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Hi-P reports 1Q2012 net profit of S$1.5m, on track for stronger 2nd half with orders from new & existing customers

- 1Q2012 revenue increased 14.4% to S$278.4 million compared to 1Q2011 mainly due to more high level assembly projects
- FY2012 capex plan of S$180 million due to strong customer demand is well-supported by cash position of S$325.4 million
- Expects FY2012 sales and net profit to outperform FY2011

Singapore – 2 May 2012, 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 three months ended 31 March 2012 ("1Q2012"). With the continued demand for consumer electronics such as smart phones and tablet computers, 1Q2012 revenue increased by 14.4% to S$278.4 million year-on-year (yoy) mainly due to more high level assembly projects. The change in product mix with higher material cost contents resulted in a 1Q2012 net profit of S$1.5 million versus S$17.9 million in 1Q2011.

Financial Highlights

(S$'000)	1Q2012	1Q2011	% Change
Revenue	278,355	243,289	14.4
Gross Profit	19,707	39,741	(50.4)
Gross Profit Margin (%)	7.1	16.3	n.m.
Profit After Tax	1,517	17,853	(91.5)
Net Profit Margin (%)	0.5	7.3	n.m.
Earnings per share (Sing Cents)	0.18	2.08	(91.3)

Gross profit decreased by 50.4% to S$19.7 million mainly due to higher material costs resulting from change in product mix, increased labour costs and overheads. The increase in labour costs and overheads is partly due to preparation for a stronger 2H2012.

Total selling & distribution and administrative expenses were kept in check and increased by 4.8% yoy to S$19.0 million.

Net interest income increased by 142.1% yoy to S$1.4 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 by 31.3% yoy to S$7.0 million mainly due to an increase in government incentives totaling S$1.3 million (1Q2011: nil). Other expenses increased by 101.5% to S$7.2 million mainly due to increased provision for impairment loss of fixed assets from sites' consolidation totaling S$1.9 million (1Q2011: impairment gain S$0.4 million) and loss on disposal of investment in a subsidiary totaling S$1.5 million (1Q2011: nil).

Income tax expense decreased by 93.9% yoy to S$0.4 million mainly due to lower profits, representing an effective tax rate of 20.1% (1Q2011: 25.8%).

"We actually did better than expected as our original guidance was for similar revenue but a loss in 1Q2012 as compared to 1Q2011. Due to a concerted team effort, we delivered a 14.4% increase in sales and a net profit of S$1.5 million.

Our business development team has made significant inroads to secure new programs in the areas of tablet computers, smart phones, sports digital devices amongst others. This is supported by our capacity and capability expansion plans to deliver on the business forecasted for 2H2012.

While the business environment remains volatile, I am cautiously optimistic that we are on track to a decent set of results for 2012."

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

Outlook

Based on the Group's marketing efforts to new and existing customers, the Group believes that orders will be robust in 2H2012. As such, the Group is proceeding on track with its initiatives in the following areas:

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

As previously announced, to support the initiatives outlined above, the Group intends to invest about S$180 million on capital expenditure (capex) to acquire additional machinery as well as to expand its production facilities. S$30 million has already been incurred in 1Q2012 with the balance of S$150 million to be incurred in phases over the next three quarters.

The capex plan is well supported by the Group's cash position of S$325.4 million and will increase the Group's production capacity and capability to support potential new projects for the current and next financial year.

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

The Group expects similar revenue but higher profit in 2Q2012 as compared to 1Q2012.

The Group expects higher revenue but lower profit in 2Q2012 as compared to 2Q2011.

The Group expects higher revenue and profit in 2H2012 as compared to 1H2012.

The Group expects higher revenue and profit in FY2012 as compared to FY2011.

-- The End --

About Hi-P International Limited (Bloomberg Code: HIP.SP)

Hi-P International Limited ("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 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 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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