

First Quarter Financial Statement And Dividend Announcement

Name of Announcer

HI-P INTERNATIONAL LIMITED

Company Registration No.

198004817H

Announcement submitted on behalf of

HI-P INTERNATIONAL LIMITED

Announcement is submitted with respect to

HI-P INTERNATIONAL LIMITED

Announcement is submitted by

YAO Hsiao Tung

Designation

Executive Chairman

Date & Time of Broadcast

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[Announcement Details](#)

[For the Financial Period Ended](#)

31-03-2008

[Attachments:](#)

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Hi-P International Limited (Registration Number: 198004817H)**Financial Statement and Dividend Announcement for the period ended 31 March 2008****PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3),
HALF-YEAR AND FULL YEAR RESULTS****1(a) Income statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Group		Increase/ (decrease)
	Q1-08 S\$'000	Q1-07 S\$'000	%
Revenue	269,985	199,523	35.3
Cost of sales	(221,221)	(168,138)	31.6
Gross profit	48,764	31,385	55.4
Operating expenses			
Selling expenses	(2,533)	(1,535)	65.0
Administrative expenses	(13,400)	(15,673)	(14.5)
	(15,933)	(17,208)	(7.4)
Other operating income	1,461	2,347	(37.8)
Profit from operations	34,292	16,524	107.5
Financial expenses	(318)	(347)	(8.5)
Financial income	233	188	23.9
Foreign exchange loss	(7,069)	(425)	1,563.4
Profit before tax and share of results of associated companies	27,138	15,940	70.3
Share of results of associated companies	51	(12)	(526.2)
Profit before tax	27,189	15,928	70.7
Tax	(2,553)	(1,130)	125.9
Profit for the period	24,636	14,798	66.5
Attributable to:			
Equity holders of parent company	24,678	15,074	63.7
Minority interest	(42)	(276)	(84.8)
	24,636	14,798	66.5

n.m. – Not Meaningful

Other notes:

Profit from operations is arrived at after charging /(crediting) the following;

	Q1-08 S\$'000	Q1-07 S\$'000
1. Depreciation	10,462	8,866
2. Allowance for doubtful trade debts	440	1,317
3. Bad debt written off / (recovered)	(2)	(24)
4. Inventories written down/ (written back)	2,453	(1,210)
5. Directors' remuneration	1,230	653
6. Directors' fees - current year provision	98	106
7. Operating lease expense	4,776	4,502
8. Staff costs *	40,361	35,460
9. Loss on disposal of fixed assets	94	59
10. Impairment of fixed assets	2,424	-

* Excludes directors' remuneration, which has been disclosed separately in #5 above.

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	31/03/2008	31/12/2007	31/03/2008	31/12/2007
	S\$'000	S\$'000	S\$'000	S\$'000
Fixed assets	283,470	291,075	24,020	24,741
Investment in subsidiaries	-	-	198,326	195,913
Investment in associated company	2,867	2,815	1,478	1,478
Amounts due from subsidiaries	-	-	11,942	11,879
Other investment	12	12	12	12
Deferred tax asset	1,848	1,868	-	-
Current assets				
Inventories	125,633	135,858	5,590	6,159
Trade receivables	200,402	253,823	10,244	10,906
Notes receivable	2,956	2,394	-	-
Other receivables, deposits and prepayments	43,108	35,054	685	957
Amounts due from subsidiaries	-	-	17,805	63,861
Due from related parties (trade)	779	306	-	-
Cash and cash equivalents	115,216	46,764	32,964	4,402
	488,094	474,199	67,288	86,285
Current liabilities				
Trade payables	186,487	205,814	6,433	6,929
Other payables and accruals	73,310	69,579	8,552	6,448
Amounts due to subsidiaries	-	-	24,827	47,678
Amounts due to minority shareholders of subsidiaries	1	23	-	-
Lease obligations, current portion	454	547	55	55
Interest-bearing loans and borrowings	25,081	27,588	25,081	20,849
Provision for income tax	3,792	2,480	449	357
	289,125	306,031	65,397	82,315
Net current assets	198,970	168,168	1,891	3,969
Non-current liabilities				
Lease obligations, non-current portion	6,577	6,185	57	68
Deferred tax liabilities	703	708	874	874
	479,886	457,045	236,738	237,050
Equity				
Share capital	119,725	119,725	119,725	119,725
Other reserves	17,723	19,462	2,869	2,838
Accumulated profits	341,163	316,532	114,144	114,487
	478,611	455,719	236,738	237,050
Minority interest	1,275	1,326	-	-
	479,886	457,045	236,738	237,050

1(b)(ii) Aggregate amount of group's borrowings and debt securities**Amount repayable within one year or less, or on demand**

As at 31/03/2008		As at 31/12/2007	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
454	25,081	547	27,588

Amount repayable after one year

As at 31/03/2008		As at 31/12/2007	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
6,577	-	6,185	-

Lease obligations were secured against the respective leased assets.

Certain borrowings of the subsidiaries of the Company were secured by a corporate guarantee of the Company. These amounts have been disclosed as unsecured.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Q1-08	Q1-07
	S\$'000	S\$'000
Cash flows from operating activities		
Profit before tax and share of results of associated companies	27,138	15,940
Adjustments for:		
Depreciation of fixed assets	10,462	8,866
Loss on disposal of fixed assets	94	59
Impairment of fixed assets	2,424	-
Bad debts written back	(2)	-
Provision for doubtful trade debts	440	1,317
Provision for inventory obsolescence/ (written back)	1,942	(1,052)
Inventory written off	510	-
Interest income	(233)	(188)
Interest expense	318	347
Translation difference	(147)	(2,252)
Equity compensation expenses	31	(34)
	<hr/>	<hr/>
Operating profit before working capital changes	42,977	23,003
Decrease / (Increase) in:		
Inventories	7,220	(26,269)
Trade receivables	53,085	68,805
Notes receivable	(561)	(2,682)
Other receivables, deposits and prepayments	(8,053)	(5,785)
Increase / (decrease) in:		
Trade payables	(19,327)	(4,599)
Other payables and accruals	9,249	(192)
Due from/to related parties (trade), net	(495)	(4,140)
	<hr/>	<hr/>
Cash generated from operations	84,095	48,141
Income taxes paid	(1,228)	(1,331)
	<hr/>	<hr/>
Net cash generated from operating activities	82,867	46,810

1(c) Cash flow statement (cont'd)

	Q1-08	Q1-07
	S\$'000	S\$'000
Cash flows from investing activities		
Purchase of fixed assets	(13,145)	(12,365)
Interest income received	233	188
Proceeds from disposal of fixed assets	1,325	87
Acquisition of a subsidiary, net of cash acquired	-	(209)
Net cash used in investing activities	<u>(11,587)</u>	<u>(12,299)</u>
Cash flows from financing activities		
Interest expense paid	(318)	(347)
Payment of bank term loans, net	(2,577)	(3,941)
Proceeds/(Payment of) from short-term loans, net	70	(8,857)
Repayment of lease obligations	(93)	(17)
Net cash used in financing activities	<u>(2,918)</u>	<u>(13,162)</u>
Net increase in cash and cash equivalents	68,362	21,349
Cash and cash equivalents at beginning of period	46,764	33,244
Effect of exchange rate changes on opening cash and cash equivalents	90	(32)
Cash and cash equivalents at end of period	<u>115,216</u>	<u>54,561</u>
Note		
Current period additions to fixed assets	8,676	13,084
Less : -		
Payable to creditors (Net)	(6,680)	(14,743)
	<u>1,995</u>	<u>(1,659)</u>
Payments for prior period purchase of fixed assets	<u>11,150</u>	<u>14,024</u>
	<u><u>13,145</u></u>	<u><u>12,365</u></u>

1(d)(i) A statement (for the issuer and the group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

(i) Consolidated statement of changes in equity for the 3 months ended 31 March 2008

	Share capital S\$'000	Capital reserve S\$'000	Reserve fund S\$'000	Translation reserve S\$'000	Accumulated profits S\$'000	Minority interests S\$'000	Total S\$'000
Balance at 1 January 2008	119,725	2,912	28,695	(12,145)	316,532	1,326	457,045
Currency translation differences	-	-	-	(1,817)	-	(9)	(1,826)
Profit for the period	-	-	-	-	24,678	(42)	24,636
Equity compensation expense	-	31	-	-	-	-	31
Increase in reserve	-	-	47	-	(47)	-	-
Balance at 31 March 2008	<u>119,725</u>	<u>2,943</u>	<u>28,742</u>	<u>(13,962)</u>	<u>341,163</u>	<u>1,275</u>	<u>479,886</u>

(ii) Consolidated statement of changes in equity for the 3 months ended 31 March 2007

	Share capital S\$'000	Capital reserve S\$'000	Reserve fund S\$'000	Translation reserve S\$'000	Accumulated profits S\$'000	Minority interests S\$'000	Total S\$'000
Balance at 1 January 2007	119,725	2,646	21,287	(17,188)	269,777	2,493	398,740
Currency translation differences	-	-	-	(2,275)	-	-	(2,275)
Acquisition of subsidiary	-	-	-	-	-	(636)	(636)
Profit for the period	-	-	-	-	15,073	(276)	14,797
Equity compensation expense	-	(34)	-	-	-	-	(34)
Increase in reserve	-	-	339	66	(405)	-	-
Balance at 31 March 2007	<u>119,725</u>	<u>2,612</u>	<u>21,626</u>	<u>(19,397)</u>	<u>284,445</u>	<u>1,581</u>	<u>410,592</u>

(iii) Statement of changes in equity of the company for the 3 months ended 31 March 2008

	Share capital	Capital	Accumulated	
	S\$'000	reserve	profits	Total
		S\$'000	S\$'000	S\$'000
Balance at 1 January 2008	119,725	2,837	114,487	237,050
Loss for the period	-	-	(343)	(343)
Equity Compensation expense	-	31	-	31
Balance at 31 March 2008	<u>119,725</u>	<u>2,868</u>	<u>114,144</u>	<u>236,738</u>

(iv) Statement of changes in equity of the company for the 3 months ended 31 March 2007

	Share capital	Capital	Accumulated	
	S\$'000	reserve	profits	Total
		S\$'000	S\$'000	S\$'000
Balance at 1 January 2007	119,725	2,572	26,731	149,028
Loss for the period	-	-	(1,012)	(1,012)
Equity Compensation expense	-	(34)	-	(34)
Balance at 31 March 2007	<u>119,725</u>	<u>2,538</u>	<u>25,719</u>	<u>147,982</u>

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of share for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

During the financial period ended 31 March 2008, there has been no increase in the issued and paid-up share capital of the Company.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The total number of issued ordinary shares excluding treasury shares as at 31 March 2008 was 887,175,000 (2007: 887,175,000).

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

The Company has no treasury shares.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been reviewed or audited by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited financial statements have been applied

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year.

5. If there are any changes in the accounting policies and method of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Not applicable.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:-

- (a) Based on the weighted average number of ordinary shares on issue; and
 (b) On a fully diluted basis (detailing any adjustments made to the earnings).

	Q1-08	Q1-07
Operating profit after exceptional items and tax before deducting minority interests as a percentage of revenue	9.1%	7.4%
Operating profit after tax attributable to members of the company as a percentage of issued capital and reserves at the end of the period	5.1%	3.6%
Earnings per ordinary share		
(a) Based on weighted average number of ordinary shares in issue (cents)	2.78	1.70
(b) On a fully diluted basis (cents)*	2.78	1.70

*It is not meaningful to calculate the diluted EPS as the stock option exercise prices are above the current market price.

Earnings per share have been computed based on the share capital of 887,175,000 ordinary share of \$0.05 each.

In arriving at the fully diluted earnings per share, only those potential ordinary shares arising from the exercise of options, which will dilute the basic earnings per share of the Group, are included in the computation. There are 3,497,000 options exercisable as at 31 March 2008.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-

- (a) current financial period reported on; and
 (b) immediately preceding financial year :

	Group		Company	
	31/03/2008	31/12/2007	31/03/2008	31/12/2007
	Cents	Cents	Cents	Cents
Net Asset Value per Ordinary Share based on issued share capital at the end of the period	53.95	51.37	26.68	26.72

A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (c) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (d) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Overall Results

Q1 FY2008 revenue increased by S\$70.5 million or 35.3% to S\$270.0 million while net profit attributable to shareholders ("net profit") increased by S\$9.6 million or 63.7% to S\$24.7 million, compared to Q1 FY2007.

Compared to Q4 FY2007, revenue was lower by S\$43.3 million or 13.8%, due mainly to the normal seasonality in the handset market. As a result, net profit was lower by S\$6.3 million or 20.4%.

Revenue Analysis

The group registered higher revenue across the board, especially in sales to Wireless' customers, which increased by S\$49.4 million or 43.4% to S\$163.3 million as compared to Q1 FY2007. Sales to Consumer Electronics' customers increased S\$21.1 million or by 24.6% to S\$106.7 million.

Compared to Q4 FY2007, Wireless sales decreased S\$38.9 million or by 19.2% compared to Consumer Electronics & Computing sales which decreased by S\$4.4 million or by 4.0%.

Profitability Analysis

Gross profit increased by S\$17.4 million or 55.4% to S\$48.8 million while gross margin was 18.1%, up from 15.7% a year ago. The improved gross profit margin was primarily due to a more profitable product mix as the Group undertook more value-added services for its customers. Despite the higher sales, operating expenses fell by 7.4%, mainly on the back of reversions of excess bonuses accrued in FY2007, lower provisions for doubtful debts and better cost efficiencies.

The Group also reported a net foreign exchange loss of S\$7.1 million in Q1 FY2008, compared to S\$0.4 million a year ago, as the USD weakened further. This was exacerbated by the high level of USD-denominated receivables converted during the quarter.

Notwithstanding, pretax profit rose by S\$11.3 million or 70.7% to S\$27.2 million. Tax charge increased by S\$1.4 million or 126% to S\$2.6 million, raising effective tax rate to 9.4%, from 7.1 % a year ago. This was due to the loss of tax holidays at one of our China sites.

Cashflow Analysis

Due to the strong financial performance and better working capital management, the Group reported a net increase of cash and cash equivalents of S\$68.4 million, compared to S\$21.3 million a year ago and a net decrease of S\$8.3 million in the previous quarter. Net cash generated from operations was S\$82.9 million, up from S\$46.8 million in Q1 FY2007. This was largely due to decreases in trade receivables and inventories. Net cash used in investing was S\$11.6 million, down from S\$12.3 million previously. Net cash used for financing activities was S\$2.9 million, compared to S\$13.2 million previously as the Group paid down its short term borrowings.

Balance Sheet Analysis

The Group's financial position improved significantly on the back of the better cashflows. As at end 31 March 2008, cash and cash equivalents increased S\$68.4 million to S\$115.2 million. Gross debt was S\$32.1 million, resulting in a net cash position of S\$83.1 million. Gross gearing is a low 6.7%.

Cash Cycle Analysis

Days	Q1 FY2008	Q4 FY2007	Q1 FY2007
Average Receivables Turnover	70	72	65
Average Inventory Turnover	53	56	77
Average Payables Turnover	78	70	88
<i>Cash Cycle*</i>	<i>45</i>	<i>58</i>	<i>54</i>

- $Cash\ Cycle = Avg\ Receivables\ Turnover + Avg\ Inventory\ Turnover - Avg\ Payables\ Turnover$

Cash management improved. Our cash cycle days decreased by 13 days to 45 days in Q1 FY2008, down from 58 days a quarter ago and from 54 days a year ago. Q-o-Q, average receivables days decreased slightly by 2 days while average inventory days improved by 3 days. At the same time, average payable days lengthened to 78 days

9. Where a forecast, or prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not Applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Barring unforeseen circumstances, the Group expects lower revenue and net profit for Q2 FY2008 compared to Q1 FY2008, due to slower sales expected at Consumer Electronics. However, Q2 FY2008 revenue and profit is likely to be better than Q2 FY2007. For FY2008, the Group expects better revenue and profit.

11. Dividend

(a) Current Financial Period Reported on

Any dividend recommended for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommendeded, a statement to that effect.

No dividend is recommended for the period under review.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediate preceding year.

Segmental revenue by Activities, Industries and Geographical Markets

By Activities

	PPIM S\$'M	MDF S\$'M	Assembly S\$'M	Eliminations S\$'M	Consolidated S\$'M
2008 Q1					
Segment Revenue					
Sales to external customers	108.0	6.6	155.4	-	270.0
Intersegmental sales	7.4	-	-	(7.4)	-
	<u>115.4</u>	<u>6.6</u>	<u>155.4</u>	<u>(7.4)</u>	<u>270.0</u>
Profit from operations	18.7	1.2	14.4	-	34.3
Finance expense					(0.3)
Finance income					0.2
Foreign exchange loss, net					(7.1)
Share of results of associated companies					-
Tax					(2.6)
Minority interest					0.1
Net profit attributable to shareholders of the company					<u>24.6</u>
Depreciation	5.1	0.9	4.4		10.4
Other non-cash expenses	3.0	0.1	2.3		5.4

Segmental revenue by Activities, Industries and Geographical Markets

By Activities

	PPIM S\$m	MDF S\$m	Assembly S\$m	Eliminations S\$m	Consolidated S\$m
2007 Q1					
Segment Revenue					
Sales to external customers	77.9	14.0	107.6	-	199.5
Intersegmental sales	8.0	-	-	(8.0)	-
	<u>85.9</u>	<u>14.0</u>	<u>107.6</u>	<u>(8.0)</u>	<u>199.5</u>
Profit from operations	8.9	0.5	7.1	-	16.5
Finance expense					(0.3)
Finance income					0.2
Foreign exchange loss, net					(0.4)
Share of results of associated companies					-
Tax					(1.1)
Minority interest					0.3
Net profit attributable to shareholders of the company					<u>15.0</u>
Depreciation	3.8	1.2	3.9		8.9
Other non-cash expenses	0.7	-	0.6		1.3

By Industries

	Segment Revenue	
	Q1-08 S\$m	Q1-07 S\$m
Wireless Telecommunications	163.3	113.9
Consumer Electronics & Computing	106.7	85.6
	<u>270.0</u>	<u>199.5</u>

By Geographical Markets

	Segment Revenue	
	Q1-08 S\$m	Q1-07 S\$m
Asia		
PRC	65.0	81.3
Singapore	3.8	7.1
Malaysia	6.1	2.5
Others	4.9	5.2
	<u>79.8</u>	<u>96.1</u>
Europe	92.2	49.8
USA and other parts of the Americas	98.0	53.6
	<u>270.0</u>	<u>199.5</u>

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Please refer to paragraph 8.

Confirmation by the Board

We, the undersigned, do hereby confirm on behalf of the Board of Hi-P International Limited that, taking into account the matters announced and publicly disclosed by the Company prior to the date of this confirmation and the prevailing accounting policies adopted by the Company in accordance with the Singapore Financial Reporting Standards, to the best of their knowledge, nothing has come to their attention which may render the financial results for the period ended 31st March 2008 (comprising the balance sheet, consolidated income statement, statement of changes in equity and consolidated cash flows statement, together with their accompanying notes) to be false or misleading in any material aspect.

Yao Hsiao Tung
Chairman

Dr Tan Khee Giap
Director

BY ORDER OF THE BOARD

Tan Ping Ping

Company Secretary