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Hi-P's FY2013 revenue up 8.2% to S$1,262.5m due to increase in high component content assembly projects

- A lower FY2013 net profit of S$6.4m (FY2012: S$18.0m) mainly due to provisions for Tianjin plant relocation and inventory provisions for slow moving projects
- Cautious industry outlook due to slowing growth and increasing competition; expects lower revenue but higher profit in FY2014 as compared to FY2013
- Directors recommend dividend per share of 0.6 Singapore cents

Singapore – 20 February 2014, SGX Mainboard-listed Hi-P International Limited (Bloomberg Ticker: HIP SP, "Hi-P", "赫比国际有限公司" or "the Group"), a global contract manufacturer of smart phones, tablet computers and other consumer electronics, has announced its financial results for the fourth quarter ended 31 December 2013 ("4Q2013").

Financial Highlights (S$'000)	4Q2013	4Q2012	% Change	FY2013	FY2012	% Change
Revenue	344,539	364,966	(5.6)	1,262,467	1,166,741	8.2
Gross Profit	15,116	39,067	(61.3)	97,551	97,851	(0.3)
Gross Profit Margin (%)	4.4	10.7	-6.3 points	7.7	8.4	-0.7 points
(Loss)/ Profit After Tax	(14.513)	15,552	n.m.	6,402	17,953	(64.3)
Net Profit Margin (%)	n.m.	4.3	n.m.	0.5	1.5	-1.0 points
(Loss)/ Earnings per Share (Sing Cents)	(1.77)	1.84	n.m.	0.78	2.12	(63.2)
Net Asset Value per Share (Sing Cents)	73.09	70.10	4.3	73.09	70.10	4.3

Revenue increased by 8.2% to S$1,262.5 million in FY2013. The increase was mainly due to change in product mix and increase in high component content assembly projects.

Gross profit decreased by 0.3% to S$97.6 million in FY2013. The decrease was mainly due to the aforementioned change in product mix, higher inventory provisions for slow moving projects, increased depreciation as a result of higher capital expenditure and increased labor costs.

Total selling & distribution and administrative expenses increased by 5.3% to S$90.4 million mainly due to higher marketing costs incurred for the diversification of customers and products, and higher staff costs.

Net interest income decreased by 78.5% to S$0.6 million mainly due to lower net cash position across FY2013. Other income decreased by 16.6% to S$11.1 million mainly due to lower income from trade and other payables written off, and lower service income for customers' trial runs.

Other expenses increased by 28.3% to S$7.6 million, mainly due to impairment loss of S$8.4 million on property, plant and equipment as a result of the consolidation and relocation of our Tianjin plant to our Suzhou plant as well as fire damage of S$3.8 million at one of the Group's manufacturing plants in Shanghai. These were partially offset by net foreign exchange gain of S$0.8 million as a result of the appreciation of USD against SGD, and net fair value gain on derivatives used for currency hedging of S$6.9 million as a result of the depreciation of USD against RMB.

The Group recorded an income tax expense of S$4.8 million in FY2013, representing an effective tax rate of 42.8% (FY2012: 20.4%). The higher effective tax rate was mainly due to deferred tax assets not recognized on provisions made in connection with the consolidation and relocation of our Tianjin plant to our plant in Suzhou, due to uncertainty of their recoverability.

As a result of the above factors, the Group achieved net profit after tax of S$6.4 million in FY2013 versus S$18.0 million previously.

Current and non-current loans and borrowings decreased by 28.5% to S$103.2 million as at 31 December 2013 mainly due to repayment of loans and borrowings.

Cash and cash equivalents including cash and cash equivalents of disposal group classified as held for sale and short term deposits pledged decreased by 22.2% to S$138.9 million as at 31 December 2013. This resulted in a net cash position of S$35.7 million.

"Our performance for FY2013 is sub-optimal due to a confluence of internal factors such as the slower ramp-up of new programs and more lower-margin high assembly projects, as well as external factors such as higher competition and slowing industry growth. In addition, our revenue growth is impacted significantly as orders from our key customers are dented by the volatile market situation.

To improve our business situation, we will strengthen our marketing efforts to diversify our customer base while ensuring smooth execution and delivery of upcoming programs. These measures are concurrent with the ongoing consolidation of our production bases to improve our cost efficiencies such as relocating our Tianjin EMS operations to Suzhou.

Our balance sheet remains robust and we are pleased to recommend a dividend per share of 0.6 Singapore cents to reward shareholders for their patience as we navigate our current challenges."

Mr. Yao Hsiao Tung (姚晓东), Executive Chairman & CEO

Outlook

According to surveys by I.T. research firm IDC, smartphone[1] and tablet shipments continued to rise strongly in 2013, with more than a billion smartphones and 217 million tablets[2] shipped. However, growth is widely expected to taper due to consumer saturation in developed markets and increasing competition among industry players.

In line with the cautious tone adopted by IDC, ratings and research agency Moody's issued a report[3] stating that the outlook for the Asian consumer electronics industry is negative in 2014. The negative

[1] AFP, "Smartphone sales top billion, Samsung leads: Survey", 28 January 2014
[2] AFP, "Global tablet sales jumped 50% in 2013: Survey", 29 January 2014
[3] Moody's, "2014 Outlook -- Asian Consumer Electronics, Operating Margins Stay Low Amid Intense Competition, Structural Challenges", 11 December 2013

outlook reflected Moody's expectation that operating profit margins will remain low due to lack of product differentiation and high penetration rates in key products like LCD TVs; and convergence of smartphones and mobile devices, driving intense competition. In addition, stronger demand in emerging countries for mid- to low-tier products will lead to lower average selling prices while significant cash outlays are required to defend market positions and remain competitive.

To face the expected challenges in FY2014, the Group will maintain its focus on:

- Ongoing diversification of its customer base.
- Continuous improvement of its cost structure via automation and lean manufacturing.
- Cost control and productivity improvement to better utilize production capacity and capabilities.

The Group continues to aim for a sustainable growth rate and be one of the top contract manufacturers in Asia, by providing a one-stop solution to fulfill its customers' needs - from product development, component manufacturing to complete product assembly.

Barring any other unforeseen circumstances, the Group wishes to guide its performance as follows:

For 1Q2014, the Group expects lower revenue as compared to 1Q2013, and expects to record a loss.

For FY2014, the Group expects lower revenue but higher profit as compared to FY2013.

-- The End --

About Hi-P International Limited (Bloomberg Code: HIP.SP)

Hi-P started out in 1980 as a tooling specialist in Singapore and has since grown to become one of the region's largest and fastest-growing integrated contract manufacturers today.

The Group provides one stop solution to customers in various industries, including telecommunications, consumer electronics, computing & peripherals, lifestyle, medical and industrial devices from design, electro-mechanical parts, modules to complete product manufacturing services.

The Group has 14 manufacturing plants globally located across five locations in the People's Republic of China (Shanghai, Chengdu, Tianjin, Xiamen and Suzhou), and in Poland, Singapore and Thailand. Hi-P has marketing and engineering support centres in China, Singapore, Taiwan and the USA.

The Group's customers include many of the world's biggest names in mobile phones, tablets, household & personal care appliances, computing & peripherals, lifestyle, medical devices and industrial devices.

For more information, please log on www.hi-p.com

Issued for and on behalf of Hi-P International Limited by Financial PR Pte Ltd

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