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# Hi-P achieves 56.4% yoy revenue increase to S$279.8 million mainly from ODM and assembly projects for 1Q2015

- Profitability mainly affected by higher startup costs for new plant in Nantong and labour and depreciation costs incurred for plant under renovation pending new projects ramp up in 2H2015
- Improved metal CNC processing capabilities while securing new projects to increase loading in 2Q2015
- Consolidation of plastic businesses reduced overheads and improved productivity
- Management expects to achieve higher revenue and be profitable in 2H2015 as compared to 1H2015

**Singapore – 4 May 2015**, 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 first quarter ended 31 March 2015 ("1Q2015").

## Financial Highlights

| (S$'000) | 1Q2015 | 1Q2014 | % Change |
|---|---|---|---|
| Revenue | 279,774 | 178,927 | 56.4 |
| Gross Profit | 4,424 | 3,372 | 31.2 |
| Gross Profit Margin (%) | 1.6 | 1.9 | (0.3 ppt) |
| Loss After Tax | (13,794) | (12,271) | 12.4 |
| Loss per Share (Sing Cents) | (1.69) | (1.50) | 12.7 |
| Net Asset Value per Share (Sing Cents) | 74.56 | 70.18 | 6.2 |

For 1Q2015, the Group's revenue increased 56.4% year-on-year (yoy) to S$279.8 million. The increase was mainly contributed by the Group's original design manufacturer (ODM) product, other high component content assembly products from an existing customer, as well as orders from new customers.

Gross profit increased 31.2% yoy to S$4.4 million for 1Q2015, mainly due to the higher sales. Gross profit margin decreased slightly from 1.9% in 1Q2014 to 1.6% for 1Q2015. The decrease was mainly due to higher cost of materials from the ODM and other high component content assembly products, higher startup costs for new plant in Nantong, labour and depreciation costs incurred for plant under renovation pending new projects ramp up in 2H2015, and higher inventory write-off and provisions.

Other income decreased 60.4% yoy to S$2.2 million for 1Q2015. The higher other income recorded for 1Q2014 was mainly contributed by insurance claim of S$3.9 million received in connection with the fire that occurred at one of our manufacturing plants in Shanghai in February 2013.

Total selling & distribution and administrative expenses increased 14.3% yoy to S$20.7 million for 1Q2015 mainly due to a normal yearly salary increment for staff.

Other expenses became an income of S$2.3 million for 1Q2015, in contrast to an expense of S$3.4 million for 1Q2014, mainly due to a net foreign exchange gain of S$5.3 million for 1Q2015 versus a net foreign exchange loss of S$0.8 million for 1Q2014. The net foreign exchange gain for 1Q2015 arose mainly from the appreciation of United States Dollar (USD) against Singapore Dollar (SGD), offset by a net fair value loss on derivatives used for currency hedging of S$1.8 million (1Q2014: net fair value loss on derivatives S$3.2 million) resulting from changes in the fair value of derivatives.

Despite a pre-tax loss, due to differing tax regimes for the different Group entities, the Group recorded an income tax expense of S$1.9 million for 1Q2015.

As a result of the above factors, the Group recorded a net loss after tax of S$13.8 million for 1Q2015.

Current and non-current loans and borrowings decreased 0.9% from S$215.3 million as at 31 December 2014 to S$213.3 million as at 31 March 2015. The decrease was mainly due to the settlement of bank loans which was partially offset by the increase in finance lease obligations for the purchase of Computer Numerical Control (CNC) machines.

Cash and cash equivalents and short term deposits pledged decreased 30.6% from S$213.1 million as at 31 December 2014 to S$147.9 million as at 31 March 2015. Total debt as at 31 March 2015 was S$213.3 million, resulting in a net debt position of S$65.4 million (31 December 2014: net debt S$2.2 million).

**"Our performance for 1Q2015 is within our expectation and guidance. Due to seasonality, we were under-loaded in 1Q2015 and incurred fixed costs for these facilities. Together with the setup costs for our new plant in Nantong, these pressured our earnings for the quarter.**

**Despite incurring losses this quarter, some of these new projects are expected to ramp up for mass production in 2H2015. We also made progress from the initiatives implemented last year which positioned the Group for growth. Our restructured Business Units have gained momentum in drawing more businesses as our customers experienced increased responsiveness from us.**

**For our metal CNC processing business, we have improved our capabilities. Apart from having a major existing customer co-invest with us on equipment for their project, we have also secured new customers and projects which enable us to increase our loading substantially from 2H2015 onwards.**

**With the consolidation of our plastic operations in Jin Hai Road and Nanhui, we successfully reduced our overheads and enhanced productivity. Following the consolidation, we also renovated the plant at Jin Hai Road for upcoming major plastic-related project in 2H2015.**

**In line with our plan to expand the ODM business, we have made improvements and continue to progress as planned."**

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

**Outlook**

IDC expects the smartphone market in China to continue growing with an estimated 10% yoy growth in 2015. Accordingly, IDC expects global average smartphone prices to drop as increasing competition will put downward pressure on smartphones prices. Overall for 2015, IDC expects smartphone sales to grow by 12.2% yoy to 1.4 billion units.

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

- Adopt newly restructured Business Unit approach which improves responsiveness towards customers' product demand thereby increasing customer satisfaction

- Improve acquired technology with CNC equipment to enhance operational efficiency and develop more business for metal components

- Expand our ODM business into wireless, lifestyle and medical segments to ride on the Internet of Things

The Group continues to strive for sustainable growth and be one of the top contract manufacturers in Asia, by providing a one-stop solution 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 performance as follows:

- The Group expects higher revenue in 2Q2015 as compared to 2Q2014. The Group expects to record a loss in 2Q2015.

- The Group expects higher revenue in 2H2015 as compared to 1H2015. The Group expects to be profitable in 2H2015.

- The Group expects higher revenue and profit in FY2015 as compared to FY2014.

**-- The End --**

**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 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), and in Poland, Singapore and Thailand. Hi-P has marketing and engineering support centres 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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