	13,852
Amounts due from related parties (trade)		**781**	1,664	**-**	16
Amounts due from subsidiaries (trade)		**-**	-	**94**	272
Cash and bank balances		**113,227**	8,713	**80,053**	1,127
Fixed deposits	19	**66**	404	**66**	404
		206,747	67,667	**102,673**	25,259
Current liabilities					
Trade payables		**50,737**	29,964	**4,396**	6,751
Other payables and accruals	20	**45,516**	14,640	**9,215**	1,602
Amounts due to subsidiaries (trade)		**-**	-	**390**	-
Amount due to a subsidiary (non-trade)	18	**-**	-	**40**	-
Amounts due to related parties (trade)		**38**	380	**-**	-
Lease obligations, current portion	21	**4,861**	3,342	**4,337**	3,258
Provision for income tax		**2,538**	836	**1,282**	736
Bank term loans, current portion	22	**2,515**	2,410	**2,244**	2,244
Short-term bank loans	23	**14,509**	20,688	**3,020**	8,950
Bank overdrafts (secured)	23	**1,206**	1,274	**1,179**	1,108
		121,920	73,534	**26,103**	24,649
Net current assets (liabilities)		**84,827**	(5,867)	**76,570**	610
Non-current liabilities					
Lease obligations, non-current portion	21	**2,368**	2,576	**1,768**	2,468
Bank term loans, non-current portion	22	**21,666**	8,782	**5,937**	8,182
Deferred tax liability	24	**2,774**	2,559	**2,774**	2,559
Net assets		**193,731**	76,640	**139,907**	41,406

Balance Sheets

AS AT 31 DECEMBER 2003 (CONT'D)

	Note	Group		Company	
		2003 $'000	2002 $'000	2003 $'000	2002 $'000
Equity					
Share capital	25	**44,350**	18,400	**44,350**	18,400
Share premium		**75,041**	-	**75,041**	-
Capital reserve		**37**	37	**-**	-
Reserve fund	26	**9,313**	5,505	**-**	-
Translation reserve		**(2,339)**	223	**-**	-
Accumulated profits	27	**64,962**	50,818	**20,516**	23,006
		191,364	74,983	**139,907**	41,406
Minority interests		**2,367**	1,657	**-**	-
Total		**193,731**	76,640	**139,907**	41,406

The accounting policies and explanatory notes on pages 42 through 75 form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

AS AT 31 DECEMBER 2003

Group	Share capital $'000	Share premium $'000	Capital reserve $'000	Reserve fund $'000	Translation reserve $'000	Accumulated profits $'000	Total $'000
Balance at 31 December 2001	18,400	-	37	3,925	4,296	34,728	61,386
Net profit for the year	-	-	-	-	-	17,904	17,904
Transfer to reserve fund	-	-	-	1,580	-	(1,580)	-
Currency translation differences	-	-	-	-	(4,073)	-	(4,073)
Dividend (Note 28)	-	-	-	-	-	(234)	(234)
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 28)	-	-	-	-	-	(234)	(234)
Balance at 31 December 2003	44,350	75,041	37	9,313	(2,339)	64,962	191,364

The accounting policies and explanatory notes on pages 42 through 75 form an integral part of the financial statements.

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2003

	Group	
	2003 $'000	2002 $'000
Cash flows from operating activities		
Profit before tax and share of results of associated companies	**39,919**	19,677
Adjustment for:		
Provision for doubtful trade debts	**-**	127
Provision for inventory obsolescence	**1,154**	207
Inventories written off	**2,299**	497
Provision for impairment in value of club membership	**-**	24
Fixed assets impairment loss	**103**	-
Write back of provision for doubtful trade debts	**-**	(400)
Write back of provision for inventory obsolescence	**-**	(497)
(Gain) loss on disposal of fixed assets	**(590)**	38
Depreciation of fixed assets	**13,257**	9,815
Interest expense	**1,811**	1,480
Interest income	**(58)**	(37)
Translation difference	**(77)**	426
Operating profit before working capital changes	**57,818**	31,357
Decrease (increase) in:		
Inventories	**(13,802)**	(7,374)
Trade receivables	**(14,845)**	(14,476)
Notes receivable	**(30)**	(1,183)
Other receivables, deposits and prepayments	**(10,513)**	(1,849)
Due from a corporate shareholder (trade)	**-**	2
Increase (decrease) in:		
Trade payables	**20,773**	15,036
Other payables and accruals	**15,428**	2,403
Due from/to related parties (trade), net	**541**	(748)
Due to related parties (non-trade)	**-**	(1,324)
Cash generated from operations	**55,370**	21,844
Dividends paid	**(234)**	(234)
Income taxes paid	**(941)**	(2,935)
Net cash generated from operating activities	**54,195**	18,675
Cash flows from investing activities		
Acquisition of equity interest in an associated company	**(400)**	-
Interest income received	**58**	37
Proceeds from disposal of fixed assets	**1,223**	869
Purchase of fixed assets (Note B)	**(34,530)**	(23,675)
Net cash used in investing activities	**(33,649)**	(22,769)

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2003 (CONT'D)

	Group	
	2003 $'000	**2002 $'000**
Cash flows from financing activities		
Interest expense paid	**(1,811)**	(1,480)
Proceeds from bank term loans, net	**12,989**	4,595
Repayment of short-term bank loans, net	**(6,179)**	(151)
Lease obligation repayments	**(3,892)**	(3,549)
Proceeds from issuance of shares	**86,070**	-
Share issue expenses pursuant to IPO	**(3,479)**	-
Net cash generated from (used in) financing activities	**83,698**	(585)
Net increase (decrease) in cash and cash equivalents	**104,244**	(4,679)
Cash and cash equivalents at beginning of year	**7,843**	12,522
Cash and cash equivalents at end of year (Note A)	**112,087**	7,843

Notes to the Consolidated Cash Flow Statement

A. Cash and cash equivalents

Cash and cash equivalents comprise the following balance sheet amounts:

	Group	
	2003 $'000	**2002 $'000**
Cash and bank balances	**113,227**	8,713
Fixed deposits	**66**	404
Bank overdrafts (secured)	**(1,206)**	(1,274)
Cash and cash equivalents	**112,087**	7,843

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2003 (CONT'D)

B. Purchase of fixed assets

	Group	
	2003 $'000	**2002 $'000**
Current year additions to fixed assets	**55,180**	31,891
Less:		
Financed by leases	**(5,202)**	(2,149)
Payable to creditors	**(22,417)**	(6,969)
	27,561	22,773
Payments for prior year purchase of fixed assets	**6,969**	902
Net cash outflow for purchase of fixed assets	**34,530**	23,675

The accounting policies and explanatory notes on pages 42 through 75 form an integral part of the financial statements.

Notes to the Financial Statements

31 DECEMBER 2003

1. Corporate information

The Company was domiciled and incorporated in Singapore as a private limited company operating under the name of Hi-P International Pte Ltd. On 10 October 2003, the Company was converted to a public limited company and changed its name to Hi-P International Limited. The Company was admitted to the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 17 December 2003.

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, 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 (2002: three) countries and the Group and Company have 1,864 and 198 (2002: 1,349 and 169) employees as of 31 December 2003, respectively.

2. Significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS) as required by the Companies Act. In previous years, the financial statements were prepared in accordance with Singapore Statements of Accounting Standard (SAS). The transition from SAS to FRS did not result in any significant change in accounting policies.

The financial statements have been prepared on a historical cost basis.

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous financial year.

The financial statements are presented in Singapore dollars.

(b) Principles of consolidation

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.

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 cease to have control of the subsidiaries. Acquisitions of subsidiaries are accounted for using the purchase method of accounting.

2. Significant accounting policies (cont'd)

(b) Principles of consolidation (cont'd)

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

Positive goodwill

Positive 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. Positive 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 investment

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

2. Significant accounting policies (cont'd)

(g) 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.

(h) 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 date 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. Revenues 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)

(i) 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.

When an asset is revalued, any increase in the carrying amount is credited directly to revaluation reserve unless it reverses a previous revaluation decrease relating to the same asset, which was previously recognised as an expense. In these circumstances the increase is recognised as income to the extent of the previous write down. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised as an expense unless it reverses a previous surplus relating to that asset, in which case it is charged against any related revaluation surplus, to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of the same asset. Any balance remaining in the revaluation surplus in respect of an asset, is transferred directly to accumulated profits on retirement or disposal of the 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.

(j) 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.

2. Significant accounting policies (cont'd)

(k) Borrowing costs

Borrowing costs are expensed as incurred.

(l) 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.

(m) 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.

(n) Impairment of assets

Fixed assets and other non-current assets 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 or treated as a revaluation decrease for assets carried at revalued amount to the extent that the impairment loss does not exceed the amount held in the revaluation surplus for that same asset.

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 or as a revaluation increase. 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.

(o) Leases

(i) Finance Lease

Finance leases, which effectively transfer to 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.

2. Significant accounting policies (cont'd)

(o) Leases (cont'd)

(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.

(p) 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 service is 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) Employee share option scheme

The Company has an employee share option scheme for the granting of non-transferable options. No compensation cost is recognised upon granting or the exercise of the options. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital and share premium as appropriate.

(q) 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)

(r) 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 subsidiary, 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.

Deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

(s) 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.

(t) 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.

2. Significant accounting policies (cont'd)

(u) 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 invoiced trading sales to customers net of discounts and returns. Intra-group transactions have been excluded from Group revenue.

4. Other operating income

	Group	
	2003 $'000	**2002 $'000**
Gain on disposal of fixed assets	**590**	12
Gain on sale of raw materials	**309**	-
Sale of scrap materials	**275**	201
Write-back of provision for value-added tax	**-**	349
Refund of value-added tax	**161**	307
Tax refund on capital investment	**993**	310
Others	**165**	69
	2,493	1,248

5. Profit from operations

This is determined after charging (crediting) the following:

	Group	
	2003 $'000	**2002 $'000**
Auditors' remuneration		
- payable to the auditors of the Company	**57**	37
- payable to other auditors	**214**	237
Depreciation of fixed assets	**13,257**	9,815
Directors' fees	**34**	-
Directors' remuneration		
- directors of the Company	**1,919***	673
- director of a subsidiary company	**290**	310
Provision for doubtful trade debts	**-**	127
Write back of provision for doubtful trade debts	**-**	(400)
Provision for inventory obsolescence	**1,154**	207
Write back of provision for inventory obsolescence	**-**	(497)
Inventories written off	**2,299**	497
Provision for impairment in value of club membership	**-**	24
Fixed assets impairment loss	**103**	-
Loss on disposal of fixed assets	**-**	50
Operating lease expenses	**3,651**	2,173
Research and development costs	**686**	629
Personnel expenses (Note 6)	**40,343**	22,365

* Amount includes performance bonus amounting to approximately $1,245,000 (2002: $Nil) pursuant to the Service Agreement entered into, computed based on 3% of the Group's profit before tax and minority interest for the current financial year.

6. Personnel expenses

	Group	
	2003 $'000	**2002 $'000**
Wages, salaries and bonus	**34,484**	19,528
Pension contributions	**4,042**	2,321
Other personnel expenses	**1,817**	516
	40,343	22,365

7. Financial (expenses) income

	Group	
	2003 $'000	**2002 $'000**
Interest expense		
- bank term loans	**(1,172)**	(1,297)
- lease obligations	**(625)**	(174)
- bank overdrafts	**(14)**	(9)
	(1,811)	(1,480)
Interest income		
- bank balances	**52**	27
- fixed deposits	**6**	10
	58	37

8. Tax

	Group	
	2003 $'000	**2002 $'000**
Current tax		
- current year	**2,580**	1,845
- under (over) provision in respect of prior years	**62**	(5)
Deferred tax		
- current year	**50**	(197)
- under (over) provision in respect of prior years	**165**	(4)
Share of tax of associated companies	**54**	149
	2,911	1,788

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	
	2003 $'000	**2002 $'000**
Profit before tax and share of results of associated companies	**39,919**	19,677
Tax at the domestic rates applicable to profits in the countries concerned *	**2,047**	1,138
Tax effect of losses not available for offset against taxable profits	**157**	717
Tax effect of expenses that are not deductible in determining taxable profit	**296**	257
Tax effect of income that are not taxable in determining taxable profit	**-**	(292)
Impact on deferred tax liability resulting from reduction in tax rate	**-**	(281)
Under (over) provision in respect of prior years	**227**	(9)
Tax rebate and exemption	**-**	(12)
Share of tax of associated companies	**54**	149
Others	**130**	121
Tax expense	**2,911**	1,788

* 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:

	2003 %	2002 %
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.	**Tax exempt**	Tax exempt
Hi-P (Chengdu) Precision Plastic Manufacturing Co., Ltd.	**7.5**	7.5
Hi-P (Chengdu) Mold Base Manufacturing Co., Ltd.	**Tax exempt**	**
Hi-P (Xiamen) Precision Plastic Manufacturing Co., Ltd.	**7.5**	Tax exempt
Qingdao Haier Hi-P Science Technology Co., Ltd.	**Tax exempt**	Tax exempt
Hi-P Tianjin Electronics Co., Ltd.	**Tax exempt**	**
Hi-P (Shanghai) Industries Co., Ltd.	**Tax exempt**	**
Hi-P (Shanghai) Housing Appliance Co., Ltd	**Tax exempt**	15*
Hi-P (Shanghai) Precision Mold & Die Co., Ltd.	**Tax exempt**	***
Hi-P (Suzhou) Technology Co., Ltd.	**	***
Hi-P (Tianjin) Precision Mold & Die Co., Ltd.	**	***

* Hi-P (Shanghai) Housing Appliance Co., Ltd has elected the financial year ending 31 December 2003 as the first profitable year for the purpose of determining the tax holiday period as the subsidiary commenced operations for less than 6 months during the financial year ended 31 December 2002. Accordingly, provision for tax on the profit of Hi-P (Shanghai) Housing Appliance Co., Ltd for the financial year ended 31 December 2002 have been based on the tax rate of 15%.

** 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 (which is a minimum income tax) 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 rate: the corporate income tax applicable was 35%. Thereafter, a gradual decrease of 1% shall start in 2003, until a rate of 32% is reached in 2005.

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 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 taxed at a flat rate of 15%. There is no tax expense for the subsidiary as the subsidiary is in a loss position in the current financial year.

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

9. Earnings per share

Basic earnings per share is calculated by dividing the Group's net profit for the year by the weighted average number of shares of 742,205,479 (2002: 736,000,000 after adjusting for the bonus issue and the sub-division of each ordinary share of $1.00 each into 20 ordinary shares of $0.05 each) in issue during the financial year.

As there were no options and warrants granted during the year, the basic and fully diluted earnings per share are the same.

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 1.1.2003	25,558	50	10,239	82,909	1,165	10,628	130,549
Additions	1,594	500	1,601	46,900	734	3,851	55,180
Reclassifications	-	(271)	739	697	-	(1,165)	-
Disposals	(716)	(41)	-	(36)	(510)	(918)	(2,221)
Translation difference	(517)	(4)	(240)	(2,436)	(14)	(224)	(3,435)
As at 31.12.2003	25,919	234	12,339	128,034	1,375	12,172	180,073
Accumulated depreciation							
As at 1.1.2003	4,822	-	1,517	23,487	701	4,737	35,264
Charge for the year	701	-	1,565	9,145	137	1,709	13,257
Reclassifications	-	-	242	599	-	(841)	-
Disposals	(227)	-	-	(15)	(449)	(897)	(1,588)
Impairment loss	-	-	-	103	-	-	103
Translation difference	(220)	-	(65)	(454)	(3)	(116)	(858)
As at 31.12.2003	5,076	-	3,259	32,865	386	4,592	46,178
Charge for 2002	1,318	-	1,189	5,805	115	1,388	9,815
Net book value							
As at 31.12.2003	20,843	234	9,080	95,169	989	7,580	133,895
As at 31.12.2002	20,736	50	8,722	59,422	464	5,891	95,285

As at 31 December 2003, the Group had plant and machinery, motor vehicles and office equipment under lease with net book values of approximately $14,062,000 (2002: $10,669,000), $443,000 (2002: $296,000) and $112,000 (2002: $36,000) respectively. Factory building and certain machinery of the Group are pledged as security for bank loan and bank overdraft facilities as disclosed in Notes 22 and 23.

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 1.1.2003	15,164	-	17,108	821	800	33,893
Additions	165	176	1,941	385	57	2,724
Disposals	-	-	-	(425)	-	(425)
As at 31.12.2003	15,329	176	19,049	781	857	36,192
Accumulated depreciation						
As at 1.1.2003	1,322	-	9,912	525	381	12,140
Charge for the year	266	14	1,837	76	78	2,271
Disposals	-	-	-	(385)	-	(385)
As at 31.12.2003	1,588	14	11,749	216	459	14,026
Charge for 2002	266	-	1,683	75	78	2,102
Net book value						
As at 31.12.2003	13,741	162	7,300	565	398	22,166
As at 31.12.2002	13,842	-	7,196	296	419	21,753

As at 31 December 2003, the Company had plant and machinery and motor vehicles under lease with net book values of approximately $3,007,000 (2002: $3,374,000) and $443,000 (2002: $296,000) respectively. In addition, the subsidiaries had plant and machinery with net book values of approximately $9,600,000 (2002: $7,070,000) under lease financing obtained by the Company on behalf of its subsidiaries.

11. Investment in subsidiaries

Subsidiaries comprise:

	Company	
	2003 $'000	**2002 $'000**
Unquoted equity shares -		
Cost at beginning of year	**40,237**	29,626
Additional investment during the year	**18,998**	10,611
Cost at end of year	**59,235**	40,237
Provision for impairment	**(8,500)**	(8,500)
	50,735	31,737

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

At beginning of year	**8,500**	6,000
Provision for the year	**-**	2,500
At end of year	**8,500**	8,500

The Company and the Group had the following subsidiaries as at 31 December 2003:

Name of company	**Principal activities**	**Country of incorporation and place of business**	**Equity interest held by the Group**		**Cost of investment**	
			2003 %	**2002 %**	**2003 $'000**	**2002 $'000**
<u>Held by the Company</u>						
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	3,352	2,136
Hi-P Camera Products Co., Ltd. **	Manufacture of camera products	People's Republic of China	100	100	8,489	6,359

11. Investment in subsidiaries (cont'd)

Name of company	Principal activities	Country of incorporation and place of business	Equity interest held by the Group		Cost of investment	
			2003 %	2002 %	2003 $'000	2002 $'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	2,552
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	1,791
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	4,343	666
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. (formerly known as Hidec Industries Pte Ltd) *	Manufacture of metal precision components	Singapore	100	100	1,500	500
Hi-P North America, Inc. ##	Provision of engineering support services	United States of America	100	-	2	-
Hi-P Finland Oy ###	Provision of engineering support services	Finland	100	-	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		Cost of investment	
			2003 %	2002 %	2003 $'000	2002 $'000
Hi-P (Shanghai) Precision Mold & Die Co., Ltd. **	Manufacture of molds	People's Republic of China	100	-	4,335	-
Hi-P (Suzhou) Technology Co., Ltd. **	Manufacture of plastic injection parts	People's Republic of China	100	-	2,949	-
Hi-P (Tianjin) Precision Mold & Die Co., Ltd. **	Manufacture of molds	People's Republic of China	100	-	368	-
Hi-P Mauritius Ltd #	International sales and marketing activities	Mauritius	100	-	85	-
Hi-P Resources Ltd #	Provision of human resource to related companies	Mauritius	100	-	8	-
<u>Held by a subsidiary company</u>						
Hi-P (Shanghai) Industries Co., Ltd. (formerly known as Hidec (Shanghai) Industries Co., Ltd.)**	Manufacture of precision stamped metal components and precision tools and die design and fabrication	People's Republic of China	100	-	-	-
					59,235	40,237

* 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 as the companies are 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.
@ $2 comprising two subscriber shares of $1 each.

12. Investment in associated companies

Investment in associated companies comprises:

	Group		Company	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Unquoted equity shares at cost	**903**	503	**903**	503
Share of post-acquisition profits of associated companies				
- current year	**337**	644	**-**	-
- prior years	**824**	180	**-**	-
Share of tax of associated companies				
- current year	**(54)**	(149)	**-**	-
- prior years	**(190)**	(41)	**-**	-
Share of translation reserve	**(15)**	(10)	**-**	-
	1,805	1,127	**903**	503

The Group had the following associated companies as at 31 December 2003:

Name of company	Principal activities	Country of incorporation and place of business	Equity interest held by the Group		Cost of investment by the Company	
			2003 %	2002 %	2003 $'000	2002 $'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	-	400	-
					903	503

* Audited by Deloitte & Touche, Singapore.
** Audited by Lau Chin Huat & Co.

13. Other investment

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

	Group and Company	
	2003 $'000	**2002 $'000**
At cost	**36**	36
Less provision for impairment	**(24)**	(24)
	12	12

14. Inventories

	Group		Company	
	2003 $'000	**2002 $'000**	**2003 $'000**	**2002 $'000**
Work-in-progress				
At cost	**3,848**	1,704	**976**	789
At net realisable value	**-**	327	**-**	31
Raw materials				
At cost	**14,734**	7,248	**535**	822
At net realisable value	**25**	546	**-**	-
Finished goods				
At cost	**5,955**	4,465	**1,933**	579
At net realisable value	**106**	-	**-**	-
Total inventories at lower of cost and net realisable value	**24,668**	14,290	**3,444**	2,221
Work-in-progress, raw materials and finished goods are stated after deducting provision for inventory obsolescence	**1,192**	277	**-**	45
At beginning of year	**277**	1,340	**45**	50
Provision for the year	**1,154**	207	**-**	45
Write back of provision	**-**	(497)	**-**	(50)
Written off against provision	**(210)**	(753)	**(45)**	-
Translation difference	**(29)**	(20)	**-**	-
At end of year	**1,192**	277	**-**	45

15. Trade receivables

	Group		Company	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Trade receivables	**50,591**	36,409	**7,631**	6,605
Provision for doubtful trade debts	**(104)**	(787)	**-**	-
	50,487	35,622	**7,631**	6,605

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

	Group 2003	Group 2002	Company 2003	Company 2002
At beginning of year	**787**	1,140	**-**	-
Provision for the year	**-**	127	**-**	-
Write back of provision	**-**	(400)	**-**	-
Written off against provision	**(673)**	-	**-**	-
Translation difference	**(10)**	(80)	**-**	-
At end of year	**104**	787	**-**	-

16. Notes receivable

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

17. Other receivables, deposits and prepayments

	Group		Company	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Other receivables	**9,848**	2,510	**-**	-
Deposits	**629**	316	**339**	226
Prepayments	**5,827**	2,965	**69**	536
	16,304	5,791	**408**	762

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

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

19. Fixed deposits

Fixed deposits of the Company have an average maturity of 30 days with effective interest rates ranging from 0.625% to 1.5% (2002: 1.25% to 2%) per annum.

20. Other payables and accruals

	Group		Company	
	2003 $'000	**2002 $'000**	**2003 $'000**	**2002 $'000**
Other payables*	**37,869**	11,661	**4,611**	-
Accrued operating expenses	**7,647**	2,979	**4,604**	1,602
	45,516	14,640	**9,215**	1,602

* This balance includes payables to creditors for the purpose of purchase of fixed assets.

21. Lease obligations

	Group		Company	
	Total minimum lease payments $'000	**Present value of payments $'000**	**Total minimum lease payments $'000**	**Present value of payments $'000**
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
2002				
Within one year	3,691	3,342	3,600	3,258
After one year but not more than five years	2,848	2,576	2,732	2,468
Total minimum lease payments	6,539	5,918	6,332	5,726
Less amounts representing finance charges	(621)	-	(606)	-
Present value of minimum lease payments	5,918	5,918	5,726	5,726

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% (2002: 2.6% to 4.25%) per annum. The outstanding amounts of lease obligations are secured by way of legal mortgages over the respective assets.

22. Bank term loans

		Group		Company	
		2003 $'000	2002 $'000	2003 $'000	2002 $'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	**3,467**	4,855	**3,467**	4,855
(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**	5,571	**4,714**	5,571
(c)	Bank term loan bearing interest at SIBOR plus 1% per annum and maturing in October 2005	**4,592**	-	**-**	-
(d)	Bank term loan bearing interest at SIBOR plus 1% per annum and maturing in October 2005	**4,259**	-	**-**	-
(e)	Bank term loan bearing interest at SIBOR plus 1% per annum and maturing in October 2005	**2,571**	-	**-**	-
(f)	Bank term loan bearing interest at SIBOR plus 1% per annum and maturing in February 2006	**3,986**	-	**-**	-
(g)	Bank term loan bearing interest at 3.34% (2002: SIBOR plus 2%) per annum, repayable over 11 equal quarterly instalments, commencing September 2003	**379**	471	**-**	-
(h)	Bank term loan bearing interest at 3.34% (2002: SIBOR plus 2%) per annum, repayable over 11 equal quarterly instalments commencing May 2003	**213**	295	**-**	-
		24,181	11,192	**8,181**	10,426
	After 1 year but not more than 5 years	**21,237**	7,496	**5,937**	8,182
	More than 5 years	**429**	1,286	**-**	-
	Due after 12 months	**21,666**	8,782	**5,937**	8,182
	Due within 12 months	**2,515**	2,410	**2,244**	2,244

The bank term loans are secured by way of legal mortgages over the factory buildings of the Group and corporate guarantee by the corporate shareholder.

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

		Group		Company	
		2003 $'000	2002 $'000	2003 $'000	2002 $'000
(a)	Short-term bank loan bearing interest at the rate of 2.23% (2002: 2.88%) per annum and maturing in January 2004 (2002: May 2003).	**1,100**	1,100	**1,100**	1,100
(b)	Short-term bank loan bearing interest at the rate of 2.4% per annum and matured in May 2003.	**-**	1,100	**-**	1,100
(c)	Short-term bank loan bearing interest at the rate of 2.16% (2002: 2.33%) per annum and maturing in January 2004 (2002: June 2003).	**400**	5,400	**400**	5,400
(d)	Short-term bank loan bearing interest at the rate of 2.42% per annum and matured in June 2003.	**-**	550	**-**	550
(e)	Short-term bank loan bearing interest at the rate of 1.68% per annum and maturing in January 2004.	**600**	-	**600**	-
(f)	Short-term bank loan bearing interest at the rate of 1.66% per annum and maturing in January 2004.	**420**	-	**420**	-
(g)	Short-term bank loan bearing interest at the rate of 5.04% per annum and matured in December 2003.	**-**	2,096	**-**	-
(h)	Short-term bank loan bearing interest at the rate of 1.8% (2002: 2.4%) per annum and maturing in January 2004 (2002: October 2003).	**500**	500	**500**	500
(i)	Short-term bank loan bearing interest at the rate of 1.87% per annum and matured in May 2003.	**-**	300	**-**	300
(j)	Short-term bank loan bearing interest at the rate of 5.04% per annum and matured in April 2003.	**-**	2,096	**-**	-
(k)	Short-term bank loan bearing interest at the rate of 5.04% per annum and matured in April 2003.	**-**	2,096	**-**	-

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

		Group		Company	
		2003 $'000	**2002 $'000**	**2003 $'000**	**2002 $'000**
(l)	Short-term bank loan bearing interest at the rate of 5.04% per annum and matured in May 2003.	**-**	2,096	**-**	-
(m)	Short-term bank loan bearing interest at the rate of 4.425% (2002: 5.31%) per annum and maturing in July 2004 (2002: July 2003).	**1,235**	1,258	**-**	-
(n)	Short-term bank loan bearing interest at the rate of 5.31% per annum and matured in September 2003.	**-**	2,096	**-**	-
(o)	Short-term bank loan bearing interest at the rate of 4.536% per annum and maturing in April 2004.	**5,968**	-	**-**	-
(p)	Short-term bank loan bearing interest at the rate of 2.1875% per annum and maturing in January 2004.	**2,551**	-	**-**	-
(q)	Short-term bank loan bearing interest at the rate of 4.536% per annum and maturing in January 2004.	**1,235**	-	**-**	-
(r)	Short-term bank loan bearing interest at the rate of 2.32% per annum and maturing in January 2004.	**500**	-	**-**	-
		14,509	20,688	**3,020**	8,950

Short-term bank loans (a), (c), (d), (e), (f) (h) and (i) are secured by way of a legal mortgage over the factory building of the Company with a net book value of $13,741,000 (2002: $13,842,000).

Short-term bank loans (b), (j), (k), (l), (r), (o), (p) and (q) are secured by a corporate guarantee by the Company.

Short-term bank loan (m) is secured by a charge over certain machinery of the Group with a net book value of approximately $2,315,000 (2002: $2,596,000).

Short term loan (g) is secured by a corporate guarantee by a subsidiary company.

Short term loan (n) is unsecured.

Bank overdrafts are secured by way of a legal mortgage over the factory building of the Company with a net book value of $13,741,000 (2002: $13,842,000) and a corporate guarantee by the Company. The effective interest rate for bank overdrafts during the financial year is 5.25% (2002: 5.5%) per annum.

24. Deferred tax liability

Deferred tax liability arises as a result of:

	Group and Company	
	2003 **$'000**	**2002** **$'000**
Deferred tax liability		
Excess of net book value over tax written down value of fixed assets	**2,800**	2,497
Unrealised exchange gain	**-**	4
Income taxable on a receipt basis	**-**	68
Deferred tax asset		
Provision for inventory obsolescence	**-**	(10)
Unrealised exchange loss	**(26)**	-
Net deferred tax liability	**2,774**	2,559

25. Share capital

	2003 **$'000**	**2002** **$'000**
Authorised:		
25,000,000 ordinary shares of $1 each	**25,000**	25,000
Creation of 75,000,000 ordinary shares of $1 each	**75,000**	-
Subdivision of 1 ordinary share of $1 each into 20 ordinary shares of $0.05 each	**-**	-
2,000,000,000 (2002: 25,000,000) ordinary shares of $0.05 (2002: $1) each	**100,000**	25,000
Issued and fully paid:		
At beginning of year		
18,400,000 ordinary shares of $1 each	**18,400**	18,400
Issued during the year		
18,400,000 ordinary shares of $1 each by capitalisation of accumulated profits by way of bonus issue	**18,400**	-
Increase of 699,200,000 ordinary shares arising from subdivision of 1 ordinary share of $1 each into 20 ordinary shares of $0.05 each	**-**	-
Issue of 151,000,000 ordinary shares of $0.05 each at $0.57 per share for cash by way of initial public offering of the Company	**7,550**	-
At end of year		
887,000,000 (2002: 18,400,000) ordinary shares of $0.05 (2002: $1) each	**44,350**	18,400

25. Share capital (cont'd)

During the financial year, the following changes in the Company's authorised and issued share capital were recorded:

(i) the increase in the Company's authorised share capital from 25,000,000 ordinary shares of $1 each to 100,000,000 ordinary shares of $1 each;

(ii) the capitalisation of an amount of $18,400,000 from the Company's revenue reserve by way of a 1-for-1 bonus issue of 18,400,000 ordinary shares of $1 each; and

(iii) the sub-division of each ordinary share of $1 each in the authorised and issued share capital into 20 ordinary shares of $0.05 each.

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.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

26. Reserve fund

Pursuant to the relevant laws in the People's Republic of China ("PRC"), the Group has set aside a reserve fund as at 31 December 2003. The reserve fund 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.

27. Accumulated profits

	Group	
	2003 $'000	**2002 $'000**
Retained in:		
- the Company	**20,516**	23,006
- subsidiaries	**43,529**	27,178
- associated companies	**917**	634
	64,962	50,818

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

28. Dividends

	Group and Company	
	2003 $'000	**2002 $'000**
Final dividend of 1.63 cents per share (2002: 1.63 cents per share) less tax at 22% (2002: 22%) amounting to $234,000 (2002: $234,000) is proposed and paid in respect of the previous financial year	**234**	234

The directors propose that a final dividend of 0.50 cents per ordinary share less tax at 20%, amounting to $3,548,000 be paid for the financial year ended 31 December 2003, subject to approval by shareholders at the Annual General Meeting of the Company.

29. Contingent liabilities and commitments

(a) Financial derivatives

As at 31 December 2003, the Group and the Company has 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 $3,467,000 (2002: $4,855,000). The swap contract was entered into to hedge the Company's interest rate exposures on the bank term loan (a) disclosed in Note 22. Unrealised exchange loss of approximately $119,000 (2002: $249,000) has not been recognised in the profit and loss account.

(b) Capital expenditure commitments

	Group		Company	
	2003 $'000	**2002 $'000**	**2003 $'000**	**2002 $'000**
Commitments in respect of purchase of fixed assets	**1,551**	1,814	**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.

29. Contingent liabilities and commitments (cont'd)

(c) Operating lease commitments (cont'd)

Future minimum rentals under non-cancellable leases as at 31 December 2003 are as follows:

	Group		Company	
	2003 $'000	2002 $'000	**2003 $'000**	2002 $'000
Future minimum lease payments				
- not later than 1 year	**5,223**	3,061	**400**	291
- 1 year through 5 years	**10,111**	6,983	**1,601**	1,601
- later than 5 years	**18,778**	19,081	**18,680**	19,081
	34,112	29,125	**20,681**	20,973

(d) Litigation

(i) 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. Hytech was the Main Contractor for the Project and Mr Charles Ho from the architectural firm of Design International Architects was the Project Architect. The dispute relates to alleged defects in the Project, delay in the completion of the Project and valuation of work done and costs overruns.

The directors are of the view that the claim has no merit and accordingly, no provision for the claim has been made in the financial statements as at 31 December 2003.

(ii) There is a letter of demand from an ex-employee which alleges that he is entitled to (a) be issued 10,500 shares in the Company pursuant to an alleged term in his employment contract (which is disputed by the Company), or (b) $175,000, being the alleged monetary equivalent of such shares.

The directors are of the view that the claim has no merit and accordingly, no provision for the claim has been made in the financial statements as at 31 December 2003.

30. 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	
	2003 $'000	**2002 $'000**	**2003 $'000**	**2002 $'000**
Income				
Sales to a corporate shareholder and companies related to it	**1,149**	2,995	**-**	940
Sales to minority shareholder of a subsidiary and companies related to it	**2,630**	5,266	**-**	-
Sales to subsidiaries	**-**	-	**243**	220
Dividend income from unquoted subsidiaries	**-**	-	**10,772**	3,627
Sale of fixed assets to subsidiaries	**-**	-	**-**	153
Expenses				
Purchases of materials from a corporate shareholder and companies related to it	**1,332**	483	**-**	-
Purchases of materials from minority shareholder of a subsidiary and companies related to it	**6,493**	376	**-**	-
Purchases from subsidiaries	**-**	-	**884**	1,469
Remuneration paid to Directors	**2,209**	673	**2,209**	673
Remuneration paid to other key management personnel	**1,770**	1,017	**1,134**	642
Management fee paid to subsidiary	**-**	-	**271**	-

31. 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 to lower 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.

31. 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 does not enter 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 to hedge 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 concentrations of credit risk.

Fair values

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:

<u>Cash and cash equivalents, other current assets and current liabilities</u>

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

<u>Bank term loans</u>

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

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

Fair values (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.

Financial derivatives

The fair value of the interest rate swap contract as at 31 December 2003 is as follows:

	Notional amount $'000	Estimated negative fair value $'000
Interest rate swap	3,467	119

32. Segment information

(a) Business segments

The Group is organised on a regional basis 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.

32. Segment information (cont'd)

(a) Business segments (cont'd)

	PPIM $'000	MDF $'000	Assembly $'000	Eliminations $'000	Consolidated $'000
2003					
Segment revenue					
Sales to external customers	104,722	32,571	111,653	-	248,946
Intersegmental 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
2002					
Segment revenue					
Sales to external customers	78,329	23,260	41,497	-	143,086
Intersegmental sales	9,754	-	-	(9,754)	-
	88,083	23,260	41,497	(9,754)	143,086
Profit from operations	16,024	2,668	3,952	-	22,644
Financial expenses					(1,480)
Financial income					37
Foreign exchange loss, net					(1,524)
Share of results of associated company					644
Tax					(1,788)
Minority interests					(629)
Net profit					17,904
Depreciation	6,946	1,156	1,713	-	9,815
Other non-cash expenses	632	105	156	-	893

32. 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	
	2003 $'000	**2002 $'000**	**2003 $'000**	**2002 $'000**	**2003 $'000**	**2002 $'000**
Asia						
People's Republic of China	**136,814**	84,260	**193,253**	122,642	**51,739**	28,735
Singapore	**32,760**	19,516	**116,703**	35,071	**3,131**	3,124
Malaysia	**5,146**	5,140	**-**	-	**-**	-
Others	**6,375**	3,319	**-**	-	**-**	-
	181,095	112,235	**309,956**	157,713	**54,870**	31,859
Europe	**46,879**	17,328	**35**	-	**11**	-
United States and the rest of Americas	**20,972**	13,523	**6,640**	6,378	**299**	32
Others	**-**	-	**25,828**	-	**-**	-
	248,946	143,086	**342,459**	164,091	**55,180**	31,891

33. Authorisation of financial statements

The financial statements for the year ended 31 December 2003 were authorised for issue in accordance with a resolution of the Directors on 19 March 2004.

Statistics of Shareholdings

AS AT 15 MARCH 2004

Distribution of Shareholdings

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 of $0.05 each
Voting Rights	:	One vote per share

Size of shareholdings	No. of shareholders	%	No. of shareholders	%
1 – 999	-	-	-	-
1,000 – 10,000	1,243	72.69	6,833,000	0.77
10,001 – 1,000,000	449	26.26	33,863,000	3.82
1,000,001 and above	18	1.05	846,304,000	95.41
	1,710	100.00	887,000,000	100.00

Substantial Shareholders

as recorded in the Register of Substantial Shareholders

Name	Direct Interest	%	Deemed Interest	%
Yao Hsiao Tung	492,485,200	55.52	-	-
Wong Huey Fang	-	-	492,485,200	55.52 *
Molex International Inc	181,074,800	20.41	-	-
Molex Incorporated	-	-	181,074,800	20.41 #

* 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 492,485,200 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 181,074,800 shares held by Molex International Inc.

Twenty Largest Shareholders

No.	Name	No. of shares	%
1	Yao Hsiao Tung	492,485,200	55.52
2	Molex International Inc	181,074,800	20.41
3	Citibank Nominees Singapore Pte Ltd	38,920,000	4.39
4	HSBC (Singapore) Nominees Pte Ltd	38,431,000	4.33
5	DBS Nominees Pte Ltd	30,085,000	3.39
6	Raffles Nominees Pte Ltd	16,159,000	1.82
7	United Overseas Bank Nominees Pte Ltd	14,453,000	1.63
8	UOB Kay Hian Pte Ltd	11,049,000	1.25
9	Philip Securities Pte Ltd	6,298,000	0.71
10	Morgan Stanley Asia (Singapore) Securities Pte Ltd	3,734,000	0.42
11	Ho Teck Heng	2,690,000	0.30
12	The Asia Life Assurance Society - S'pore Life Fund	2,150,000	0.24
13	Kim Eng Securities Pte Ltd	1,986,000	0.22
14	Chew Poh Chee	1,800,000	0.20
15	Lee Kam Choon	1,600,000	0.18
16	Szeto Tzen	1,282,000	0.14
17	Liew Chee Kong	1,080,000	0.12
18	OCBC Securities Pte Ltd	1,027,000	0.12
19	Wee Bee Hoon	1,000,000	0.11
20	Lim Chin Yen	800,000	0.09
		848,104,000	95.59

Percentage of Shareholding in Public's Hands

As at 15 March 2004, approximately 23.9% 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 Ficus Ballroom (Level II), Jurong Country Club, 9 Science Centre Road, Singapore 609078, on Thursday, 29 April 2004 at 3.00 p.m. for the following purposes:

Ordinary Business

1. To receive and adopt the Directors' Report and Audited Accounts of the Company for the year ended 31 December 2003 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final dividend of 0.50 cent per share less income tax for the year ended 31 December 2003. **(Resolution 2)**

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

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

   Mr Yeo Tiong Eng will, upon re-election as a Director of the Company, remain as a member of the Audit Committee and will be considered non-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 $34,000.00 for the year ended 31 December 2003 (2002: nil). **(Resolution 5)**

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

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

Special Business

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

7. Authority to allot and issue shares up to fifty per cent. (50%) of issued capital [See Explanatory Note (i)] **(Resolution 7)**

   "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 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."

8. Authority to grant options and issue shares under the Hi-P Employee Share Option Scheme [See Explanatory Note (ii)] **(Resolution 8)**

"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 centum (15%) of the issued share capital of the Company from time to time."

By Order of the Board

Tan Tor Howe
Company Secretary

Singapore, 12 April 2004

Explanatory Notes:

(i) The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company. The aggregate number of shares (including any shares issued pursuant to the convertible securities) which the Directors may allot and issue under this Resolution will not exceed fifty per cent. (50%) of the issued share capital (as defined in Resolution 7) 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 7) of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is 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 8 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, Jurong East, Singapore 609926 not less than forty-eight (48) hours before the time for holding the Meeting.

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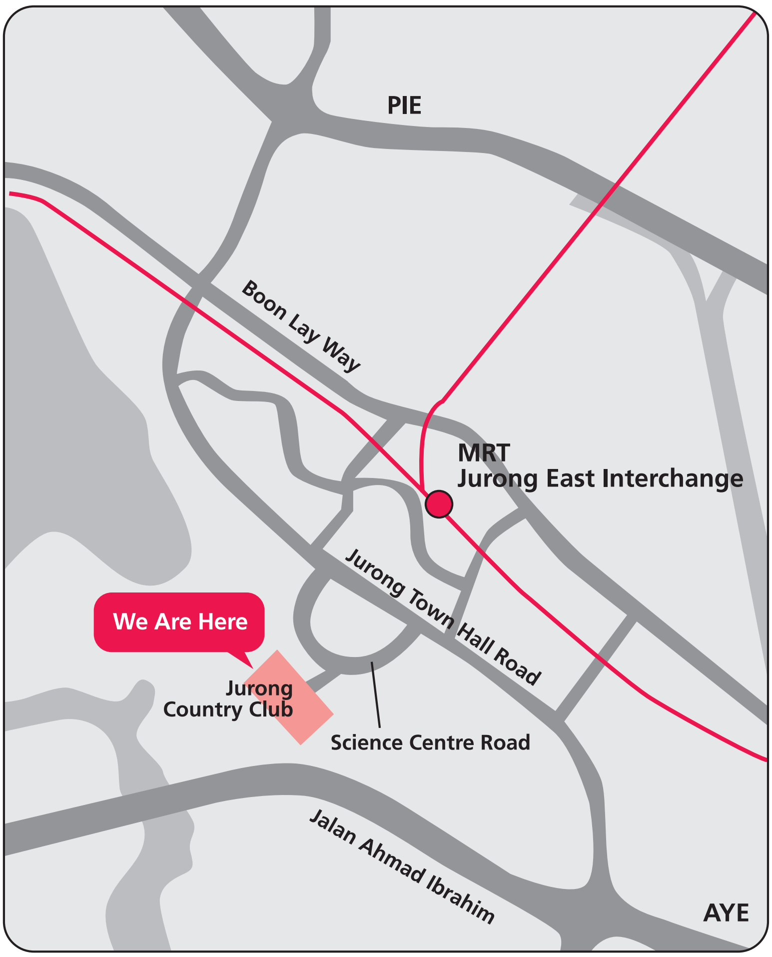
Directions to Jurong Country Club



Via Ayer Rajah Expressway (AYE), exit at Jurong Town Hall Road.

Via Pan Island Expressway (PIE), exit at Jurong East, turn into Jurong Town Hall Road.

Bus Pickup opposite back exit of Popular Bookshop at Jurong East MRT station at 2.15pm and 2.35pm.

HI-P INTERNATIONAL LIMITED
(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 Ficus Ballroom (Level II), Jurong Country Club, 9 Science Centre Road, Singapore 609078, on Thursday, 29 April 2004, at 3.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any matter arising at the Meeting.

No.	Resolutions Relating to:	For	Against
1.	Directors' Report and Accounts for the year ended 31 December 2003		
2.	Payment of proposed first and final dividend		
3.	Re-election of Mr Yeo Tiong Eng		
4.	Re-election of Mdm Wong Huey Fang		
5.	Approval of Directors' fees		
6.	Re-appointment of Messrs Ernst & Young as Auditors		
7.	Authority to issue and allot shares pursuant to Section 161 of the Companies Act, Cap. 50		
8.	Authority to grant options and issue shares under the Hi-P Employee Share Option Scheme		

Dated this __________ day of __________________ 2004.

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

____

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES

1. A member entitled to attend and vote at the Meeting is entitled to appoint 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, Jurong East, Singapore 609926**, not less than 48 hours before the time set for the Meeting.

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

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

GENERAL:

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