**Hi-P International Limited**
11 International Business Park
Jurong East
Singapore 609926
Tel: (65) 6268 5459 Fax: (65) 6564 1787
www.hi-p.com

# Hi-P reverses losses and reports net profit of S$7.6 million for 2Q2016

- Gross profit surged 59.2% yoy to S$20.7 million alongside margin improvement to 7.3% due to efficient cost controls and operational efficiencies
- Strengthened balance sheet driven by positive operating cash flows of S$106.4 million for 1H2016 while net gearing ratio improves to 22.4% (31 Dec 2015: 34.2%)
- Shift in mass production phase of certain projects to 3Q2016 led to a 9.3% yoy decline in revenue to S$285.4 million but management expects higher revenue for 2H2016 as compared to 1H2016

**Singapore – 4 August 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 second quarter ended 30 June 2016 ("2Q2016").

**Financial Highlights**

| (S$'000) | 2Q2016 | 2Q2015 | YOY % Change | 1Q2016 | QOQ % Change |
|---|---|---|---|---|---|
| Revenue | 285,368 | 314,683 | (9.3) | 275,583 | 3.6 |
| Gross Profit | 20,735 | 13,022 | 59.2 | 16,723 | 24.0 |
| Gross Profit Margin (%) | 7.3 | 4.1 | 3.2 pts | 6.1 | 1.2 pts |
| Profit/(Loss) After Tax | 7,644 | (7,972) | n.m. | (12,371) | n.m. |
| Net Profit Margin (%) | 2.7% | n.m. | n.m. | n.m. | n.m. |
| Earnings/(Loss) per Share (Sing Cents) | 0.94 | (0.98) | n.m. | (1.52) | n.m. |
| Net Asset Value per Share (Sing Cents) | 62.97 | 71.36 | (11.8) | 63.93 | (1.5) |

The Group's revenue declined 9.3% year-on-year ("yoy") to S$285.4 million for 2Q2016. This was primarily due to a shift in the mass production of certain projects from 2Q2016 to 3Q2016 and a challenging business landscape marked by subdued market demand.

While navigating a difficult economic environment, the Group's strategy of implementing tighter cost controls led to a 59.2% yoy surge in gross profit to S$20.7 million for 2Q2016. Correspondingly, the Group's gross profit margin expanded 3.2 percentage points to 7.3%.

In addition, the Group managed its total selling, distribution and administration expenses with prudence as it declined 15.5% yoy to S$18.1 million.

On 13 April 2016, the Group announced its disposal of an investment in a startup company which led to a pre-tax gain of S$10.5 million. As a result, the Group's other income increased 423.4% yoy to S$11.6 million for 2Q2016.

Due mainly to lower accruals on non-cancellable purchase commitments and a higher net gain on sales of raw materials, the Group's other expenses decreased 47.7% yoy to S$1.5 million for 2Q2016.

The Group recorded an income tax expense of S$4.3 million for 2Q2016 representing an effective tax rate of 36.2%. This was the result of taxes imposed on profitable entities, tax on the gain on disposal of investment and certain deferred tax assets not being recognised.

As a result of the above factors, the Group achieved a net profit of S$7.6 million for 2Q2016, reversing an S$8.0 million loss for 2Q2015.

The Group's ability to generate strong positive operating cash flows of S$106.4 million for 1H2016 improved the Group's balance sheet strength and bolstered resilience amidst difficult economic conditions. This has seen a reduction in the Group's debt as current and non-current loans decreased from S$316.3 million as at 31 December 2015 to S$218.2 million as at 30 June 2016. Consequently, the Group's net gearing ratio narrowed from 34.2% to 22.4% while its net debt position improved to S$115.1 million (31 December 2015: net debt S$190.1 million).

**"The impact arising from the market slowdown was felt by suppliers and our competitors who shared a similar voice in echoing weak consumer demand. With our business acumen and anticipation of the market situation, we adopted the right measures to mitigate the impact and achieved positive results. Without these, our top and bottom line would have been affected tremendously by the challenging market conditions.**

**Driven by our concurrent measures to accelerate business development efforts and further diversify our customer base, we are confident in regaining momentum for future performance."**

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

**Outlook**

According to a study conducted by the International Data Corporation (IDC), smartphone shipments are expected to grow 3.1% in 2016. The study also mentions that worldwide mobile phone shipments are expected to hit 1.48 billion in 2016 and grow to 1.84 billion in 2020[1].

In a separate research report conducted by the IDC, the total shipment volume of consumer wearables reached 19.7 million units in the first quarter of 2016, representing a 67.2% increase from the previous year[2]. The IDC also expects the consumer wearables market to continue to mature and expand while it heads for continued double-digit growth each year[3].

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:

- Tightening cost controls in order to adopt a leaner business model
- Intensifying business development efforts to diversify the Group's customer base
- Enhancing capacity utilisation across all manufacturing sites while reducing capital expenditure

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 and profit in 3Q2016 as compared to 3Q2015.
- 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.

[1] IDC, Worldwide Smartphone Growth Forecast to Slow to 3.1% in 2016 as Focus Shifts to Device Lifecycles, 1 June 2016
[2] IDC, Worldwide Wearables Market Increases 67.2% Amid Seasonal Retrenchment, 16 May 2016
[3] IDC, Worldwide Wearables Forecast, 2016–2020, April 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 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 to www.hi-p.com

---

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

**For more information please contact: Chong Yap TOK /James BYWATER**
**Email: tech@financialpr.com.sg**
**Tel: (65) 64382990**
**Fax: (65) 64380064**