



HI-P INTERNATIONAL LIMITED

赫 比 国 际 有 限 公 司

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PRESS RELEASE

Hi-P's First Half FY2005 Net Profit Up 10.8% to S\$42.4 million

- **H1 FY2005 Revenue +4.2% to S\$273.2 m vs H1 FY2004**
- **Announced strategic investment in PCBA capabilities and intention to set up manufacturing plants in Thailand and Poland**

SINGAPORE, 3 August 2005 – Mainboard-listed global integrated contract manufacturer, **Hi-P International Limited (“Hi-P” or “the Group”)** today reported a 4.2% rise in revenue for the first six months of FY2005 to S\$273.2 million and a 10.8% rise in net profit to S\$42.4 million, compared to the same period last year. For the three months ended 30 June 2005, Hi-P reported a 7.3% decline in revenue to S\$139.6 million compared to the same quarter last year while net profit declined 1.8% to S\$21.7 million. Compared to the first quarter of FY2005, Q2 FY2005 revenue rose 4.5% while net profit was up 5.2%.

Commenting on the Group's performance, Mr Yao Hsiao Tung, Executive Chairman and CEO of Hi-P said, “Our credible performance is also a strong testimony to our SBU strategy that was put in place since early this year. Stronger performances from the other two SBU have been able to mitigate the impact of lower sales in the Telecommunications sector, enabling us to achieve a better first half overall.”

On prospects for the Group, Mr Yao said, “Strategic Vertical Integration will be a key driving force in our future. We have already added industrial and mechanical design capabilities. In September 2005, we will also expand into Printed Circuit Board Assembly (PCBA) operations. This is mainly to support the integration of electro-mechanics components such as keypad, antenna for our customers in the Telecommunications industry. With this new capability, Hi-P will be able to integrate our mechanical process with sub-assembly, thereby enhancing our overall value proposition to our customers. We aim to become a top tier full electro-mechanics supplier to our customers, especially those in the Telecommunications sector. These will have a positive impact on our overall competitiveness and will set the stage for sustainable growth in the long term.”

“Hi-P is also expanding its manufacturing network. By the end of this year, we plan to set up two new manufacturing plants in Thailand and Poland. The Thai plant will serve our existing customers in the hard disk drive industry and it will also enable the Group to develop new customers in the automotive industries. The Polish plant will enable us to offer greater flexibility, faster time to market and enhance our support for our global customers in the

Consumer Electronics and Electrical industries, who not only have manufacturing presence in the European Union, but also significant end-markets.”

“In the meantime, we are pleased to report that activity is picking up and we expect to achieve better revenue and profit in the third quarter compared to the second quarter. On the whole, we remain confident of achieving healthy growth for the full year. We have also successfully penetrated new customers in all segments and these should propel our growth further in the coming years,” Mr Yao added.

Segmental Highlights

The Consumer Electronics and Electrical segment accounted for 47.0% of Group revenue in Q2 FY2005. Sales were constant during the quarter due to the absence of ramp-up of new projects.

Revenue from the Telecommunications segment, which accounted for 41.6% of Group revenue in Q2 FY2005, was 24.5% lower compared to Q2 FY2004. However, it was up 13.9% from Q1 FY2005 on the back of higher sales to Motorola and the commencement of a new project for Siemens.

Computing segment revenue rose significantly, up 88.1% to S\$16.0 million from Q2 FY2004, but unchanged compared to Q1 FY2005. It accounted for 11.5% of Group revenue. Segment revenue was largely driven by the rising demand of the small form factor hard disk drives especially 1” drives on the back of strong consumer demand for MP3 players and handheld gaming devices.

Financial Highlights

Profitability

Q2 FY2005 vs Q2 FY2004

Compared to the same quarter a year ago, Q2 FY2005 revenue declined by 7.3% to S\$139.6 million, mainly due to lower sales to customers in the Telecommunications sector. This was partially mitigated by significantly higher sales to customers in the Computing and Automotive sector. Gross profit declined by 18.2% to S\$32.0 million due largely to lower economies of scale and start up costs at our new plants in Shanghai and Suzhou. Consequently, gross margins fell from 26.0% to 22.9% in Q2 FY2005.

Total operating expenses fell 26.7% to S\$12.1 million compared to the same quarter a year ago mainly due to lower administrative costs, which fell 29.6% to \$10.9 million. This was largely attributable to significantly lower provisions for trade debts compared to the same quarter last year. Operating margin declined from 15.7% to 14.9% in Q2 FY2005. As a result, operating profit fell 11.6% to S\$20.9 million.

Profit before tax however fell a lower 2.9% to S\$22.8 million, lifted by a net foreign exchange gain of S\$2.0 million in Q2 FY2005, due mainly to the stronger US Dollar.

Q2 FY2005 vs Q1 FY2005

Compared to Q1 FY2005, revenue was higher by 4.5% as sales to customers in the telecommunications industry picked up by 13.9% even as revenue at the other two SBUs remained unchanged. Due to lower economies of scale and start-up costs associated with our new plants in Shanghai and Suzhou, gross profit margin fell from 24.7% to 22.9% in Q2 FY2005. Gross profit declined by 2.9% to S\$32.0 million.

Total operating expenses increased 8.7% to S\$12.1 million compared to Q1 FY2005 due to higher administrative expenses resulting mainly from increase in provision for doubtful debts and pre-operating expenses. As a result, operating profit declined 7.5% to S\$20.9 million as operating margin also fell from 16.9% to 14.9% in Q2 FY2005.

Profit before tax however rose 4.3% to S\$22.8 million. This was attributed to a net foreign exchange gain of S\$2.0 million in Q2 FY2005 as a result of a stronger US Dollar relative to the Singapore Dollar in Q2 FY2005, compared to a net foreign exchange loss of S\$0.8 million in Q1 FY2005.

Cash flow

Net cash generated from operations amounted to S\$33.3 million allowing the Group to largely finance additional investments in plant and machinery and factory buildings in the second quarter. As at the end of 30 June 2005, the Group had cash and cash equivalents of S\$77.7 million, gross debt of S\$7.3 million and a low gross gearing of 2.3%.

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 19 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.

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