



Hi-P INTERNATIONAL LIMITED

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## PRESS RELEASE

### **Hi-P Reports Better Q-o-Q Performance**

***Q3 FY2005 Revenue of S\$160.2 m (+14.8%) & Net Profit of S\$24.7 m (+13.6%)***

**SINGAPORE, 9 November 2005** – Mainboard-listed global integrated contract manufacturer, **Hi-P International Limited (“Hi-P” or “the Group”)** today reported that for the three months ended 30 September 2005, Group revenue was up 14.8% to S\$160.2 million while net profit attributable to shareholders rose 13.6% to S\$24.7 million compared to Q2 FY2005. Compared to the same period last year, Q3 FY2005 revenue rose 3.4% while net profit was down 0.3%. Earnings per share for Q3 FY2005 were Scts 2.79.

For the first nine months of FY2005, revenue rose 3.9% to S\$433.4 million while net profit rose 6.5% to S\$67.1 million, compared to the same period last year. Earnings per share for the nine months were Scts 7.56.

Commenting on the Group’s performance, Mr. Yao Hsiao Tung, Executive Chairman and CEO of Hi-P said, “Despite a slow start in the first half of the year, our Wireless SBU saw a sharp pick-up in activity in Q3, resulting in a 39.4% surge in revenue compared to Q2. The Consumer Electronics SBU also did well as mass production continued for products launched earlier in the year. Our Computing SBU turned in a credible performance thanks to contributions from new customers in the disk drive sector.”

On outlook for the next quarter, Mr. Yao said, “The Telecommunications SBU will continue to lead the Group’s growth into Q4 as we ramp up production for new cell phone models. For the Group as a whole, we expect a stronger Q4 as compared to Q3 despite some possible shipment delays. We remain confident that our full year performance will be better than FY2004.”

Mr. Yao continued, “FY2005 is a year of continuing growth for the Group. Our successful implementation of the new SBU strategy has yielded greater accountability and focus at each business unit. We have also seen positive results in terms of new customer acquisitions and significant progress made in the areas of vertical integration. We are therefore laying a strong foundation for Hi-P to grow more rapidly in the coming years.”

Hi-P is pleased to announce it has entered into a supplier agreement with Jabil Circuit Inc, a leading global Electronics Manufacturing Services provider to serve its OEM customers. . Mr Yao said, “We were able to impress Jabil with our track record, our emphasis on quality and technology and our commitment to them as long term partners. We have already set-up a separate team to serve them and will be building a new manufacturing facility in southern China to meet their production demands.”

Hi-P also announced that it is investing S\$18.0 million to expand its metal-stamping capacity as well as to set up an in-house cosmetic stamping facility in Shanghai. The facility will provide customers with anodizing and decorative secondary finishing services for cell phones.

Commenting on the investment, Mr. Yao said, “We continue to execute our vertical strategy with this latest investment. Manufacturers of cell phones, digital cameras and MP3 players are increasingly using more metal casings and components for their products. This has fuelled great demand for high-end cosmetic metal stamping, particularly anodizing and decorative finishing processes. With this capability, we will also be able to shorten production lead time for our customers.”

Mr. Yao added, “We will be announcing more investments to expand our capabilities as we seek to solidify our position as a leading Tier-1 mechanical supplier to OEM customers who are looking for a quality one-stop solution house. “

### **Segmental Highlights**

**Revenue for the Telecommunications segment surged 39.4% from Q2 to S\$80.9 million as new projects commenced for Motorola.** This segment now accounts 50.5% of Group revenue.

**The Consumer Electronics and Electrical segment managed a flat showing quarter-on-quarter (QoQ) as there were no new major projects launched during the quarter.** As mass production for existing projects continues, revenue edged up 1.5% to S\$66.6 million.

**Computing revenue declined by 20.4% compared to Q2 as sales to existing customers fell.** The decline was mitigated by contributions from new customers in hard disk drive sector.

## **Financial Highlights**

### **Q3 FY2005 vs Q3 FY2004**

Overall revenue rose 3.4% year-on-year (YoY) to S\$160.2 million. Sales to the Consumer Electronics and Electrical (“CE&E”) sector surged 34.6% to S\$66.6 million. Sales to the Telecommunications industry dipped 14.1% to S\$80.9 million due to lower sales to Siemens and Chinese handset manufacturers. Sales to the Computing and Automotive (“Computing”) sector increased 12.7% to S\$12.8 million due to stronger demand and new HDD customers.

Gross profit rose 0.5% to S\$39.4 million but gross margin decreased from 25.3% to 24.6%.

Profit before tax was down 0.1% YoY to S\$26.3 million. Net profit edged down 0.3% to S\$24.7 million due to higher effective tax rates of 7.1% in Q3 FY2005, up 2.7 points from a year ago. This was a result of the lapse of full tax-exemption status at some PRC subsidiaries in the current year.

### **Q3 FY2005 vs Q2 FY2005**

Overall revenue grew 14.8% QoQ. Telecommunications was up 39.4% due mainly to higher sales to Motorola, accounting for half of our revenue. Revenue from CE&E edged up 1.5% QoQ with no major ramp-ups. Revenue from Computing fell 20.4%.

Gross profit margin rose from 22.9% in Q2 FY2005 to 24.6% in Q3 FY2005 due to better economies of scale. As a result, gross profit rose a sharp 23.0% QoQ.

Total operating expenses however increased 14.6% QoQ due to higher selling expenses and staff costs associated with customer acquisition efforts. Headcount rose in Q3 in preparation for the ramp-up in production in Q4. Operating profit increased 30.0% and operating margin also rose to 16.9% from 14.9% in Q2 FY2005.

Pretax profit was up by 15.2% QoQ while net profit grew 13.6%.

## **Cash Flow and Financial Position**

The Group generated positive free cash flow of S\$3.7 million in Q3 FY2005 but operating cash flow declined to S\$13.8 million from S\$30.0 million in Q2 FY2005 as inventories rose in anticipation of a production ramp-up in Q4. The Group ended the quarter with cash and equivalents of S\$80.7 million, gross debt of S\$6.7 million and a low gross gearing of 2.0%.

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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 18 manufacturing plants located across six sites in the People’s Republic of China (Shanghai, Chengdu, Qingdao, Tianjin, Xiamen and Suzhou), two plants in Singapore, one in Guadalajara, Mexico, Thailand and Poland respectively. Hi-P also has marketing and engineering support centers in the USA, Finland and 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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