Hi-P International Limited
11 International Business Park
Jurong East
Singapore 609926
Tel: (65) 6268 5459 Fax: (65) 6564 1787
www.hi-p.com

Hi-P improves cost management and narrows 2Q2014 net loss by 75.3% qoq to S$3.0m

- 2Q2014 revenue up 18.6% qoq to S$212.3 million due to improving sales volume
- Ongoing diversification strategy for new consumer electronics and smartphone customers to drive future growth
- Expects lower revenue but higher profit in FY2014 as compared to FY2013.

Singapore – 4 August 2014, 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 ended 30 June 2014 ("2Q2014").

Financial Highlights

(S$'000)	2Q2014	2Q2013	YOY % Change	1Q2014	QOQ % Change
Revenue	212,292	285,046	(25.5)	178,927	18.6
Gross Profit	13,933	28,428	(51.0)	3,372	313.2
Gross Profit Margin (%)	6.6	10.0	-3.4 points	1.9	+4.7 points
(Loss)/ Profit After Tax	(3,028)	10,890	n.m.	(12,271)	(75.3)
Net Profit Margin (%)	n.m.	3.8	n.m.	n.m.	n.m.
(Loss)/Earnings per Share (Sing Cents)	(0.37)	1.32	n.m.	(1.50)	(75.3)
Net Asset Value per Share (Sing Cents)	68.85	73.69	(6.6)	70.18	(1.9)

Revenue decreased by S$72.8 million (25.5%) year-on-year (yoy) to S$212.3 million in 2Q2014 mainly due to lower sales volumes from two key customers. The decrease was partially offset by the orders from new customers, which was in line with the Group's strategy to diversify its customer base. In addition, the diversification strategy also resulted in a revenue increase of 18.6% on a quarter-on-quarter (qoq) basis.

Gross profit decreased by S$14.5 million (51.0%) yoy to S$13.9 million in 2Q2014. This was mainly due to lower sales, slower pace of decreases in labour costs, and depreciation as compared to the decrease in sales. The decrease in labour costs was offset by the increase in minimum wages imposed by the applicable local governmental authorities in the PRC. Depreciation is computed on a straight-line basis and is not proportionate to sales. As such, our gross profit margin decreased from 10.0% in 2Q2013 to 6.6% in 2Q2014.

Net interest income decreased by S$0.3 million (73.8%) to S$0.1 million in 2Q2014 mainly due to lower net cash balances in 2Q2014 as compared to 2Q2013.

Other income decreased by S$1.2 million (36.7%) yoy to S$2.0 million in 2Q2014 mainly due lower incentives from governments and lower sale of scrap materials.

Total selling & distribution and administrative expenses decreased by S$4.9 million (21.8%) yoy to S$17.7 million in 2Q2014 mainly due to the decrease in provision for bonus and warranty costs.

Other expense of S$2.0 million in 2Q2014 mainly consisted of net foreign exchange loss of S$0.9 million (2Q2013: gain S$1.8 million), which arose mainly from depreciation of USD against RMB and SGD, and net fair value loss on derivatives used for currency hedging of S$0.5 million (2Q2013: gain S$2.1 million), resulted from changes in fair value of the derivatives.

The Group recorded an income tax credit of S$0.5 million in 2Q2014, representing an effective tax rate of 15.3% (2Q2013:13.7%).

As a result of the above factors, the Group recorded a net loss after tax of S$3.0 million in 2Q2014. On a qoq basis, the net loss was narrowed by 75.3% due to improvements in cost management.

Current and non-current loans and borrowings decreased by S$27.3 million (26.4%) from S$103.2 million as at 31 December 2013 to S$75.9 million as at 30 June 2014, mainly due to repayment of loans and borrowings.

Cash and cash equivalents including cash and cash equivalents of disposal group classified as held for sale and short term deposits pledged increased by S$9.1 million (6.5%) from S$138.9 million as at 31 December 2013 to S$148.0 million as at 30 June 2014. Debt was S$75.9 million, resulting in a net cash position of S$72.1 million (31 December 2013: S$35.7 million).

"We are in a highly competitive industry that is largely influenced by consumer behaviour and pricing trends. Due to market volatility, we faced headwinds from the second half of FY2013 and delivered less-than-optimal results. Being in the industry for many years, we have built up our resilience to challenges, by implementing several strategies to drive up our sales and improve our operational efficiencies.

Apart from diversifying our customer base and product segments to improve our top line, we continue to tighten cost control and enhance our overall productivity to improve our bottom line. To that end, we have seen positive results as our 2Q2014 revenue registered an improvement as compared to 1Q2014 and our net loss has significantly narrowed by 75.3% to S$3.0 million.

For the second half of FY2014, the key success in resuming our growth trajectory lies in the smooth execution and delivery for several of our new major projects. With the invaluable contribution from our expanded management team, including our new Deputy Chief Executive Officer, Mr EL Tay, towards strengthening our customer base and driving our growth strategies, we are confident that Hi-P will achieve a higher profitability for FY2014 as compared to FY2013."

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

Outlook & Resumption of Nantong Plant's Construction

According to renowned technology research firm, IDC, sales of tablets and smartphones will grow at 18.0% and 19.3% respectively in 2014. Growth in the tablets and smartphone space will be mainly driven by emerging markets and lower-end smartphones. This represents a shift in product mix to lower-end devices.

Separately, according to U.S. Consumer Electronics Sales and Forecasts, the semi-annual industry report released by the US-based Consumer Electronics Association, revenues for the consumer electronics industry are projected to grow 2.4% in 2014, marking a new high of US$208.0 billion.

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

- Ongoing diversification of its customer base and product segments.
- Better utilization of production capacity and capabilities.
- Continuous improvement on cost control via automation, lean organization & manufacturing consolidation.
- Smooth execution and delivery for several new major projects.

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.

In line with its growth strategy, the construction of the Group's Nantong plant has resumed since late June 2014. The construction at the Nantong plant for a site area comprising approximately 65,000 sqm is expected to be completed by September 2014, and production is targeted to gradually commence in 4Q2014 at the newly constructed site area.

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

- The Group expects lower revenue but higher profit in 3Q2014 as compared to 3Q2013.

- The Group expects higher revenue in 2H2014 as compared to 2H2013. The Group also expects to be profitable in 2H2014.

- The Group expects lower revenue but higher profit in FY2014 as compared to FY2013.

-- 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 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

For more information please contact: Gabriel TAN /Allison CHEN
staff@financialpr.com.sgTel: (65) 64382990   Fax: (65) 64380064