



Hi-P INTERNATIONAL LIMITED

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Hi-P Reports FY2005 Net Profit of S\$89 m on Revenue of \$633 m

SINGAPORE, 28 February 2006 – Global integrated contract manufacturer, **Hi-P International Limited (“Hi-P” or “the Group”)** today reported that for the year ended 31 Dec 2005, Group revenue rose 12.8% to S\$633.0 million while net profit rose 1.1% to S\$89.0 million compared to a year ago. Earnings per share for the year were Scts 10.0. Hi-P also declared a first and final dividend of Scts 1.0 per share, representing a 10.0% payout of last year’s earnings.

Compared to Q3 FY2005, Q4 FY2005 revenue was up 24.5% to S\$199.5 million while net profit fell 11.3% to S\$21.9 million. Compared to the same period last year, Q4 FY2005 revenue rose 38.8% while net profit was down 12.4%.

Commenting on FY2005’s performance, Mr. Yao Hsiao Tung, Executive Chairman and CEO of Hi-P said, “We are pleased to report yet another year of growth in revenue and profit. During the year, we strategically re-positioned ourselves to face new challenges and to strengthen the foundation for further growth in the coming years. Our new SBU strategy has yielded greater accountability and focus at each business unit, and resulted in significant new customer wins and exciting progress in the areas of vertical integration.”

In 2005, Hi-P announced new customer wins such as Whirlpool and Bosch, Western Digital and Samsung, a major cell-phone manufacturer as well as a US-based customer in the computer-related industry. The Group is also moving ahead in its vertical integration efforts, having added industrial and mechanical design, molding and finishing services and PCBA services last year. Hi-P also started new plants in Thailand and Poland.

On Q4 FY2005’s performance, Mr. Yao added, “Despite strong revenue growth in Q4, overall profitability was largely affected by new projects which had higher material contents and start up costs associated with new plants and processes.”

On the outlook for the current financial year, Mr. Yao said, “We expect revenue in Q1 FY2006 to be sustained at Q4 FY2005’s levels with momentum to pick up from Q2 FY2006 onwards. We are optimistic that 2006 will be another year of growth for Hi-P on the back of a strong pipeline of projects from our customers in all sectors. Hi-P will also continue with our vertical integration strategy to better serve our customers as a leading Tier-One mechanical supplier with a quality one-stop solution.”

Segmental Highlights

Revenue for the Telecommunications segment surged 50.0% to S\$121.4 million in Q4 compared to Q3 as several new projects commenced mass production. Compared to a year ago, quarterly segment revenue was up 31.3%. For the full year however, Telecommunications revenue was down a marginal 1.3% and accounted for 49.2% of Group revenue.

The Consumer Electronics and Electrical (CE) segment managed a flat showing quarter-on-quarter with a mild decline of 4.0% in revenues to S\$63.9 million as there was no new major project launched during the quarter. However, compared to a year ago, quarterly revenue was up 76.1% due to higher orders from the Gillette group in FY2005. For the full year, CE revenue was up 30.9% and accounted for 41.5% of Group revenue.

Computing revenue rose 11.3% to S\$14.2 million in Q4 compared to Q3 due to higher year-end demand in the hard disk drive sector. Compared to a year ago, quarterly revenue was down marginally by 5.5% due to the slowdown in the 1" drive segment. For the full year, Computing revenue was up 31.3% and accounted for 9.3% of Group revenue.

Financial Highlights

Q4 FY2005 vs Q3 FY2005

Revenue rose 24.5% to S\$199.5 million, mainly due to a 50.0% surge in sales to customers in the Telecommunications sector. Gross profit was 4.6% lower at S\$37.6 million due to a decline in gross margin from 24.6% to 18.8%. Profitability was mainly impacted by new projects which had higher material content.

Operating profit was however down 15.8% to S\$22.8 million due to a doubling in operating expenses, particularly staff costs, office rentals and start-up costs as the group set-up new plants and processes during the quarter. This was mitigated somewhat by higher other operating income which rose 54.2% to S\$2.6 million, mainly as a result of gains in the sale of a factory in Mexico. Profit before tax declined 15.3% to S\$22.2 million while net profit fell 11.3% to S\$21.9 million.

FY2005 vs FY2004

Revenue was up 12.8% to S\$633.0 million, due to strong growth at both the CE and Computing business units which offset a flat performance at the Telecommunications sector. CE revenue rose 30.9% on the back of new major projects while Computing revenue also rose 31.3% on the back of higher demand from the HDD sector.

Gross profit was up 1.4% to \$141.9 million as gross margin declined to 22.4% compared to 24.9% previously. The decline in profitability was mainly due to new projects in Q4 which had higher material content.

Operating profit slipped from S\$94.5 million to S\$93.4 million as total operating expenses rose 11.1%. This was due largely to expansion costs to meet the demands of new customers, namely increase in headcount, office rentals and pre-operating expenses. Pretax profit was up slightly by 0.8% to S\$93.1 million while net profit was up 1.1% to S\$89.0 million.

Cash Flow and Financial Position

The Group maintained a strong financial position during the year. Free cash flow generated was positive, rising to S\$2.4 million in FY2005, up from S\$1.2 m in FY2004. The Group ended the year with cash and cash equivalents of S\$73.2 million, gross debt of S\$5.4 million and a low gross gearing of 1.5%

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.

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