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Hi-P's 4Q2012 profit grew 65.0% to S$15.6 million; New projects and customers to drive growth in FY2013

- **Board of Directors to propose final dividend of 1.2 Sing Cents**
- **Healthy balance sheet and net cash position of S$33.2 million**
- **Management expects FY2013 performance to exceed FY2012**

Singapore – 21 February 2013, 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 quarter ended 31 December 2012 ("**4Q2012**"). Revenue for 4Q2012 declined 13.5% year-on-year ("**yoy**") to S$365.0 million mainly due to lower sales volumes of existing projects and delays in projects' start up from existing and new customers. Nevertheless, the Group posted a higher net profit of S$15.6 million for 4Q2012 vs S$9.4 million for 4Q2011. This is mainly due lower cost of materials used in the production, change in product mix and a reversal of impairment losses relating to the disposal of assets in Hi-P's Mexico plant.

Financial Highlights

(S$ 'million)	4Q2012	4Q2011	% Change	FY2012	FY2011	% Change
Revenue	365.0	422.1	-13.5	1166.7	1203.9	-3.1
Gross Profit	39.1	34.1	14.6	97.9	130.8	-25.2
Gross Profit Margin (%)	10.7	8.1	+2.6 pts	8.4	10.9	-2.5 pts
Profit After Tax	15.6	9.4	65.0	18.0	45.0	-60.1
Net Profit Margin (%)	4.3	2.2	+2.1 pts	1.5	3.7	-2.2 pts
Earnings per share (Sing Cents)	1.84	1.11	65.8	2.12	5.28	-59.8

Gross profit increased 14.6% yoy to S$39.1 million in 4Q2012 despite lower revenue. The increase was mainly due to lower cost of materials resulting from changes in product mix, partially offset by increased labor costs and increased depreciation as a result of higher capital expenditure.

Total selling & distribution and administrative expenses increased 6.7% yoy to S$25.3 million in 4Q2012. The increase was mainly due to higher staff costs and provision for warranty costs.

Net interest income decreased 95.8% yoy to S$0.1 million in 4Q2012 mainly due to a decrease in net cash position.

Other expenses became an income of S$1.3 million in 4Q2012 mainly due to the reversal of impairment loss on property, plant and equipment of S$2.0 million (4Q2011: loss S$8.5 million). The impairment loss was reversed upon the disposal of assets in conjunction with the cessation of the business operation in Hi-P's Mexico plant.

The decrease in other expenses was partially offset by the net foreign exchange loss totaling S$1.8 million (4Q2011: gain S$2.8 million), which arose mainly from depreciation of the USD against RMB. The Group recorded net fair value gain on derivatives of S$2.6 million in 4Q2012 (4Q2011: S$2.5 million), which mitigated the Group's net foreign exchange loss.

Based on the reported performance, the Group has recommended a first and final dividend of 1.2 Sing cents per share. (FY2011: 2.4 Sing cents)

"FY2012 has been a challenging year for the Group as our business environment was negatively impacted by a range of macroeconomic and industry-specific issues. Notwithstanding, we have produced a decent set of results which is testament to the hard work and dedication put in by the management and employees.

We will continue to monitor the dynamic business environment and undertake our investments cautiously. We have previously announced our intention to reduce the size of our Nantong plant and pace out the construction so as to better manage our business expansion plan. Our overall strategy is to offer a one-stop, integrated manufacturing service to our customers who are market leaders in the smartphones and tablets space.

Looking ahead, I am cautiously optimistic that the Group will deliver better results in FY2013."

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

Outlook

2013 is expected to see a modest growth in the global economy as recent economic data from the major economies have been encouraging. Furthermore, the massive monetary stimulus put in by the various governments over the past year is also expected to have a positive impact on growth.

The tablets and smartphones industry is expected to benefit from increased demand and the recovery in the global economy. Gartner, a renowned IT research firm, estimates that sales of smartphones and tablets will grow to 1.2 billion units in 2013, representing a growth rate of 46% from 2012.

However, the strong growth in the tablets and smartphones industry is likely to be moderated by intensifying price competition, compounded by a slew of newer products. These are expected to exert pricing pressures for many contract manufacturers, including Hi-P. In view of the volatility, the Group is adopting a conservative and prudent approach towards its expansion plans.

In the Group's announcement dated 8 January 2013, the Group announced its plans to reduce its investment in Nantong to S$150m which will be incurred over the next few years as compared to the S$300m to be invested in 2013. This is done with a view to managing the Group's business exposure and consolidating its operations at a measured pace.

The calibration of the expansion plans will allow the Group to grow its capabilities to support new potential projects, achieve a sustainable growth rate and more importantly better position the Group as a leading contract manufacturer in Asia.

Barring any unforeseen circumstances, the Group wishes to guide its performance as follows:

The Group expects similar revenue but a loss in 1Q2013 as compared to 1Q2012.

The Group expects higher revenue and profit in FY2013 as compared to FY2012.

-- 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 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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