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Hi-P reports 2Q2011 net profit of S$11.2m versus S$12.4m in 2Q2010

- 2Q2011 revenue increased 26.7% to S$229.9 million mainly due to more high level assembly
- Gross profit margin decreased to 13.2% from 15.7% mainly due to pricing pressure, change in product mix, increased labor costs and higher depreciation
- Gearing up for seasonally stronger second half, with FY2011 revenue and profit expected to outperform FY2010

Singapore – 1 August 2011, 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 announced its financial results for the 6 months ended 30 June 2011 ("2Q2011"). With global demand for consumer electronics such as smart phones and tablets continuing to be on an uptrend, 2Q2011 revenue increased by 26.7% to S$229.9 million year-on-year (yoy) mainly due to more high level assembly.

Financial Highlights

(S$'000)	2Q2011	2Q2010	% Change
Revenue	229,917	181,454	26.7
Gross Profit	30,235	28,414	6.4
Gross Profit Margin (%)	13.2	15.7	n.m.
Profit After Tax	11,219	12,387	(9.4)
Net Profit Margin (%)	4.9	6.8	n.m.
Earnings per share (Sing Cents)	1.31	1.42	(7.7)

Gross profit increased only by 6.4% to S$30.2 million yoy mainly due to pricing pressure, relatively higher material costs due to change in product mix, increased labor costs and higher depreciation of S$3.5 million due to a change in accounting estimate pertaining to useful life of certain Property, Plant and Equipment. Labor costs increased in 2Q2011 as a result of wage increases and market uncertainty which resulted in excess labor. However, they are retained in view of the business forecasted in 2H2011.

Total selling & distribution and administrative expenses were kept under control and increased 13.4% yoy to S$18.9 million. Net interest income increased by 73.6% yoy to S$0.7 million due to higher amount of CNY fixed deposits which earns higher interest rate and partially offset by increased USD bank borrowings. Other income increased 14.5% yoy to S$6.5 million mainly due to gain on derivatives (used to hedge currency risk) totaling S$1.7 million (2Q2010: loss S$0.5 million) and government incentives totaling S$1.4 million (2Q2010: S$2.1 million). Other expenses increased 28.6% yoy to S$3.2 million mainly due to foreign exchange loss which arose mainly from depreciation of the USD against SGD and RMB totaling S$2.8 million (2Q2010: S$1.2 million).

Income tax expense increased by 40.7% yoy to S$4.1 million mainly due to higher income tax rates for our PRC subsidiaries, representing an effective tax rate of 26.5% (2Q2010: 18.9%).

As a result of the above factors, the Group achieved net profit after tax of S$11.2 million in 2Q2011, a slight dip compared to S$12.4 million in 2Q2010.

"Gross margin for 2Q2011 was affected mainly by a shift in product mix to more high level assembly with higher cost materials and an increase in headcount and salary. The increase in headcount, however, was a conscious decision by the management to cope with the business forecasted in 2H2011.

Looking ahead, the business environment continues to be competitive, but we are dedicated to improving our operational capabilities and preparing for future business expansion."

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

Outlook

The use of metal in smart phones, tablets and other consumer electronic devices is an increasing trend. Hi-P is committed to keeping abreast of this trend and is expanding its production CNC machining capacity and capabilities to better serve customers.

Towards this end, the Group is increasing its production capabilities through the acquisition of additional machinery and equipment and the expansion of its production facilities in Shanghai, Suzhou and Tianjin. Subject to market conditions and the availability of supply of requisite machinery and equipment, the Group plans to incur a capital expenditure of approximately S$100 million and expects the new equipment to contribute more significantly after the current financial year. The capital expenditure is intended to take place in phases.

The business environment in which the Group operates in remains competitive. Factors such as downward pressure on pricing and increased operating costs arising mainly from increased labor costs and expenditure due to consolidation of production facilities and activities, may affect the performance of the Group in 2H2011.

Notwithstanding the above, the Company wishes to guide the performance of the Group as follows:

The Group expects higher revenue but lower profit in 3Q2011 as compared to 3Q2010.

The Group expects higher revenue and profit in 3Q2011 as compared to 2Q2011.

The Group expects higher revenue and profit for FY2011 as compared to FY2010.

-- 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 the telecommunications, consumer electronics, computing & peripherals, life style, medical and automotive industries from design, electro-mechanical parts, modules to complete product manufacturing services.

The Group has 15 manufacturing plants globally located across five locations in the People's Republic of China (Shanghai, Chengdu, Tianjin, Xiamen and Suzhou), and in Mexico, 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, life style, 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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