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Hi-P posts S\$54.5 million net profit for FY2016 as enhanced operational efficiencies bear fruition

- Robust operating cash flow generation of S\$267.8 million reverses a net debt position of S\$190.1 million as at 31 Dec 2015 to a net cash position of S\$25.1 million as at 31 Dec 2016
- The Board recommends a final dividend of 0.4 Sing cents, increasing total dividends for FY2016 to 0.8 Sing cents (FY2015: 0.6 Sing cents)

Singapore – 23 February 2017, 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 (“4Q2016”) and full year (“FY2016”) ended 31 December 2016.

Financial Highlights

(S\$'000)	4Q2016	4Q2015	% Change	FY2016	FY2015	% Change
Revenue	356,780	373,940	(4.6)	1,305,071	1,362,577	(4.2)
Gross Profit/ (Loss)	63,797	(79)	n.m.	155,849	70,870	119.9
Gross Profit Margin (%)	17.9	n.m.	n.m.	11.9	5.2	6.7 pts
Profit/ (Loss) After Tax	28,534	(47,982)	n.m.	54,520	(45,423)	n.m.
Net Profit Margin (%)	8.0	n.m.	n.m.	4.2	n.m.	n.m.
Earnings/ (Loss) per Share (Sing cents)	3.5	(5.88)	n.m.	6.69	(5.56)	n.m.
Net Asset Value per Share (Sing cents)	71.62	68.19	5.0	71.62	68.19	5.0

The Group recorded gross profit of S\$155.8 million for FY2016. This was achieved amidst uncertain economic conditions where the Group’s revenue dipped 4.2% year-on-year (“yoy”) to S\$1.3 billion for FY2016.

On 13 April 2016, the Group announced the 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 56.8% yoy to S\$18.2 million for FY2016.

In line with management’s focus on tightening cost controls, the Group’s total selling, distribution and administrative expenses declined 6.7% yoy to S\$90.0 million. Similarly, other expenses decreased 42.6% yoy to S\$9.8 million for FY2016. This was attributed to a lower allowance on non-cancellable purchase commitments coupled with lower property, plant and equipment written off.

For FY2016, the Group recorded an income tax expense amounting S\$16.7 million, representing an effective tax rate of 23.4%.

Driven by our commitment to tightening cost controls and enhancing operational efficiency, the Group recorded a net profit of S\$54.5 million for FY2016.

As at 31 December 2016, the Group's net asset value per share stood at 71.62 Sing cents, a 5.0% increase from the previous year's figure of 68.19 Sing cents per share.

“Our commitment to strengthening the Group's financial position paid off as we reversed from a net gearing ratio of 34.1% as at 31 December 2015 (Net debt: S\$190.1 million) to a net cash position of S\$25.1 million as at 31 December 2016.

In the year ahead, our efforts are focused on business development in order to grow our revenue. However, the worldwide situation is full of uncertainties and we are beginning to see an increase in competition which could impact many companies.

On behalf of the Board of Directors, I am pleased to announce the recommendation of a final dividend of 0.4 Sing cents. This will increase total dividends for FY2016 to 0.8 Sing cents (FY2015: 0.6 Sing cents) as a reward to shareholders for their unwavering support.”

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

Outlook

According to the independent research firm, the International Data Corporation (IDC), the worldwide smartphone market will reach a total of 1.45 billion units shipped in 2016, up 0.6% from the 1.44 billion units shipped in 2015¹. From there, shipments will reach 1.71 billion units in 2020, the final year of their forecast period, resulting in a CAGR of 3.5%. According to the report, demand for smartphones in mature markets is set to return to growth in anticipation of new hardware releases from key industry players in the fall of 2017.

In the consumer wearables market, the IDC is forecasting double-digit growth for the next several years as second and third generation products leverage on new technology and improve upon their predecessors².

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:

- Intensifying business development initiatives to diversify the Group's customer base.
- Improving operational efficiency and tightening cost controls to mitigate market uncertainty.
- Enhancing capacity utilisation across the Group's manufacturing sites.

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 lower revenue for 1Q2017 as compared to 1Q2016. The Group expects to breakeven in 1Q2017.
- The Group expects lower revenue but higher profit for FY2017 as compared to FY2016.

-- The End --

¹ IDC, Worldwide Smartphone Forecast Update, 2016–2020: December 2016

² IDC, Worldwide Wearables Forecast, 2017–2021: January 2017

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

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