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Hi-P generates strong positive operating cash flow of S$92.9 million for 1Q2016 which bolsters balance sheet strength

- Net debt position reduced substantially by S$67.4 million from end of 2015 to S$122.7 million while cash and cash equivalents increased to S$129.7 million
- Revenue remains stable at S$275.6 million while net loss narrows to S$12.4 million
- Gross profit surges 278.0% yoy to S$16.7 million on improved product mix and efficient cost controls

Singapore – 5 May 2016, 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 first quarter ended 31 March 2016 ("1Q2016").

Financial Highlights

(S$'000)	1Q2016	1Q2015	% Change
Revenue	275,583	279,774	(1.5)
Gross Profit	16,723	4,424	278.0
Gross Profit Margin (%)	6.1	1.6	4.5 ppt
Loss After Tax	(12,371)	(13,794)	(10.3)
Loss per Share (Sing Cents)	(1.52)	(1.69)	(10.1)
Net Asset Value per Share (Sing Cents)	63.93	74.56	(14.3)

Against the backdrop of difficult market conditions and subdued global growth, the Group's core business remains stable as revenue recorded S$275.6 million for 1Q2016. Comparatively, the Group's gross profit surged 278.0% year-on-year ("yoy") to S$16.7 million while gross profit margin expanded 4.5 percentage points to 6.1% for 1Q2016. This increase was driven by a favourable product mix coupled with the Group's committed efforts in enhancing cost controls.

As reported in the Group's preceding 4Q2015 results announcement, the management team at Hi-P seeks to streamline costs in order to adopt a leaner business model. This strategy witnessed a positive impact on the Group's profitability as total selling, distribution and administrative expenses decreased by 5.4% yoy to S$19.6 million for 1Q2016.

The Group's net interest expense increased by S$0.9 million to S$1.1 million for 1Q2016. This increase was mainly due to higher net debt balances and interest rates in 1Q2016 as compared to 1Q2015.

Due mainly to the depreciation of the US dollar against the Singapore dollar, the Group's other expenses amounted to S$8.0 million for 1Q2016 and consisted primarily of a net foreign exchange loss of S$6.9 million (1Q2015: gain of S$5.3 million).

In spite of a pre-tax loss, the Group recorded an income tax expense of S$2.0 million for 1Q2016 due to taxes imposed on profitable entities and certain deferred tax assets not being recognised.

As a result of the above factors and the seasonality of the Group's business, the Group recorded a net loss of S$12.4 million for 1Q2016 (1Q2015: net loss of S$13.8 million).

For 1Q2016, the ability to generate strong positive operating cash flow has improved the Group's balance sheet strength and bolstered resilience in a challenging business landscape. Current and non-current loans and borrowings decreased by 20.2% from 31 December 2015 to S$252.4 million as at 31 March 2016. This decrease was mainly attributed to net repayment of loans and borrowings contributed by the positive cash flows generated from operating activities.

The Group's cash, cash equivalents and short term deposits pledged increased marginally to S$129.7 million as at 31 March 2016 while net debt position reduced to S$122.7 million from S$190.1 million as at 31 December 2015. As a result, the Group's net gearing ratio was reduced from 34.2% as at 31 December 2015 to 23.5% as at 31 March 2016.

"Since 4Q2015, the management team has prepared to cope with a challenging business landscape through defined business strategies. We continue to place a priority on diversifying our customer base and increasing market share with existing customers. Apart from enhancing business development and marketing initiatives to capture growth, we have also worked on tightening cost controls across all business units to streamline our operations. Challenged by the seasonally weaker demand during the first quarter, we managed to narrow our losses through the above measures.

We generated strong positive operating cash flows of S$92.9 million for 1Q2016. This strengthened the Group's balance sheet as the net debt position was reduced to S$122.7 million as compared to S$190.1 million at the end of 2015.

Going forward, the management team will focus on utilising existing production capacity. As such, the Group expects to reduce its overall capital expenditure for 2016 as compared to the previous year. While management remains vigilant of the challenges ahead, we are well-prepared and maintain our guidance of a stronger performing second half for this year."

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

Outlook

According to independent research conducted by Gartner, global smartphone sales are estimated to reach 1.5 billion units in 2016, representing a seven percent increase in growth from 2015[1].

In a separate study conducted by the International Data Corporation (IDC), smartphone penetration rates will continue to escalate in many regions across the globe with several promising high-growth markets for vendors to attack over the coming years[2]. The firm highlights markets such as Indonesia, India, Africa, and the Middle East as representing great opportunity for vendors.

IDC also forecasts the worldwide shipments of wearable devices to reach 110 million by the end of 2016 with 38.2% growth over the previous year[3].

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

- Tightening cost controls in order to adopt a leaner business model
- Intensifying business development efforts to diversify the Group's customer base
- Enhancing capacity utilisation across all manufacturing sites while reducing capital expenditure

The Group continues to strive for sustainable growth and to be one of the top contract manufacturers in Asia, by providing a one-stop dedicated solution to fulfill its customers' needs – from product development, component manufacturing to complete product assembly.

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

- The Group expects similar revenue in 2Q2016 as compared to 2Q2015. The Group expects to be profitable in 2Q2016

- The Group expects higher revenue in 2H2016 as compared to 1H2016. The Group expects to be profitable in 2H2016

- The Group expects similar revenue in FY2016 as compared to FY2015. The Group expects to be profitable in FY2016

[1] Gartner, Gartner Says Global Smartphone Sales to Only Grow 7 Per Cent in 2016, 31 March 2016
[2] IDC, Worldwide Smartphone Forecast, 2016–2020, March 2016
[3] IDC, IDC Forecasts Worldwide Shipments of Wearables to Surpass 200 Million in 2019, Driven by Strong Smartwatch Growth and the Emergence of Smarter Watches, 17 March 2016

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 a 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), Poland, Singapore and Thailand. Hi-P has marketing and engineering support centres in PRC, 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 to www.hi-p.com

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

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