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Hi-P reports 24.9% surge in net profit to a record quarter S$38.4 million for 3Q2017 fueled by successful ramp-up and improvements to operational efficiency

- Gross profit jumps 24.7% yoy to S$68.1 million while gross profit margin expands 2.4 pts to 16.5% driven by better capacity utilisation, manufacturing yield improvement and cost controls
- Consistently strong positive operating cash flow generation of S$192.8 million year to date bolsters balance sheet strength; net cash position improves to S$36.9 million (31 Dec 2016: S$25.1 million) despite paying dividends amounting S$153.3 million in September 2017
- Board of Directors recommends an interim dividend of 2.0 Sing cents (3Q2016: 0.4 Sing cents) to reward shareholders
- Growth momentum set to continue as management expects higher revenue and profit for FY2017 as compared to FY2016

Singapore – 6 November 2017, 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 ("3Q2017") and nine months ended 30 September 2017 ("YTD 2017").

Financial Highlights

(S$'000)	3Q2017	3Q2016	Change (%)	YTD 2017	YTD 2016	Change (%)
Revenue	411,336	387,339	6.2	935,048	948,291	(1.4)
Gross Profit	68,069	54,593	24.7	135,698	92,052	47.4
Gross Profit Margin (%)	16.5	14.1	2.4 pts	14.5	9.7	4.8 pts
Profit After Tax	38,368	30,713	24.9	61,865	25,986	138.1
Net Profit Margin (%)	9.3	7.9	1.4 pts	6.6	2.7	3.9 pts
Earnings per Share (Sing Cents)	4.76	3.76	26.6	7.67	3.19	140.4
Net Asset Value per Share (Sing Cents)	59.68	67.41	(11.5)	59.68	67.41	(11.5)

Despite an intensely competitive industry landscape, the Group reported a 6.2% year-on-year ("yoy") increase in revenue to S$411.3 million for 3Q2017. Along with the growth in revenue, an improved product mix and operational efficiency drove a 24.7% yoy increase in gross profit to S$68.1 million. Additionally, better capacity utilization, manufacturing yield improvement and effective cost controls led to gross profit margin expansion from 14.1% for 3Q2016 to 16.5% for 3Q2017.

Conversely, the Group's other expenses increased by S$4.1 million to S$5.0 million for 3Q2017. This was mainly attributable to a loss of S$4.5 million derived from net foreign exchange loss and fair value loss on derivatives resulting from the depreciation of the US dollar against the Singapore dollar and Chinese renminbi for 3Q2017. This was in contrast to the gain of S$1.6 million reported for 3Q2016.

The Group's other income increased 39.7% yoy to S$3.1 million for 3Q2017 mainly due to higher net gain generated from sales of scrap materials.

For 3Q2017, the Group reported an income tax expense of S$8.2 million, representing an effective tax rate of 17.6%.

Stemming from the above factors, the Group reported a 24.9% surge in net profit to S$38.4 million for 3Q2017, setting a new record for a quarter. Year to date, the Group's net profit increased by 138.1% yoy to S$61.9 million for the nine months ended 30 September 2017, which has surpassed the Group's full-year reported net profit of S$54.5 million for FY2016.

Looking ahead, the Group expects higher sales for 4Q2017 as compared to 1Q2017. As such, the Group's inventories have increased from S$142.9 million as at 31 December 2016 to S$195.7 million as at 30 September 2017.

With improvements to the Group's cash conversion cycle, the Group has continued its ability to generate strong positive operating cash flows, amounting to S$192.8 million for the nine months ended 30 September 2017. This has bolstered balance sheet strength as cash and cash equivalents and restricted bank deposits increased from S$120.7 million as at 31 December 2016 to S$296.9 million as at 30 September 2017. Consequently, the Group's net cash position stood at S$36.9 million (31 Dec 2016: S$25.1 million) despite paying dividends amounting S$153.3 million in September 2017.

"We are pleased to have continued our strong turnaround which has resulted in a record quarter in terms of profit. As we strive to enhance shareholder value, our efforts since 2016 have set the foundation for our success. Our strategy of diversifying our customer base continues to gain momentum while we have made strides in margin improvement through enhancing operational efficiency, effective cost controls and boosting productivity. An improvement to capacity utilisation and strong cash flow generation has also contributed to the turnaround.

While we have delivered strong financial performance, we are not contented and we strive for more. With our deeply-rooted management philosophy and tools, we aim to build upon this performance. Internally, we continue to strengthen our organisation, enhance our systems and procedures as well as aggressively develop our business.

As part of ongoing succession planning, I am pleased to announce the appointment of Mr. Yong Inn Nam as Chief Operating Officer. He has made great contributions to the Group and demonstrated a deep appreciation of Hi-P's culture and practices. In addition to Inn Nam, the team that will form the next generation of leadership is also being identified to ensure our long-term sustainability.

Backed by our strong foundation and succession planning for the future, I am positive for Hi-P's future. To reward shareholders for their continued support, I am pleased to announce the recommendation of an interim dividend of 2.0 Sing cents.

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

Outlook

In a recent study by the International Data Corporation ("IDC"), the worldwide smartphone market will reach a total of 1.5 billion units shipped in 2017, up 1.7% from the 1.47 billion units shipped in 2016. From there, shipments will reach 1.73 billion units in 2021, the final year of our forecast period, resulting in a CAGR of 3.3%. The IDC also expects average selling prices of smartphones to increase over 7% in 2017 as premium smartphones flourish in various markets[1].

The IDC also expects global spending on the Internet of Things ("IoT") to grow 16.7% in 2017 reaching just over $800 billion in total expenditure[2]. Similarly, the IDC expects growth in the worldwide wearables market to continue, forecasting 16.6% yoy growth in 2017[3].

In a separate report by Gartner, worldwide shipments of PCs, tablets and smartphones are predicted to exceed 2.35 billion units in 2018, an increase of 2.0 percent from 2017. This would be the highest year-over-year growth since 2015[4].

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

- Enhancing capacity utilisation and driving manufacturing yield improvement
- Increasing automation across all manufacturing locations
- Tightening cost controls and improving operational efficiency to adopt a leaner business model
- Intensifying business development efforts to further diversify the Group's customer base
- Exploring growth opportunities that are synergistic to the Group's operations

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 higher revenue and profit for 4Q2017 as compared to 4Q2016
- The Group expects higher revenue and profit for 4Q2017 as compared to 3Q2017
- The Group expects higher revenue and profit for 2H2017 as compared to 1H2017
- The Group expects higher revenue and profit for FY2017 as compared to FY2016

[1] IDC, Worldwide Smartphone Forecast Update, 2017–2021: September 2017
[2] IDC, Worldwide Spending on the Internet of Things Forecast to Reach Nearly $1.4 Trillion in 2021, June 2017
[3] IDC, Growth in Wearables Shows No Signs of Wearing Out with Double-Digit Gains Forecast Through 2021, September 2017
[4] Gartner, Gartner Says Worldwide Device Shipments Will Increase 2 Percent in 2018, Reaching Highest Year-Over-Year Growth Since 2015, October 2017

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 13 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

Appendix: Biography of Mr Yong Inn Nam

Mr Yong is currently Vice President of Business Development at Hi-P. He is responsible for customer development and new business initiatives for the Group. During his tenure, he has grown businesses within his care threefold while developing close relationships with key customers.

Prior to joining Hi-P, Mr Yong was previously Managing Director for the Foam Plastics division of SGX-listed Broadway Industrial Group Ltd ("Broadway") where he oversaw sales and marketing, business development and R&D activities. During his stint at Broadway, Mr Yong also held positions such as acting General Manager of Broadway Shanghai, Head of Marketing as well as Director of Strategic Planning.

In the 1990s, Mr Yong was Vice President, Global Enterprise Business Unit for the former Nasdaq-listed Borland Software Corporation. Based in Silicon Valley, he was in charge of global business operations, product management, R&D as well as the overall strategy within the Global Enterprise Business Unit.

Mr Yong began his career in Singapore working for Hewlett-Packard and Singapore Technologies. He holds a Bachelor of Engineering (Honours), a Master of Engineering as well as a Master of Business Administration from the National University of Singapore.

For more information about Mr Yong Inn Nam's appointment, please refer to accompanying SGX-net announcement dated 6 November 2017.

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

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