

Financial Statement and Dividend Announcement for the period ended 30 September 2009

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3),
HALF-YEAR AND FULL YEAR RESULTS**

1(a) Income statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		Increase/ (decrease) %	Group		Increase/ (decrease) %
	Q3-09 S\$'000	Q3-08 S\$'000		YTD Q3-09 S\$'000	YTD Q3-08 S\$'000	
Revenue	157,798	253,528	(37.8)	579,408	805,021	(28.0)
Cost of sales	(135,406)	(210,600)	(35.7)	(465,734)	(662,891)	(29.7)
Gross profit	22,392	42,928	(47.8)	113,674	142,130	(20.0)
Other items of income						
Interest income	332	385	(14.0)	863	994	(13.2)
Other income	4,994	4,226	18.2	13,157	14,869	(11.5)
Other items of expense						
Selling and distribution expenses	(2,599)	(2,906)	(10.6)	(7,818)	(8,588)	(9.0)
Administrative expenses	(10,222)	(15,907)	(35.7)	(42,465)	(45,988)	(7.7)
Financial costs	(133)	(336)	(60.5)	(387)	(1,181)	(67.2)
Other expenses	(2,523)	(703)	258.7	(19,018)	(17,269)	10.1
Share of results of associates	-	15	n.m.	(211)	59	n.m.
Profit before tax	12,241	27,702	(55.8)	57,795	85,026	(32.0)
Income tax expense	(1,454)	(2,212)	(34.2)	(8,740)	(7,833)	11.6
Profit, net of tax	10,787	25,490	(57.7)	49,055	77,193	(36.5)
Profit attributable to:						
Equity holders of the Company	10,785	25,526	(57.7)	49,318	77,282	(36.2)
Minority interests	2	(36)	n.m.	(263)	(89)	195.5
	10,787	25,490	(57.7)	49,055	77,193	(36.5)

n.m. – Not Meaningful

Consolidated statement of comprehensive income for the third quarter ended 30 September 2009

	Group		Increase/ (decrease) %	Group		Increase/ (decrease) %
	Q3-09 S\$'000	Q3-08 S\$'000		YTD Q3-09 S\$'000	YTD Q3-08 S\$'000	
Profit for the period	10,787	25,490	(57.7)	49,055	77,193	(36.5)
Other comprehensive income:						
Foreign currency translation	<u>(8,817)</u>	<u>20,785</u>	n.m.	<u>(6,219)</u>	<u>21,946</u>	n.m.
Other comprehensive income for the year, net of tax	<u>(8,817)</u>	<u>20,785</u>		<u>(6,219)</u>	<u>21,946</u>	
Total comprehensive income for the year	<u><u>1,970</u></u>	<u><u>46,275</u></u>	(95.7)	<u><u>42,836</u></u>	<u><u>99,139</u></u>	(56.8)
Total comprehensive income attributable to:						
Equity holders of the Company	1,992	46,247	(95.7)	43,107	99,161	(56.5)
Minority interests	<u>(22)</u>	<u>28</u>	n.m.	<u>(271)</u>	<u>(22)</u>	n.m.
	<u><u>1,970</u></u>	<u><u>46,275</u></u>	(95.7)	<u><u>42,836</u></u>	<u><u>99,139</u></u>	(56.8)

Other notes:

Profit from operations is arrived at after charging /(crediting) the following;

	Q3-09	Q3-08	YTD	YTD
	S\$'000	S\$'000	Q3-09	Q3-08
			S\$'000	S\$'000
1. Depreciation of property, plant and equipment	11,339	11,500	35,138	32,819
2. (Reversal of)/ Impairment loss on doubtful receivables	(938)	412	(2,214)	(90)
3. Bad debt written off/ (written back)	101	(1)	491	410
4. (Reversal of)/ Impairment loss on inventory obsolescence	(707)	(221)	(296)	4,006
5. Inventories written off/ (written back)	455	(533)	272	865
6. Directors' fees	90	99	235	185
7. Operating lease expense	5,010	5,426	15,065	15,445
8. Staff costs (including directors' remuneration)	32,687	45,967	105,603	133,836
9. Net loss on disposal of property, plant and equipment	1,586	54	2,104	30
10. (Reversal of) / Impairment loss on property, plant and equipment	(2,871)	(97)	10,422	4,877
11. Property, plant and equipment written off/ (written back)	1,831	(161)	1,944	185
12. Provision for onerous contracts written back	(1,000)	-	(647)	-
13. Foreign exchange loss/ (gain), net	1,416	335	(452)	8,001

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30/9/2009	31/12/2008	30/9/2009	31/12/2008
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Property, plant and equipment	246,389	282,544	19,666	21,515
Investment in subsidiaries	-	-	170,377	193,119
Investment in associates	2,482	2,616	1,478	1,478
Other investment	12	12	12	12
Deferred tax assets	3,680	4,381	-	-
Current assets				
Inventories	65,537	114,560	3,625	3,676
Trade and other receivables	130,121	245,799	56,274	81,184
Notes receivable	-	22	-	-
Prepaid operating expenses	3,640	1,988	221	98
Derivatives	983	1,197	423	1,160
Cash and cash equivalents	262,481	131,566	68,879	23,938
	462,762	495,132	129,422	110,056
Current liabilities				
Trade and other payables	110,897	178,126	33,400	51,582
Accrued operating expenses	23,402	36,278	6,408	9,560
Loans and borrowings	496	543	47	55
Income tax payable	1,614	5,880	541	357
Derivatives	9	21	-	-
	136,418	220,848	40,396	61,554
Net current assets	326,344	274,284	89,026	48,502
Non-current liabilities				
Loans and borrowings	4,374	5,136	-	25
Deferred tax liabilities	44	51	-	-
Net assets	574,489	558,650	280,559	264,601
Equity attributable to equity holders of the Company				
Share capital	119,725	119,725	119,725	119,725
Treasury shares	(7,844)	-	(7,844)	-
Other reserves	33,671	39,879	2,869	2,869
Accumulated profits	427,898	397,736	165,809	142,007
	573,450	557,340	280,559	264,601
Minority interest	1,039	1,310	-	-
Total equity	574,489	558,650	280,559	264,601

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable within one year or less, or on demand

As at 30/9/2009		As at 31/12/2008	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
496	-	543	-

Amount repayable after one year

As at 30/9/2009		As at 31/12/2008	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
4,374	-	5,136	-

Lease obligations were secured against the respective leased assets.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Q3-09	Q3-08	YTD	YTD
	S\$'000	S\$'000	Q3-09	Q3-08
			S\$'000	S\$'000
Cash flows from operating activities				
Profit before tax	12,241	27,702	57,795	85,026
Adjustments for:				
Depreciation of property, plant and equipment (Reversal of)/ impairment loss on property, plant and equipment	11,339	11,500	35,138	32,819
Property, plant and equipment written off/ (written back)	(2,871)	(97)	10,422	4,877
Net loss on disposal of property, plant and equipment	1,831	(161)	1,944	185
(Reversal of)/ impairment loss on inventory obsolescence	1,586	54	2,104	30
Inventories written off/ (written back)	(707)	(221)	(296)	4,006
Provision for onerous contracts written back (Reversal of)/ impairment loss on doubtful receivables	455	(533)	272	865
Bad debts written off/ (written back)	(1,000)	-	(647)	-
Equity compensation expense	(938)	412	(2,214)	(90)
Interest expense	101	(1)	491	410
Interest income	-	-	-	31
Net fair value loss on derivatives	133	336	387	1,181
Translation difference	(332)	(385)	(863)	(994)
Share of results of associates	433	210	194	81
	(1,098)	11,153	(8,811)	10,787
	-	(15)	211	(59)
Operating cash flows before changes in working capital	21,173	49,954	96,127	139,155
Changes in working capital				
Decrease/ (increase) in inventories	2,259	(16,776)	49,308	(164)
Decrease/ (increase) in trade and other receivables	4,904	(2,261)	117,060	44,388
(Increase)/ decrease in notes receivables	-	(2,417)	22	(1,701)
Increase in prepaid operating expenses	(416)	(2,118)	(1,357)	(921)
Decrease in trade and other payables	(11,945)	(11,433)	(67,218)	(62,567)
(Decrease)/ increase in accrued operating expenses	(4,678)	(1,170)	(12,229)	10,709
Increase/ (decrease) in amounts due (to)/ from related parties	19	(41)	29	(539)
Total changes in working capital	(9,857)	(36,216)	85,615	(10,795)
Cash flows from operations	11,316	13,738	181,742	128,360
Income taxes paid	(2,451)	(2,941)	(12,313)	(7,402)
Net cash flows from operating activities	8,865	10,797	169,429	120,958

	Q3-09	Q3-08	YTD	YTD
	S\$'000	S\$'000	Q3-09	Q3-08
			S\$'000	S\$'000
Cash flows from investing activities				
Dividends received from an associated company	-	-	-	300
Interest received	332	385	863	994
Proceeds from disposal of property, plant and equipment	916	779	1,361	2,550
Purchase of property, plant and equipment	(3,480)	(7,989)	(16,097)	(25,760)
Net cash flows used in investing activities	(2,232)	(6,825)	(13,873)	(21,916)
Cash flows from financing activities				
Dividends paid on ordinary shares	-	-	(19,153)	(13,308)
Purchase of treasury shares	-	-	(7,844)	-
Interest paid	(133)	(336)	(387)	(1,181)
Repayments of loans and borrowings	-	(28,375)	-	(21,896)
Repayments of obligations under finance lease	(90)	(346)	(344)	(402)
Net cash flows used in financing activities	(223)	(29,057)	(27,728)	(36,787)
Net increase/ (decrease) in cash and cash equivalents	6,410	(25,085)	127,828	62,255
Effect of exchange rate changes on cash and cash equivalents	-	-	3,087	90
Cash and cash equivalents at beginning of period	256,071	134,194	131,566	46,764
Cash and cash equivalents at end of period	262,481	109,109	262,481	109,109

Note

Current period additions	4,872	11,659	16,074	25,877
Payable to creditors (Net)	(1,509)	(2,810)	(6,281)	(10,167)
	3,363	8,849	9,793	15,710
Payments for prior period	117	(860)	6,304	10,050
Net cash outflow for purchase	3,480	7,989	16,097	25,760

1(d)(i) A statement (for the issuer and the group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

(i) Consolidated statement of changes in equity for the 9 months ended 30 September 2009

Group	Equity attributable to equity holders of the Company						Total equity S\$'000
	Share capital S\$'000	Treasury shares S\$'000	Other reserves S\$'000	Accumulated profits S\$'000	Total S\$'000	Minority interests S\$'000	
Opening balance at 1 January 2009	119,725	-	39,879	397,736	557,340	1,310	558,650
Total comprehensive income for the period	-	-	23,204	22,571	45,775	51	45,826
Purchase of treasury shares	-	(6,371)	-	-	(6,371)	-	(6,371)
Transfer from retained earnings	-	-	3	(3)	-	-	-
Balance at 31 March 2009	119,725	(6,371)	63,086	420,304	596,744	1,361	598,105
Total comprehensive loss for the period	-	-	(20,622)	15,962	(4,660)	(300)	(4,960)
Purchase of treasury shares	-	(1,473)	-	-	(1,473)	-	(1,473)
Dividends on ordinary shares	-	-	-	(19,153)	(19,153)	-	(19,153)
Balance at 30 June 2009	119,725	(7,844)	42,464	417,113	571,458	1,061	572,519
Total comprehensive income for the period	-	-	(8,793)	10,785	1,992	(22)	1,970
Closing balance at 30 September 2009	119,725	(7,844)	33,671	427,898	573,450	1,039	574,489

(ii) Consolidated statement of changes in equity for the 9 months ended 30 September 2008

Group	Equity attributable to equity holders of the Company						Total equity S\$'000
	Share capital S\$'000	Treasury shares S\$'000	Other reserves S\$'000	Accumulated profits S\$'000	Total S\$'000	Minority interests S\$'000	
Opening balance at 1 January 2008	119,725	-	19,462	316,532	455,719	1,326	457,045
Total comprehensive income for the period	-	-	(1,817)	24,678	22,861	(52)	22,809
Employee share option scheme -Equity compensation benefits	-	-	31	-	31	-	31
Transfer from retained earnings	-	-	47	(47)	-	-	-
Balance at 31 March 2008	119,725	-	17,723	341,163	478,611	1,274	479,885
Total comprehensive income for the period	-	-	2,976	27,077	30,053	2	30,055
Transfer from retained earnings	-	-	1,603	(1,603)	-	-	-
Dividends on ordinary shares	-	-	-	(13,308)	(13,308)	-	(13,308)
Balance at 30 June 2008	119,725	-	22,302	353,329	495,356	1,276	496,632
Total comprehensive income for the period	-	-	20,720	25,527	46,247	28	46,275
Transfer from retained earnings	-	-	6	(6)	-	-	-
Closing balance at 30 September 2008	119,725	-	43,028	378,850	541,603	1,304	542,907

(iii) Statement of changes in equity of the Company for the 9 months ended 30 September 2009

Company	Share capital S\$'000	Treasury shares S\$'000	Capital reserve S\$'000	Accumulated profits S\$'000	Total S\$'000
Opening balance at 1 January 2009	119,725	-	2,869	142,007	264,601
Total comprehensive loss for the period	-	-	-	(9,201)	(9,201)
Purchase of treasury shares	-	(6,371)	-	-	(6,371)
Balance at 31 March 2009	119,725	(6,371)	2,869	132,806	249,029
Total comprehensive income for the period	-	-	-	15,739	15,739
Purchase of treasury shares	-	(1,473)	-	-	(1,473)
Dividends on ordinary shares	-	-	-	(19,153)	(19,153)
Balance at 30 June 2009	119,725	(7,844)	2,869	129,392	244,142
Total comprehensive income for the period	-	-	-	36,417	36,417
Closing balance at 30 September 2009	119,725	(7,844)	2,869	165,809	280,559

(iv) Statement of changes in equity of the Company for the 9 months ended 30 September 2008

Company	Share capital S\$'000	Treasury shares S\$'000	Capital reserve S\$'000	Accumulated profits S\$'000	Total S\$'000
Opening balance at 1 January 2008	119,725	-	2,838	114,487	237,050
Total comprehensive loss for the period	-	-	-	(343)	(343)
Employee share option scheme -Equity compensation benefits	-	-	31	-	31
Balance at 31 March 2008	119,725	-	2,869	114,144	236,738
Total comprehensive loss for the period	-	-	-	(2,736)	(2,736)
Dividends on ordinary shares	-	-	-	(13,308)	(13,308)
Balance at 30 June 2008	119,725	-	2,869	98,100	220,694
Total comprehensive income for the period	-	-	-	37,279	37,279
Closing balance at 30 September 2008	119,725	-	2,869	135,379	257,973

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

During the financial period ended 30 September 2009, there has been no increase in the issued and paid-up share capital of the Company.

Share Options

There are 2,659,000 options exercisable as at 30 September 2009 (30 September 2008: 2,659,000).

Treasury Shares

Pursuant to the share buyback mandate approved by the shareholders, the Company has not purchased any shares during the period to be held as Treasury Shares. As at 30 September 2009, 18,429,000 ordinary shares are held as treasury shares (30 September 2008: nil).

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The total number of issued ordinary shares excluding treasury shares as at 30 September 2009 was 868,746,000 (31 December 2008: 887,175,000).

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

There were no sales, transfers, disposal, cancellation and/or use of treasury shares as at 30 September 2009.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been reviewed or audited by the Company's auditors.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Except as disclosed in paragraph 5 below, the accounting policies have been consistently applied by the Group and the Company and are consistent with the audited financial statements as at 31 December 2008.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group adopted the new/revised FRS and Interpretations of FRS (“INT FRS”) that are effective for annual periods beginning on or after 1 January 2009. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The following are the new or amended FRS that are relevant to the Group:

FRS 1 (Revised)	Presentation of Financial Statements
Amendments to FRS 23	Borrowing Costs
FRS 108	Operating Segments
Amendments to FRS 39 and FRS 107	Reclassification of Financial Assets

The adoption of the above FRS did not result in any substantial change to the Group’s accounting policies nor any significant impact on the financial statements.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:-

- (a) Based on the weighted average number of ordinary shares on issue; and
 (b) On a fully diluted basis (detailing any adjustments made to the earnings).

	Q3-09	Q3-08	YTD Q3-09	YTD Q3-08
Operating profit after exceptional items and tax before deducting minority interests as a percentage of revenue	6.8%	10.1%	8.5%	9.6%
Operating profit after tax attributable to members of the company as a percentage of issued capital and reserves at the end of the period	1.9%	4.7%	8.6%	14.3%
Earnings per ordinary share				
(a) Based on weighted average number of ordinary shares in issue (cents)	1.23	2.88	5.64	8.71
(b) On a fully diluted basis (cents)*	1.23	2.88	5.64	8.71

*It is not meaningful to calculate the diluted EPS as the stock option exercise prices are above the current market price.

Earnings per share have been computed based on the weighted average number of ordinary shares in issue during the year.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-
- (a) current financial period reported on; and
- (b) immediately preceding financial year :

	Group		Company	
	30/9/2009	31/12/2008	30/9/2009	31/12/2008
Net Asset Value per Ordinary Share based on issued share capital at the end of the period	66.01	62.82	32.29	29.83

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Revenue and profitability analysis

On a year-on-year (yoy) basis, 3Q2009 revenue declined 37.8% to S\$157.8 million compared to 3Q2008, mainly due to End-of-Life (EOL) of several projects. This resulted in a lower volume and average selling price of these projects.

Gross profit decreased by 47.8% yoy to S\$22.4 million in 3Q2009. Gross margin decreased from 16.9% in 3Q2008 to 14.2% in 3Q2009. This was mainly due to the Group not being able to enjoy economies of scale due to the EOL of certain projects and lower average selling price of these projects.

Selling & distribution expenses and administrative expenses decreased 10.6% yoy and 35.7% yoy respectively. This is in line with the lower revenue. Other income increased from S\$4.2 million to S\$5.0 million yoy, mainly due to increase in government incentive by S\$0.7 million from S\$1.0 million in 3Q2008 to S\$1.7 million in 3Q2009. Other expenses increased from S\$0.7 million to S\$2.5 million, mainly due to yoy increase in foreign exchange loss from S\$0.3 million to S\$1.4 million and net fixed assets loss of S\$0.5 million in 3Q2009 as compared to net gain of S\$0.2 million in 3Q2008. The foreign exchange loss was mainly due to the depreciation of the US dollar versus the Singapore dollar.

The Group's effective income tax rate increased from 8.0% in 3Q2008 to 11.9% in 3Q2009. This was mainly due to the higher income tax rates for our profitable PRC subsidiaries. As a result, profit after tax dropped by 57.7% yoy to S\$10.8 million in 3Q2009.

Cashflow Analysis

Net cash generated from operating activities before working capital changes was S\$21.2 million in 3Q2009. Net cash flows from operating activities in 3Q2009 amounted to S\$8.9 million.

Net cash used in investing activities was S\$2.2 million in 3Q2009, mainly due to capital expenditure. Net cash used in financing activities was approximately S\$0.2 million in 3Q2009, mainly due to interest paid and repayments of obligations under finance lease.

Balance Sheet Analysis

The Group further improved its financial position with a strong cash balance of S\$262.5 million and low gearing.

Cash and cash equivalents improved from S\$131.6 million as at 31 December 2008 to S\$262.5 million as at 30 September 2009. Gross debt was S\$4.9 million, resulting in a net cash position of S\$257.6 million. Gross gearing improved to 0.8% as at 30 September 2009 from 1.0% as at 31 December 2008.

9. Where a forecast, or prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

In the Group's 2Q2009 results announcement made on 3 August 2009, the Group guided for much lower revenue and profit for 3Q2009 compared to 3Q2008.

In line with our guidance, revenue declined from S\$253.5 million in 3Q2008 to S\$157.8 million in 3Q2009 and net profit declined from S\$25.5 million in 3Q2008 to S\$10.8 million in 3Q2009.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group expects much lower revenue and profit in 4Q2009 as compared to 4Q2008, and expects much lower revenue and profit in FY2009 as compared to FY2008. However, new projects in 4Q2009 are expected to be on schedule and contribution will be in 2010.

11. Dividend

(a) Current Financial Period Reported on

Any dividend recommended for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend is recommended for the period under review.

13. Aggregate value of interested persons transactions entered into during the quarter ended 30 September 2009

Name of interested person	Aggregate value of all interested person transactions during the period under review (excluding transactions less than \$100,000 and transactions conducted under the shareholders mandate pursuant to rule 920)	Aggregate value of all interested person transactions conducted under the shareholders mandate pursuant to rule 920 (excluding transactions less than \$100,000)
	-	-

Confirmation by the Board

We, the undersigned, do hereby confirm on behalf of the Board of Hi-P International Limited that, taking into account the matters announced and publicly disclosed by the Company prior to the date of this confirmation and the prevailing accounting policies adopted by the Company in accordance with the Singapore Financial Reporting Standards, to the best of their knowledge, nothing has come to their attention which may render the financial results for the period ended 30 September 2009 (comprising the balance sheet, consolidated income statement, consolidated statement of comprehensive income, statement of changes in equity and consolidated cash flow statement, together with their accompanying notes) to be false or misleading in any material aspect.

Yao Hsiao Tung
Chairman

Dr Tan Khee Giap
Director