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Hi-P bounces back from 1Q2010 loss with a 2Q2010 net profit of S$12.4 million

- 2Q2010 revenue up 23.6% QOQ to S$181.5 million due to increased customer demand
- Gross profit up 336.9% QOQ to S$28.4 million with better capacity utilization and cost control
- Management upgrades profit guidance for FY2010 vs FY2009 from "lower" to "comparable" in view of demand recovery and scheduled ramp up of new projects

Singapore – 2 August 2010, 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 integrated electro-mechanics manufacturing solutions provider for wireless communications and consumer electronics, has bounced back from a net loss of S$14.2 million dollars in 1Q2010 and posted a net profit of S$12.4 million for the 3 months ended 30 June 2010 ("2Q2010").

Revenue for 2Q2010 increased 23.6% quarter-on-quarter ("QOQ") to S$181.5 million on the back of better demand from customers. With better capacity utilization and cost control measures, 2Q2010 gross profit surged 336.9% QOQ to S$28.4 million.

Financial Highlights

(S$'million)	2Q2010	1Q2010	% Change	2Q2010	2Q2009	% Change
Revenue	181.5	146.9	23.6	181.5	177.6	2.2
Gross Profit	28.4	6.5	336.9	28.4	40.5	(29.9)
Gross Profit Margin (%)	15.7	4.4	n.m	15.7	22.8	n.m
Profit Att. to Shareholders	12.4	(14.2)	n.m	12.4	16.0	(22.4)
Net Profit Margin (%)	6.8	n.m.	n.m	6.8	9.0	n.m
Earnings per share (Sing Cents)	1.42	(1.63)	n.m	1.42	1.82	(22.0)

Year-On-Year ("YOY") Comparison

2Q2010 revenue increased by 2.2% to S$181.5 million compared to 2Q2009 due to new projects and offset by EOL of several projects.

Gross profit decreased 29.9% to S$28.4 million mainly due to deterioration of pricing quality and rising labour costs. The rising labour cost is the result of increased wages and increased headcount. The increase in headcount is to prepare for the strong ramp up of new projects in 2H2010.

Total selling & distribution and administrative expenses increased marginally by 0.2% YOY to S$16.7 million. This was in line with the marginal increase in revenue. Other income increased 78.9% YOY to S$5.7million mainly due to receipt of government incentives totaling S$2.1million. Other expenses decreased 71.3% yoy to S$2.5 million mainly due to the decrease in provision for impairment of fixed assets.

Overall, the effective tax rate increased from 13.8% in 2Q2009 to 18.9% in 2Q2010 due to higher income tax rates for our profitable PRC subsidiaries and provision for withholding tax on undistributed profits.

"I am still optimistic with the outlook for 2H2010 with the surge in orders from customers in Q3. However, factors including deterioration of pricing quality and increasing labour costs will contribute to added pressure on our margins.

In order to cope with the deterioration of pricing quality, Hi-P's management team and myself will continue to drive the group to focus on vertical integration of critical processes to expand services to existing customers and also penetration of new product markets and customers to optimize utilization of our vertical integrated abilities.

The increasing labour cost is an industry wide phenomenon. We have put in place several measures including value stream mapping, automation and consolidation of operations to improve overall productivity.

Overall, I believe that with the above measures coupled with effective strategy setting and execution to enhance our competitive edge, we should be able to overcome the challenges ahead and maintain our healthy growth."

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

Outlook

The ramp up of new projects is expected to be on schedule in 3Q2010. The Group therefore expects higher revenue and profit in 3Q2010 as compared to 3Q2009.

For the full year ending 31 December 2010, the Group expects higher revenue and comparable profit as compared to FY2009. This is an upgrade from the Group's 1Q2010 announcement, which guided for lower profits YOY in FY2010, which was in line with the demand recovery and scheduled ramp up of new projects.

-- 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 manufacturing services and electro-mechanical modules to customers in the telecommunications, consumer electronics & electrical, computing, life sciences & medical and automotive industries. The Group has 25 manufacturing plants globally. These are located across six sites in the People's Republic of China (Shanghai, Chengdu, 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.

The Group's 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.

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

Issued for and on behalf of Hi-P International Limited

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