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Hi-P's 2Q2012 performance affected by change in product mix, while new programs will ramp up in 2H2012

- 2Q2012 sales up 9.5% to S$251.8 million
- 2Q2012 net loss of S$2.1 million due to change in product mix and closure of Mexico operations
- 2H2012 performance to be lifted by increased orders from new and existing customers
- Expects FY2012 sales and net profit to outperform FY2011

Singapore – 01 August 2012, 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 ("**2Q2012**") and six months ended 30 June 2012. Revenue for 2Q2012 increased 9.5% year-on-year ("**yoy**") to S$251.8 million mainly due to an increase in high level assembly projects with higher material content resulting in lower value-add. Together with the provision for the closure of its Mexico operations, this resulted in a 2Q2012 net loss of S$2.1 million versus a profit of S$11.2 million previously.

Financial Highlights

(S$'000)	2Q2012	2Q2011	% Change
Revenue	251,762	229,917	9.5
Gross Profit	15,110	30,235	(50.0)
Gross Profit Margin (%)	6.0	13.2	n.m.
(Loss)/Profit After Tax	(2,099)	11,219	n.m.
Net Profit Margin (%)	n.m.	4.9	n.m.
Earnings per share (Sing Cents)	(0.25)	1.31	n.m.

Gross profit decreased 50.0% to S$15.1 million in 2Q2012 mainly due to higher material content resulting in lower value-add from high level assembly, increased labour costs and overheads.

The increase in labour costs was partly due to a one-off restructuring cost of S$1.0 million in relation to retrenchment of production workers in conjunction with the cessation of the business operation of Hi-P Mexico.

The increase in overheads arose from increased depreciation due to higher capital expenditure requirements for 2H2012 ramp up, increased start up costs for new projects and without any stock provision reversal.

Total selling & distribution and administrative expenses were kept in check and increased by 5.8% yoy to S$20.0 million in 2Q2012. The increase in administrative expenses was partly due to one-off restructuring cost of S$0.2 million in relation to retrenchment of staff in conjunction with the cessation of the business operation of Hi-P Mexico.

Net interest income increased 40.1% yoy to S$1.0 million in 2Q2012 due to higher amount of CNY fixed deposits which earned higher interest rate and partially offset by increased USD bank borrowings.

Other income decreased 83.1% yoy to S$1.0 million in 2Q2012 mainly due to net fair value loss on derivatives totaling S$3.1 million (2Q2011: net fair value gain S$1.7 million). The net fair value loss was due to the higher forward rate caused by appreciation of USD against RMB as compared with the contract rate. Other expenses became an income of S$0.6 million mainly due to foreign exchange gain which arose mainly from appreciation of the RMB and USD against SGD totaling S$1.4 million (2Q2011: loss S$2.8 million), partially offset by increased provision for impairment loss of fixed assets totaling S$0.5 million (2Q2011: impairment gain S$0.1 million). The provision for impairment loss of fixed assets totaling S$0.5 million was inclusive of a one-off provision of S$1.0 million in conjunction with the cessation of the business operation of Hi-P Mexico.

"Our 2Q2012 performance was below our expectations due to the change in product mix. Together with the provision related to the closure of our Mexico operations, we reported a net loss of S$2.1 million.

Notwithstanding the above, we continue to be on track with our capacity and capability expansion plans to deliver on the business forecasted for 2H2012. Our entire team is working hard to rollout the new programs for our existing and new customers. As such, while the business environment remains volatile, I am cautiously optimistic that we will deliver a positive set of results for the second half of FY2012."

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

Outlook

2012 has been a volatile year thus far due to Europe's debt crisis, concerns over China's growth and a lackluster economic recovery in the United States. As such, the overall business environment remained challenging.

Despite the uncertainty, the IT industry is expected to grow 4.5% in 2012 driven by strong tablet and smartphone sales as consumers continue to flock to these devices for ease of mobile computing. IT research firm IDC has forecasted annual growth rate of 50% - 60% for the tablet market over the next few years while Gartner, another leading IT research firm, expects tablet sales to surge 98% to 118.9 million units in 2012. IDC is also forecasting smartphones shipments to reach 660 million units in 2012, representing a 34% increase over 2011.

As a leading contract manufacturer to several major tablet and mobile brands, Hi-P is confident that the outlook in the industry will have a positive impact on the Group's profitability over the next six months. The Group's business development team has already made significant inroads to secure new programs in the areas of tablet computers, smart phones, sports digital devices amongst others.

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

The Group expects higher revenue in 3Q2012 as compared to 2Q2012. The Group also expects to be profitable in 3Q2012.

The Group expects similar revenue but higher profit in 3Q2012 as compared to 3Q2011.

The Group expects higher revenue and profit in 2H2012 as compared to 1H2012.

The Group expects higher revenue and profit in FY2012 as compared to FY2011.

-- The End --

About Hi-P International Limited (Bloomberg Code: HIP.SP)

Hi-P International Limited ("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 15 manufacturing plants globally located across five locations in the People's Republic of China (Shanghai, Chengdu, Tianjin, Xiamen and Suzhou), and in Mexico, Poland, Singapore and Thailand. Hi-P has marketing and engineering support centers 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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