



Hi-P INTERNATIONAL LIMITED

赫比国际有限公司

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PRESS RELEASE

**Hi-P's FY2004 Profit Surged 141% to Record S\$88 million
as Group revenue surpassed half-billion dollar mark**

Financial Highlights	3 months to 31 Dec			12 months to 31 Dec		
	2004	2003	Chg	2004	2003	Chg
Revenue	144	80	+81%	561	249	+125%
Pretax Profit	25	13	+95%	92	40	+129%
Net Profit	25	12	+114%	88	37	+141%

SINGAPORE, 16 February 2005 – Mainboard listed integrated contract manufacturer, Hi-P International Limited (“Hi-P” or “the Group”) today reported a 141% surge in net profit to S\$88 million for the year ended 31 December 2004. The record earnings were achieved on the back of a 125% rise in Group revenue to S\$561 million. For the quarter ended 31 December 2004, revenue rose 81% to S\$144 million while net profit increased 114% to S\$25 million, compared to the corresponding period a year ago. The Group also announced a first and final gross dividend per share of 1.0 cent, up from 0.5 cent previously.

Mr Yao Hsiao Tung, Executive Chairman and CEO of Hi-P said, “Since 1998, Hi-P’s revenues have grown 18-fold and they have now surpassed the half-billion dollar mark. The momentum, while impacted slightly by end of life cycle for one of our customers’ product in Q3 FY2004, remained intact as we registered year-on-year growth consecutively for all four quarters. This is a strong testimony to the successful execution of our value chain expansion strategy and our successful positioning as a quality integrated contract manufacturer. While this trend is expected to persist for Q1 FY2005, we expect a mild sequential decline in Q1 FY2005 over Q4 FY2004 due to the seasonal softening in the handset market as well as the Lunar New Year holidays. However, we remain confident the performance in FY2005 will

be robust. Growth next year will be driven by increasing integration and expansion of our manufacturing capabilities, mass production of new consumer electronics projects and expected strong growth in the data storage sector due to the rapidly rising popularity of the one-inch drives.”

Key Highlights of FY2004 Performance

- **Telecommunications Sector Led Growth Momentum.** All business units registered healthy growth with the telecommunications sector, which accounted for 56% of Group revenue, registering the highest revenue growth of 175% in FY2004 to S\$315 million. The Consumer Electronics and Electrical sector, which turned in an impressive 109% rise in revenue to S\$201 million, accounted for 36% of Group revenue.
- **Rising integration of manufacturing capabilities** can be seen in the rising contribution from Assembly activities. In FY2004, Assembly activities accounted for 48% of total revenue, up from 45% a year ago and up from 34% four years ago. More importantly, revenue from Assembly continued to grow at a robust rate of 143% in 2004.
- **Overall margins remain healthy** at 25% for gross margins and 16% for net margins.
- **Positive Free Cashflow Generation and Healthy Financial Position.** Net cash generated from operations amounted to S\$56 million, allowing the Group to internally finance the bulk of capital expenditure during the year. Consequently, free cashflow was a positive S\$1 million. As at the end of 31 December 2004, the Group had cash and cash equivalents of S\$88 million, gross debts of S\$22 million and a low gross gearing of just 8%.
- **Enhancing Shareholder Value.** The strong performance of FY2004 has also boosted shareholders’ returns; Return on Equity rose to 38% from 28%.

In August 2004, Hi-P announced new corporate initiatives to better position itself for a new era of growth as a global integrated contract manufacturer. The Group’s business will be reorganised into three Strategic Business Units (SBUs): - Consumer Electronics, Wireless, and Computer and Medical.

Mr Yao elaborates, “We have been very successful with our 3-axis strategy in moving up the value chain; in the last four years, we have significantly broadened our core expertise beyond plastic injection molding and are now able to offer our customers integrated, cost efficient turnkey manufacturing solutions. This has also helped us deepen our relationships with our customers across product ranges and across countries. However manufacturers are also looking beyond leveraging mere comparative cost advantages; they are increasingly focusing on strategic competitive and value advantage, and they prefer to deal with less suppliers in their outsourcing process. To better serve the needs of these global manufacturers, we have to be more customer-centric and our new business structure therefore acts as a strategic overlay that will support and strengthen the execution of our 3-axis strategy. There will be more accountability and flexibility and we can offer our customers even greater value, resulting also in higher volumes and higher unit prices for Hi-P.”

“Our value proposition as a quality and reliable integrated contract manufacturer with a 24-year track record will continue to strengthen our positioning as the contract manufacturer of choice for global manufacturers. On the back of the continuing trend in global outsourcing as well as buoyant global consumer demand for telecommunications and consumer electronics products, we expect to secure more projects with greater scope,” added Mr Yao.

About Hi-P International Limited (“Hi-P”)

Founded in 1980, Hi-P first started out as a tooling specialist and is today, one of the region’s fastest growing integrated contract manufacturers. Hi-P provides manufacturing services to customers in the telecommunications, consumer electronics and electrical, data storage, life sciences/medical and automotive industries. The Group has 17 manufacturing plants located across six sites in the People’s Republic of China (Shanghai, Chengdu, Qingdao, Tianjin, Xiamen and Suzhou), two plants in Singapore and one in Guadalajara, Mexico. Hi-P also has marketing and engineering support centers in the USA and Finland and it has established a strategic alliance with Oechsler AG in Germany. Hi-P’s customers include global manufacturers such as Motorola, Gillette, Siemens, Maxtor, Seagate, Hitachi, NEC, Toshiba, Kodak and Baxter. Hi-P was listed on the Mainboard of the Singapore Stock Exchange on 17 December 2003. Please visit us at www.hi-p.com

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