

Hi-P International Limited (Registration Number: 198004817H)

Financial Statement and Dividend Announcement for the year ended 30 June 2010

**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.

| | Q2-10 | Q2-09 | Increase/ (decrease) | YTD | YTD | Increase/ (decrease) |
|-----------------------------------|------------------|------------------|---------------------------------|------------------|------------------|---------------------------------|
| | S\$'000 | S\$'000 | % | Q2-10 | Q2-09 | % |
| | | | | S\$'000 | S\$'000 | |
| Revenue | 181,454 | 177,605 | 2.2 | 328,350 | 421,610 | (22.1) |
| Cost of sales | <u>(153,040)</u> | <u>(137,070)</u> | 11.7 | <u>(293,408)</u> | <u>(330,328)</u> | (11.2) |
| Gross profit | 28,414 | 40,535 | (29.9) | 34,942 | 91,282 | (61.7) |
| Other items of income | | | | | | |
| Interest income | 499 | 273 | 82.8 | 1,092 | 531 | 105.6 |
| Other income | 5,681 | 3,176 | 78.9 | 8,787 | 6,980 | 25.9 |
| Other items of expense | | | | | | |
| Selling and distribution expenses | (2,177) | (2,671) | (18.5) | (4,887) | (5,219) | (6.4) |
| Administrative expenses | (14,482) | (13,953) | 3.8 | (28,309) | (32,243) | (12.2) |
| Financial costs | (94) | (129) | (27.1) | (213) | (255) | (16.5) |
| Other expenses | (2,524) | (8,784) | (71.3) | (9,563) | (15,311) | (37.5) |
| Share of results of associates | <u>(51)</u> | <u>(211)</u> | (75.8) | <u>(104)</u> | <u>(211)</u> | (50.7) |
| Profit before tax | 15,266 | 18,236 | (16.3) | 1,745 | 45,554 | (96.2) |
| Income tax expense | <u>(2,879)</u> | <u>(2,517)</u> | 14.4 | <u>(3,878)</u> | <u>(7,286)</u> | (46.8) |
| Profit/(loss), net of tax | <u>12,387</u> | <u>15,719</u> | (21.2) | <u>(2,133)</u> | <u>38,268</u> | n.m. |
| Attributable to: | | | | | | |
| Equity holders of the Company | 12,390 | 15,962 | (22.4) | (1,816) | 38,533 | n.m. |
| Minority interests | <u>(3)</u> | <u>(243)</u> | (98.8) | <u>(317)</u> | <u>(265)</u> | 19.6 |
| | <u>12,387</u> | <u>15,719</u> | (21.2) | <u>(2,133)</u> | <u>38,268</u> | n.m. |

n.m. – Not Meaningful

Consolidated statement of comprehensive income for the year ended 30 June 2010

| | Group | | | Group | | |
|--|------------------|------------------|------------------------------|-------------------------|-------------------------|------------------------------|
| | Q2-10 S\$'000 | Q2-09 S\$'000 | Increase/ (decrease) % | YTD Q2-10 S\$'000 | YTD Q2-09 S\$'000 | Increase/ (decrease) % |
| Profit/(loss) for the period | 12,387 | 15,719 | (21.2) | (2,133) | 38,268 | n.m. |
| Other comprehensive income: | | | | | | |
| Foreign currency translation | (2,226) | (20,699) | (89.3) | (2,662) | 2,578 | n.m. |
| Transfer to statutory reserve fund | - | 20 | (100.0) | - | 20 | (100.0) |
| Other comprehensive income for the period, net of tax | <u>(2,226)</u> | <u>(20,679)</u> | (89.2) | <u>(2,662)</u> | <u>2,598</u> | n.m. |
| Total comprehensive income for the period | <u>10,161</u> | <u>(4,960)</u> | n.m. | <u>(4,795)</u> | <u>40,866</u> | n.m. |
| Total comprehensive income attributable to: | | | | | | |
| Equity holders of the Company | 10,156 | (4,660) | n.m. | (4,473) | 41,115 | n.m. |
| Minority interests | <u>5</u> | <u>(300)</u> | n.m. | <u>(322)</u> | <u>(249)</u> | 29.3 |
| | <u>10,161</u> | <u>(4,960)</u> | n.m. | <u>(4,795)</u> | <u>40,866</u> | n.m. |

Other notes:

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

| | Q2-10 | Q2-09 | YTD | YTD |
|--|----------------|----------------|----------------|----------------|
| | S\$'000 | S\$'000 | Q2-10 | Q2-09 |
| | | | S\$'000 | S\$'000 |
| 1. Depreciation of property, plant and equipment | 11,755 | 11,776 | 23,065 | 23,799 |
| 2. Impairment loss on property, plant and equipment | 339 | 6,253 | 5,478 | 13,293 |
| 3. Net loss on disposal of property, plant and equipment | 67 | 429 | 50 | 519 |
| 4. Property, plant and equipment written off | 226 | 108 | 463 | 113 |
| 5. Impairment loss on inventory obsolescence | 696 | 387 | 3,500 | 411 |
| 6. Inventories written back | (64) | (79) | (117) | (183) |
| 7. Provision for onerous contracts | - | - | - | 2,076 |
| 8. Write-back of provision for onerous contract | - | (1,723) | - | (1,723) |
| 9. Impairment loss/(reversal of impairment loss) on doubtful receivables | 72 | (469) | (297) | (1,276) |
| 10. Bad debt written off | 11 | 239 | 10 | 390 |
| 11. Directors' fees | 90 | 90 | 180 | 145 |
| 12. Staff costs (including directors' remuneration) | 42,316 | 31,261 | 82,515 | 72,916 |
| 13. Operating lease expense | 4,267 | 4,698 | 8,678 | 10,055 |
| 14. Foreign exchange loss/(gain), net | 1,180 | 1,183 | 1,649 | (1,868) |
| 15. Net fair value loss/(gain) on derivatives | 475 | (432) | (363) | (792) |

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 | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 30/06/2010 | 31/12/2009 | 30/06/2010 | 31/12/2009 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Non-current assets | | | | |
| Property, plant and equipment | 280,646 | 298,563 | 19,838 | 19,700 |
| Investment in subsidiaries | - | - | 187,498 | 183,960 |
| Investment in associates | 2,460 | 2,592 | 1,478 | 1,478 |
| Other investment | 12 | 12 | 12 | 12 |
| Deferred tax assets | 5,132 | 3,672 | - | - |
| Current assets | | | | |
| Inventories | 78,041 | 61,237 | 5,244 | 4,018 |
| Trade and other receivables | 162,012 | 133,215 | 23,097 | 34,743 |
| Prepaid operating expenses | 4,984 | 2,811 | 660 | 139 |
| Derivatives | 299 | 340 | 40 | - |
| Cash and cash equivalents | 200,746 | 246,690 | 66,616 | 71,570 |
| | 446,082 | 444,293 | 95,657 | 110,470 |
| Current liabilities | | | | |
| Trade and other payables | 141,721 | 124,704 | 58,631 | 55,368 |
| Accrued operating expenses | 38,634 | 33,048 | 6,646 | 8,251 |
| Loans and borrowings | 516 | 586 | 90 | 68 |
| Income tax payable | 5,531 | 4,125 | 357 | 357 |
| Derivatives | 367 | 130 | - | 7 |
| | 186,769 | 162,593 | 65,724 | 64,051 |
| Net current assets | 259,313 | 281,700 | 29,933 | 46,419 |
| Non-current liabilities | | | | |
| Loans and borrowings | 3,687 | 4,642 | 112 | 180 |
| Deferred tax liabilities | 1,337 | 458 | - | - |
| Net assets | 542,539 | 581,439 | 238,647 | 251,389 |
| Equity attributable to equity holders of the Company | | | | |
| Share capital | 119,725 | 119,725 | 119,725 | 119,725 |
| Treasury shares | (11,235) | (7,844) | (11,235) | (7,844) |
| Other reserves | 31,406 | 30,906 | 3,347 | 2,869 |
| Accumulated profits | 401,628 | 432,016 | 126,810 | 136,639 |
| | 541,524 | 574,803 | 238,647 | 251,389 |
| Minority interests | 1,015 | 6,636 | - | - |
| Total equity | 542,539 | 581,439 | 238,647 | 251,389 |

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

Amount repayable within one year or less, or on demand

| As at 30/6/2010 | | As at 31/12/2009 | |
|--------------------|----------------------|--------------------|----------------------|
| Secured S\$'000 | Unsecured S\$'000 | Secured S\$'000 | Unsecured S\$'000 |
| 516 | - | 586 | - |

Amount repayable after one year

| As at 30/6/2010 | | As at 31/12/2009 | |
|--------------------|----------------------|--------------------|----------------------|
| Secured S\$'000 | Unsecured S\$'000 | Secured S\$'000 | Unsecured S\$'000 |
| 3,687 | - | 4,642 | - |

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.

| | Q2-10 | Q2-09 | YTD | YTD |
|---|-----------------|----------------|-----------------|----------------|
| | S\$'000 | S\$'000 | Q2-10 | Q2-09 |
| | | | S\$'000 | S\$'000 |
| Cash flows from operating activities | | | | |
| Profit before tax | 15,266 | 18,236 | 1,745 | 45,554 |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment | 11,755 | 11,776 | 23,065 | 23,799 |
| Impairment loss on property, plant and equipment | 339 | 6,253 | 5,478 | 13,293 |
| Net loss on disposal of property, plant and equipment | 67 | 429 | 50 | 519 |
| Property, plant and equipment written off | 226 | 108 | 463 | 113 |
| Impairment loss on inventory obsolescence | 696 | 387 | 3,500 | 411 |
| Inventories written back | (64) | (79) | (117) | (183) |
| Provision for onerous contracts | - | - | - | 2,076 |
| Write-back of provision for onerous contract | - | (1,723) | - | (1,723) |
| Impairment loss/(reversal of impairment loss) on doubtful trade receivables | 72 | (469) | (297) | (1,276) |
| Bad debts (recovered)/written off | 11 | 239 | 10 | 390 |
| Equity compensation expense | 263 | - | 478 | - |
| Interest expense | 94 | 129 | 213 | 255 |
| Interest income | (499) | (273) | (1,092) | (531) |
| Net fair value gain on derivatives - unrealised | 760 | 104 | 179 | (239) |
| Translation difference | 112 | (15,949) | (448) | (7,714) |
| Share of results of associates | 51 | 211 | 104 | 211 |
| Operating cash flows before changes in working capital | 29,149 | 19,379 | 33,331 | 74,955 |
| Changes in working capital | | | | |
| (Increase)/decrease in inventories | (10,891) | 20,041 | (20,442) | 47,049 |
| (Increase)/decrease in trade and other receivables | (34,600) | 67,108 | (28,657) | 112,156 |
| Decrease in notes receivables | - | - | - | 22 |
| (Increase)/decrease in prepaid operating expenses | (1,001) | 4 | (2,173) | (941) |
| Increase/(decrease) in trade and other payables | 19,187 | (13,626) | 15,828 | (55,273) |
| Increase/(decrease) in accrued operating expenses | 780 | (12,170) | 5,585 | (7,550) |
| (Decrease)/increase in amounts due (to)/from related parties | (6) | 56 | (4) | 10 |
| Total changes in working capital | (26,531) | 61,413 | (29,863) | 95,473 |
| Cash flows from operations | 2,618 | 80,792 | 3,468 | 170,428 |
| Income taxes paid | (1,087) | (5,430) | (2,259) | (9,862) |
| Net cash flows from operating activities | 1,531 | 75,362 | 1,209 | 160,566 |

| | Q2-10 | Q2-09 | YTD | YTD |
|--|-----------------|-----------------|-----------------|-----------------|
| | S\$'000 | S\$'000 | Q2-10 | Q2-09 |
| | | | S\$'000 | S\$'000 |
| Cash flows from investing activities | | | | |
| Interest received | 499 | 273 | 1,092 | 531 |
| Proceeds from disposal of property, plant and equipment | 2,134 | 155 | 2,304 | 445 |
| Purchase of property, plant and equipment (a) | (6,549) | (4,716) | (12,935) | (12,618) |
| Acquisition of minority interest | (5,130) | - | (5,130) | - |
| Net cash flows used in investing activities | (9,046) | (4,288) | (14,669) | (11,642) |
| Cash flows from financing activities | | | | |
| Dividends paid on ordinary shares | (26,062) | (19,153) | (26,062) | (19,153) |
| Purchase of treasury shares | (3,391) | (1,473) | (3,391) | (7,844) |
| Interest paid | (94) | (129) | (213) | (255) |
| Repayments of obligations under finance lease | (131) | (146) | (275) | (254) |
| Net cash flows used in financing activities | (29,678) | (20,901) | (29,941) | (27,506) |
| Net (decrease)/increase in cash and cash equivalents | (37,193) | 50,173 | (43,401) | 121,418 |
| Effect of exchange rate changes on cash and cash equivalents | (2,241) | - | (2,543) | 3,087 |
| Cash and cash equivalents at beginning of period | 240,180 | 205,898 | 246,690 | 131,566 |
| Cash and cash equivalents at end of period | 200,746 | 256,071 | 200,746 | 256,071 |
| Note to the Consolidated Cash Flow Statement | | | | |
| (a) Purchase of Property, plant and equipment | | | | |
| Current year additions | 5,617 | 4,781 | 13,526 | 11,202 |
| Less: Payable to creditors for current period | (2,149) | (1,321) | (4,275) | (4,771) |
| | 3,468 | 3,460 | 9,251 | 6,431 |
| Payments for prior period/year purchases | 3,081 | 1,256 | 3,684 | 6,187 |
| Net cash outflow for purchase | 6,549 | 4,716 | 12,935 | 12,618 |

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 6 months ended 30 June 2010

Attributable to equity holders of the Company

| Group | Share capital S\$'000 | Treasury shares S\$'000 | Other reserves S\$'000 | Accumulated profits S\$'000 | Total equity attributable to equity holders of the Company S\$'000 | Minority interests S\$'000 | Total equity S\$'000 |
|---|----------------------------------|------------------------------------|-----------------------------------|--|---|---------------------------------------|---------------------------------|
| Opening balance at 1 January 2010 | 119,725 | (7,844) | 30,906 | 432,016 | 574,803 | 6,636 | 581,439 |
| Total comprehensive income for the period | - | - | (423) | (14,206) | (14,629) | (327) | (14,956) |
| Employee share option scheme - Equity compensation benefits | - | - | 215 | - | 215 | - | 215 |
| Transfer from retained earnings to statutory reserve fund | - | - | 2,510 | (2,510) | - | - | - |
| Balance at 31 March 2010 | 119,725 | (7,844) | 33,208 | 415,300 | 560,389 | 6,309 | 566,698 |
| Total comprehensive income for the period | - | - | (2,234) | 12,390 | 10,156 | 5 | 10,161 |
| Employee share option scheme - Equity compensation benefits | - | - | 263 | - | 263 | - | 263 |
| Purchase of treasury shares | - | (3,391) | - | - | (3,391) | - | (3,391) |
| Dividends on ordinary shares | - | - | - | (26,062) | (26,062) | - | (26,062) |
| Acquisition of minority interest | - | - | 169 | - | 169 | (5,299) | 5,130 |
| Closing balance at 30 June 2010 | 119,725 | (11,235) | 31,406 | 401,628 | 541,524 | 1,015 | 542,539 |

(ii) Consolidated statement of changes in equity for the 6 months ended 30 June 2009

Attributable to equity holders of the Company

| Group | Share capital S\$'000 | Treasury shares S\$'000 | Other reserves S\$'000 | Accumulated profits S\$'000 | Total equity attributable to equity holders of the Company S\$'000 | Minority interests S\$'000 | Total equity 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 to statutory reserve fund | - | - | 3 | (3) | - | - | - |
| Balance at 31 March 2009 | 119,725 | (6,371) | 63,086 | 420,304 | 596,744 | 1,361 | 598,105 |
| Total comprehensive income 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) |
| Closing balance at 30 June 2009 | 119,725 | (7,844) | 42,464 | 417,113 | 571,458 | 1,061 | 572,519 |

(iii) Statement of changes in equity of the Company for the 6 months ended 30 June 2010

| Company | <u>Attributable to equity holders of the Company</u> | | | | Total equity S\$'000 |
|---|--|--------------------|--------------------|------------------------|-------------------------|
| | Share capital | Treasury shares | Capital reserve | Accumulated profits | |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | |
| Opening balance at 1 January 2010 | 119,725 | (7,844) | 2,869 | 136,639 | 251,389 |
| Total comprehensive income for the period | - | - | - | 21,531 | 21,531 |
| Employee share option scheme - Equity compensation benefits | - | - | 215 | - | 215 |
| Closing balance at 31 March 2010 | 119,725 | (7,844) | 3,084 | 158,170 | 273,135 |
| Total comprehensive income for the period | - | - | - | (5,298) | (5,298) |
| Employee Share Option Scheme - Equity compensation expense | - | - | 263 | - | 263 |
| Purchase of treasury shares | - | (3,391) | - | - | (3,391) |
| Dividends on ordinary shares | - | - | - | (26,062) | (26,062) |
| Closing balance at 30 June 2010 | 119,725 | (11,235) | 3,347 | 126,810 | 238,647 |

(iv) Statement of changes in equity of the Company for the 6 months ended 30 June 2009

| Company | <u>Attributable to equity holders of the Company</u> | | | | Total equity S\$'000 |
|---|--|--------------------|--------------------|------------------------|-------------------------|
| | Share capital | Treasury shares | Capital reserve | Accumulated profits | |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | |
| Opening balance at 1 January 2009 | 119,725 | - | 2,869 | 142,007 | 264,601 |
| Total comprehensive income for the period | - | - | - | (9,201) | (9,201) |
| Purchase of treasury shares | - | (6,371) | - | - | (6,371) |
| Closing 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) |
| Closing balance at 30 June 2009 | 119,725 | (7,844) | 2,869 | 129,392 | 244,142 |

- 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 June 2010, there has been no increase in the issued and paid-up share capital of the Company.

Share Options

For the second quarter ended 30 June 2010, 3,316,000 options were granted to directors, controlling shareholders and their associates at an exercise price of S\$0.67 with a vesting period of 2 years. For the 6 months ended 30 June 2010, 11,719,000 options were granted under the Scheme.

During the period ended 30 June 2010, 246,000 options lapsed.

There are 14,010,000 options exercisable as at 30 June 2010 (31 December 2009: 2,537,000).

Treasury Shares

For the second quarter ended 30 June 2010, the Company purchased 5,403,000 shares to be held as Treasury shares.

The number of treasury shares held by the Company as at 30 June 2010 is 23,832,000 (31 December 2009: 18,429,000).

- 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 June 2010 was 863,343,000 (31 December 2009: 868,746,000).

- 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 June 2010.

- 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 2009.

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 2010. 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:

Amendments to FRS 32 Financial Instruments: Disclosure and Presentation
 Amendments to FRS 102 Share-based Payment

Improvements in FRS issued in 2009:

FRS 1 Presentation of Financial Statements
 FRS 7 Statement of Cash Flows
 FRS 17 Leases
 FRS 18 Revenue
 FRS 36 Impairment of Assets
 FRS 39 Financial Instruments: Recognition and Measurement

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).

| | Q2-10 | Q2-09 | YTD Q2-10 | YTD Q2-09 |
|---|-------|-------|--------------|--------------|
| Operating profit/(loss) after exceptional items and tax before deducting minority interests as a percentage of revenue | 6.8% | 9.0% | -0.6% | 9.1% |
| Operating profit/(loss) after tax attributable to members of the company as a percent age of issued capital and reserves at the end of the period | 2.3% | 2.8% | -0.3% | 6.7% |
| Earnings per ordinary share | | | | |
| (a) Based on weighted average number of ordinary shares in issue (cents) | 1.42 | 1.82 | -0.21 | 4.39 |
| (b) On a fully diluted basis (cents)* | 1.42 | 1.82 | -0.21 | 4.39 |

*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 | |
|--|-----------|------------|-----------|------------|
| | 30/6/2010 | 31/12/2009 | 30/6/2010 | 31/12/2009 |
| Net Asset Value per Ordinary Share based on issued share capital at the end of the period (in cents) | 62.72 | 66.16 | 27.64 | 28.94 |

- 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

2Q2010 vs. 2Q2009

2Q2010 revenue increased by 2.2% to S\$181.5 million compared to 2Q2009 due to new projects and offset by EOL of several projects.

Gross profit decreased 29.9% to S\$28.4 million mainly due to deterioration of pricing quality and rising labour costs. The rising labour cost is the result of increased wages and increased headcount. The increase in headcount is to prepare for the strong ramp up of new projects in 2H2010.

Total selling & distribution and administrative expenses increased marginally by 0.2% yoy to S\$16.7 million. This was in line with the marginal increase in revenue. Other income increased 78.9% yoy to S\$5.7m mainly due to receipt of government incentives totaling S\$2.1m. Other expenses decreased 71.3% yoy to S\$2.5 million mainly due to decrease in provision for impairment of fixed assets. (2Q2010: S\$0.3m vs 2Q 2009: S\$6.3m)

Overall, effective tax rate increased from 13.8% in 2Q2009 to 18.9% in 2Q2010 due to higher income tax rates for our profitable PRC subsidiaries and provision for withholding tax on undistributed profits.

As a result of the above factors, the Group achieved net profit after tax of S\$12.4 million in 2Q2010.

Cashflow Analysis

Net cash generated from operating activities before working capital changes was S\$29.1 million in 2Q2010. Net cash flows generated from operating activities in 2Q2010 amounted to S\$1.5 million.

Net cash used in investing activities was S\$9.0 million in 2Q2010, mainly due to capital expenditure amounting to S\$6.5 million and acquisition of minority interest amounting to S\$5.1 million.

Net cash used in financing activities was approximately S\$29.7 million in 2Q2010, mainly due to payment of S\$26.1 million of dividends and purchase of treasury shares amounting to S\$3.4 million.

Balance Sheet Analysis

Cash and cash equivalents decreased from S\$246.7 million as at 31 December 2009 to S\$200.7 million as at 30 June 2010. Gross debt was S\$4.2 million, resulting in a net cash position of S\$196.5 million. Gross gearing decreased marginally to 0.8% as at 30 June 2010 compared to 0.9% as at 31 December 2009.

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 1Q2010 results announcement made on 4 May 2010, the Group guided for lower revenue in 2Q2010 as compared to 2Q2009, and expects to breakeven in 2Q2010.

Subsequently in our business update on 18 June 2010, the Group guided for comparable revenue in 2Q2010 as compared to 2Q2009, and better profit than breakeven compared to previous guidance but lower profit compared to 2Q2009.

In line with our update, we achieved revenue of S\$181.5 million in 2Q2010 which is comparable with S\$177.6 million in 2Q2009 and net profit attributable to equity holders of the Company declined from S\$16.0 million in 2Q2009 to S\$12.4 million in 2Q2010.

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 ramp up of new projects is expected to be on schedule in 3Q2010. The Group therefore expects higher revenue and profit in 3Q2010 as compared to 3Q2009.

For the full year ending 31 December 2010, we expect higher revenue and comparable profit as compared to FY2009.

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.

Not applicable.

13. Aggregate value of interested persons transactions entered into during the quarter ended 30 June 2010

| 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) |
|---|--|--|
| Transaction for Purchases of Goods and Services Molex International Inc | \$2,861,217 | - |

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 30th June 2010 (comprising the balance sheets, consolidated income statement, consolidated statement of comprehensive income, consolidated 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
Executive Chairman
Chief Executive Officer

Dr Tan Khee Giap
Director