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Hi-P reports 3Q2011 revenue of S$308.6 million and net profit of S$6.5 million

- 3Q2011 revenue increased 34.2% qoq and 8.1% yoy mainly due to more high level assembly
- Gross profit margin fell to 8.7% qoq from 13.2% due to pricing pressure, change in product mix, increased labor costs, consolidation costs and higher depreciation
- Management expects higher net profit in 4Q2011 versus 3Q2011 as certain delayed programs start production

Singapore – 01 November 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 9 months ended 30 September 2011 ("3Q2011"). With the Group entering the seasonally busier second half for consumer electronics, 3Q2011 revenue increased by 34.2% to S$308.6 million quarter-on-quarter (qoq) mainly due to more high level assembly.

Financial Highlights

(S$'000)	3Q2011	2Q2011	% Change	3Q2011	3Q2010	% Change
Revenue	308,567	229,917	34.2	308,567	285,505	8.1
Gross Profit	26,697	30,235	(11.7)	26,697	64,594	(58.7)
Gross Profit Margin (%)	8.7	13.2	n.m	8.7	22.6	n.m.
Profit After Tax	6,461	11,219	(42.4)	6,461	33,198	(80.5)
Net Profit Margin (%)	2.1	4.9	n.m	2.1	11.6	n.m.
Earnings per share (Sing Cents)	0.76	1.31	(42.0)	0.76	3.83	(80.2)

3Q2011 revenue increased by 8.1% year-on-year (yoy) to S$308.6 million mainly due to more high level assembly. Delays in the ramping of certain programs by customers in 3Q2011 contributed to a lower than expected top line growth.

Gross profit decreased by 58.7% to S$26.7 million mainly due to pricing pressure, higher material costs due to change in product mix, increased labour costs, additional costs due to activities arising from sites' consolidation and higher depreciation of S$2.2 million due to a change in accounting estimate pertaining to useful life of certain Property, Plant and Equipment. Labor costs increased in 3Q2011 as a result of increased revenue, headcount and wages.

Total selling & distribution and administrative expenses decreased by 16.4% yoy to S$18.4 million mainly due to reversal of doubtful receivables of S$0.9 million and lower bonus provision. Net interest income increased by 88.6% yoy to S$0.9 million due to higher amount of CNY fixed deposits which earns higher interest rate and partially offset by increased USD bank borrowings. Net other expenses decreased by 89.0% yoy to S$0.5 million mainly due to minimal provision for impairment loss of fixed assets. (3Q2010: S$4.4 million)

Income tax expense decreased by 58.5% yoy to S$2.3 million but effective tax rate increased to 26.6% (3Q2010: 14.5%) mainly due to lower profits and higher income tax rates for our PRC subsidiaries.

As a result of the above factors, the Group achieved net profit after tax of S$6.5 million in 3Q2011.

"Our bottomline performance in 3Q2011 was affected mainly by a shift in product mix to more high level assembly with higher cost of materials and an increase in headcount and wages.

The uncertain economy and higher cost structure have been tough for all of us but we have taken measures to overcome these situations by improving productivity, efficiency and diversifying our customer base.

While the business environment continues to be competitive, we expect 4Q2011 to be stronger than 3Q2011 as the delayed programs by our customers come on-stream. As for the next financial year, we are cautiously optimistic that our new investments, particularly in new processes to align with the market trends, will allow us to better serve new and existing customers."

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

Outlook

In view of the volatile business environment, the Group has implemented various initiatives in the following areas:

- Development of new business opportunities for wireless, computing & peripherals, home appliances and personal grooming devices
- Lowering of operating costs via automation
- Innovative development of new processes and technologies to align with market trends and demands

With an experienced management team and strong vertically-integrated business model, which currently includes process & product development as well as EMS capabilities, the Group is cautiously optimistic of its business prospects and competitiveness even under the current tough market conditions.

As such, the Group wishes to guide its performance as follows:

The Group expects higher revenue and profit in 4Q2011 as compared to 3Q2011.

The Group expects higher revenue but lower profit in 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 by Financial PR Pte Ltd

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