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Hi-P achieves increase in 3Q2014 net profit mainly due to improving product mix and continuing cost control

- 3Q2014 revenue down 32.7% yoy to S$245.7 million mainly due to lower sales from two key customers, partially offset by orders from existing and new customers
- Gradually shifting from plastic to metal components for wireless segment to ride on the industry-wide design changes
- Expects lower revenue but higher profit in FY2014 as compared to FY2013

Singapore – 3 November 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 third quarter ended 30 September 2014 ("3Q2014").

Financial Highlights

(S$'000)	3Q2014	3Q2013	YOY % Change	2Q2014	QOQ % Change
Revenue	245,748	365,246	(32.7)	212,292	15.8
Gross Profit	23,098	23,834	(3.1)	13,933	65.8
Gross Profit Margin (%)	9.4	6.5	+2.9 points	6.6	+2.8 points
Profit /(Loss) After Tax	10,772	3,138	243.3	(3,028)	n.m.
Net Profit Margin (%)	4.4	0.9	+3.5 points	n.m.	n.m.
Earnings /(Loss) per Share (Sing Cents)	1.32	0.38	247.4	(0.37)	n.m.
Net Asset Value per Share (Sing Cents)	71.43	73.86	(3.3)	68.85	3.7

Revenue decreased by 32.7% yoy to S$245.7 million in 3Q2014, mainly due to decreased sales volumes from two key customers who were affected by the drop in market demand and changes to their business strategies. The decrease in revenue was partially offset by orders from existing and new customers, which was in line with our strategy to increase allocation from existing customers and diversify our customer base.

Despite the 32.7% decrease in revenue, gross profit only registered a 3.1% slight decrease. Gross profit margin increased from 6.5% in 3Q2013 to 9.4% in 3Q2014 mainly due a positive shift in product mix.

Net interest income increased by 310.4% to S$0.2 million in 3Q2014, mainly due to higher net cash balances in 3Q2014 as compared to 3Q2013.

Other income increased by 63.6% yoy to S$3.1 million in 3Q2014 mainly due to higher incentives from the applicable local governmental authorities in the PRC, and service income from trial runs conducted for customers.

Total selling & distribution and administrative expenses decreased by 23.4% yoy to S$17.5 million in 3Q2014, mainly due to the reversal of warranty provision of S$2.7 million in view of the expiry of warranty period. The decrease was also a positive result of the Group's continuous cost control improvement.

Other expense became an income of S$4.5 million in 3Q2014, which mainly consisted of net foreign exchange gain of S$2.9 million (3Q2013: loss S$1.1 million), which arose mainly from the appreciation of USD against SGD, and reversal of impairment loss on property, plant and equipment of S$0.9 million.

The Group recorded an income tax expense of S$2.7 million in 3Q2014, representing an effective tax rate of 19.8% (3Q2013:17.3%).

As a result of the above factors, the Group achieved net profit after tax of S$10.8 million in 3Q2014.

Current and non-current loans and borrowings increased by 4.9% from S$103.2 million as at 31 December 2013 to S$108.3 million as at 30 September 2014, mainly for hedging purpose and general working capital purposes of our subsidiaries.

Cash and cash equivalents including cash and cash equivalents of disposal group classified as held for sale increased by 25.2% from S$138.9 million as at 31 December 2013 to S$174.0 million as at 30 September 2014. As the total debt was S$108.3 million, the Group maintained a net cash position of S$65.7 million (31 December 2013: S$35.7 million).

"Metal components have become an essential design element of smartphones, with the recent model launches continuing the shift from plastic to metal frames. Responding to the increasing demand for metal components, we have made prudent investments in metal technology, equipment and the relevant human resources. With our concentrated company-wide effort, we have shortened our learning curve and made considerable progress.

In addition, with our restructuring strategy in forming Business Units to address specific business segments and integration of our operations, we have achieved better responsiveness to our customers' product demands. As a result, new products that were launched in this quarter contributed approximately 60% to our overall 3Q2014 revenue. To continue our growth momentum, we have acquired new customers in the United States and China, with anticipated volume shipment in 4Q2014 and early 2015.

Buoyed by our positive progress and result, we remain confident in achieving a higher profitability for FY2014 as compared to FY2013."

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

Outlook & Resumption of Nantong Plant's Construction

The smartphone outlook remains strong. According to renowned technology research firm International Data Corporation ("IDC"), more than 1.25 billion smartphones will be shipped worldwide in 2014, representing a 23.8% increase from the 1.01 billion units shipped in 2013. Looking ahead, total volumes are forecast to reach 1.8 billion units in 2018, resulting in a 12.7% compound annual growth rate (CAGR) for the 2013 – 2018 forecast period. Emerging markets are expected to continue accounting for more than 50% annual smartphone shipments.

On the smartphone design front, American information technology research and advisory firm Gartner Inc ("Gartner") reported that high-end smartphone players have tried to mitigate the lack of technology breakthrough with the improvement in design elements[1], migrating from plastic to metal components. These players have hoped that the design upgrade will inspire consumers to upgrade their handsets as well. As such, the Group will accommodate the change to gradually shift its production to more metal processing for its wireless segment to ride on the industry-wide design change.

Taking into account the industry outlook and challenges for the smartphone market, the Group will maintain its focus on:

- Smooth execution and delivery for several new major projects,
- Ongoing diversification of its customer base and product segments,
- Better utilization of production capacity and capabilities, and
- Continuous improvement on cost control via automation, lean organization & manufacturing consolidation.

With the positive industry outlook and processes in place to mitigate the challenges, the Group will commence production at the 65,000 sqm Nantong plant (Phase 1A) from end of 4Q2014 gradually.

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:

- The Group expects higher revenue in 4Q2014 as compared to 4Q2013. The Group expects to be profitable in 4Q2014.

- The Group expects higher revenue in 2H2014 as compared to 1H2014. The Group expects to be profitable in 2H2014.

- The Group expects lower revenue but higher profit in FY2014 as compared to FY2013.

-- The End --

[1] eWeek.com, Smartphone Growth Continues, but Headed for a Slowdown: Gartner, 14 February 2014

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 centers 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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