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Hi-P's 1Q2013 net profit jumps 354.0% to S$6.9 million on better product mix and improvement in productivity

- Better product mix and improvement in productivity in 1Q2013
- Strong net operating cash flow of S$74.6 million and healthy net cash position of S$96.7 million
- Expects FY2013 sales and net profit to outperform FY2012

Singapore – 7 May 2013, 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 three months ended 31 March 2013 ("1Q2013"). While revenue dipped marginally by 3.9% year-on-year (yoy) to S$267.6 million, the better product mix and improvement in productivity resulted in a 354.0% jump in net profit to S$6.9 million. The Group's bottom-line performance would have been even better, if not for a S$3.8 million impairment loss on property, plant and equipment and S$0.8 million allowance for inventory obsolescence as a result of fire-related damage at one of the Group's manufacturing plants in Shanghai.

Financial Highlights

(S$'000)	1Q2013	1Q2012	% Change
Revenue	267,635	278,355	(3.9)
Gross Profit	30,173	19,707	53.1
Gross Profit Margin (%)	11.3	7.1	+4.2 % points
Profit After Tax	6,887	1,517	354.0
Net Profit Margin (%)	2.6	0.5	+2.1 % points
Earnings per share (Sing Cents)	0.83	0.18	361.1
Net Asset Value per share (Sing Cents)	71.90	71.13	1.1

Gross profit increased 53.1% yoy to S$30.2 million in 1Q2013 despite the lower revenue. The increase was mainly due to lower cost of materials resulted from positive shifts in product mix and improvement in productivity, partially offset by increased labor costs and overheads.

The increase in overheads arose from increased depreciation due to capital expenditure requirements for new projects, increased start up costs for new projects and increased allowance for inventory obsolescence. The increase in overheads was partially offset by decrease in factory rental and utility.

Total selling & distribution and administrative expenses increased 12.5% yoy to S$21.4 million in 1Q2013. The increase was mainly due to higher staff costs.

Net interest income decreased 76.6% yoy to S$0.3 million in 1Q2013 mainly due to a decrease in net cash position in 1Q2013 as compared to 1Q2012.

Other income decreased 29.8% yoy to S$2.4 million in 1Q2013 mainly due to lower government incentives were granted to China subsidiaries in 1Q2013.

Other expenses decreased 10.6% yoy to S$3.2 million in 1Q2013 mainly due to lower net foreign exchange loss, absence of loss on disposal of investment in subsidiary in 1Q2013 (1Q2012: S$1.5 million), lower property, plant and equipment written off. The decrease in other expenses was partially offset by increase in impairment loss on property, plant and equipment and lower net fair value gain on the Group's forward foreign exchange contracts. The impairment loss on property, plant and equipment of S$4.5 million in 1Q2013, comprises mainly S$3.8 million of the estimated net carrying value of the renovation and machineries that were damaged by the fire that occurred on 19 February 2013 at one of the Group's manufacturing plants in Shanghai.

Income tax expense increased by 270.3% yoy to S$1.4 million mainly due to higher profits, representing an effective tax rate of 17.0% (1Q2012: 20.1%).

Net cash generated from operating activities before working capital changes was S$37.1 million in 1Q2013. Net cash generated from operating activities in 1Q2013 amounted to S$74.6 million.

Cash and cash equivalents including cash and cash equivalents of disposal group classified as held for sale and short term deposits pledged increased by 30.7% from S$178.6 million as at 31 December 2012 to S$233.4 million as at 31 March 2013.

Current and non-current loans and borrowings decreased by 5.2% from S$144.3 million as at 31 December 2012 to S$136.7 million as at 31 March 2013 mainly due to repayment of loans and borrowings.

Net cash position increased by 182.1% from S$34.3 million as at 31 December 2012 to S$96.7 million as at 31 March 2013.

"Building on the lessons learnt from a challenging 2012, our organizational structure has been revamped to delegate and decentralize our Business Development function to our three business units – Mechanical Business, OEM/ Flex, and EMS/ ODM.

As we gain momentum on business development, cost control and productivity, we will work towards better utilization of the Group's production capacity & capabilities to deliver better results."

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

Outlook

As identified by technology research firm Gartner, 2013 will continue to see strong growth in the smartphones and tablets market. The Group's emphasis on innovation will allow it to provide existing and potential customers, who are market leaders in the smartphones and tablets market, with quality and reliable components to address their needs.

For 2013, the Group will focus on:

- Regaining its growth momentum by diversifying its customer base.
- Continuing to improve upon its cost structure via automation and lean manufacturing.
- Last but not least, continue to deliver value to shareholders through profitability and growth.

Over the long-term, the Group's goal is to achieve a sustainable growth rate and be one of the top contract manufacturers in Asia, by providing a one-stop solution to fulfill its customers' needs - from industrial design, component manufacturing to high-level assembly.

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

The Group expects to record higher revenue in 2Q2013 as compared to 2Q2012. The Group expects to record a profit in 2Q2013.

The Group expects to record higher revenue and profit in 2Q2013 as compared to 1Q2013.

The Group expects higher revenue and profit in FY2013 as compared to FY2012.

-- The End --

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 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 five locations in the People's Republic of China (Shanghai, Chengdu, Tianjin, Xiamen and Suzhou), and in 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 www.hi-p.com

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

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