

PRESS RELEASE

HI-P POSTS 104% JUMP IN POST TAX NET PROFITS

Strong growth seen across all business activities and all geographic locations

SINGAPORE, 16 February 2004 – Mainboard listed Integrated Contract Manufacturer, Hi-P International Limited (“Hi-P” or “the Group”) today announced a 104.3% jump in its net profit after tax to \$36.6 million for the financial year ended 31 December 2003 compared to \$17.9 million in the previous financial year. Group revenue rose 74% to \$248.9 million compared to \$143.1 million in 2002. EBITDA was also stronger rising from \$31.0 million to \$54.5 million in FY 2003.

Hi-P’s strong performance in FY 2003 was attributable to the higher demand from its customers operating in the telecommunications and consumer electronics and electrical sectors. The demand in the telecommunications and consumer electronics and electrical sectors contributed aggregate revenues 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% of Hi-P’s revenue. Singapore came in second with contributions of \$32.8 million representing 13.2% of the Group’s revenue.

Gross profits increased by \$25.1 million or 61.5% rising from \$40.8 million to \$65.8 million. However, gross profit margin declined from 28.5% in FY2002 to 26.4% in FY2003 primarily due to the higher cost of sales. The change in product mix and higher level of assembly services resulted in higher material costs that eventually affected the cost of sales during the year.

On the other hand, with the economies of scale, operating expenses as a percentage of revenue were lower declining from 13.5% in FY 2002 to 10.2% in FY 2003. Correspondingly, operating profit margin was higher in FY 2003 increasing from 15.8% to 17.3%. Similarly, profit from operations posted a significant rise of \$20.4 million or 89.7% rising from \$22.6 million in FY2002 to \$43.0 million in FY2003. The increase in profit from operations was attributable to the increase in the abovementioned gross profit and an increase of \$1.2 million from other operating income. This profit increase is attributable to the tax refund from China as a result of the Group's reinvestment in China.

In FY 2003, tax expense was also higher rising by \$1.1 million or 62.8% to \$2.9 million. The higher tax expense was due to the higher pre-tax profits although the Group's effective tax rate was lower declining from 8.8% in FY 2002 to 7.2% in FY2003. The lower tax rate was mainly due to the increase in profit contribution from certain PRC subsidiaries whose profits were entitled to full tax exemptions in FY 2003.

Commenting on the performance of Hi-P, Mr Yao Hsiao Tung, Executive Chairman and CEO said: "Hi-P's performance today reflects the level of trust and confidence that we are getting from our customers. It underscores the power of our Three-Axis Strategy. More importantly, it is also an encouragement for all of us at Hi-P and a reminder that to stay ahead of competition, we will have to continually improve the quality of our services in return for the support that our customers are giving to us."

Cash and Cash Equivalents stood at \$112.1 million at the end of the FY2003 representing an increase of 1429% primarily due to the capital 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 expenditure 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.

On its performance for FY2004, the Directors of Hi-P International are confident of the prospects of the Group in the new financial year. 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 performance for the first quarter of the new financial year to be significantly better than the corresponding period of the previous year in view of the rising demand by global MNCs for integrated contract manufacturing services in China.

About Hi-P International Limited

Hi-P is an integrated contract manufacturer providing manufacturing services to customers in the telecommunication, consumer electronics and electrical, data storage, life sciences / medical and automotive industries. The Group has 13 manufacturing plants located across 6 sites in the People's Republic of China (Shanghai, Chengdu, Qingdao, Tianjing, 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 battery operated toothbrush from Braun/Oral B, hair dryers from Braun, hard disk drives from Maxtor, Toshiba and Hitachi, cameras from Kodak and medical products from Baxtor.

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

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