



Hi-P INTERNATIONAL LIMITED

赫 比 国 际 有 限 公 司

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PRESS RELEASE

Hi-P Reports Q3 FY2006 Net Profit of S\$15.4m on Revenue of S\$220.3m

SINGAPORE, 9 November 2006 – **Hi-P International Limited**, a global integrated contract manufacturer, today reported financial results for the three months ended 30 September 2006. Compared to the same period a year ago, Group revenue rose 38% year-on-year (yoy) to S\$220.3 million while net profit decreased 38% yoy to S\$15.4 million.

Compared to Q2 FY2006, revenue grew 26% quarter-on-quarter (qoq) while net profit improved 8% qoq. These are in line with management's guidance.

Commenting on the results, Mr. Yao Hsiao Tung, Executive Chairman and CEO of Hi-P said, "Our results have met our guidance and we are making steady progress in improving our revenue and net profit through process improvement and cost control."

On the outlook for the Group, Mr Yao said, "We expect revenue and net profit for our fourth quarter to be similar to third quarter levels. We continue to expect the revenue for the second half of the year to be stronger than the first, but as we have earlier commented, full-year FY2006 net profit would not match FY2005."

"For FY2007, we expect to engage existing customers in new projects and new customers to start contributing meaningfully. We also expect positive contribution from our newly-added vertical integration processes. Our new facilities and locations should also achieve greater economies of scale. I believe our long-term prospects remain good."

Segmental Highlights

Revenue from the Wireless Telecommunications (WL) strategic business unit (SBU) grew 49% yoy to S\$120.7 million due mainly to more assembly work with higher materials content. Compared to Q2 FY2006, WL was up 10% qoq due to higher volume and accounted for 55% of Group revenue.

Revenue from the Consumer Electronics & Electrical (CE) SBU was up 22% yoy to S\$81.2 million and up 64% qoq, accounting for 37% of Group revenue. This was due mainly to higher overall demand and the delivery of an order pushed-out from Q2 FY2006.

Revenue from the Computing, Automotive, Medical and Others (CA) SBU was up 44% yoy to S\$18.4 million and was up 17% qoq, accounting for 8% of Group revenue.

Financial Highlights

Gross profit was S\$28.0 million, down 29% yoy despite the 38% rise in revenue. This was due mainly to higher materials content in the product mix and higher staff costs. Gross profit declined 3% qoq. Gross margin was 12.7% in Q3 FY2006, down from 16.5% in Q2 FY2006 and 24.6% in Q3 FY2005.

Operating profit was down 44% yoy to S\$15.1 million due mainly to lower gross profit. Compared to Q2 FY2006, operating profit was down 14% qoq. Operating margin was 6.9% in Q3 FY2006, down from 10.0% in Q2 FY2006 and 16.9% in Q3 FY2005.

Profit before tax was S\$15.9 million, down 40% yoy but up 1% qoq.

Net profit was S\$15.4 million, down 38% yoy but up 8% qoq.

Financial Position

The Group's financial position remains strong as it ended the quarter with cash and equivalents of S\$39.4 million and gross debt of S\$37.8 million. Gross gearing was 9.7%.

About Hi-P International Limited

Hi-P started out in 1980 as a tooling specialist in Singapore and is today one of the region's largest and fastest-growing integrated contract manufacturers. We provide manufacturing services to customers in the telecommunications, consumer electronics and electrical, computing, life sciences/medical & automotive industries. The Group has 23 manufacturing plants globally. These are located across six sites in the People's Republic of China (Shanghai, Chengdu, Qingdao, Tianjin, Xiamen and Suzhou), and in Mexico, Poland, Singapore and Thailand. Hi-P has marketing and engineering support centres in the USA, Finland and Germany. Hi-P's customers include global manufacturers such as Motorola, Seagate, Hitachi, NEC, Toshiba, Kodak and Baxter. Hi-P was listed on the Mainboard of the Singapore Stock Exchange on 17 December 2003. Please visit our website at www.hi-p.com.

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