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Hi-P reports S$100.9 million net profit for FY2018

- Revenue maintained at S$1.4 billion despite challenging market conditions
- The Group recorded a net cash position of S$120.2 million as at 31 December 2018 (31 December 2017: S$77.6 million)
- The Group is aggressively pursuing initiatives to diversify its customer base in China, Northeast Asia and Europe while exploring opportunities to enlarge its manufacturing footprint into non-China regions through organic growth and M&A
- Expects similar revenue and profit for FY2019 as compared to FY2018
- Board of Directors recommends a final dividend of 4.0 Sing cents bringing total dividends for FY2018 to 5.0 Sing cents

Singapore – 21 February 2019, 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 fourth quarter ("4Q2018") and full year ("FY2018") ended 31 December 2018.

Financial Highlights

(S$'000)	4Q2018	4Q2017	Change (%)	FY2018	FY2017	Change (%)
Revenue	441,897	491,818	(10.2)	1,402,117	1,426,866	(1.7)
Gross Profit	78,418	97,197	(19.3)	204,194	232,895	(12.3)
Gross Profit Margin (%)	17.7	19.8	(2.1) pts	14.6	16.3	(1.7) pts
Profit After Tax	44,774	59,618	(24.9)	100,922	121,483	(16.9)
Net Profit Margin (%)	10.1	12.1	(2.0) pts	7.2	8.5	(1.3) pts
Earnings per Share (Sing Cents)	5.56	7.39	(24.8)	12.54	15.05	(16.7)
Net Asset Value per Share (Sing Cents)	70.44	65.44	7.6	70.44	65.44	7.6

Despite challenging market conditions and economic uncertainty, the Group maintained its revenue at S$1.4 billion for FY2018. The Group's gross profit declined 12.3% yoy to S$204.2 million while gross profit margin declined 1.7 percentage points to 14.6%. This was attributed mainly to price competition, rising labour costs and lower manufacturing yield for certain new products in the initial ramp up phase.

The Group's other income increased by S$7.2 million to S$17.1 million for FY2018. This was mainly due to a pre-tax gain of S$6.1 million arising from the dilution of interest in Hi-Flex (Suzhou) Electronics Co., Ltd. in 4Q2018.

Total selling, distribution and administrative expenses increased 5.1% yoy to S$82.9 million for FY2018 due to higher staff costs stemming from annual salary increments and an increase in social security contributions imposed by local authorities. Conversely, other expenses declined 23.3% yoy to S$13.5 million mainly due to a S$7.9 million yoy decline in net losses arising from net foreign exchange differences and fair value differences on hedging contracts.

The Group recorded an income tax expense of S$23.6 million for FY2018, representing an effective tax rate of 18.9% (FY2017: 17.0%). The higher effective tax rate for FY2018 was mainly the result of taxes imposed on profitable entities, and certain deferred tax assets not being recognized for unutilized tax losses.

As a result, the Group's net profit after tax decreased by 16.9% to S$100.9 million for FY2018.

The Group continued to generate strong positive operating cash flows amounting to S$167.4 million for FY2018. This contributed to a strengthening financial position as cash and cash equivalents and restricted bank deposits increased to S$288.4 million as at 31 December 2018. Consequently, the Group's net cash position improved to S$120.2 million (31 December 2017: S$77.6 million).

To reward shareholders for their continued support, the Board of Directors recommends a final dividend of 4.0 Sing cents, bringing total dividends for FY2018 to 5.0 Sing cents.

"The trade war environment has been challenging. However, we have put in place measures to ensure the sustainability and profitability of our operations so Hi-P will not be impacted in the long-term.

Despite the market situation, we managed to maintain our revenue as we were involved in more projects and were impacted by price pressure. Furthermore, new projects involved additional costs which affected our bottom line. But with our efforts to improve productivity it enabled us to overcome the circumstances and achieve positive results.

We are aggressively fighting for more projects, increasing our allocation with existing customers and diversifying our customer base in new regions such as China, Northeast Asia and Europe. Furthermore, we are working on expanding into areas such as the automotive, medical and IoT ecosystem segments.

We are also expanding our operations outside of China in countries such as Thailand to enlarge our manufacturing footprint. We are looking to accelerate these initiatives by exploring M&A opportunities.

Through aggressive business development and strategies presented above, we are confident in achieving similar revenue and profit for FY2019 as compared to FY2018. The trade war presents challenges, but we aim to turn challenges into opportunities to drive Hi-P to be a more globalized player."

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

Outlook

According to the International Data Corporation ("IDC") Worldwide Quarterly Mobile Phone Tracker, worldwide smartphone shipments are expected to return to low single-digit growth in 2019 through to 2022. While the on-going U.S.-China trade war has the industry on edge, IDC still believes that continued developments from emerging markets, mixed with potential around 5G and new product form factors, will bring the smartphone market back to positive growth[1].

Within the Internet of Things ("IoT") segment which is another growth driver for the Group, the IDC expects worldwide spending on IoT reach $745 billion in 2019, an increase of 15.4% over the $646 billion spent in 2018. IDC expects worldwide IoT spending will maintain a double-digit annual growth rate throughout the 2017-2022 forecast period and surpass the $1 trillion mark in 2022[2].

Within the wearables segment where the Group has begun to gain traction, the growing popularity of smartwatches and greater wearables adoption in emerging markets is expected to combine to produce a five-year compound annual growth rate of 11.0% for the period 2017-2022[3].

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

- Diversifying its customer base through the development of new customers and products
- Increasing allocation from existing customers
- Exploring opportunities for mergers and acquisitions that are synergistic to the Group's operations
- Exploring opportunities to expand the Group's manufacturing footprint into non-China regions
- Enhancing capacity utilization, increasing automation and manufacturing yield improvements
- Tightening cost controls

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

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

- The Group expects similar revenue and lower profit for 1Q2019 as compared to 1Q2018
- The Group expects higher revenue and profit for 2H2019 as compared to 1H2019
- The Group expects similar revenue and profit for FY2019 as compared to FY2018

-- The End --

[1] IDC, Smartphone Shipments Expected to Further Decline in 2018 Before Returning to Growth in 2019, According to IDC, 11 December 2018
[2] IDC, IDC Forecasts Worldwide Spending on the Internet of Things to Reach $745 Billion in 2019, 3 January 2019
[3] IDC, IDC Forecasts Sustained Double-Digit Growth for Wearable Devices Led by Steady Adoption of Smartwatches, 17 December 2018

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 solutions to customers in various industries including wireless telecommunications, consumer electronics, computing and peripherals, the Internet of Things ("IoT"), medical devices and industrial devices from product development, component manufacturing to complete product assembly.

The Group has 12 manufacturing plants globally located across five locations in the People's Republic of China (Shanghai, Chengdu, Xiamen, Suzhou and Nantong), Poland, Singapore and Thailand. Hi-P has marketing and engineering support centres in PRC, Singapore, Taiwan, Germany and the USA.

The Group's customers include many of the world's biggest names in mobile phones, tablets, household and personal care appliances, computing and peripherals, the Internet of Things ("IoT"), 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

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