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Hi-P records 26.3% increase in net profit to S$30.7 million for 3Q2016 driven by improved manufacturing efficiencies

- Supported by tightening cost controls, total selling, distribution and administrative expenses decline 21.0% yoy to S$20.5 million
- Ability to generate strong positive operating cash flows of S$151.6 million for 9M2016 strengthens the balance sheet as net gearing ratio improves to 14.2% (31 December 2015: 34.2%)
- The Board of Directors recommends an interim dividend of 0.4 Sing Cents to reward shareholders

Singapore – 3 November 2016, 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 third quarter ended 30 September 2016 ("3Q2016").

Financial Highlights

(S$'000)	3Q2016	3Q2015	YOY % Change	2Q2016	QOQ % Change
Revenue	387,339	394,180	(1.7)	285,368	35.7
Gross Profit	54,593	53,503	2.0	20,735	163.3
Gross Profit Margin (%)	14.1	13.6	0.5 pts	7.3	6.8 pts
Profit After Tax	30,713	24,325	26.3	7,644	301.8
Net Profit Margin (%)	7.9%	6.2%	1.7 pts	2.7%	5.2 pts
Earnings per Share (Sing Cents)	3.76	2.98	26.2	0.94	300.0
Net Asset Value per Share (Sing Cents)	67.41	76.22	(11.6)	62.97	7.1

In a subdued economic environment, the Group's revenue declined 1.7% year-on-year ("yoy") to S$387.3 million for 3Q2016. Driven by the Group's ability to enhance manufacturing and operational efficiency, the Group's gross profit increased 2.0% yoy to S$54.6 million.

This was supported by the Group's focus on tightening cost controls as total selling, distribution and administrative expenses declined 21.0% yoy to S$20.5 million.

In addition, the Group's other expenses decreased 74.5% yoy to S$0.9 million for 3Q2016. This was mainly due to a gain of S$1.6 million derived from foreign exchange gain and fair value loss on derivatives (3Q2015: S$1.9 million loss).

Other income decreased by 52.5% yoy to S$2.2 million for 3Q2016. The higher other income contribution for 3Q2015 consisted of a government incentive grant to the Group's subsidiary in the People's Republic of China.

The Group recorded an income tax expense of S$4.0 million for 3Q2016. This represented a relatively low effective tax rate of 11.5% which was mainly attributed to the utilisation of previous unused tax losses.

As a result of the above factors, the Group's net profit jumped 26.3% yoy to S$30.7 million for 3Q2016.

The Group's core business operations continued to generate strong positive operating cash flows of S$151.6 million for 9M2016. This bolstered balance sheet strength as the Group reduced its net debt position from S$190.1 million as at 31 December 2015 to S$77.9 million as at 30 September 2016. Consequently, the Group's net gearing ratio improved to 14.2% (31 December 2015: 34.2%).

"Despite difficult market conditions, our revenue remained stable as we have the right platform, systems and dedicated staff to mitigate the challenges. We maintained our strategy of tightening cost controls by adopting Hi-P's practice of driving operational efficiency and enhancing productivity. These efforts led to an improvement in our gross margins while our total selling, distribution and administrative costs decreased significantly.

In addition, our efforts in improving cash cycle resulted in the continued ability to generate strong positive operating cash flows of S$151.6 million for the first nine months of 2016. This helped strengthen our balance sheet as our net gearing ratio improved to 14.2% while reducing our net debt position to S$77.9 million.

Going forward, we will intensify business development efforts in order to increase the order allocation from existing customers and secure new customers as we strive to diversify our customer base.

To reward shareholders for their continued support, the Board of Directors has recommended an interim dividend of 0.4 Sing Cents as we strive to enhance long-term shareholder value."

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

Outlook

According to the International Data Corporation (IDC), worldwide smartphone shipments are expected to reach 1.46 billion units with a year-on-year growth rate of 1.6% for 2016. Although growth remains positive, part of the slowdown is attributed to the decline expected in developed regions in 2016, while emerging markets continue with positive growth. Consumer preference for larger screens is expected to continue and the growing interest in augmented and virtual reality (AR/VR) will only drive that forward as phablets (5.5 inches and larger) go from roughly one quarter of the smartphone market to one third by 2020[1].

In a separate study, the IDC also forecasts the worldwide shipments of wearable devices to reach 101.9 million units by the end of 2016, representing 29.0% growth over 2015. In addition, the market for wearable devices will experience a compound annual growth rate of 20.3%, culminating in 213.6 million units shipped in 2020[2].

Taking into account the industry outlook for the smartphone and consumer electronics markets and to overcome the industry and business challenges, the Group maintains its focus on:

- Intensifying business development efforts to diversify the Group's customer base
- Improving operational efficiency and tightening cost controls in order to adopt a leaner business model Enhancing capacity utilisation across all manufacturing sites

The Group continues to strive for sustainable growth and to be one of the top contract manufacturers in Asia, by providing a one-stop dedicated solution to fulfill its customers' needs – from product development, component manufacturing to complete product assembly.

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

- The Group expects lower revenue in 4Q2016 as compared to 4Q2015. The Group expects to be profitable in 4Q2016.
- The Group expects higher revenue in 2H2016 as compared to 1H2016. The Group expects to be profitable in 2H2016.
- The Group expects lower revenue in FY2016 as compared to FY2015. The Group expects to be profitable in FY2016.

-- The End --

[1] IDC, Flat Smartphone Growth Projected for 2016 as Mature Markets Veer into Declines, 1 September 2016
[2] IDC, IDC Forecasts Wearables Shipments to Reach 213.6 Million Units Worldwide in 2020 with Watches and Wristbands Driving Volume While Clothing and Eyewear Gain Traction, 15 June 2016

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 a 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 six locations in the People's Republic of China (Shanghai, Chengdu, Tianjin, Xiamen, Suzhou and Nantong), Poland, Singapore and Thailand. Hi-P has marketing and engineering support centres in PRC, 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 to www.hi-p.com

Issued for and on behalf of Hi-P International Limited by Financial PR Pte Ltd

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