



Hi-P INTERNATIONAL LIMITED

赫 比 国 际 有 限 公 司

Registration Number: 198004817H

PRESS RELEASE

Hi-P Reports Q1 FY06 Net Profit of S\$14.4 m on Revenue of S\$186.5 m

SINGAPORE, 3 May 2006 – Global integrated contract manufacturer, **Hi-P International Limited** (“**Hi-P**” or “**the Group**”) today reported financial results for the three months ended 31 March 2006. Compared to the same period a year ago, Group revenue rose 40% to S\$186.5 million while net profit decreased 30% to S\$14.4 million. Compared to Q4 FY05, revenue was down 7% while net profit fell 34%.

Commenting on the results, Mr. Yao Hsiao Tung, Executive Chairman and CEO of Hi-P said, “Q1’s performance was impacted by order push-outs and continued start-up costs at new operations. Since the second half of last year, Hi-P has focused on building up vertical integration capabilities to fuel our next growth cycle. As a result, our near-term profitability has been affected, but we believe this strategy will yield returns over the medium term through increased value-added and market share dollars.”

In FY05, Hi-P added industrial and mechanical design, molding and finishing services and PCBA services to its suite of capabilities. It also started new plants in Thailand and Poland to offer global manufacturing support to its customers.

On outlook for the Group, Mr Yao said, “We are taking active measures to mitigate the cost impact of our expansion. So, while we expect similar revenue in Q2, we also expect profitability to improve on the back of new cost control measures currently being implemented throughout the company. For FY06 as a whole, we expect to report moderate earnings growth.”

Segmental Highlights

Revenue at the Wireless Telecommunications (WL) SBU grew 120% yoy to S\$112.0 million due to higher sales to a major customer, but was down 8% qoq due to order push-outs resulting mainly from component shortages. WL’s revenue accounted for 60% of Group revenue.

Revenue at the Consumer Electronics & Electrical (CE) SBU was down 12% yoy to S\$58.4 million, and down 9% qoq, accounting for 31% of Group revenue. These were mainly due to the absence of new projects and lower sales on existing projects.

Revenue at the Computing, Automotive, Medical and Others (CA) SBU was flat yoy at S\$16.0 million, but up 13% qoq. The better sequential performance was due to higher sales to existing customers as well as a maiden contribution by a new US-based customer. CA accounted for 9% of Group revenue.

Financial Highlights

Gross profit was S\$33.4 million, up 1% yoy despite the 40% rise in revenue. This was due to an increase in the materials content in our product mix as well as capacity underutilization in some of our new operations. Compared to Q4 FY06, gross profit declined 11% due mainly to the lower level of sales. Gross margin was 17.9% in Q1 FY06, down from 24.7% in Q1 FY05 and 18.8% in Q4 FY05.

Operating profit was down 26% yoy to S\$16.6 million due to higher operating expenses such as higher staff costs, start-up costs and higher provisions for doubtful debts. Compared to Q4 FY05, operating profit was down 27%. Operating margin was 8.9% in Q1 FY06, down from 16.9% in Q1 FY05 and 11.5% in Q4 FY05.

Profit before tax was S\$15.5 million, down 28% yoy and 30% qoq.

Net profit attributable to shareholders was S\$14.4 million, down 30% yoy and 34% qoq.

Financial Position

The Group's financial position remains strong as it ended the quarter with cash and equivalents of S\$49.0 million, gross debt of S\$11.5 million and a low gross gearing of 3.2%.

About Hi-P International Limited (“Hi-P”)

Hi-P started out in 1980 as a tooling specialist and is today, one of the region's fastest growing integrated contract manufacturers. We provide 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.

IR & Media Contact:

Russell Tan Email: russell@netresearch-asia.com or Tel: (65) 9847 9378