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Hi-P reverses 2Q12 loss with 3Q12 profit of S\$3 million

- Lower 3Q12 sales of S\$271.7 million (3Q11 sales: S\$308.6 million) due to lower orders resulting from delay in projects' start up
- 4Q12 revenue and profit expected to be better than 3Q12
- New programs ramping up in 4Q12 and flow over to FY13

Singapore – 01 November 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 third quarter (“**3Q2012**”). Revenue for 3Q2012 decreased 12.0% year-on-year (“**yoy**”) to S\$271.7 million mainly due to lower sales volumes resulting from delays in projects' start up from existing and new customers. While this resulted in a lower net profit of S\$3.0 million for 3Q2012 versus S\$6.5 million for 3Q2011, it is also a reversal from the net loss of S\$2.1 million incurred in 2Q2012.

Financial Highlights

(S\$'million)	3Q2012	3Q2011	% Change
Revenue	271.7	308.6	(12.0)
Gross Profit	24.0	26.7	(10.2)
Gross Profit Margin (%)	8.8	8.7	+0.1 pts
Profit After Tax	3.0	6.5	(53.8)
Net Profit Margin (%)	1.1	2.1	-1.0 pts
Earnings per share (Sing Cents)	0.35	0.76	(53.9)

Gross profit decreased 10.2% yoy to S\$24.0 million in 3Q2012 mainly due to lower revenue, increased depreciation as a result of higher capital expenditure, increased start up costs for new projects and increased labour costs.

Total selling & distribution and administrative expenses increased by 16.9% yoy to S\$21.5 million in 3Q2012. The increase was mainly due to the increases in staff cost and lower reversal on impairment loss on doubtful receivables.

Financial costs increased 123.4% yoy from S\$0.4 million to S\$0.9 million in 3Q2012 mainly due to an increase in USD bank borrowings.

Other expenses decreased by 59.1% yoy to S\$1.2 million in 3Q2012 mainly due to the net fair value gain on derivatives totaling S\$1.4 million (3Q2011: net fair value loss S\$2.9 million). The net fair value gain was due to the lower forward rate caused by depreciation of USD against RMB as compared with the contract rate. The decrease was partially offset by the net foreign

exchange loss totaling S\$2.9 million (3Q2011: net foreign exchange gain S\$0.1 million), which arose mainly from depreciation of the RMB and USD against SGD.

“Our performance to date for 2012 has been below our expectations due to changes in product mix as well as unanticipated delays in customers’ programs. The situation is expected to improve as some of the delayed programs are being delivered in the last quarter of 2012 and beyond into 2013. As such, we expect the profit in 4Q2012 to be stronger than 3Q2012.

More importantly, to continue to grow our business in this volatile environment, we will need to market to new customers while entrenching our position with existing ones. This will be achieved through the capacity and capability expansion plans that we are rolling out, to be spearheaded by our new S\$300 million Nantong plant which will turn operational in the second half of next year. ”

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

Outlook

2012 has been a difficult year for companies due to macroeconomic factors such as Europe’s ongoing debt crisis, concerns over China’s growth and a sluggish United States economy.

Despite the uncertainty, sales of tablets and smart phones continue to be robust as consumers increasingly turn to these devices for ease of mobile computing and consumption of digital content. As a leading contract manufacturer to several major tablet and mobile brands, Hi-P is confident that the outlook in the industry will have a positive impact on the Group’s performance.

To support the Group’s growing customer base, the Group will be investing S\$300.0 million to build a plant in Nantong, China which will increase the production space of the Group by about 50% through a planned built-up area of approximately 190,000m² on a 100,000m² land parcel. The new plant will allow the Group to integrate different production lines under one roof, thereby streamlining manufacturing processes and creating economies of scale.

The new plant is expected to commence operations in 2H2013 and become fully operational in 1H2014. The sizeable Nantong plant will have a positive impact on the Group’s future growth and will position the Group as a leading Asian technology contract manufacturer.

At the extraordinary general meeting of the Company held on 15 October 2012, shareholders have approved the proposed acquisition of land, construction of buildings, and purchase and installation of facilities and equipment in Nantong Economic & Technological Development Area, PRC (“Nantong Project”) at an estimated total investment cost of about S\$300.0 million.

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

The Group expects higher revenue and profit in 4Q2012 as compared to 3Q2012.

The Group expects lower 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 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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