



Hi-P INTERNATIONAL LIMITED

赫 比 国 际 有 限 公 司

## PRESS RELEASE

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### HI-P POSTS 117% Q3 NET PROFIT INCREASE

*The Group's performance is attributable to the continuing growth across all business segments*

**SINGAPORE, 10 November 2004** – Mainboard listed integrated contract manufacturer, Hi-P International Limited (“Hi-P” or “the Group”) today announced a 116.7% increase in net profit after tax and 132.5% increase in revenue for the quarter ended 30 September 2004.

Reflecting the vibrant business activities, revenue for the third quarter rose from \$66.7 million to \$155.0 million and net profit after tax rose from \$11.4 million to \$24.8 million. All business segments within the Group saw strong growth during the quarter. Leading the strong performance was the contribution from the telecommunications business. Compared to the same quarter last year, revenue from the telecommunications business segment grew approximately 173.8% from \$34.4 million to \$94.2 million accounting for approximately 60.8% of the Group's revenue in the third quarter of FY2004. The stronger performance of the telecommunications business was a result of the ramp up of one of the customer's products during the quarter under review. While demand from

global handset OEMs continued to be strong, demand from China's local handset manufacturers remained weak.

The consumer electronics and electrical business segment also posted strong growth of 109.3% despite the EOL of a product from a major customer. Notwithstanding this unexpected setback, revenue contributions from this business segment rose from \$23.6 million to \$49.4 million and accounted for 31.9% of the Group's total revenue.

Performance of the third business segment – data storage was also encouraging due to the launch of new products during the quarter. Revenue contribution from the data storage business rose 28.5% to \$9.7 million in the third quarter of FY2004.

By business activities, the assembly business was the largest revenue contributor accounting for 51.4% of the Group's total revenue. Relative to its performance in the third quarter of the previous financial year, the assembly business registered a growth of 144.5% rising from \$32.6 million to \$79.7 million. This was followed by the precision plastic injection molding (PPIM) business which rose 122.3% from \$29.8 million to \$66.3 million in the third quarter of FY2004. Revenue contribution from the third business activity, mold design and fabrication (MDF), increased from \$4.2 million to \$8.9 million representing an increase of 111.7%.

China continued to dominate as the major revenue contributor accounting for approximately 59.5% of the Group's revenue. Compared to the third quarter of FY2003, revenue from China rose 133.8% from \$39.5 million to \$92.2 million. Europe, the second largest market for the Group, turned in revenue of \$36.4 million representing a growth of 247.4% over that of the same period in the previous financial year. Singapore, the third largest market for the Group, also saw revenue rising to \$18.4 million from \$7.3 million during the quarter.

Gross profit margins decreased from 29.0% in the third quarter of FY2003 to 25.3% in the third quarter of FY2004 mainly due to increase in overhead cost. Material cost as a percentage of revenue increased from approximately 51.0% in the third quarter of FY2003 to 51.9% in the third quarter of FY2004 primarily due to the increase in sales contributed by the Assembly division, which generally requires higher material content.

Overheads as a percentage of revenue increased from 9.8% in the third quarter of FY2003 to 14.1% in the third quarter of FY2004 mainly due to the 4% reduction in VAT rebate relating to export sales and higher provision for stock obsolescence.

Corresponding to the increased business activities, the Group incurred higher selling and administrative expenses during the quarter under review. Selling expenses rose 24.1% to \$1.1 million while administrative expenses rose 130.3% to \$12.7 million.

In the third quarter of FY2004, other operating income amounted to \$1.2 million mainly due to tax refund for capital investment in PRC.

Operating cashflow remained healthy with cashflow from operations amounting to \$29.4 million. Cash utilised for working capital purposes amounted to \$1.1 million due mainly to an increase in trade receivables and decrease in other payables and accruals of \$13.5 million and \$8.2 million respectively. This was partially offset by an increase in trade payables and decrease in notes receivable, other receivables, deposits and prepayments, amounts with related parties of \$15.6 million, \$2.8 million, \$0.8 million and \$0.4 million respectively.

Net cash used in investing activities amounted to approximately \$9.4 million due mainly to payments for purchases of fixed assets of \$8.9 million.

The Group recorded net cash outflow of \$2.5 million from financing activities due mainly to the repayment of short-term bank loans, lease obligations and term loan amounting to \$1.3 million, \$0.7 million and \$0.3 million respectively. In addition, interest expense paid amounted to \$0.3 million.

Commenting on Hi-P's performance, Mr Yao Hsiao Tung, Executive Chairman and CEO said: "I am pleased to deliver another quarter of good results to our shareholders. Our results in the third quarter reflect the growing global demand for good quality and reliable integrated contract manufacturing services. Going forward, I am confident that the demand will continue as more global brand names look to outsource their contract manufacturing needs."

On Hi-P's prospects for the fourth quarter of the year, the Board of Directors are confident of the Group's profitability into the final quarter of the current financial year.

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### **About Hi-P International Limited**

Hi-P is an integrated contract manufacturer providing manufacturing services to customers in the telecommunications, consumer electronics and electrical, data storage, life sciences / medical and automotive industries. The Group has 15 manufacturing plants located across 6 sites in the People's Republic of China (Shanghai, Chengdu, Qingdao, Tianjin, Xiamen and Suzhou), 2 plants in Singapore and 1 plant in Guadalajara, Mexico. In addition to manufacturing facilities, Hi-P has marketing and engineering support centers in USA and Finland and it has established a strategic alliance with Oechsler AG in Germany. Some of the products manufactured by Hi-P comprise electric toothbrushes for Braun/Oral B, razors for Gillette, hair dryers for Braun, mobile phones for Siemens, hard disk drives for Maxtor, Toshiba and Hitachi, cameras for Kodak and medical products for Baxter.

The shares of Hi-P International Limited are quoted on the Singapore Stock Exchange  
(Stock Code : Hi-P).

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