

Hi-P International Limited

Full Year Financial Statement and Dividend Announcement for the period ended 31 December 2003

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF FULL YEAR RESULTS

1(a) Income statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		Increase/ (decrease)
	2003 S\$'000	2002 S\$'000	%
Revenue	248,946	143,086	74.0
Cost of sales	(183,103)	(102,317)	79.0
Gross profit	65,843	40,769	61.5
Operating expense			
Selling expense	(163)	(162)	0.6
Administrative expenses	(25,209)	(19,173)	31.5
Other operating expenses	-	(38)	(100.0)
	(25,372)	(19,373)	31.0
Other operating income	2,493	1,248	99.8
Profit from operations	42,964	22,644	89.7
Financial expenses	(1,929)	(1,480)	30.3
Financial income	176	37	375.7
Foreign exchange loss, net	(1,292)	(1,524)	(15.2)
Profit before tax and share of results of associated company	39,919	19,677	102.9
Share of results of associated companies	337	644	(47.7)
Profit before tax	40,256	20,321	98.1
Tax	(2,911)	(1,788)	62.8
Profit after tax but before minority interest	37,345	18,533	101.5
Minority interests	(759)	(629)	20.7
Profit attributable to shareholders	36,586	17,904	104.3

Other notes:

Profit from operations is arrived at after charging (crediting) the following:

	31 December 2003 S\$'000	31 December 2002 S\$'000
1. Depreciation	13,257	9,815
2. Write back of provision for doubtful trade debts, net	-	(273)
3. Provision for stock obsolescence (written back)	1,154	(290)
4. Inventories written off	2,299	497
5. Fixed assets impairment loss	103	-
6. Directors remuneration	2,209*	983
7. Directors fees	34	-
8. Operating lease expense	3,651	2,173
9. Staff Cost	40,141	22,365
10. (Gain) loss on disposal of fixed assets	(590)	38
11. Exceptional items	-	-
12. Extraordinary items	-	-

* Amount includes the Executive Chairman's performance bonus of \$1.245 million pursuant to the Service Agreement, computed based on 3% of the Group's profit before tax and minority interest for the current financial year.

1(a) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Fixed assets	133,895	95,285	22,166	21,753
Investment in subsidiaries	-	-	50,735	31,737
Investment in associated company	1,805	1,127	903	503
Other investment	12	12	12	12
Current assets				
Inventories	24,668	14,290	3,444	2,221
Trade receivables	50,487	35,622	7,631	6,605
Notes receivable	1,214	1,183	-	-
Other receivables, deposits and prepayments	16,304	5,791	408	763
Due from subsidiaries (non-trade)	-	-	10,977	13,852
Due from subsidiaries (trade)	-	-	94	272
Due from related parties (trade)	781	1,664	-	16
Fixed deposits	66	404	66	404
Cash and bank balances	113,227	8,713	80,053	1,126
	206,747	67,667	102,673	25,259
Current liabilities				
Trade payables	50,737	29,964	4,396	6,751
Other payables and accruals	45,516	14,640	9,215	1,602
Due to subsidiaries (non-trade)	-	-	40	-
Due to subsidiaries (trade)	-	-	390	-
Due to related parties (trade)	38	380	-	-
Lease obligations, current portion	4,861	3,342	4,337	3,258
Provision for income tax	2,538	836	1,282	736
Bank term loans, current portion	2,515	2,410	2,244	2,244
Short-term bank loans	14,509	20,688	3,020	8,950
Bank overdrafts (secured)	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	2,368	2,576	1,767	2,468
Bank term loans, non-current portion	21,666	8,782	5,938	8,182
Deferred tax liability	2,774	2,559	2,774	2,559
	193,731	76,640	139,907	41,406
Equity				
Shareholders' equity	191,364	74,983	139,907	41,406
Minority interests	2,367	1,657	-	-
	193,731	76,640	139,907	41,406

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable within one year or less, or on demand

As at 31/12/2003		As at 31/12/2002	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
11,039	12,052	25,618	2,096

Amount repayable after one year

As at 31/12/2003		As at 31/12/2002	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
8,306	15,728	11,358	-

Bank term loans, short-term bank loans and bank overdrafts were secured by way of a legal mortgage over the factory building of the Company and a charge over certain machineries of the Group. Lease obligations were secured against the respective leased assets.

Certain borrowings by the subsidiaries of the Company were secured by a corporate guarantee of the Company. These amounts have been disclosed as unsecured.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	31/12/2003	31/12/2002
	S\$'000	S\$'000
Cash flows from operating activities		
Profit before tax and share of results of associated companies	39,919	19,677
Adjustments:		
Depreciation of fixed assets	13,257	9,815
(Gain) loss on disposal of fixed assets	(590)	38
Fixed asset impairment loss	103	-
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 diminution in value of club membership	-	24
Interest income	(176)	(37)
Interest expense	1,929	1,480
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

1(c) Cash flow statement (cond't)

	31/12/2003	31/12/2002
	\$'000	\$'000
Cash flows from investing activities		
Purchase of fixed assets (Note 1)	(34,530)	(23,675)
Interest income received	176	37
Proceeds from disposal of fixed assets	1,223	869
Acquisition of associated company	(400)	-
Net cash used in investing activities	<u>(33,531)</u>	<u>(22,769)</u>
Cash flows from financing activities		
Interest expense paid	(1,929)	(1,480)
Proceeds from bank term loans, net	12,989	4,595
Repayment of short-term loans, net	(6,179)	(151)
Lease obligations repayments	(3,892)	(3,549)
Proceeds from issuance of shares	82,591	-
Net cash generated from (used in) financing activities	<u>83,580</u>	<u>(585)</u>
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	<u>112,087</u>	<u>7,843</u>
Note 1		
Current year additions to fixed assets	55,180	31,891
Less : -		
Financed by leases	(5,202)	(2,149)
Payable to creditors	<u>(22,417)</u>	<u>(6,969)</u>
	27,561	22,773
Payments for prior year purchase of fixed assets	<u>6,969</u>	<u>902</u>
	<u>34,530</u>	<u>23,675</u>

1(d)(i) A statement (for the issuer and the group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group

	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Reserve fund \$'000	Translation reserve \$'000	Accumulated profits \$'000	Total \$'000
Balance at 1 January 2002	18,400	-	37	3,925	4,296	34,728	61,386
Currency translation differences	-	-	-	-	(4,073)	-	(4,073)
Dividend	-	-	-	-	-	(234)	(234)
Net profit for the year	-	-	-	-	-	17,904	17,904
Transfer to reserve fund	-	-	-	1,580	-	(1,580)	-
Balance at 31 December 2002	18,400	-	37	5,505	223	50,818	74,983
Balance at 1 January 2003	18,400	-	37	5,505	223	50,818	74,983
Currency translation differences	-	-	-	-	(2,562)	-	(2,562)
Bonus issue	18,400	-	-	-	-	(18,400)	-
Issue of new shares	7,550	75,041	-	-	-	-	82,591
Dividend	-	-	-	-	-	(234)	(234)
Net profit for the year	-	-	-	-	-	36,586	36,586
Transfer to reserve fund	-	-	-	3,808	-	(3,808)	-
Balance at 31 December 2003	44,350	75,041	37	9,313	(2,339)	64,962	191,364

Company

	Share capital S\$'000	Share premium S\$'000	Accumulated profits S\$'000	Total S\$'000
Balance as at 1 January 2002	18,400	-	19,180	37,580
Net Profit for the year	-	-	4,060	4,060
Dividend paid	-	-	(234)	(234)
Balance as at 31 December 2002	<u>18,400</u>	<u>-</u>	<u>23,006</u>	<u>41,406</u>
Balance as at 1 January 2003	18,400	-	23,006	41,406
Bonus issue	18,400	-	(18,400)	-
Issue of new shares	7,550	75,041	-	82,591
Net Profit for the year	-	-	16,144	16,144
Dividend paid	-	-	(234)	(234)
Balance as at 31 December 2003	<u>44,350</u>	<u>75,041</u>	<u>20,516</u>	<u>139,907</u>

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of share for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

During the financial year, the Company increased its authorised share capital from \$25,000,000 divided into 25,000,000 ordinary shares of \$1 each to \$100,000,000 divided into 100,000,000 ordinary shares of \$1 each, by the creation of an additional 75,000,000 ordinary shares of \$1 each.

An amount of \$18,400,000 was capitalised from accumulated profits by way of a 1-for-1 bonus issue of 18,400,000 ordinary shares of \$1 each. The Company then sub-divided 1 ordinary share of \$1 each into 20 ordinary shares of \$0.05 each.

Subsequently, the Company issued 151,000,000 ordinary shares of \$0.05 each at \$0.57 per share pursuant to the initial public offering ("IPO") of the Company on the basis that the new shares will rank pari-passu in all respects with the existing shares of the Company. As a result, the issued and paid-up share capital of the Company increased to \$44,350,000 comprising 887,000,000 ordinary shares of \$0.05 each.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited financial statements have been applied

The Group had applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited financial statements as at 31 December 2002.

5. If there are any changes in the accounting policies and method of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Not applicable.

6. Earnings per share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	2003		2002
	S\$'000		S\$'000
Operating profit after exceptional items and tax before deducting minority interests as a percentage of revenue	15.0%		13.0%
Operating profit after tax attributable to members of the company as a percentage of issued capital and reserves at the end of the period	19.1%		23.9%
Earnings per ordinary share			
(a) Based on weighted average number of ordinary shares in issue	4.93	**	2.44
(b) On a fully diluted basis	4.93	**	2.44
			*

* Earnings per share for FY2002 have been computed based on the pre-invitation share capital of 736,000,000 ordinary shares of \$0.05 each.

** Earnings per share for FY2003 have been computed based on the pre-invitation share capital of 736,000,000 ordinary shares being in issue for 365 days and 151,000,000 (issued pursuant to the IPO) being in issue for 15 days giving rise to the weighted average number of shares of 742,205,479.

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-**
- (a) **current financial period reported on; and**
 - (b) **immediately preceding financial year**

	Group		Company	
	2003	2002	2003	2002
	Cents	Cents	Cents	Cents
Net Asset Value per Ordinary Share based on issued share capital at the end of the year	21.57	10.19	15.77	5.63

The above is computed based on 887.0 million (2002: 736.0 million) shares in issue as at 31 December 2003.

For the purpose of computing the comparative net asset value per share, it is assumed that the bonus issue of 18,400,000 shares of \$1 each in the current financial year were issued at the beginning of the financial year ended 31 December 2002. The share split into ordinary shares of \$0.05 cents each is also assumed to have taken place at the beginning of the financial year ended 31 December 2002.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
- (a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
 - (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

- (a) Our revenue increased by approximately \$105.8 million or 74.0% from \$143.1 million in FY2002 to \$248.9 million in FY2003. All business segments delivered strong performance, driven by the higher demand from our customers operating in the telecommunications and customer electronics and electrical sectors. Revenue from the telecommunications and consumer electronics and electrical sectors contributed an aggregate of \$210.9 million representing about 84.7% of the Group's total revenue.

Globally, Asia was the largest revenue contributor comprising approximately 72.7% of the Group's total revenue while Europe ranked second with 18.8% revenue contribution. In Asia, China posted the strongest growth contributing revenue of \$136.8 million comprising 55.0% of Hi-P's revenue. Singapore came in second with contributions of \$32.8 million representing 13.2% of the Group's revenue.

Gross profit increased by \$25.1 million or 61.5% from \$40.8 million to \$65.8 million. However, gross profit margin decreased from 28.5% in FY2002 to 26.4% in FY 2003 mainly as a result of higher material cost included in the cost of sales due to the change in product mix and higher level of assembly activities.

On the other hand, 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. As a result, operating profit margin increased from 15.8% in FY2002 to 17.3% in FY2003. Our profit from operations increased significantly by \$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 increase in gross profit mentioned above and increase in other operating income of \$1.2 million due to tax refund from China as a result of reinvestment in China.

Tax expense increased by \$1.1 million or 62.8% from \$1.8 million in FY2002 to \$2.9 million in FY2003. The increase was due 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 exemptions in FY2003.

The Group registered a 104.3% rise in its net profit after tax and minority interest from \$17.9 million in FY2002 to \$36.6 million in FY2003 and its EBITDA rose from \$31.0 million to \$54.5 million.

- (b) Cash and Cash Equivalents stood at \$112.1 million at the end of the FY2003 representing an increase of 1329% primarily due to the cash inflow of \$82.6 million from Hi-P's initial public offering in December 2003.

A total of \$55.2 million was spent on capital expenditures in FY2003 for the acquisition of equipment and expansion of manufacturing facilities. Reflecting its strong business growth, working capital requirements and capital expenditures were relatively higher in 2003. This brought the Group's total liabilities to \$148.7 million from \$87.5 million in the previous financial year. Incremental assets investments during the year brought the total assets to \$342.5 million.

9. Where a forecast, or prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

	Forecast 2003 \$'million	Actual 2003 \$'million	Variance %
Revenue	246.5	248.9	1.0
Profit before tax	38.0	40.3	6.1
Net profit	35.2	36.6	4.0

The Group's results for FY2003 was marginally higher than the revenue and profit forecast in the prospectus dated 8 December 2003.

Revenue increased marginally due to higher sales to customers in the telecommunications industry than forecasted. The Group had achieved better profit margin mainly due to economies of scale.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Directors of Hi-P International are confident of the prospects of the Group in FY2004. Geographically China will continue to feature as an important center for Hi-P's manufacturing activities while Singapore will focus on delivering higher value-add services. By business activities, while growth is expected for all business segments, telecommunications and consumer electronics and electrical will maintain their positions as the key contributors to the Group's performance.

Barring unforeseen circumstances, the management expects the Group's performance for the first quarter of the new financial year to be significantly better than the first quarter of the previous year in view of the rising demand by global MNCs for integrated contract manufacturing services in China.

11. Dividend

(a) Current Financial Period Reported on

The directors are pleased to recommend a first and final dividend in respect of FY2003 as follows –

Name of Dividend	:	First and Final Dividend
Dividend Type	:	Cash
Dividend Rate	:	0.39 cents per ordinary share
Tax rate	:	22%
Par value of shares	:	\$0.05
Total amount payable	:	\$3.459 million

The recommended dividend takes into consideration the Group's FY2003 results, its present cash position, and its projected working capital requirements for the next financial year. Payment of the dividend is subject to the Shareholders' approval at the forthcoming Annual General Meeting.

(b) Date payable

To be announced later.

(c) Books closure date

To be announced later.

(d) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? Yes.

Name of Dividend	:	First and Final Dividend
Dividend Type	:	Cash
Dividend Rate	:	1.63 cents per ordinary share
Tax rate	:	22%
Par value of shares	:	\$1.00
Total amount paid	:	\$0.234 million

12. If no dividend has been declared/recommended, a statement to that effect.

Not applicable.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediate preceding year.

Segmental results by Activities and Geographical Markets

By Activities	PPIM S\$'000	MDF S\$'000	Assembly S\$'000	Consolidated S\$'000
2003				
Revenue	104,722	32,571	111,653	<u>248,946</u>
Profit from operations	22,269	5,715	14,980	42,964
Finance expense				(1,929)
Finance income				176
Foreign exchange loss, net				(1,292)
Share of results of associated companies				337
Tax				(2,911)
Minority Interests				(759)
Net profit attributable to shareholders of the company				<u>36,586</u>
Depreciation	6,358	2,623	4,276	13,257
Other non-cash expenses	1,737	446	1,168	3,351
2002				
Revenue	78,329	23,260	41,497	<u>143,086</u>
Profit from operations	16,024	2,668	3,952	22,644
Finance expense				(1,480)
Finance income				37
Foreign exchange loss, net				(1,524)
Share of results of associated companies				644
Tax				(1,788)
Minority Interests				(629)
Net profit attributable to shareholders of the company				<u>17,904</u>
Depreciation	6,946	1,156	1,713	9,815
Other non-cash expenses	632	105	156	893

Segmental results by Activities and Geographical Markets (cond't)

By Geographical Markets

	Revenue	
	2003	2002
	S\$'000	S\$'000
Asia		
PRC	136,814	84,260
Singapore	32,760	19,516
Malaysia	5,146	5,140
Others	6,375	3,319
	181,095	112,235
Europe	46,879	17,328
USA and other parts of the Americas	20,972	13,523
	248,946	143,086

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Please refer to Paragraph 8.

15. A breakdown of the sales

	Group	
	2003	2002
	S\$'000	S\$'000
(a) First half and second half year results		
Sales reported for first half year	102,726	51,193
Operating profit/(loss) after tax before deducting minority interest reported for first half year	14,009	4,904
Sales reported for second half year	146,220	91,893
Operating profit/(loss) after tax before deducting minority interest reported for second half year	23,336	13,629

16. A breakdown of the total annual dividend (in dollar) for the issuer's latest full year and its previous full year as follows:-

Total Annual Dividend

	2003 (S\$'000)	2002 (S\$'000)
Ordinary	234	234

BY ORDER OF THE BOARD

Tan Tor Howe
Company Secretary

16 February 2004