Miscellaneous

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PRESS RELEASE: HI-P REPORTS RECORD QUARTERLY REVENUE AND PROFIT IN Q4 FY2007

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Hi-P INTERNATIONAL LIMITED
赫 比 国 际 有 限 公 司

Registration Number: 198004817H

PRESS RELEASE

Hi-P Reports Record Quarterly Revenue and Profit in Q4 FY2007

- FY 2007 revenue up 16.4% to S$976.6 m, net profit up 4.4% to S$60.0 m, exceeding earlier guidance -

SINGAPORE, 26 February 2008 – **Hi-P International Limited ("Hi-P" or "the Group")**, a global integrated contract manufacturer, today reported financial results for the year ended 31 December 2007.

Revenue increased 16.4% to S$976.6 million while net profit attributable to shareholders ("net profit") was up 4.4% to S$60.0 million, compared to a year ago. Revenue growth was largely driven by the Consumer Electronics business unit, which saw sales grow by 44%. Net profit rose at a slower pace due primarily to one-time recognition of costs previously incurred, losses at our plant in Poland and foreign exchange losses. The higher net profit reported exceeded earlier guidance of lower profit and this could be attributed mainly to better margins, on account of the higher than expected sales in Q4 FY2007, better cost controls, better capacity utilization, and lower than expected operating losses at the Poland plant in Q4 FY2007.

Earnings per share was Scts 6.8 (FY2006: Scts 6.5) while Net Asset Value per share was Scts 51.4 (FY2006: Scts 44.7). The Directors have recommended a first and final dividend of Scts 1.5 per share (FY2006: Scts 0.8).

Underpinning the healthy full-year performance was a very strong fourth quarter, during which the Group chalked up record quarterly revenues and net profit of S$313.3 million and S$31.0 million respectively.

Highlights of the fourth quarter:

- Q4 FY2007 revenue was up 19.4% q-o-q and 21.8% y-o-y to S$313.3 million. This better than expected q-o-q performance was due mainly to higher sales at the Wireless Telecommunications business unit.
- Gross Profit increased 148.8% q-o-q and 62.4% y-o-y to S$50.4 million. Gross margins expanded sharply to 16.1%, from 7.7% in Q3 FY2007 due to the absence of one-time recognition of costs, inventory write-downs charged in Q3 FY2007 and lower operating losses in Poland. There was an inventory write-back of S$4.9 million due to reversal of provisions made earlier.
- Operating Profit was up about 7-fold q-o-q and 129.7% y-o-y to S$33.8 million. Operating margins improved to 10.8% from 1.6% in Q3 FY2007 and 5.7% in Q4 FY2006.
- Foreign exchange loss was $5 million, due to impact of the weakening USD on USD-denominated receivables.
- Net tax credits of S$2.9 million due to the recognition of substantial deferred tax assets and tax holidays at some of our profitable China operations.
- Q4 FY2007 Net Profit was S$31.0 million, up 130.4% yoy and up from S$0.5 million in Q3 FY2007.

Commenting on the results, Mr. Yao Hsiao Tung, Executive Chairman of Hi-P said, “We are pleased to be able to wrap up a difficult year with a record quarter. This attests to the hardworking people of Hi-P and all the foundations we have established.”

On prospects, Mr Yao added, “With a diversified wireless customer base, Hi-P is well positioned to benefit from continued growth in the mobile handset market in 2008. This year, we will also start to enjoy the full benefits of investments that were put in place in the last two years as almost all new process capabilities have been qualified by our customers. In the past year, we have restructured the organisation, renewed and strengthened the management team, brought costs down and improved controls. Going forward, we will continue to align ourselves in all aspects towards achieving sustainable and profitable growth.”

Barring unforeseen circumstances, the Group expects lower revenue and net profit for Q1 FY2008 compared to Q4 FY2007 due to the usual seasonal slow-down. However, Q1 FY2008 revenue and profit will be substantially better compared to Q1 FY2007 given a broader customer base and improved cost structure. For FY2008, the Group expects better performance compared to FY2007.

Segmental Highlights for FY2007

Revenue from the Wireless Telecommunications (WL) SBU edged up 3.8% yoy to S$529.3 million as new projects from a customer offset lower sales to existing customers. WL accounted for 54.2% of Group revenue, down from 60.8% in FY2006.

Revenue from the Consumer Electronics and Electrical (CE) SBU was up 44% yoy to S$374.0 million, due mainly to contributions from the plant in Poland as well as from a new customer. CE accounted for 38.3% of Group revenue, up from 30.9% in FY2006.

Revenue from the Computing, Automotive, Medical and Others (CA) SBU rose a modest 5.3% to S$73.2 million due mainly to subdued sales to hard disk drives customers. CA accounted for 7.5% of Group revenue, down from 8.3% in FY2006.

Segmental Highlights for Q4 FY2007

Revenue from the WL SBU rose 33.5% qoq and 12.9% yoy to S$188.9 million. In Q4 FY2007, WL accounted for 60.3% of Group revenue, compared to 53.9% in Q3 FY2007 and 65.0% in Q4 FY2006.

Revenue from the CE SBU was up slightly by 3.0% qoq and 47.4% yoy to S$103.9 million. The strong yoy growth in revenue was due to the contributions from the plant in Poland which started in Q2 FY2007. CE accounted for 33.1% of Q4 FY2007 Group revenue, compared to 38.5% in Q3 FY2007 and 27.4% in Q4 FY2006.

Revenue from the CA SBU rose marginally by 3.0% qoq and 5.6% yoy to S$20.6 million. CA accounted for 6.6% of Group revenue, compared to 7.6% in Q3 FY2007 and Q4 FY2006.

Financial Position

The Group's cash flow improved in FY2007 and financial position remains strong, with cash and equivalents of S$46.8 million as at end-December 2007, up from S$33.2 million as at end-December 2006. Gross debt was S$34.3 million as at end-December 2007, giving Hi-P a net cash position of S$12.5 million. Gross gearing is a low 7.5%.

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About Hi-P International Limited

Hi-P started out in 1980 as a tooling specialist in Singapore and has since grown to become today one of the region's largest and fastest-growing integrated contract manufacturers. We provide manufacturing services to customers in the telecommunications, consumer electronics & electrical, computing, life sciences/medical & automotive industries. The Group has 25 manufacturing plants globally. These are located across seven sites in the People's Republic of China (Shanghai, Chengdu, Qingdao, Tianjin, Xiamen, Suzhou and Dongguan), and in Mexico, Poland, Singapore and Thailand. Hi-P has marketing and engineering support centres in Finland, Germany and the USA. Our customers include many of the world's biggest names in mobile phones, personal digital assistants, household & personal care appliances, hard disk drives, MP3 players, PC peripherals, automotive components and medical devices. Hi-P was listed on the Main Board of the Singapore Exchange Securities Trading Limited on 17 December 2003. Please visit us at www.hi-p.com.

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