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Hi-P's 3Q2013 revenue jumps 34.5% to S$365.2 million due to high component content assembly projects

- Profitability affected by change in product mix and inventory provision of S$4.4 million resulting from end of life of a major project
- Expects lower revenue and profit in 4Q2013 as compared to 4Q2012
- Expects FY2013 revenue and profit to exceed FY2012

Singapore – 31 October 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 third quarter ended 30 September 2013 ("3Q2013"). Revenue increased by 34.5% year-on-year (yoy) to S$365.2 million mainly due to the change in product mix as there were more high component content assembly projects in 3Q2013.

Financial Highlights

(S$'000)	3Q2013	3Q2012	% Change
Revenue	365,246	271,657	34.5
Gross Profit	23,834	23,967	(0.6)
Gross Profit Margin (%)	6.5	8.8	-2.3 points
Profit After Tax	3,138	2,983	5.2
Net Profit Margin (%)	0.9	1.1	-0.2 points
Earnings per Share (Sing Cents)	0.38	0.35	8.6
Net Asset Value per Share (Sing Cents)	73.86	68.76	7.4

Gross profit decreased 0.6% yoy to S$23.8 million in 3Q2013 mainly due to higher cost of materials resulting from more high component content assembly projects, increased labor costs, increased depreciation and increased allowance for inventory obsolescence.

The increase in allowance for inventory obsolescence was mainly due to an inventory provision of S$4.4 million resulting from end of life of a major project.

Total selling & distribution and administrative expenses increased 6.4% yoy to S$22.9 million in 3Q2013 mainly due to higher marketing costs incurred for the diversification of customers and products.

Net interest income decreased 88.2% yoy to S$0.05 million in 3Q2013 mainly due to a decrease in net cash position.

Other expenses became an income of S$0.7 million in 3Q2013 from an expense of S$1.2 million in 3Q2012. The decrease of S$1.9 million was mainly due to a lower net foreign exchange loss of S$1.1 million in 3Q2013 (3Q2012: S$2.9 million), which was primarily a result of lower depreciation of USD against SGD in 3Q2013, as compared with 3Q2012. The decrease was also contributed by a higher net fair value gain on derivatives (currency hedge) of S$1.7 million in 3Q2013 (3Q2012: S$1.4 million).

The Group recorded income tax expense of S$0.7 million in 3Q2013, representing an effective tax rate of 17.3% (3Q2012: 18.0%).

As a result of the above factors, the Group achieved net profit after tax of S$3.1 million in 3Q2013.

Cash and cash equivalents including cash and cash equivalents of disposal group classified as held for sale and short term deposits pledged decreased by 34.1% from S$178.6 million as at 31 December 2012 to S$117.7 million as at 30 September 2013.

Current and non-current loans and borrowings were S$149.3 million, resulting in a net debt position of S$31.6 million as at 30 September 2013.

Net cash used in operating activities in 3Q2013 amounted to S$103.9 million, mainly due to operating cash flows before changes in working capital of S$29.5 million in 3Q2013 partially offset by increase in trade and other receivables amounting to S$94.5 million and increase in inventories amounting to S$57.8 million.

"Our performance for 3Q2013 is below our expectations due to the slower ramp-up of new programs and more lower-margin high assembly projects. The decrease in orders from certain customers will also affect us in the next quarter. Accordingly, we expect a significantly lower profit in 4Q2013 as compared to 4Q2012.

To improve our business situation, we will put in effort to ensure smooth execution and delivery of programs that are currently scheduled for 4Q2013.

With our decentralization strategy enhancing coordination between our business units, we will work towards better utilization of the Group's production capacity and capabilities. Going forward, we expect to gain momentum on business development, cost control and productivity to deliver better results."

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

Outlook

Based on market intelligence, global tablet shipments are expected to surpass the total personal computer (PC) shipments in 4Q2013. It is further expected that by the end of 2015, tablet shipments will surpass total PC shipments, while smartphones shipments will maintain its large volume, accounting for 69% of all global smart connected devices.

For the fourth quarter of 2013, the Group will maintain its focus on:

- Ongoing diversification of its customer base.
- Continuous improvement of its cost structure via automation and lean manufacturing.
- Cost control and productivity improvement to better utilize production capacity and capabilities.

The Group continues to aim for 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 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 and profit in 4Q2013 as compared to 4Q2012.

The Group expects higher revenue but lower profit in 2H2013 as compared to 1H2013.

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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