**Hi-P International Limited**
11 International Business Park
Singapore 609926
Tel: (65) 6268 5459 Fax: (65) 6564 1787
www.hi-p.com

# Hi-P reports S$32.9 million net profit for 3Q2019

- Revenue rose 5.4% yoy to S$397.5 million despite challenging market conditions
- Strong positive operating cash flow generation of S$51.3 million for 3Q2019 contributed to balance sheet strength as net cash position improved to S$179.8 million as at 30 September 2019 (31 December 2018: S$120.2 million)
- Board of Directors recommends an interim dividend of 0.8 Singapore cents

**Singapore – 30 October 2019**, 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 third quarter ("3Q2019") ended 30 September 2019.

## Financial Highlights

| (S$'000) | 3Q2019 | 3Q2018 | Change (%) | 9M2019 | 9M2018 | Change (%) |
|---|---|---|---|---|---|---|
| Revenue | 397,501 | 377,118 | 5.4 | 970,721 | 960,220 | 1.1 |
| Gross Profit | 56,510 | 58,280 | (3.0) | 132,533 | 125,776 | 5.4 |
| Gross Profit Margin (%) | 14.2 | 15.5 | (1.3) pts | 13.7 | 13.1 | 0.6 pts |
| Profit After Tax | 32,867 | 33,795 | (2.7) | 57,904 | 56,148 | 3.1 |
| Net Profit Margin (%) | 8.3 | 9.0 | (0.7) pts | 6.0 | 5.8 | 0.2 pts |
| Earnings per Share (Sing Cents) | 4.10 | 4.19 | (2.1) | 7.22 | 6.97 | 3.6 |
| Net Asset Value per Share (Sing Cents) | 71.82 | 65.92 | 9.0 | 71.82 | 65.92 | 9.0 |

Amid challenging market conditions, the Group reported a 5.4% year-on-year ("yoy") increase in revenue to S$397.5 million for 3Q2019. Despite the increase in revenue, gross profit declined marginally by 3.0% yoy to S$56.5 million. Correspondingly, gross profit margin decreased from 15.5% for 3Q2018 to 14.2% for 3Q2019. The decline in gross profit margin was driven by price pressure, higher labor content arising from more complex manufacturing processes and more stringent quality controls required by customers for certain products along with higher tooling amortization costs.

Total selling, distribution and administrative expenses increased 11.1% yoy to S$24.5 million mainly due to higher staff costs from salary increments, consultation and professional fees incurred to improve operational efficiency and merger and acquisition purposes.

The Group recorded an income tax expense of S$8.0 million for 3Q2019, representing an effective tax rate of 19.6% (3Q2018: 17.9%). The lower effective tax rate for 3Q2018 was mainly due to the utilization of unused tax losses.

As a result, the Group's net profit after tax declined by 2.7% yoy to S$32.9 million for 3Q2019.

The Group continued to generate strong positive operating cash flows amounting to S$51.3 million for 3Q2019. This contributed to a strengthening balance sheet as cash and cash equivalents and restricted bank deposits stood at S$249.5 million as at 30 September 2019. Consequently, the Group's net cash position improved to S$179.8 million (31 December 2018: S$120.2 million).

**"As the U.S. and China continued to battle over trade and politics across the world, the outcome of the U.S.-China trade talks remains uncertain. The adverse impact of the U.S.-China trade war continues to affect overall business environment regardless of whether the world's two largest economies can arrive at a final truce in the near future.**

**Within Hi-P, we have taken several measures to tackle the global economic headwinds and such effort has moderated the adverse impact. We have diligently continued our effort in diversifying regional markets and product mix, exploring suitable merger and acquisitions ("M&A") opportunities, computerising system flows with the aid of artificial intelligence, improving automation initiative, diversifying process abilities etc. We trust that these corporate strategies and plans will enhance our future performance.**

**The proposed acquisition of South East Asia Moulding Company Pte. Ltd. as announced by the Company on 8 October 2019 is a strategic move by the Company to penetrate into new customer, increase its product offering and strengthen technological capabilities.**

**With Hi-P's stable financial positioning, carefully-tailored strategies and plans, as well as our effective execution, I believe Hi-P is well positioned to brace for greater challenges in the future. Our strong corporate foundation, coupled with the continuing effort in expanding our business through diversification and M&A activities, will enable us to create a great future for Hi-P."**

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

**Outlook**

According to the International Data Corporation ("IDC"), worldwide smartphone shipments are forecasted to show signs of a market recovery in the second half of 2019 and into 2020, pushing smartphone shipment growth back into positive territory. IDC expects shipment growth to reach 1.6% in 2020.[1]

Within the smart home devices segment, the worldwide market for smart home devices is expected to grow 23.5% year over year in 2019 to nearly 815 million device shipments, according to the IDC Worldwide Quarterly Smart Home Device Tracker. Worldwide shipments are forecast to be more than 1.39 billion in 2023 with a five-year compound annual growth rate (CAGR) of 14.4%.[2]

Taking into account the industry outlook for the smartphone, IoT and consumer electronics markets and to overcome industry challenges, the Group will focus its efforts on:

- Diversifying its customer base through the development of new customers and products
- Increasing allocation from existing customers
- Exploring opportunities for mergers and acquisitions that are synergistic to the Group's operations
- Exploring opportunities to expand the Group's manufacturing footprint to other geographical regions
- Enhancing capacity utilization, improving production automation, computerization of system flows and diversification of process abilities
- Tightening cost controls

The Group continues to strive for sustainable growth in its journey to be one of the top contract manufacturers in Asia, by providing dedicated solutions 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 financial performance as follows:

- The Group expects lower revenue and profit for 4Q2019 as compared to 4Q2018
- The Group expects higher revenue and profit for 2H2019 as compared to 1H2019
- The Group expects lower revenue and profit for FY2019 as compared to FY2018

**-- The End --**

[1] IDC, Smartphone Challenges Continue in 2019, But 5G and Emerging Markets Will Bring Growth Back to the Market in 2020, According to IDC, 9 September 2019

[2] IDC Worldwide Smart Home Devices Forecast to Maintain Steady Growth Through 2023, Says IDC, 23 September 2019

**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 solutions to customers in various industries including wireless telecommunications, consumer electronics, computing and peripherals, the Internet of Things ("IoT"), medical devices and industrial devices from product development, component manufacturing to complete product assembly.

The Group has 12 manufacturing plants globally located across five locations in the People's Republic of China (Shanghai, Chengdu, Xiamen, Suzhou and Nantong), Poland, Singapore and Thailand. Hi-P has marketing and engineering support centres in PRC, Singapore, Taiwan, Germany and the USA.

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

For more information, please visit www.hi-p.com

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

**For more information, please contact:**
**Kamal Samuel**
**James Bywater**
**Mattias Chia**
**Hi-P@financialpr.com.sg**
**Tel: (65) 64382990 Fax: (65) 64380064**