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Hi-P reports a loss for FY2015 but recorded a 43.2% increase in revenue to a record of S$1.36 billion

- Loss of S$45.4 million due to one-off non-cash provisions for Yota's projects. Otherwise, net profit would have achieved a 201.1% yoy jump to S$31.5 million
- Strong positive operating cash flow generation of S$108.3 million in 4Q2015 improves overall gearing level; balance sheet remains resilient with cash and cash equivalents of S$126.2 million
- As a pledge of confidence in the Group's business operations, Board of Directors recommends a final dividend of 0.3 Sing cents, bringing total dividends for FY2015 to 0.6 Sing cents

Singapore – 29 February 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 fourth quarter ("4Q2015") and full year ("FY2015") ended 31 December 2015.

Financial Highlights

(S$'000)	4Q2015	4Q2014	% Change	FY2015	FY2014	% Change
Revenue	373,940	314,429	18.9	1,362,577	951,396	43.2
Gross (Loss)/ Profit	(79)	29,606	n.m.	70,870	70,009	1.2
Gross Profit Margin (%)	n.m.	9.4	n.m.	5.2	7.4	-2.2 ppt
(Loss)/ Profit After Tax	(47,983)	14,996	n.m.	(45,423)	10,469	n.m.
Net Profit Margin (%)	n.m.	4.8	n.m.	n.m.	1.1	n.m.
(Loss)/ Earnings per Share (Sing Cents)	(5.88)	1.83	n.m.	(5.56)	1.28	n.m.
Net Asset Value per Share (Sing Cents)	68.19	74.14	(8.0)	68.19	74.14	(8.0)

On a full-year basis, the Group's revenue increased 43.2% year-on-year ("yoy") to a record high of S$1.36 billion for FY2015, driven by increase in orders from key existing customers and new customers.

The strong revenue growth however was affected by the Group's one-off inventory provision recognition amounting to S$60.3 million as a result of adjusting the carrying value of inventory that was prepared for Yota Devices Ltd. ("Yota"). If not for the impact arising from the Yota's provision, the Group would have recorded a gross profit of S$131.2 million for FY2015.

Other income decreased 41.2% yoy to S$11.6 million for FY2015 mainly because the other income in FY2014 included insurance claim of S$5.2 million and S$3.9 million gain from liquidation of Hi-P Mexico.

Total selling & distribution and administrative expenses increased 36.0% yoy to S$96.5 million for FY2015. The increase was mainly due to impairment loss on doubtful receivables from Yota of S$8.2

million, a reversal of warranty provision of S$6.9 million in FY2014 but none in FY2015, higher business development expenses incurred for new projects and higher staff costs.

Other expenses increased 350.0% yoy to S$17.1 million for FY2015 mainly due to allowance on non-cancellable purchase commitments for Yota's projects amounting to S$8.4 million. The increase was also due to higher property, plant and equipment written off and retrofitted the space for a new project. The net foreign exchange gain of S$2.6 million in FY2015 was mainly due to appreciation of USD against SGD and CNY. The net fair value loss on derivatives of S$2.7 million was due to changes in fair value and settlement of currency hedging contracts.

Despite a pre-tax loss, the Group recorded an income tax expense of S$12.6 million for FY2015 due to tax on profitable entities and certain deferred tax assets not being recognised.

As a result of the above factors, the Group recorded a net loss of S$45.4 million for FY2015. If not for the impact arising from the inventory provision (S$60.3 million), impairment loss on doubtful receivables (S$8.2 million) and allowance on non-cancellable purchase commitments (S$8.4 million) for Yota's projects, the Group would have recorded a net profit of S$31.5 million for FY2015.

As a mark of confidence in the Group's core business operations, the Board has recommended a final dividend of 0.3 Sing cents per share, bringing full year dividends to 0.6 Sing cents (FY2014: 1.0 Sing cents).

"Our core business operations continue to perform well, achieving a record revenue of S$1.36 billion. If not for the one-off non-cash provisions for FY2015, our Group would have recorded a net profit of S$31.5 million. We have since taken appropriate actions to enhance management and controls.

Backed by our positive operating cash flows, amounting to S$108.3 million in 4Q2015, the Management and Board are confident of the Group's operations ahead, thereby recommending a final dividend of 0.3 Sing cents, bringing full year dividends to 0.6 Sing cents to reward shareholders for their continued support."

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

Outlook

According to preliminary data from the International Data Corporation (IDC) Worldwide Quarterly Mobile Phone Tracker, smartphone vendors shipped a total of 399.5 million units during the fourth quarter of 2015 (4Q15), resulting in 5.7% growth when compared to the 377.8 million units shipped in the last quarter of 2014. For the full year, the worldwide smartphone market saw a total of 1432.9 million units shipped, marking the highest year of shipments on record, up 10.1% from the 1301.7 million units shipped in 2014.

In addition, independent research house, Gartner also reported that mobile phone shipments are on pace to increase 2.6% in 2016. Smartphone shipments will continue to drive growth, and Gartner estimates that, by the end of 2016, 82.0% of mobile phones will be smartphones, up 12.0% from 2015.

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:

- Streamlining costs through the adoption of a leaner business model

- Improving operational efficiencies across all aspects of business segments

The Group continues to strive for sustainable growth and 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 other unforeseen circumstances, the Group wishes to guide its performance as follows:

- The Group expects its 1Q2016 revenue to be similar to 1Q2015. The Group expects to record a loss in 1Q2016.

- The Group expects higher revenue in FY2016 as compared to FY2015. The Group expects to be profitable in FY2016.

-- 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 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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