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Hi-P narrows QOQ net loss in 2Q2015 and poised for turnaround with ramp-up in place for 2H2015

- Revenue surged 48.2% yoy to S$314.7 million driven by increase in orders from existing and new customers
- Growth momentum continues with several projects primed for ramp up in 2H2015 as they transit into mass production phase
- Management expects to achieve higher revenue and profit in 2H2015 as compared to 2H2014

Singapore – 5 August 2015, 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 2015 ("2Q2015").

Financial Highlights

(S$m)	2Q2015	2Q2014	YOY % Change	1Q2015	QOQ % Change
Revenue	314.7	212.3	48.2	279.8	12.5
Gross Profit	13.0	13.9	(6.5)	4.4	194.3
Gross Profit Margin (%)	4.1	6.6	-2.5 ppt	1.6	+2.5 ppt
Loss After Tax	(8.0)	(3.0)	163.3	(13.8)	(42.2)
Net Profit Margin (%)	n.m.	n.m.	n.m.	n.m.	n.m.
Loss per Share (Sing Cents)	(0.98)	(0.37)	164.9	(1.69)	(42.0)
Net Asset Value per Share (Sing Cents)	71.36	68.85	3.6	74.56	(4.3)

The Group's revenue jumped 48.2% year-on-year ("yoy") to S$314.7 million for 2Q2015. The revenue increase was driven by increase in orders from existing and new customers.

Despite the increase in revenue, gross profit decreased 6.5% yoy to S$13.0 million for 2Q2015. Gross profit margin decreased from 6.6% for 2Q2014 to 4.1% for 2Q2015. The lower gross profit margin was mainly due to higher inventory provisions, higher scrap and rework costs, higher new product introduction ("NPI") expenses for new projects, higher labour and depreciation costs incurred from plant under renovation pending new projects ramp up in 2H2015.

Total selling and distribution expenses, as well as administrative expenses increased 20.8% yoy to S$21.4 million for 2Q2015. The increase was mainly due to higher marketing expenses incurred for new projects and increase in staff costs.

Other expenses increased 42.8% yoy to S$2.8 million in 2Q2015 mainly due to higher accrual for purchase commitments. The net foreign exchange loss of S$4.0 million in 2Q2015 was arose mainly from depreciation of USD against SGD in 2Q2015, offset by net fair value gain on currency hedging of S$2.3 million.

The Group recorded an income tax credit of S$0.5 million for 2Q2015, mainly contributed by recognition of deferred tax assets on provisions and unutilized tax losses.

As a result of the above factors, the Group recorded a net loss after tax of S$8.0 million for 2Q2015.

Current and non-current loans and borrowings increased 29.1% yoy from S$215.3 million as at 31 December 2014 to S$278.0 million as at 30 June 2015. Total borrowings increased mainly due to net drawdown of bank loans for working capital purposes and purchase of property, plant and equipment, as well as an increase in finance lease obligations for purchase of equipment.

As at 30 June 2015, cash and cash equivalents and short term deposits pledged decreased 48.8% from S$213.1 million as at 31 December 2014 to S$109.2 million. As the total debt was S$278.0 million, the Group was in a net debt position of S$168.8 million as at 30 June 2015 (31 December 2014: net debt S$2.2 million).

"In line with our expectation and guidance for 2Q2015, our bottom line was primarily impacted by startup costs for our new projects at Nanhui and at Jin Hai in the initial production phase. However, we expect these new projects to turn positive in 2H2015 based on our current progress.

Our successful ramp-up and subsequent mass production at Jin Hai have resulted in us securing a higher order allocation from customers. With our new projects at Nanhui also transiting to a mass production phase, our business development efforts continue to gain momentum to ride on the industry's seasonal upturn in the second half of the year.

In addition, mass production has commenced at Nantong since 2Q2015 and shown positive results in June. With mass production for several new projects at Nantong, Nanhui and Jin Hai in 2H2015, we expect to achieve economies of scale to turnaround the overall business performance.

Based on the above, we maintain our guidance for 2H2015."

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

Outlook

Based on a new smartphone forecast from research firm IDC, smartphone shipments are expected to grow 11.3% yoy to 1.4 billion units in 2015. According to the research firm, the biggest growth markets in terms of volume and growth are from India, Indonesia, Middle, South Africa and some Latin American countries. IDC forecasted that these countries will help push worldwide shipment volumes to 1.9 billion units annually by 2019.

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

- Continual improvement on responsiveness towards customers' product to increase customer satisfaction

- Improve technology to enhance operational efficiency and develop more business for metal components

The Group continues to strive for sustainable growth 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 higher revenue and profit in 3Q2015 as compared to 3Q2014.

- The Group expects higher revenue and profit in 2H2015 as compared to 2H2014.

- The Group expects higher revenue and profit in FY2015 as compared to FY2014.

-- 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 six locations in the People's Republic of China (Shanghai, Chengdu, Tianjin, Xiamen, Suzhou and Nantong), 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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