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Hi-P more than doubles net profit to a record S$121.5 million for FY2017

- Higher sales volume drives a 9.3% yoy increase in revenue to an all-time high of S$1.43 billion
- Gross profit margin expands from 11.9% to 16.3% as a result of improvements to product mix and operational efficiencies
- Robust operating cash flow generation of S$260.2 million bolsters balance sheet strength to a net cash position of S$77.6 million as at 31 Dec 2017 (31 Dec 2016: S$25.1 million)
- Confident in the Group's future, the Board of Directors recommends a final dividend of 4.0 Sing cents, bringing total dividends for FY2017 to 25 Sing cents (FY2016: 0.8 Sing cents)
- With a strong foundation in place, growth momentum is expected to continue into FY2018 as management guides for higher revenue and profit as compared to FY2017

Singapore – 13 February 2018, 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 ("4Q2017") and full year ("FY2017") ended 31 December 2017.

Financial Highlights

(S$'000)	4Q2017	4Q2016	% Change	FY2017	FY2016	% Change
Revenue	491,818	356,780	37.8	1,426,866	1,305,071	9.3
Gross Profit	97,197	63,797	52.4	232,895	155,849	49.4
Gross Profit Margin (%)	19.8	17.9	1.9 pts	16.3	11.9	4.4 pts
Profit After Tax	59,618	28,534	108.9	121,483	54,520	122.8
Net Profit Margin (%)	12.1	8.0	4.1 pts	8.5	4.2	4.3 pts
Earnings per Share (Sing Cents)	7.39	3.50	111.1	15.05	6.69	125.0
Net Asset Value per Share (Sing Cents)	65.44	71.62	(8.6)	65.44	71.62	(8.6)

Driven by higher sales volumes, the Group's revenue increased 9.3% year-on-year ("yoy") to an all-time high of S$1.43 billion for FY2017. In line with the growth in revenue, gross profit surged 49.4% yoy to S$232.9 million.

As a result of an improvement to product mix and operational efficiency, gross profit margin expanded 4.4 percentage points to 16.3% for FY2017. This is a clear testament to the conscientious efforts committed by the Group to enhance capacity utilisation, manufacturing yield and cost controls.

Stemming from the depreciation of the US Dollar against the Chinese Renminbi and Singapore Dollar, net losses from foreign exchange and fair value loss on derivatives increased by S$12.0 million yoy for FY2017. This led to a 78.5% yoy increase in other expenses to S$17.5 million. Conversely, total selling, distribution and administrative expenses declined 12.4% yoy to S$78.9 million due to a fall in bad debt written off and doubtful debt provisions.

The Group's other income declined 45.4% yoy to S$9.9 million. This was primarily due to the absence of a one-off pre-tax gain of S$10.5 million on the disposal of an investment in a startup company in FY2016.

Along with the increase in profit before tax, the Group's income tax increased to S$24.8 million. This translated to an effective tax rate of 17.0%.

As a result of the above, the Group reported a 122.8% yoy increase in net profit to a record S$121.5 million for FY2017.

Underpinned by effective working capital management, the Group continued to generate robust positive operating cash flows amounting S$260.2 million for FY2017. This contributed to a strengthening of the Group's balance sheet as cash and cash equivalents and restricted bank deposits increased to S$282.8 million as at 31 December 2017. Consequently, the Group's net cash position improved to S$77.6 million (31 Dec 2016: S$25.1 million).

As a sign of confidence in the Group's outlook and to reward shareholders for their continued support, the Board of Directors recommends a final dividend of 4.0 Sing cents, bringing total dividends for FY2017 to 25 Sing cents (FY2016: 0.8 Sing cents).

Looking ahead, the Group expects the momentum to continue as management expects higher revenue and profit for FY2018 as compared to FY2017. In the near term, the Group has increased its inventories to S$178.5 million as at 31 December 2017 (31 Dec 2016: S$142.9 million) as revenue and profit for 1Q2018 is expected to be higher than 1Q2017.

"In FY2017 and 4Q2017, we set new records in revenue and profit. This tremendous improvement to our financial performance is validation for our efforts following the challenges we faced two years ago. We turned around quickly, setting the right strategies to improve our operational performance and grow the business.

Our deeply-rooted management philosophies have been at the core of our operations. Internally, we have implemented motivation mechanisms that foster an entrepreneurial spirit and compliance with Hi-P's best practices. With this, the Group successfully executed initiatives aimed at improving operational and financial performance.

Having laid a strong foundation for growth, we do not intend to stop here as we are well-positioned to reap economies of scale and achieve growth multiplier effect going forward."

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

Outlook

Within the global smartphone industry, the International Data Corporation ("IDC") expects the worldwide smartphone market will reach a total of 1.49 billion units shipped in 2017, up 1.2% from the 1.47 billion units shipped in 2016. From there, shipments are expected to reach 1.71 billion units in 2021, resulting in a CAGR of 3.0%[1].

In a separate study, the IDC expects worldwide spending on the Internet of Things ("IoT") to reach $772.5 billion in 2018, an increase of 14.6% over the $674.0 billion that will be spent in 2017[2].

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

- Targeted business development initiatives to further diversify the Group's customer base
- Increasing order allocation amongst existing customers
- Enhancing capacity utilization and driving manufacturing yield improvement
- Increasing automation across all manufacturing locations
- Exploring inorganic growth initiatives that are synergistic to the Group's operations

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 higher revenue and profit in 1Q2018 as compared to 1Q2017
- The Group expects lower revenue and profit in 1Q2018 as compared to 4Q2017
- The Group expects higher revenue and profit in FY2018 as compared to FY2017

-- The End --

[1] IDC, Worldwide Smartphone Forecast Update, 2017–2021, December 2017
[2] IDC, IDC Forecasts Worldwide Spending on the Internet of Things to Reach $772 Billion in 2018, December 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 13 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

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