

## **Full Year Financial Statement And Dividend Announcement**

**Name of Announcer**

HI-P INTERNATIONAL LIMITED

**Company Registration No.**

198004817H

**Announcement submitted on behalf of**

HI-P INTERNATIONAL LIMITED

**Announcement is submitted with respect to**

HI-P INTERNATIONAL LIMITED

**Announcement is submitted by**

Robert B. Mahoney

**Designation**

Chief Executive Officer

**Date & Time of Broadcast**

26-Feb-2008 20:51:15

**Announcement No.**

00215

### **[Announcement Details](#)**

#### **[For the Financial Period Ended](#)**

31-12-2007

#### **Attachments:**

 [HiP\\_FY2007\\_Financial\\_Results.pdf](#)

Total size = 125K

(2048K size limit recommended)

**Hi-P International Limited (Registration Number: 198004817H)**

**Financial Statement and Dividend Announcement for the period ended 31 December 2007**

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3),  
HALF-YEAR AND FULL YEAR RESULTS**

**1(a) Income statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Group		Increase/ (decrease) %	YTD Q4-07 S\$'000	YTD Q4-06 S\$'000	Increase/ (decrease) %
	Q4-07 S\$'000	Q4-06 S\$'000				
Revenue	313,314	257,280	21.8	976,566	839,081	16.4
Cost of sales	(262,943)	(226,265)	16.2	(846,416)	(717,762)	17.9
Gross profit	50,371	31,015	62.4	130,150	121,319	7.3
Operating expenses						
Selling expenses	(2,332)	(2,411)	(3.3)	(8,401)	(8,492)	(1.1)
Administrative expenses	(18,308)	(15,230)	20.2	(62,463)	(55,784)	12.0
	(20,640)	(17,641)	17.0	(70,864)	(64,276)	10.2
Other operating income	4,075	1,342	203.5	10,864	6,993	55.4
Profit from operations	33,806	14,716	129.7	70,149	64,035	9.5
Financial expenses	(1,062)	(612)	73.5	(1,806)	(1,556)	16.1
Financial income	239	195	22.8	793	874	(9.3)
Foreign exchange (loss) /gain	(5,008)	(1)	n.m.	(10,035)	(1,860)	439.7
Profit before tax and share of results of associated company	27,974	14,298	95.7	59,100	61,493	(3.9)
Share of results of associated companies	-	154	(100.0)	67	184	(63.4)
Profit before tax	27,975	14,452	93.6	59,168	61,677	(4.1)
Tax	2,933	(605)	(585.0)	284	(3,886)	(107.3)
Profit for the period	30,908	13,847	123.2	59,452	57,791	2.9
Attributable to:						
Equity holders of parent company	30,987	13,449	130.4	59,999	57,461	4.4
Minority interest	(79)	398	(119.9)	(547)	330	(265.9)
	30,908	13,847	123.2	59,452	57,791	2.9

n.m. – Not Meaningful

Other notes:

Profit from operations is arrived at after charging (crediting) the following;

	<b>Q4-07</b>	<b>Q4-06</b>	<b>YTD</b>	<b>YTD</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>Q4-07</b>	<b>Q4-06</b>
			<b>S\$'000</b>	<b>S\$'000</b>
1. Depreciation	11,658	9,389	40,492	33,134
2. Allowance for doubtful trade debts (written back)	(53)	(226)	1,538	(796)
3. Bad debt written off / (recovered)	1,089	-	1,090	-
4. Inventories written down/ (written back)	(4,857)	3,904	5,758	6,962
5. Directors' remuneration	1,131	1,401	3,027	2,977
6. Directors' fees				
- current year provision	106	105	422	422
- overprovision in prior year	-	-	-	(46)
7. Operating lease expense	4,238	4,513	19,598	15,361
8. Staff costs *	47,247	36,841	156,339	132,226
9. (Gain)/Loss on disposal of fixed assets	70	725	36	261

\* Excludes directors' remuneration, which has been disclosed separately in #5 above.

**1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

	Group		Company	
	12/31/2007	12/31/2006	12/31/2007	12/31/2006
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Fixed assets (* Note)</b>	291,075	276,271	24,741	29,634
<b>Investment in subsidiaries</b>	-	-	195,913	140,256
<b>Investment in associated company</b>	2,815	2,726	1,478	1,478
<b>Other investment</b>	12	12	12	12
<b>Deferred tax asset</b>	1,868	252	-	-
<b>Amounts due from subsidiaries</b>	-	-	11,879	11,251
<b>Current assets</b>				
Inventories (* Note)	135,202	114,774	5,542	6,971
Trade receivables	253,823	207,091	10,906	11,787
Notes receivable	2,394	673	-	-
Other receivables, deposits and prepayments	35,054	22,753	957	1,239
Due from subsidiaries (non-trade)	-	-	63,664	25,712
Due from subsidiaries (trade)	-	-	197	770
Due from related parties (trade)	306	840	-	-
Fixed deposits	76	67	67	67
Cash and bank balances	46,688	33,177	4,334	2,048
	473,543	379,376	85,667	48,595
<b>Current liabilities</b>				
Trade payables	205,814	168,695	6,929	5,392
Other payables and accruals	68,923	57,195	5,831	6,302
Due to subsidiaries (non-trade)	-	-	45,125	60,876
Due to subsidiaries (trade)	-	-	2,553	446
Amounts due to minority shareholders of subsidiaries	23	4,399	-	-
Lease obligations, current portion	547	61	55	55
Provision for income tax	2,480	1,646	357	396
Interest-bearing loans and borrowings	27,588	25,212	20,849	6,200
	305,375	257,209	81,699	79,666
Net current assets/(liabilities)	168,168	122,168	3,969	(31,070)
<b>Non-current liabilities</b>				
Lease obligations, non-current portion	6,185	158	68	114
Deferred tax liability	708	2,530	874	2,418
	457,045	398,740	237,050	149,028
<b>Equity</b>				
Share capital	119,725	119,725	119,725	119,725
Other reserves	19,462	6,745	2,838	2,572
Accumulated profits	316,532	269,777	114,487	26,731
	455,719	396,247	237,050	149,028
Minority interest	1,326	2,493	-	-
	457,045	398,740	237,050	149,028

\*Note: The comparative figures of the production tooling molds, which were previously included in inventories, have been reclassified to fixed assets (31/12/2007: \$2,875,019; 31/12/2006:\$3,721,295). The reclassification was made to conform to current quarter presentation.

**1(b)(ii) Aggregate amount of group's borrowings and debt securities**

**Amount repayable within one year or less, or on demand**

As at 31/12/2007		As at 31/12/2006	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
547	27,588	61	25,212

**Amount repayable after one year**

As at 31/12/2007		As at 31/12/2006	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
6,185	-	158	-

Lease obligations were secured against the respective leased assets.

Certain borrowings of the subsidiaries of the Company were secured by a corporate guarantee of the Company. These amounts have been disclosed as unsecured.

**1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	<b>Q4-07</b>	<b>Q4-06</b>	<b>YTD</b>	<b>YTD</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>Q4-07</b>	<b>Q4-06</b>
			<b>S\$'000</b>	<b>S\$'000</b>
<b>Cash flows from operating activities</b>				
Profit before tax and share of results of associated companies	27,975	14,298	59,100	61,493
Adjustments:				
Depreciation of fixed assets	11,658	9,389	40,492	33,134
Loss on disposal of fixed assets	70	725	36	261
Fixed assets written off	508	71	508	73
Impairment of fixed assets	959	-	959	-
Bad debts written off	1,090	-	1,090	-
(Write back)/Provision for doubtful trade debts	(53)	(226)	1,538	(797)
Interest income	(240)	(195)	(793)	(874)
Interest expense	1,062	612	1,806	1,556
Translation difference	952	(555)	4,852	(15,058)
Equity Compensation Expenses	(8)	327	266	492
Operating profit before working capital changes	<u>43,974</u>	<u>24,446</u>	<u>109,854</u>	<u>80,281</u>
Decrease / (Increase) in:				
Inventories	28,815	12,139	(16,722)	(44,396)
Trade receivables	(64,947)	(29,266)	(49,423)	(49,939)
Notes receivable	(977)	1,755	(1,722)	1,319
Other receivables, deposits and prepayments	5,856	14,434	(12,301)	(2,599)
Increase / (decrease) in:				
Trade payables	(1,365)	(5,493)	37,119	39,614
Other payables and accruals	1,793	8,398	4,806	(835)
Due from/to related parties (trade), net	120	(56)	(3,732)	351
Cash generated from operations	<u>13,269</u>	<u>26,357</u>	<u>67,879</u>	<u>23,796</u>
Income taxes paid	56	(482)	(2,318)	(7,088)
Net cash generated from operating activities	<u>13,325</u>	<u>25,875</u>	<u>65,561</u>	<u>16,708</u>

**1(c) Cash flow statement (cont'd)**

	<b>Q4-07</b>	<b>Q4-06</b>	<b>YTD</b>	<b>YTD</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>Q4-07</b>	<b>Q4-06</b>
			<b>S\$'000</b>	<b>S\$'000</b>
<b>Cash flows from investing activities</b>				
Investment in associated companies	-	-	-	(94)
Purchase of fixed assets (Note)	(19,414)	(18,962)	(49,496)	(83,680)
Interest income received	240	195	793	874
Proceeds from disposal of fixed assets	1,849	(725)	2,230	15,509
Acquisition of a subsidiary, net of cash acquired	-	-	(209)	-
Net cash used in investing activities	<u>(17,325)</u>	<u>(19,492)</u>	<u>(46,682)</u>	<u>(67,391)</u>
<b>Cash flows from financing activities</b>				
Interest expense paid	(1,062)	(612)	(1,806)	(1,556)
(Payment of)/Proceeds from bank term loans, net	(1)	(78)	(1,364)	750
(Payment of)/Proceeds from short-term loans, net	(3,175)	(12,211)	3,741	19,605
Repayment of lease obligations	(22)	(35)	(78)	(370)
Proceeds from Issuance of ordinary shares	-	-	-	35
Dividends paid	-	-	(5,820)	(7,097)
Net cash (used in)/generated from financing activities	<u>(4,260)</u>	<u>(12,936)</u>	<u>(5,328)</u>	<u>11,367</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(8,261)</b>	<b>(6,554)</b>	<b>13,552</b>	<b>(39,317)</b>
Cash and cash equivalents at beginning of period/ year	55,024	39,798	33,244	73,197
Effect of exchange rate changes on opening cash and cash equivalents	-	-	(32)	(637)
<b>Cash and cash equivalents at end of period/ year</b>	<b><u>46,763</u></b>	<b><u>33,244</u></b>	<b><u>46,763</u></b>	<b><u>33,244</u></b>
<b>Note</b>				
Current period / year additions to fixed assets	22,098	18,387	63,008	86,500
Less : -				
Payable to creditors (Net)	<u>(5,450)</u>	<u>(377)</u>	<u>(35,129)</u>	<u>(21,936)</u>
	16,648	18,011	27,879	64,564
Payments for prior period / year purchase of fixed assets	<u>2,766</u>	<u>951</u>	<u>21,617</u>	<u>19,116</u>
	<u>19,414</u>	<u>18,962</u>	<u>49,496</u>	<u>83,680</u>

**1(d)(i) A statement (for the issuer and the group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

**(i) Consolidated statement of changes in equity for the 12 months ended 31 December 2007**

	Share capital S\$'000	Capital reserve S\$'000	Reserve fund S\$'000	Translation reserve S\$'000	Accumulated profits S\$'000	Minority interests S\$'000	Total S\$'000
Balance at 1 January 2007	119,725	2,646	21,287	(17,188)	269,777	2,493	398,740
Currency translation differences	-	-	-	(2,275)	-	-	(2,275)
Acquisition of subsidiary	-	-	-	-	-	(636)	(636)
Profit for the period	-	-	-	-	15,073	(276)	14,797
Equity compensation expense	-	(34)	-	-	-	-	(34)
Increase in reserve	-	-	339	66	(405)	-	-
Balance at 31 March 2007	119,725	2,612	21,626	(19,397)	284,445	1,581	410,592
Transfer to share capital	-	-	-	-	-	-	-
Currency translation differences	-	-	-	10,038	(10)	38	10,066
Profit for the period	-	-	-	-	13,472	(53)	13,419
Equity compensation expense	-	259	-	-	-	-	259
Increase in reserve	-	-	2,081	-	(2,081)	-	-
Final dividend paid	-	-	-	-	(5,820)	-	(5,820)
Balance at 30 June 2007	119,725	2,871	23,707	(9,359)	290,006	1,566	428,516
Currency translation differences	-	-	-	(5,245)	35	(21)	(5,231)
Profit for the period	-	-	-	-	468	(139)	329
Equity compensation expense	-	48	-	-	-	-	48
Balance at 30 September 2007	119,725	2,920	23,707	(14,604)	290,509	1,406	423,662
Transfer to share capital	-	-	-	-	-	-	-
Currency translation differences	-	-	-	2,459	24	(1)	2,482
Profit for the period	-	-	-	-	30,987	(79)	30,908
Equity compensation expense	-	(8)	-	-	-	-	(8)
Increase in reserve	-	-	4,988	-	(4,988)	-	-
Balance at 31 December 2007	119,725	2,912	28,695	(12,145)	316,532	1,326	457,045



**(ii) Consolidated statement of changes in equity for the 12 months ended 31 December 2006**

	Share capital	Share premium	Capital reserve	Reserve fund	Translation reserve	Accumulated profits	Minority interests	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 January 2006	44,357	75,242	2,208	17,618	(664)	223,016	2,003	363,780
Currency translation differences	-	-	-	-	(6,681)	-	(62)	(6,743)
Profit for the period	-	-	-	-	-	14,372	15	14,387
Equity compensation expense	-	-	301	-	-	-	-	301
Issuance of ordinary shares	1	34	-	-	-	-	-	35
Increase in reserve	-	-	-	34	-	-	-	34
Dividend	-	-	-	-	-	-	(91)	(91)
Balance at 31 March 2006	44,358	75,276	2,509	17,652	(7,345)	237,388	1,865	371,703
Transfer to share capital	75,367	(75,367)	-	-	-	-	-	-
Currency translation differences	-	-	(17)	-	(4,715)	-	(41)	(4,773)
Profit for the period	-	-	-	-	-	14,249	177	14,426
Equity compensation expense	-	-	(378)	-	-	-	-	(378)
Increase in reserve	-	-	-	-	-	-	229	229
Final dividend paid	-	-	-	-	-	(7,097)	-	(7,097)
Reclassification	-	91	(91)	-	-	-	-	-
Balance at 30 June 2006	119,725	-	2,023	17,652	(12,060)	244,540	2,230	374,110
Currency translation differences	-	-	54	-	2,626	-	24	2,704
Profit for the period	-	-	-	-	-	15,391	(260)	15,131
Equity compensation expense	-	-	242	-	-	-	-	242
Balance at 30 September 2006	119,725	-	2,319	17,652	(9,434)	259,931	1,994	392,187
Currency translation differences	-	-	-	-	(7,754)	32	101	(7,621)
Net profit for the period	-	-	-	-	-	13,449	398	13,847
Transfer to reserve funds	-	-	-	3,635	-	(3,635)	-	-
Equity compensation expense	-	-	327	-	-	-	-	327
Balance at 31 December 2006	119,725	-	2,646	21,287	(17,187)	269,777	2,493	398,740

**(iii) Statement of changes in equity of the company for the 12 months ended 31 December 2007**

	Share capital S\$'000	Share premium S\$'000	Capital reserve S\$'000	Accumulated profits S\$'000	Total S\$'000
Balance at 1 January 2007	119,725	-	2,572	26,731	149,028
Profit for the period	-	-	-	(1,012)	(1,012)
Equity Compensation expense	-	-	(34)	-	(34)
Balance at 31 March 2007	119,725	-	2,538	25,719	147,982
Profit for the period	-	-	-	74,170	74,170
Equity Compensation expense	-	-	259	-	259
Final dividend paid	-	-	-	(5,820)	(5,820)
Balance at 30 June 2007	119,725	-	2,797	94,070	216,591
Profit for the period	-	-	-	26,824	26,824
Equity Compensation expense	-	-	48	-	48
Balance at 30 September 2007	119,725	-	2,845	120,893	243,464
Profit for the period	-	-	-	(6,407)	(6,407)
Equity Compensation expense	-	-	(8)	-	(8)
Balance at 31 December 2007	119,725	-	2,837	114,487	237,050

**(iv) Statement of changes in equity of the company for the 12 months ended 31 December 2006**

Balance at 1 January 2006	44,357	75,242	2,171	27,148	148,918
Profit for the period	-	-	-	2,956	2,956
Issuance of ordinary shares	1	34	-	-	35
Equity Compensation expense	-	-	301	-	301
Balance at 31 March 2006	44,358	75,276	2,472	30,104	152,210
Currency translation differences	75,367	(75,367)	-	-	-
Profit for the period	-	-	-	14,216	14,216
Equity Compensation expense	-	-	(378)	-	(378)
Final dividend paid	-	-	-	(7,097)	(7,097)
Reclassification	-	91	(91)	-	-
Balance at 30 June 2006	119,725	-	2,003	37,223	158,951
Profit for the period	-	-	-	2,576	2,576
Equity Compensation expense	-	-	242	-	242
Balance at 30 September 2006	119,725	-	2,245	39,799	161,769
Net Profit for the period	-	-	-	(13,068)	(13,068)
Equity Compensation expense	-	-	327	-	327
Balance at 31 December 2006	119,725	-	2,572	26,731	149,028

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of share for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

During the financial year ended 31 December 2007, there has been no increase in the issued and paid-up share capital of the company.

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The total number of issued ordinary shares excluding treasury shares as at 31 December 2007 was 887,175,000 (2006: 887,175,000).

**1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

The Company has no treasury shares.

**2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been reviewed or audited by the Company's auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited financial statements have been applied**

The accounting policies have been consistently applied by the group and the company and are consistent with those used in the previous financial year.

**5. If there are any changes in the accounting policies and method of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

With effect from 1 January 2007, the Group adopted the following FRS which are relevant to their operations:-

FRS 1 – Amendment to FRS 1 (revised) Presentation of financial statements (Capital Disclosures)

FRS 107 – Financial Instruments: Disclosures

The effects of adoption of the above FRS /INT FRS did not result in substantial changes to the Group's accounting policies and did not give rise to any material adjustments to the opening balances of revenue reserve or changes to comparatives.

**6. Earnings per share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	<b>Q4-07</b>	<b>Q4-06</b>	<b>YTD Q4-07</b>	<b>YTD Q4-06</b>
Operating profit after exceptional items and tax before deducting minority interests as a percentage of revenue	9.9%	5.4%	6.1%	6.9%
Operating profit after tax attributable to members of the company as a percentage of issued capital and reserves at the end of the period	6.8%	3.5%	13.0%	14.6%
Earnings per ordinary share				
(a) Based on weighted average number of ordinary shares in issue (cents)	3.49	1.52	6.76	6.48
(b) On a fully diluted basis (cents)*	3.49	1.52	6.76	6.48

\*It is not meaningful to calculate the diluted EPS as the stock option exercise prices are above the current market price.

Earnings per share have been computed based on the share capital of 887,175,000 ordinary share of \$0.05 each.

In arriving at the fully diluted earnings per share, only those potential ordinary shares arising from the exercise of options, which will dilute the basic earnings per share of the Group, are included in the computation. There are 3,532,000 options exercisable as at 31 December 2007.

**7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-**

- (a) **current financial period reported on; and**  
(b) **immediately preceding financial year :**

	<b>Group</b>		<b>Company</b>	
	<b>12/31/2007</b>	<b>12/31/2006</b>	<b>12/31/2007</b>	<b>12/31/2006</b>
	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
Net Asset Value per Ordinary Share based on issued share capital at the end of	51.37	44.66	26.72	16.55

**A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**

- (c) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (d) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

## **Overall Results**

FY2007 revenue rose by 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 FY2006. Revenue growth during the year was largely driven by the Consumer Electronics business unit, where sales soared 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.

For the quarter ended 31 Dec 2007, revenue was up 21.8% yoy to S\$313.3 million while net profit surged 130.4% yoy to S\$31.0 million. Q4 FY2007 revenue was up 19.4% q-o-q, due to higher sales at the Wireless Telecommunications business unit. Net profit was significantly better than the S\$0.5 million reported in Q3 FY2007.

## **Revenue Analysis**

### **FY 2007**

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.

### **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 both Q3 FY2007 and Q4 FY2006.

## **Profitability Analysis**

### **FY2007**

Gross Profit rose 7.3% to S\$130.2 million while gross margin was 13.3% compared to 14.5% in FY2006. The slightly lower margin was due mainly to the one-time recognition of costs previously incurred and losses at our Poland plant.

As a result of better cost controls, operating expenses were up 10.2% to S\$70.9 m and lagged the 16.4% increase in sales. Other operating income rose 55.4% to \$10.9 million due largely to tax refunds for re-investments and other successful claims from customers. Consequently, operating profit rose 9.5% to S\$70.1 million while operating margin was 7.2% compared to 7.6% previously.

The Group also reported a net foreign exchange loss of S\$10.0 million for the year, mainly due to the impact of the weakening USD on USD-denominated receivables.

Consequently, pretax profit slipped 4.1% to S\$59.2 million. The Group enjoyed net tax credits of S\$0.3 million as compared to a tax bill of S\$3.9 million in FY2006. This was mainly due to recognition of substantial deferred tax assets and tax holidays for some of our profitable China operations. As a result, net profit rose by 4.4% to S\$60.0 million.

### **Q4 FY2007**

Gross Profit was up 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 and inventory write-downs incurred in Q3 FY2007, and lower operating losses at the Poland plant. There was also an inventory write-back of S\$4.9 million due to reversal of provisions made earlier. This compares to the S\$11.1 million inventory write-offs in Q3 FY2007.

Operating expenses were up 19.6% qoq and 17.0% yoy to S\$20.6 m, roughly in line with the growth in revenue. Other operating income increased by 203.5% to \$4.1 million due largely to tax refunds for re-investments and other successful claims from customers. Consequently, operating profit rose 7-fold qoq and 129.7% yoy to \$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.

Pretax profit rose by 93.6% from Q4 FY2006 and from just S\$0.9 million in Q3 FY2007 to S\$28.0 million. The Group enjoyed 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. As a result, net profit attributable to shareholders rose to S\$31.0 million, from S\$0.5 million in Q3 FY2007 and from S\$13.4 million in Q4 FY2006.

## **Cashflow Analysis**

### **FY2007**

For the year ended 31 December 2007, the Group reported a net increase of S\$13.6 million in cash and cash equivalents to S\$46.8 million. Net cash generated from operations was S\$65.6 million, up from S\$16.7 million a year ago due to better working capital management. Net cash used in investing was S\$46.7 million, down from S\$67.4 million as the Group scaled back sharply on capital expenditure. Net cash used for financing activities was S\$5.3 million, down sharply from S\$11.4 million inflow in FY2006.

## Q4 FY2007

For the quarter ended 31 December 2007, the Group reported a net decrease of S\$8.3 million in cash and cash equivalents. Net cash generated from operations was S\$13.3 million, down from S\$25.9 million compared to Q4 FY2006. This was due to the increase in trade receivables from S\$29.3 million to S\$64.0 million. Net cash used in investing was S\$17.3 million, down from S\$19.5 million as the Group scaled back on capital expenditure. Net cash used for financing activities was S\$4.3 million, compared to S\$12.9 million previously.

### Balance Sheet Analysis

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%.

### Cash Cycle Analysis

Days	Q4 FY2007	Q3 FY2007	Q4 FY2006
Average Receivables Turnover	72	60	71
Average Inventory Turnover	56	60	47
Average Payables Turnover	70	74	67
<b>Cash Cycle*</b>	<b>58</b>	<b>46</b>	<b>51</b>

\* *Cash Cycle = Avg Receivables Turnover + Avg Inventory Turnover – Avg Payables Turnover*

Our cash cycle days increased by 12 days to 58 days in Q4 FY2007, from 46 days in Q3 FY2007 and 51 days in Q4 FY2006. Q-o-Q, average inventory days improved by 4 days to 56 days due to better inventory planning and controls. At the same time, average payable days shortened to 70 days due to the sequential rise in sales in Q4 and lower inventories. Average receivable days however, increased by 12 days due to usual year-end delays by customers.

### 9. Where a forecast, or prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

In our Q3 FY2007 results announcement on 5 November 2007, we had guided for revenue in Q4 FY2007 to be similar to Q3 FY2007 and for net profit in Q4 FY2007 to be better. For the full year, the guidance was for growth in revenue but lower net profit compared to FY2006.

In an announcement dated 21 February 2008, the Group had said that based on preliminary estimates, revenue and net profit for Q4 FY2007 will be significantly higher than Q3 FY2007 and that net profit for FY2007 will be higher than FY2006.

Actual revenue for Q4 FY2007 was 19.4% higher than Q3 FY2007, better than our guidance of flat growth. This was due to a better than expected sales at our WL business unit.

Actual net profit for FY2007 was S\$60.0 million, better than the S\$57.5 million achieved in FY2006 and therefore exceeded our earlier guidance of lower profit. This can be attributed to better than expected margins due to the better sales in Q4 FY2007, better cost controls, better capacity utilization and lower than expected operating losses at the Poland plant.

**10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

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.

**11. Dividend**

**(a) Current Financial Period Reported on**

Any dividend recommended for the current financial period reported on?

Name of Dividend	:	First and Final Dividend
Dividend Type	:	Cash
Dividend Rate	:	1.5 cents per ordinary share (gross)
Tax rate	:	18%
Total amount payable	:	\$10.912 million

**(b) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year?

Name of Dividend	:	First and Final Dividend
Dividend Type	:	Cash
Dividend Rate	:	0.8 cents per ordinary share (gross)
Tax rate	:	18%
Total amount payable	:	\$5.820 million

**(c) Date payable**

To be announced later.

**(d) Books closure date**

To be announced later.

**12. If no dividend has been declared/recommended, a statement to that effect.**

Not applicable.



**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT**

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediate preceding year.

**Segmental revenue by Activities, Industries and Geographical Markets**

**By Activities**

	<b>PPIM S\$'M</b>	<b>MDF S\$'M</b>	<b>Assembly S\$'M</b>	<b>Eliminations S\$'M</b>	<b>Consolidated S\$'M</b>
<b>2007 December YTD</b>					
<b>Segment Revenue</b>					
Sales to external customers	384.3	60.5	531.7	-	976.6
Intersegmental sales	31.9	-	-	(31.9)	-
	<u>416.2</u>	<u>60.5</u>	<u>531.7</u>	<u>(31.9)</u>	<u>976.6</u>
Profit from operations	34.2	8.1	27.8	-	70.2
Finance expense					(1.8)
Finance income					0.8
Foreign exchange loss, net					(10.0)
Share of results of associated companies					0.1
Tax					0.3
Minority interest					0.5
Net profit attributable to shareholders of the company					<u>60.0</u>
Depreciation	17.4	7.0	16.1		40.5
Other non-cash expenses	3.8	0.7	2.9		7.4

## Segmental revenue by Activities, Industries and Geographical Markets

### By Activities

	PPIM S\$m	MDF S\$m	Assembly S\$m	Eliminations S\$m	Consolidated S\$m
<b>2006 December YTD</b>					
<b>Segment revenue</b>					
Sales to external customers	344.1	50.1	444.9	-	839.1
Intersegmental sales	32.9	-	-	(32.9)	-
	<u>377.0</u>	<u>50.1</u>	<u>444.9</u>	<u>(32.9)</u>	<u>839.1</u>
Profit from operations	41.9	7.0	15.1	-	64.0
Finance expense					(1.6)
Finance income					0.9
Foreign exchange loss, net					(1.9)
Share of results of associated companies					0.2
Tax					(3.9)
Minority interest					<u>(0.3)</u>
Net profit attributable to shareholders of the company					<u><u>57.5</u></u>
Depreciation	19.2	5.6	8.3	-	33.1
Other non-cash expenses	(0.1)	(0.3)	-	-	(0.4)

## By Industries

	Segment Revenue				
	Q3-07 S\$m	Q4-07 S\$m	Q4-06 S\$m	YTD Dec-07 S\$m	YTD Dec-06 S\$m
Telecommunications	141.5	188.9	167.3	529.3	509.9
Consumer Electronics & Electrical	100.9	103.9	70.5	374.0	259.7
Computing	20.0	20.6	19.5	73.2	69.5
	<u>262.3</u>	<u>313.3</u>	<u>257.3</u>	<u>976.6</u>	<u>839.1</u>

## By Geographical Markets

	Segment Revenue				
	Q3-07 S\$m	Q4-07 S\$m	Q4-06 S\$m	YTD Dec-07 S\$m	YTD Dec-06 S\$m
Asia					
PRC	81.6	90.3	134.7	307.1	429.2
Singapore	12.9	8.7	12.9	34.7	75.9
Malaysia	2.5	5.5	2.6	11.9	12.3
Others	5.5	8.0	4.4	24.0	16.5
	<u>102.5</u>	<u>112.5</u>	<u>154.6</u>	<u>377.8</u>	<u>533.9</u>
Europe	86.5	94.7	50.6	299.5	167.5
USA and other parts of the Americas	73.3	106.1	52.0	299.3	137.7
	<u>262.3</u>	<u>313.3</u>	<u>257.2</u>	<u>976.6</u>	<u>839.1</u>

**14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Please refer to paragraph 8.

**15. A breakdown of the sales as follows:-**

	<b>Latest Financial Year S\$'000 Group</b>	<b>Previous Financial Year S\$'000 Group</b>	<b>% Increase/ Decrease Group</b>
(a) Sales reported for first half year	400,908	361,455	11%
(b) Operating profit/(loss) after tax before deducting minority interests reported for first half year	28,216	28,812	-2%
(c) Sales reported for second half year	575,658	477,626	21%
(d) Operating profit/(loss) after tax before deducting minority interests reported for second half year	31,236	28,979	8%

**16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:-**

**Total Annual Dividend**

	<b>2007 (S\$'000)</b>	<b>2006 (S\$'000)</b>
Ordinary	10,912	5,820

**BY ORDER OF THE BOARD**

Tan Ping Ping

Company Secretary