

**Hi-P International Limited (Registration Number: 198004817H)**

**Full Year Financial Statement and Dividend Announcement for the year ended 31 December 2004**

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3),  
HALF-YEAR AND 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			Group		
	Q4-04 S\$'000	Q4-03 * S\$'000	Increase/ (decrease) %	YTD Dec-04 S\$'000	YTD Dec-03 * S\$'000	Increase/ (decrease) %
Revenue	143,789	79,551	80.8	560,931	248,946	125.3
Cost of sales	(107,709)	(59,522)	81.0	(421,040)	(183,103)	129.9
Gross profit	36,080	20,029	80.1	139,891	65,843	112.5
Operating expenses						
Selling expenses	(1,115)	(1,000)	11.5	(4,216)	(2,940)	43.4
Administrative expenses	(9,180)	(6,573)	39.7	(44,770)	(22,432)	99.6
	(10,295)	(7,573)	35.9	(48,986)	(25,372)	93.1
Other operating income	773	1,418	(45.5)	3,624	2,493	45.4
Profit from operations	26,558	13,874	91.4	94,529	42,964	120.0
Financial expenses	(235)	(353)	(33.4)	(1,302)	(1,811)	(28.1)
Financial income	134	29	362.1	343	58	491.4
Foreign exchange loss, net	(1,177)	(703)	67.4	(1,548)	(1,292)	19.8
Profit before tax and share of results of associated company	25,280	12,847	96.8	92,022	39,919	130.5
Share of results of associated companies	(96)	90	(206.7)	355	337	5.3
Profit before tax	25,184	12,937	94.7	92,377	40,256	129.5
Tax	53	(1,107)	(104.8)	(3,113)	(2,911)	6.9
Profit after tax but before minority interest	25,237	11,830	113.3	89,264	37,345	139.0
Minority interest	(208)	(123)	69.1	(1,211)	(759)	59.6
Profit attributable to shareholders	25,029	11,707	113.8	88,053	36,586	140.7

\* Certain comparative figures have been reclassified to conform with the current financial period's presentation.

Other notes:

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

	<b>Q4-04</b> <b>S\$'000</b>	<b>Q4-03</b> <b>S\$'000</b>	<b>YTD</b> <b>Dec-04</b> <b>S\$'000</b>	<b>YTD</b> <b>Dec-03</b> <b>S\$'000</b>
1. Depreciation	5,100	4,023	18,841	13,257
2. Provision for doubtful trade debts (written back)	513	(353)	5,786	-
3. Bad debts written off (written back)	4	-	806	-
4. Provision for inventories obsolescence (written back)	(81)	1,164	3,162	1,154
5. Inventories written off (written back)	219	2,661	2,971	2,299
6. Directors' remuneration	953	860	3,772	2,209
7. Directors' fees				
- current year provision	93	34	342	34
- overprovision in prior year	-	-	(168)	-
8. Operating lease expenses	1,467	954	5,108	3,651
9. Staff costs *	19,352	13,179	76,274	40,343
10. Loss (Gain) on disposal of fixed assets	81	(138)	(483)	(590)

\* Excludes directors' remuneration, which has been disclosed separately in #6 above.

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

	<b>Group</b>		<b>Company</b>	
	<b>31/12/2004</b>	<b>31/12/2003</b>	<b>31/12/2004</b>	<b>31/12/2003</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>Fixed assets</b>	168,965	133,895	22,205	22,166
<b>Investment in subsidiaries</b>	-	-	58,345	50,735
<b>Investment in associated companies</b>	2,073	1,805	903	903
<b>Other investment</b>	12	12	12	12
<b>Other non-current assets</b>	514	-	514	-
<b>Current assets</b>				
Inventories	60,278	24,668	3,453	3,444
Trade receivables	102,591	50,487	10,346	7,631
Notes receivable	840	1,214	-	-
Other receivables, deposits and prepayments	17,500	16,304	696	408
Due from subsidiaries (non-trade)	-	-	45,241	10,977
Due from subsidiaries (trade)	-	-	230	94
Due from related parties (trade)	2,481	781	-	-
Dividend receivable	-	-	1,064	-
Fixed deposits	40,067	66	40,067	66
Cash and bank balances	48,128	113,227	15,723	80,053
	<b>271,885</b>	<b>206,747</b>	<b>116,820</b>	<b>102,673</b>
<b>Current liabilities</b>				
Trade payables	97,586	50,737	6,758	4,396
Other payables and accruals	47,642	45,516	12,557	9,215
Due to subsidiaries (non-trade)	-	-	31,186	40
Due to subsidiaries (trade)	-	-	307	390
Due to related parties (trade)	1,079	38	-	-
Lease obligations, current portion	1,879	4,861	1,442	4,337
Provision for income tax	1,831	2,538	374	1,282
Bank term loans, current portion	10,153	2,515	1,387	2,244
Short-term bank loans	4,911	14,509	-	3,020
Bank overdrafts (secured)	-	1,206	-	1,179
	<b>165,081</b>	<b>121,920</b>	<b>54,011</b>	<b>26,103</b>
Net current assets	106,804	84,827	62,809	76,570
<b>Non-current liabilities</b>				
Lease obligations, non-current portion	577	2,368	406	1,768
Bank term loans, non-current portion	4,574	21,666	694	5,937
Deferred tax liability	2,774	2,774	2,774	2,774
	<b>270,443</b>	<b>193,731</b>	<b>140,914</b>	<b>139,907</b>
<b>Equity</b>				
Shareholders' equity	268,198	191,364	140,914	139,907
Minority interest	2,245	2,367	-	-
	<b>270,443</b>	<b>193,731</b>	<b>140,914</b>	<b>139,907</b>

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

**Amount repayable within one year or less, or on demand**

As at 31/12/2004		As at 31/12/2003	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
1,879	15,064	11,039	12,052

**Amount repayable after one year**

As at 31/12/2004		As at 31/12/2003	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
577	4,574	8,306	15,728

Lease obligations were secured against the respective leased assets.

Certain borrowings of 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.**

	Q4-04 S\$'000	Q4-03 * S\$'000	YTD Dec-04 S\$'000	YTD Dec-03 * S\$'000
<b>Cash flows from operating activities</b>				
Profit before tax and share of results of associated companies	25,280	12,847	92,022	39,919
Adjustments:				
Depreciation of fixed assets	5,100	4,023	18,841	13,257
Loss (Gain) on disposal of fixed assets	81	(138)	(483)	(590)
Impairment of fixed assets	-	-	-	103
Provision for doubtful trade debts (written back)	513	(353)	5,786	-
Provision for inventory obsolescence (written back)	(81)	1,164	3,162	1,154
Inventories written off	-	2,299	-	2,299
Interest income	(134)	(29)	(343)	(58)
Interest expense	235	353	1,302	1,811
Translation difference	(4,141)	(1,402)	(3,449)	(77)
Operating profit before working capital changes	<u>26,853</u>	<u>18,764</u>	<u>116,838</u>	<u>57,818</u>
Decrease (increase) in:				
Inventories	(8,287)	2,382	(38,560)	(13,802)
Trade receivables	6,944	(1,255)	(57,398)	(14,845)
Notes receivable	3,068	(837)	374	(30)
Other receivables, deposits and prepayments	(253)	(6,302)	(1,196)	(10,513)
Increase (decrease) in:				
Trade payables	(13,252)	4,419	46,849	20,773
Other payables and accruals	9,079	11,478	(1,278)	15,428
Due from/to related parties (trade), net	620	464	(888)	541
Cash generated from operations	<u>24,772</u>	<u>29,113</u>	<u>64,741</u>	<u>55,370</u>
Dividend paid	(668)	-	(4,772)	(234)
Income taxes paid	(970)	628	(4,193)	(941)
Net cash generated from operating activities	<u>23,134</u>	<u>29,741</u>	<u>55,776</u>	<u>54,195</u>

**1(c) Cash flow statement (cont'd)**

	<b>Q4-04</b>	<b>Q4-03 *</b>	<b>YTD</b>	<b>YTD</b>
	<b>SS'000</b>	<b>SS'000</b>	<b>Dec-04</b>	<b>Dec-03 *</b>
			<b>SS'000</b>	<b>SS'000</b>
<b>Cash flows from investing activities</b>				
Investment in associated companies	-	-	-	(400)
Purchase of fixed assets (Note)	(13,455)	(8,329)	(57,812)	(34,530)
Interest income received	134	29	343	58
Proceeds from disposal of fixed assets	42	(31)	2,926	1,223
Net cash used in investing activities	<u>(13,279)</u>	<u>(8,331)</u>	<u>(54,543)</u>	<u>(33,649)</u>
<b>Cash flows from financing activities</b>				
Interest expense paid	(235)	(353)	(1,302)	(1,811)
(Repayment of) Proceeds from bank term loans, net	(1,177)	(5,432)	(9,454)	12,989
(Repayment of) Proceeds from short-term loans, net	(161)	5,514	(9,597)	(6,179)
Repayment of lease obligations	(563)	(5,300)	(4,773)	(3,892)
Proceeds from issuance of shares	-	86,070	-	86,070
Share issue expenses pursuant to IPO	-	(3,479)	-	(3,479)
Net cash (used in) generated from financing activities	<u>(2,136)</u>	<u>77,020</u>	<u>(25,126)</u>	<u>83,698</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>7,719</b>	<b>98,430</b>	<b>(23,893)</b>	<b>104,244</b>
<b>Cash and cash equivalents at beginning of period / year</b>	<b>80,475</b>	<b>13,657</b>	<b>112,087</b>	<b>7,843</b>
<b>Cash and cash equivalents at end of period / year</b>	<b><u>88,194</u></b>	<b><u>112,087</u></b>	<b><u>88,194</u></b>	<b><u>112,087</u></b>
<b>Note</b>				
Current period / year additions to fixed assets	8,835	25,861	61,216	55,180
Less : -				
Financed by leases (Net)	-	(4,853)	-	(5,202)
Payable to creditors (Net)	4,355	(12,679)	(23,441)	(22,417)
	<u>13,190</u>	<u>8,329</u>	<u>37,775</u>	<u>27,561</u>
Payments for prior period / year purchase of fixed assets	265	-	20,037	6,969
	<u>13,455</u>	<u>8,329</u>	<u>57,812</u>	<u>34,530</u>

\* Certain comparative figures have been reclassified to conform with the current financial period's presentation.

**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.**

**(i) Consolidated statement of changes in equity for the year ended 31 December 2004**

	Share capital S\$'000	Share premium S\$'000	Capital reserve S\$'000	Reserve fund S\$'000	Translation reserve S\$'000	Accumulated profits S\$'000	Total S\$'000
Balance at 1 January 2004	44,350	75,041	37	9,313	(2,339)	64,962	191,364
Currency translation differences	-	-	-	10	(1,435)	-	(1,425)
Net profit for the period	-	-	-	-	-	16,127	16,127
Balance at 31 March 2004	44,350	75,041	37	9,323	(3,774)	81,089	206,066
Currency translation differences	-	-	-	-	2,697	-	2,697
Net profit for the period	-	-	-	-	-	22,130	22,130
Final dividend paid	-	-	-	-	-	(3,548)	(3,548)
Balance at 30 June 2004	44,350	75,041	37	9,323	(1,077)	99,671	227,345
Currency translation differences	-	-	-	-	(2,760)	-	(2,760)
Net profit for the period	-	-	-	-	-	24,767	24,767
Balance at 30 September 2004	44,350	75,041	37	9,323	(3,837)	124,438	249,352
Currency translation differences	-	-	-	15	(6,198)	-	(6,183)
Net profit for the period	-	-	-	-	-	25,029	25,029
Transfer to reserve fund	-	-	-	6,984	-	(6,984)	-
Balance at 31 December 2004	44,350	75,041	37	16,322	(10,035)	142,483	268,198

**(ii) Consolidated statement of changes in equity for the year ended 31 December 2003**

	<b>Share capital S\$'000</b>	<b>Share premium S\$'000</b>	<b>Capital reserve S\$'000</b>	<b>Reserve fund S\$'000</b>	<b>Translation reserve S\$'000</b>	<b>Accumulated profits S\$'000</b>	<b>Total S\$'000</b>
Balance at 1 January 2003	18,400	-	37	5,505	223	50,818	74,983
Currency translation differences	-	-	-	-	1,370	-	1,370
Net profit for the period	-	-	-	-	-	5,971	5,971
Balance at 31 March 2003	18,400	-	37	5,505	1,593	56,789	82,324
Currency translation differences	-	-	-	-	(608)	-	(608)
Net profit for the period	-	-	-	-	-	7,481	7,481
Final dividend paid	-	-	-	-	-	(234)	(234)
Balance at 30 June 2003	18,400	-	37	5,505	985	64,036	88,963
Currency translation differences	-	-	-	-	(1,576)	-	(1,576)
Net profit for the period	-	-	-	-	-	11,427	11,427
Balance at 30 September 2003	18,400	-	37	5,505	(591)	75,463	98,814
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	-	-	-	-	(1,748)	-	(1,748)
Net profit for the period	-	-	-	-	-	11,707	11,707
Balance at 31 December 2003	44,350	75,041	37	9,313	(2,339)	64,962	191,364

**(iii) Statement of changes in equity of the company for the year ended 31 December 2004**

	<b>Share capital S\$'000</b>	<b>Share premium S\$'000</b>	<b>Accumulated profits S\$'000</b>	<b>Total S\$'000</b>
Balance at 1 January 2004	44,350	75,041	20,516	139,907
Net Loss for the period	-	-	(178)	(178)
Balance at 31 March 2004	44,350	75,041	20,338	139,729
Net Loss for the period	-	-	(1,144)	(1,144)
Final dividend paid	-	-	(3,548)	(3,548)
Balance at 30 June 2004	44,350	75,041	15,646	135,037
Net Profit for the period	-	-	2,803	2,803
Balance at 30 September 2004	44,350	75,041	18,449	137,840
Net Profit for the period	-	-	3,074	3,074
Balance at 31 December 2004	44,350	75,041	21,523	140,914

**(iv) Statement of changes in equity of the company for the year ended 31 December 2003**

	<b>Share capital S\$'000</b>	<b>Share premium S\$'000</b>	<b>Accumulated profits S\$'000</b>	<b>Total S\$'000</b>
Balance at 1 January 2003	18,400	-	23,006	41,406
Net Profit for the period	-	-	995	995
Balance at 31 March 2003	18,400	-	24,001	42,401
Net Profit for the period	-	-	4,093	4,093
Final dividend paid	-	-	(234)	(234)
Balance at 30 June 2003	18,400	-	27,860	46,260
Net Profit for the period	-	-	8,188	8,188
Balance at 30 September 2003	18,400	-	36,048	54,448
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)
Net Profit for the period	-	-	2,868	2,868
Balance at 31 December 2003	44,350	75,041	20,516	139,907

**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 year ended 31 December 2004, there has been no increase in the issued and paid up share capital of the Company.

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

The figures have not been reviewed or audited 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 2003.

**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.**

	<b>Q4-04</b>	<b>Q4-03</b>	<b>YTD Dec-04</b>	<b>YTD Dec-03</b>
Operating profit after exceptional items and tax before deducting minority interests as a percentage of revenue	17.6%	14.9%	15.9%	15.0%
Operating profit after tax attributable to members of the company as a percentage of issued capital and reserves at the end of the period	9.3%	6.1%	32.8%	19.1%
Earnings per ordinary share				
(a) Based on weighted average number of ordinary shares in issue (cents)	2.82	1.54	9.93	4.93
(b) On a fully diluted basis (cents)	2.82	1.54	9.93	4.93

Earnings per share for Q4 2004 and YTD December 2004 have been computed based on the post-invitation share capital of 887,000,000 ordinary shares of \$0.05 each.

Earnings per share for Q4 2003 and YTD December 2003 have been computed based on the weighted average number of ordinary shares outstanding of 761,166,667 and 742,291,667 respectively.

In arriving at the fully diluted earnings per share, only those potential ordinary shares arising from the exercise of options which would dilute the basic earnings per share of the Group are included in the computation.

**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**

	<b>Group</b>		<b>Company</b>	
	<b>31/12/2004</b>	<b>31/12/2003</b>	<b>31/12/2004</b>	<b>31/12/2003</b>
	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
Net Asset Value per Ordinary Share based on issued share capital at the end of the period	30.24	21.57	15.89	15.77

- 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.**

#### **4<sup>TH</sup> QUARTER FY2004**

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The strong momentum in revenue has continued into the final quarter ended 31 December 2004 when compared to corresponding period of last year. Compared to the third quarter of FY2004, sales in the fourth quarter of FY2004 were lower by 7.2%. This was attributed mainly to the slow down of a razor project in the fourth quarter, a full three-month impact of the end-of-life cycle of a battery-operated toothbrush project as announced in the third quarter, and reduced sales volume for a Siemens handset that had also gone end-of-life. The Group mitigated the effects of these factors by a greater volume of higher-value added work for Motorola projects and its participation in the latter's 3G handsets project.

Notwithstanding, the Group continued to chalk up an impressive year-on-year ("y-o-y") performance for the fourth quarter. Buoyed by strong customer demand in all business segments and across all markets, the Group turned in an 80.8% increase in revenue to S\$143.8 million and an 113.8% rise in net profit after tax to S\$25.0 million, as compared to the fourth quarter of FY2003.

During Q4 FY2004, higher sales to existing customers such as Motorola, Haier, Siemens, Capitel and Palm lifted revenues at the telecommunications segment, which rose 169.8% y-o-y to S\$92.5 million. The telecommunications segment accounted for 64.3% of the Group's total revenue. This was followed by the consumer electronics and electrical segment, which accounted for 25.2% of Group revenue and saw revenue grow 5.2% to \$36.3 million. This was achieved mainly on the back of higher sales to Braun and MEI.

The Group continued to chalk up healthy growth across all markets during the quarter under review, especially Singapore, Europe and China. Sales to our customers in Singapore, which accounted for 25.6% of the Group's revenue, showed the strongest growth of 242.6% to S\$36.8 million for the quarter as a result of higher sales to Motorola and Seagate. China, also the largest market that contributed 47.2% of Group revenue saw strong growth of 66.9% to S\$67.9 million due to higher turnkey activities for customers such as Motorola and Siemens. Sales to our customers in Europe jumped 41.9% to S\$28.6 million on the back of higher turnkey activities for a Braun project.

By business activities, sales at the Precision Plastic Injection Molding (PPIM) grew most rapidly with 198.5% rise to S\$62.0 million during the final quarter. This was followed by the Assembly business which delivered revenue growth of 45.0% on the back of higher sales to the telecommunications segment. The Mold Design and Fabrication (MDF) business also saw credible growth of 24.0% to S\$20.3 million.

Gross profit margins remained constant at about 25.1% in the fourth quarter of FY2004 and FY2003 mainly as a result of relatively consistent sales mix for the period. We were also able to defend our profit margins despite higher Assembly activities (which require higher material content) due to higher labour efficiency and continued tight controls over factory overheads.

With a higher level of sales volume, Group's operating expenses rose by 35.9% to S\$10.3 million in the final quarter, due mainly to higher staff costs. Notwithstanding, operating expenses as a percentage of revenues decreased from 9.5% in Q4 FY2003 to 7.2% in Q4 FY2004, a strong testimony to the continuing improvement in operational efficiencies, resulting from greater economies of scale.

Financial expenses were lower as the Group shifted its reliance on bank borrowings to internal funding. On the currency front, the volatility of the Euro and USD versus SGD resulted in foreign exchange loss of approximately S\$1.2 million during the quarter.

Cash utilised for working capital purposes amounted to S\$2.1 million due mainly to an increase in inventories and decrease in trade payables of S\$8.3 million and S\$13.3 million respectively. This was partially offset by a

decrease in trade receivables and notes receivable, and increase in other payables and accruals and amounts due to related parties (trade) amounting to S\$6.9 million, S\$3.1 million, S\$9.1 million and S\$0.6 million respectively.

Net cash used in investing activities amounted to approximately S\$13.3 million due mainly to payments for purchases of fixed assets of S\$13.5 million.

The free cash flow decreased from S\$21.4 million in the fourth quarter of FY2003 to S\$9.9m in the fourth quarter of FY2004. This was mainly due to significant amounts of cash utilised for working capital purposes and increase in purchase of fixed assets to support the Group's rapid growth.

The Group recorded net cash outflow of S\$2.1 million from financing activities due mainly to the repayment of short-term bank loans, lease obligations and term loan amounting to S\$0.2 million, S\$0.6 million and S\$1.2 million respectively.

## **FULL FINANCIAL YEAR ENDED 31 DECEMBER 2004**

The Group achieved four quarters of consecutive y-o-y growth in FY2004. Compared to the previous financial year, the Group delivered an impressive performance with a 125.3% increase in revenue and a 140.7% increase in net profit after tax.

All business units registered healthy growth and the telecommunications segment, the largest segment contributor to revenues (56.2% of Group sales) achieved a 174.8% rise in revenue from S\$114.8 million in FY2003 to S\$315.4 million in FY2004. This was mainly attributed to strong contributions from Motorola and Siemens projects.

The consumer electronics and electrical segment also delivered strong growth performance with revenue contribution rising from S\$96.1 million to S\$200.5 million representing a year-on-year increase of more than 2 folds. This was mainly contributed by new projects with Gillette that were mainly launched in the beginning of the year.

The data storage segment picked up in the second half of FY2004 due to the popularity of 1" drives manufactured by one of our existing customer. This resulted in an increase in revenue of 15.2% from the data storage segment in FY2004, from S\$33.4 million to S\$38.4 million.

All markets also reported increased sales with our largest market in China growing by 112.2% to S\$290.3 million, mainly on the back of higher telecommunication segment sales. Sales to our customers in Europe more than tripled to S\$156.1 million last year as our customer Braun stepped up its turnkey projects. Sales to customers in Singapore grew 144.4% mainly due to higher sales to Motorola and a customer in the data storage segment.

Sales across business activities expanded significantly last year as the Group undertook more turnkey projects. Revenue from the Assembly business showed strongest growth of 143.0% to S\$271.3 million as we undertook more turnkey work for Motorola. Revenues from our PPIM division rose 137.0% to S\$248.1 million as existing customers increased orders for both existing and new products. Meanwhile sales at our MDF division increased by approximately 27.3% to S\$41.4 million due to higher orders across all product segments.

Gross profit margins declined slightly from 26.4% to 24.9% in FY2004, mainly due to higher Assembly activities as these require higher material content

Corresponding to the strong business growth, operating expenses comprising mainly selling and administrative expenses rose significantly by 93.1% to S\$49.0 million as more resources were expended during the year to help the Group bring in new business, new customers and expand market share.

Improved financial management over the last 12 months brought increased efficiency to the Group's working capital management. Financial expenses were lower by 28.1% while financial income comprising interest earned on deposits rose 491.4% to \$0.3 million.

The Group had been extremely vigilant about its financial health. This was evidenced by its ability to maintain a strong cashflow position throughout FY2004. As at 31 December 2004, cash generated from operations netted to approximately \$55.8 million - an increase of 2.9% from the balance of \$54.2 million in FY2003. As at the end of 31 December 2004, the Group had cash and cash equivalents of S\$88.2 million, gross debts of S\$22.1 million and a low gross gearing of just 8.2%.

The financial health of the Group is further evidenced by the following key indicators:

	<b>FY2004</b>	<b>FY2003</b>
Average receivables turnover	49	62
Average payables turnover	63	79
Average inventory turnover	36	38
Debt : Equity ratio	8.2%	24.6%
Return on assets	22.4%	14.4%
Return on equity	38.3%	27.5%

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

Results for the fourth quarter of FY2004 continued to be strong. This was in line with the Directors' projections as included in the FY2004 Q3 announcement.

**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 Group will continue to benefit from the ongoing trend in outsourcing as it solidifies its position as a global integrated contract manufacturer of choice. It is actively broadening its manufacturing capabilities and with the majority of its manufacturing facilities strategically in China, Hi-P is well positioned to offer global manufacturers both strategic and value advantages. The outlook for its customers in the telecommunications, consumer electronics and data storage industries is also underpinned by buoyant global consumer demand as economic growth continues.

Riding on the success of its 3-axis strategy and the firm foundation that it has built through the years, the Group has implemented its Strategic Business Units model to enhance its competitive positioning. This strategic approach is expected to raise the efficiency of the allocation of Group's resources and boost standards of accountability such that each SBU is better positioned to strategise, manage and grow its business.

In view of the above, the Directors foresee that 2005 will continue to be a year of growth for Hi-P. Due to the seasonal softening of the handset market as well as the lower number of working days due to the Lunar New Year holidays, the Group expects its net profit to be slightly lower in the first quarter of FY2005 than that in the fourth quarter of FY2004.

The Group however remains optimistic of prospects in the current year and expects to deliver robust earnings growth for FY2005, on the back of rising integration of its manufacturing capabilities, the scheduled mass production of more new consumer electronics products and continued strong sales in the data storage segment fuelled by the increased applications of one-inch drives.

## 11. Dividend

### (a) Current Financial Period Reported on

Any dividend recommended for the current financial period reported on? **Yes**

Name of Dividend	:	First and Final Dividend
Dividend Type	:	Cash
Dividend Rate	:	1.0 cents per ordinary share (gross)
Tax rate	:	20%
Par value of shares	:	\$0.05
Total amount payable	:	\$7.096 million

### (b) 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	:	0.5 cents per ordinary share (gross)
Tax rate	:	20%
Par value of shares	:	\$0.05
Total amount payable	:	\$3.548 million

### (c) Date payable

To be announced later.

### (d) Books closure date

To be announced later.

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

Not applicable.

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT**

**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**

	<b>PPIM S\$'000</b>	<b>MDF S\$'000</b>	<b>Assembly S\$'000</b>	<b>Eliminations S\$'000</b>	<b>Consolidated S\$'000</b>
<b>2004</b>					
<b>Segment revenue</b>					
Sales to external customers	248,140	41,447	271,344	-	560,931
Intersegmental sales	20,813	-	-	(20,813)	-
	<u>268,953</u>	<u>41,447</u>	<u>271,344</u>	<u>(20,813)</u>	<u>560,931</u>
Profit from operations	59,569	8,402	26,558	-	94,529
Finance expense					(1,302)
Finance income					343
Foreign exchange loss, net					(1,548)
Share of results of associated companies					355
Tax					(3,113)
Minority Interests					(1,211)
Net profit attributable to shareholders of the company					<u>88,053</u>
Depreciation	11,873	1,675	5,293	-	18,841
Other non-cash expenses	5,639	795	2,514	-	8,948
<b>2003</b>					
<b>Segment revenue</b>					
Sales to external customers	104,722	32,571	111,653	-	248,946
Intersegmental sales	25,982	-	-	(25,982)	-
	<u>130,704</u>	<u>32,571</u>	<u>111,653</u>	<u>(25,982)</u>	<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
Fixed assets impairment loss	103	-	-	-	103

## By Geographical Markets

	Segment Revenue		Assets		Capital Expenditure	
	YTD	YTD	YTD	YTD	YTD	YTD
	Dec-04	Dec-03	Dec-04	Dec-03	Dec-04	Dec-03
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Asia						
PRC	290,255	136,814	253,154	193,253	58,000	51,739
Singapore	80,075	32,760	146,277	116,703	2,874	3,131
Malaysia	4,949	5,146	-	-	-	-
Others	4,919	6,375	-	-	-	-
	<u>380,198</u>	<u>181,095</u>	<u>399,431</u>	<u>309,956</u>	<u>60,874</u>	<u>54,870</u>
Europe	156,100	46,879	127	35	-	11
USA and other parts of the Americas	24,633	20,972	6,025	6,640	216	299
Others	-	-	37,866	25,828	126	-
	<u>560,931</u>	<u>248,946</u>	<u>443,449</u>	<u>342,459</u>	<u>61,216</u>	<u>55,180</u>

### 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	
	2004 S\$'000	2003 S\$'000
<b>First half and second half year results</b>		
Sales reported for first half year	262,147	102,726
Operating profit/(loss) after tax before deducting minority interest reported for first half year	38,900	14,009
Sales reported for second half year	298,784	146,220
Operating profit/(loss) after tax before deducting minority interest reported for second half year	50,364	23,336

**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**

	<b>2004 (S\$'000)</b>	<b>2003 (S\$'000)</b>
Ordinary	3,548	234

**BY ORDER OF THE BOARD**

Tan Tor Howe  
Company Secretary

16 February 2005