



Hi-P INTERNATIONAL LIMITED

赫 比 国 际 有 限 公 司

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## PRESS RELEASE

### **Hi-P's First Quarter FY2005 Net Profit Up 28.1% to S\$20.7 million**

- Revenue Up 19.8% to S\$133.6 million, compared to S\$111.5 million in Q1 2004.
- Net Profit Up 28.1% to S\$20.7 m, compared to S\$16.1 million in Q1 2004
- Earnings Per Share of Scts 2.33

SINGAPORE, 4 May 2005 – Mainboard listed integrated contract manufacturer, **Hi-P International Limited (“Hi-P” or “the Group”)** today reported a 19.8% rise in revenue as compared to Q1 FY2004 to S\$133.6 million for the three months ended 31 March 2005. Net profit for the first quarter rose 28.1% as compared to Q1 FY2004 to S\$20.7 million. During the quarter, Hi-P continued to exercise financial prudence in maintaining a healthy balance sheet, generating positive net operating cashflow of S\$12.5 million and ending the quarter with a strong cash position of S\$82.4 million.

Commenting on the Group's performance, Mr Yao Hsiao Tung, Executive Chairman and CEO of Hi-P said, “I am pleased with our first quarter's performance. Despite the seasonal weakness in the overall handset market and lower demand from Chinese handset manufacturers in the first quarter, we were still able to achieve better revenue, margin and profit compared to the same quarter a year ago.”

Mr Yao added, “We expect a slight pick up in the second quarter. While we are looking forward to participating in some of the upcoming Motorola and Gillette projects, we expect mass production to commence only in the second half. With a stronger growth in the second half, we should end the year with a healthy positive growth over FY2004.”

### **Financial Highlights**

#### **Profitability**

##### Q1 FY2005 vs Q1 FY2004

Q1 FY2005 revenue was up 19.8% to S\$133.6 million on the back of increased orders by existing customers such as Braun, Motorola and Siemens. Gross profit rose 29.1% from \$25.5 million in Q1 FY2004 to \$33.0 million in Q1 FY2005. Correspondingly, gross profit margin increased by 1.8 percentage points from 22.9% to 24.7% mainly due to better economies of scale.

Operating expenses increased by 33.3% to S\$11.2 million compared to the same quarter a year ago mainly due to provision for doubtful debts, increase in depreciation and rental expenses as the Group prepared for future expansion in business. Operating margin

improved from 16.0% in Q1 FY2004 to 16.9% in Q1 FY2005. As a result, operating profit rose significantly by 26.4% to S\$22.6 million.

#### Q1 FY2005 vs Q4 FY2004

Compared to Q4 FY2004, revenue was lower by 7.1% due mainly to slower sales to customers in the telecommunications industry. The gross profit margin of 24.7% achieved in Q1 FY2005 was lower than the 25.1% achieved in Q4 FY2004. This was due to the higher assembly sales, which generally have a lower profit margin.

Operating margin was down from 18.5% in Q4 FY2004 to 16.9% in Q1 FY2005 due to lower business activities.

#### **Cash flow**

Net cash generated from operations amounted to S\$12.5 million allowing the Group to pay S\$14.8 million to largely finance its investments in plant and machinery in the first quarter. As at the end of 31 March 2005, the Group had cash and cash equivalents of S\$82.4 million, gross debt of S\$18.4 million and a low gross gearing of just 6.3%.

#### Segmental Highlights

**The Consumer Electronics and Electrical segment chalked up sales of S\$66.5 million, up 34.3% compared to Q1 FY2004 and surged 83.2% from Q4 FY2004.** It accounted for 49.8% of Group revenue. The strong performance was mainly attributed to higher sales to the Gillette Company for existing products and the commencement of mass production for some new products.

**Computing segment revenue rose significantly, up 57.3% to S\$16.0 million as compared to Q1 FY2004, and up 6.7% compared to Q4 FY2004.** It accounted for 12.0% of Group revenue. Segment revenue was largely driven by the rising demand of the small format hard disk drives especially 1" drives on the back of strong consumer demand for MP3 players, digital video recorders and handheld gaming devices.

**Revenue from the Telecommunications segment, which accounted for 38.2% of Group revenue in Q1, was marginally down 1.4% to S\$51.1 million compared to Q1 FY2004 but was down 44.8% from Q4 FY2004.** This was largely attributed to the traditional first quarter lull in the handset market, exacerbated by lower than expected volumes for new models that Hi-P participated in, slower sales to Chinese handset manufacturers and the absence of new significant projects.

## **Outlook**

Globally, consumer demand for handsets and consumer electronics products is expected to remain firm. According to IDC's Worldwide Quarterly Mobile Phone Tracker, worldwide mobile phone shipments totaled 174.3 million units in the first three months of 2005, decreasing 12.6% from the fourth quarter of 2004 but increasing 9.2% year over year. After the almost 30% growth in 2004, global mobile phone shipments are expected to grow by about 10% in 2005, or at least 740 million units, according to industry estimates. New and exciting models incorporating features such as music and cameras are expected to drive replacement and upgrade demand in more developed markets while subscriber numbers in developing mobile markets such as China, India and Russia are expected to grow further. However, the industry is expected to remain very competitive with persistent price cuts and margin erosion.

Mr Yao added, "The global outsourcing trend remains intact. We continue to be optimistic of our longer term prospects. Our strategy is to work with the major brand leaders in each industry, whether in wireless communications, consumer electronics or computing. We will therefore continue to diversify our business and broaden our customer base. With our new SBU strategy now underway, Hi-P is more focused in penetrating new customers and industries.

Hi-P is in a healthy financial position and has built a strong foundation for the next phase of sustainable growth. Today's announcement of our investment in Design Exchange is an excellent example of how we will strategically align our expansion with the needs of our customers. As we move up the value chain by greater vertical integration, we are positioning ourselves to be the preferred contract manufacturer as global manufacturers consolidate their supplier bases."

Hi-P today announced that it is investing a 40% interest in Design Exchange Pte Ltd ("Design Exchange") for S\$480,392. Design Exchange, a successful home-grown industrial design company, has won several international design awards such as the Red Dot and the iF Design awards. Some of its award winning products include the Hewlett Packard Deskjet 9600 Printer and the Sendo M550 mobile phone. It also designed the OSIM iLife Air Purifier, the first Singapore branded product to win the Red Dot Award. Its key customers are Hewlett Packard, Motorola, Philips, Hyflux, OSIM and Lenovo.

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## **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, computing, 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, 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](http://www.hi-p.com)

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