

Financial Statement and Dividend Announcement for the quarter ended 31 March 2011

**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.

	Q 1-11 S\$'000	Q 1-10 S\$'000	Increase/ (decrease) %
Revenue	243,289	146,896	65.6
Cost of sales	<u>(203,548)</u>	<u>(140,368)</u>	45.0
Gross profit	39,741	6,528	508.8
Other items of income			
Interest income	665	593	12.1
Other income	5,921	3,106	90.6
Other items of expense			
Selling and distribution expenses	(2,139)	(2,710)	(21.1)
Administrative expenses	(16,012)	(13,827)	15.8
Financial costs	(90)	(119)	(24.4)
Other expenses	(4,137)	(7,039)	(41.2)
Share of results of associates	<u>103</u>	<u>(53)</u>	n.m.
Profit/ (loss) before tax	24,052	(13,521)	n.m.
Income tax expense	<u>(6,199)</u>	<u>(999)</u>	520.5
Profit/ (loss), net of tax	<u><u>17,853</u></u>	<u><u>(14,520)</u></u>	n.m.
Attributable to:			
Equity holders of the Company	17,862	(14,206)	n.m.
Non-controlling interests	<u>(9)</u>	<u>(314)</u>	(97.1)
	<u><u>17,853</u></u>	<u><u>(14,520)</u></u>	n.m.

n.m. – Not Meaningful

Consolidated statement of comprehensive income for the quarter ended 31 March 2011

	Group		Increase/ (decrease) %
	Q1-11 S\$'000	Q1-10 S\$'000	
Profit/ (loss) for the period	17,853	(14,520)	n.m.
Other comprehensive income:			
Foreign currency translation	<u>(5,539)</u>	<u>(379)</u>	1,361.5
Total comprehensive income for the period	<u>12,314</u>	<u>(14,899)</u>	n.m.
Total comprehensive income attributable to:			
Equity holders of the Company	12,337	(14,572)	n.m.
Non-controlling interests	<u>(23)</u>	<u>(327)</u>	(93.0)
	<u>12,314</u>	<u>(14,899)</u>	n.m.

n.m. – Not Meaningful

Other notes:

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

	Q1-11	Q1-10
	S\$'000	S\$'000
1. Depreciation of property, plant and equipment	16,751	11,310
2. (Reversal of)/ impairment loss on property, plant and equipment	(445)	5,139
3. Net gain on disposal of property, plant and equipment	(38)	(17)
4. Property, plant and equipment written off	44	237
5. Allowance on inventory obsolescence	739	2,804
6. Inventories written back	(518)	(53)
7. Reversal of impairment loss on doubtful receivables	(247)	(369)
8. Bad debt written off/ (recovered)	40	(1)
9. Directors' fees	102	90
10. Staff costs (including directors' remuneration)	52,060	40,199
11. Operating lease expense	4,102	4,411
12. Net foreign exchange loss	3,462	469
13. Net fair value gain on derivatives	(2,188)	(838)

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	
	31/03/2011	31/12/2010	31/03/2011	31/12/2010
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Property, plant and equipment	246,685	255,549	18,808	19,194
Investment in subsidiaries	-	-	200,765	200,765
Investment in associates	2,320	2,355	1,478	1,478
Other investment	12	12	12	12
Deferred tax assets	9,519	11,537	-	-
Current assets				
Inventories	107,685	100,472	5,259	5,419
Trade and other receivables	195,935	265,507	69,498	77,601
Prepaid operating expenses	1,936	1,894	127	242
Derivatives	2,632	1,481	359	550
Short term investment	-	3,906	-	-
Cash and cash equivalents	250,892	214,978	53,882	60,950
	559,080	588,238	129,125	144,762
Current liabilities				
Trade and other payables	192,149	224,504	27,372	32,270
Accrued operating expenses	31,465	35,965	8,897	10,010
Loans and borrowings	600	572	90	90
Income tax payable	13,322	19,858	357	357
Derivatives	206	296	103	-
	237,742	281,195	36,819	42,727
Net current assets	321,338	307,043	92,306	102,035
Non-current liabilities				
Loans and borrowings	3,373	3,377	45	68
Deferred tax liabilities	1,548	1,528	-	-
	4,921	4,905	45	68
Net assets	574,953	571,591	313,324	323,416
Equity attributable to equity holders of the Company				
Share capital	119,725	119,725	119,725	119,725
Treasury shares	(43,381)	(34,040)	(43,381)	(34,040)
Accumulated profits	481,563	463,701	232,754	233,894
Other reserves	16,127	21,263	4,226	3,837
	574,034	570,649	313,324	323,416
Non-controlling interests	919	942	-	-
Total equity	574,953	571,591	313,324	323,416

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

Amount repayable within one year or less, or on demand

As at 31/03/2011		As at 31/12/2010	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
600	-	572	-

Amount repayable after one year

As at 31/03/2011		As at 31/12/2010	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
3,373	-	3,377	-

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.

	Q1-11	Q1-10
	S\$'000	S\$'000
Cash flows from operating activities		
Profit/ (loss) before tax	24,052	(13,521)
Adjustments for:		
Depreciation of property, plant and equipment	16,751	11,310
(Reversal of)/ impairment loss on property, plant and equipment	(445)	5,139
Net gain on disposal of property, plant and equipment	(38)	(17)
Property, plant and equipment written off	44	237
Allowance on inventory obsolescence	739	2,804
Inventories written back	(518)	(53)
Reversal of impairment loss on doubtful receivables	(247)	(369)
Bad debts written off/ (recovered)	40	(1)
Equity compensation expense	369	215
Interest expense	90	119
Interest income	(665)	(593)
Net fair value gain on derivatives - unrealised	(1,235)	(581)
Translation difference	209	(560)
Share of results of associates	(103)	53
Operating cash flows before changes in working capital	39,043	4,182
Changes in working capital		
Increase in inventories	(8,786)	(9,551)
Decrease in trade and other receivables	66,446	5,943
Increase in prepaid operating expenses	(42)	(1,172)
Decrease in trade and other payables	(34,000)	(3,359)
(Decrease)/increase in accrued operating expenses	(4,501)	4,805
Decrease in amounts due from related parties	23	2
Total changes in working capital	19,140	(3,332)
Cash flows from operations	58,183	850
Income taxes paid	(8,700)	(1,172)
Net cash flows from/ (used in) operating activities	49,483	(322)

	Q1-11	Q1-10
	S\$'000	S\$'000
Cash flows from investing activities		
Dividends received from an associated company	150	-
Interest received	665	593
Proceeds from disposal of property, plant and equipment	90	170
Purchase of property, plant and equipment (a)	(7,234)	(6,386)
Proceeds from short term investments	3,906	-
Net cash flows used in investing activities	(2,423)	(5,623)
Cash flows from financing activities		
Purchase of treasury shares	(9,777)	-
Proceeds from re-issuance of treasury shares	456	-
Interest paid	(90)	(119)
Repayments of obligations under finance lease	(141)	(144)
Net cash flows used in financing activities	(9,552)	(263)
Net increase/(decrease) in cash and cash equivalents	37,508	(6,208)
Effect of exchange rate changes on cash and cash equivalents	(1,594)	(302)
Cash and cash equivalents at beginning of period	214,978	246,690
Cash and cash equivalents at end of period	250,892	240,180

Note to the Consolidated Cash Flow Statement

(a) Purchase of Property, plant and equipment		
Current year additions	9,938	7,909
Less: Payable to creditors	(5,519)	(4,956)
	4,419	2,953
Payments for prior period/year purchases	2,815	3,433
Net cash outflow for purchase	7,234	6,386

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 3 months ended 31 March 2011

Group	Attributable to equity holders of the Company						
	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	Non-controlling interests S\$'000	Total equity S\$'000
Opening balance at 1 January 2011	119,725	(34,040)	21,263	463,701	570,649	942	571,591
Profit for the period	-	-	-	17,862	17,862	(9)	17,853
Other comprehensive income for the period	-	-	(5,525)	-	(5,525)	(14)	(5,539)
Total comprehensive income for the period	-	-	(5,525)	17,862	12,337	(23)	12,314
Contributions by and distributions to equity holders							
Employee share option scheme -Equity compensation benefits	-	-	369	-	369	-	369
Purchase of treasury shares	-	(9,777)	-	-	(9,777)	-	(9,777)
Treasury shares reissued pursuant to employee share option plans	-	436	20	-	456	-	456
Total transactions with owners in their capacity as owners	-	(9,341)	389	-	(8,952)	-	(8,952)
Closing balance at 31 March 2011	119,725	(43,381)	16,127	481,563	574,034	919	574,953

(ii) Consolidated statement of changes in equity for the 3 months ended 31 March 2010

Group	Attributable to equity holders of the Company						
	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	Non-controlling 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
Profit for the period	-	-	-	(14,206)	(14,206)	(314)	(14,520)
Other comprehensive income for the period	-	-	(366)	-	(366)	(13)	(379)
Total comprehensive income for the period	-	-	(366)	(14,206)	(14,572)	(327)	(14,899)
Contributions by and distributions to equity holders							
Employee share option scheme -Equity compensation benefits	-	-	215	-	215	-	215
Transfer from retained earnings to statutory reserve fund	-	-	2,510	(2,510)	-	-	-
Total transactions with owners in their capacity as owners	-	-	2,725	(2,510)	215	-	215
Closing balance at 31 March 2010	119,725	(7,844)	33,265	415,300	560,446	6,309	566,755

(iii) Statement of changes in equity of the Company for the 3 months ended 31 March 2011

Company	<u>Attributable to equity holders of the Company</u>				
	Share capital S\$'000	Treasury shares S\$'000	Capital reserve S\$'000	Accumulated profits S\$'000	Total equity S\$'000
Opening balance at 1 January 2011	119,725	(34,040)	3,837	233,894	323,416
Total comprehensive income for the period	-	-	-	(1,140)	(1,140)
Contributions by and distributions to equity holders					
Employee Share Option Scheme - Equity	-	-	369	-	369
Purchase of treasury shares	-	(9,777)	-	-	(9,777)
Treasury shares reissued pursuant to employee share option plans		436	20	-	456
Total transactions with owners in their capacity as owners	-	(9,341)	389	-	(8,952)
Balance at 31 March 2011	<u>119,725</u>	<u>(43,381)</u>	<u>4,226</u>	<u>232,754</u>	<u>313,324</u>

(iv) Statement of changes in equity of the Company for the 3 months ended 31 March 2010

Company	<u>Attributable to equity holders of the Company</u>				
	Share capital S\$'000	Treasury shares S\$'000	Capital reserve S\$'000	Accumulated profits S\$'000	Total equity 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
Contributions by and distributions to equity holders					
Employee Share Option Scheme - Equity compensation expense	-	-	215	-	215
Total transactions with owners in their capacity as owners	-	-	215	-	215
Balance at 31 March 2010	<u>119,725</u>	<u>(7,844)</u>	<u>3,084</u>	<u>158,170</u>	<u>273,135</u>

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 31 March 2011, there has been no increase in the issued and paid-up share capital of the Company.

Share Options

On 11 March 2011, 5,790,000 options were issued to employees at an exercise price of S\$1.21 with a vesting period of 2 years.

During the period ended 31 March 2011, 140,500 options lapsed and 616,000 options were exercised.

There are 18,153,500 options outstanding as at 31 March 2011 (31 December 2010: 13,120,000).

Treasury Shares

For the first quarter ended 31 March 2011, the Company purchased 8,452,000 shares to be held as treasury shares.

The number of treasury shares held by the Company as at 31 March 2011 is 59,805,000 (31 December 2010: 51,969,000).

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 31 March 2011 was 827,370,000 (31 December 2010: 835,206,000).

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.

During the period ended 31 March 2011, 616,000 treasury shares were transferred to employees upon the exercise of share options.

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 2010.

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.

In the current financial period, the Group adopted the new/ revised Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 January 2011. 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	Improvements to FRSs issued in 2010 Derivatives Financial Instruments; Presentation – Classification Rights Issue
FRS 24 (Revised)	Related Party Disclosures
INT FRS 119	Extinguishing Financial Liabilities with Equity Instruments (w.e.f. 1 July 2010)
INT FRS 114	Prepayments of a Minimum Funding Requirement (Amendments to INT FRS 114) (w.e.f. 1 January 2011)

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).

	Q1-11	Q1-10
Operating profit/ (loss) after exceptional items and tax before deducting non-controlling interests as a percentage of revenue	7.3%	-9.9%
Operating profit/ (loss) after tax attributable to members of the company as a percentage of issued capital and reserves at the end of the period	3.1%	-2.5%
Earnings per ordinary share		
(a) Based on weighted average number of ordinary shares in issue (cents)	2.08	-1.63
(b) On a fully diluted basis (cents)*	2.07	-1.63

*10,316,500 (1Q2010: Nil) of share options granted to employees under the existing employee share option plan have been included in the calculation of diluted earnings per share (EPS). For 1Q2010, it is not meaningful to calculate the diluted EPS as the stock option exercise prices are above the 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	
	31/3/2011	31/12/2010	31/3/2011	31/12/2010
Net Asset Value per Ordinary Share based on issued share capital at the end of the period (in cents)	69.38	68.32	37.87	38.72

- 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

1Q2011 vs. 1Q2010

1Q2011 revenue increased by 65.6% to S\$243.3 million compared to 1Q2010 mainly due to new projects in 1Q2011.

Gross profit increased 508.8% to S\$39.7 million mainly due to economies of scale, improved productivity, product mix and effective overall cost control in 1Q2011, partially offset by the increase in depreciation of property, plant and equipment ("PPE") amounting to approximately S\$5.4 million due to a change in accounting estimate pertaining to useful life of certain PPE.

Total selling & distribution and administrative expenses were well managed and increased by just 9.8% yoy to S\$18.2 million. Other income increased 90.6% yoy to S\$5.9 million mainly due to gain on derivatives (used to hedge currency risk) totaling S\$2.2 million (1Q2010: S\$0.8 million) and sales of scrap totaling S\$1.3 million (1Q2010: S\$0.6 million). Other expenses decreased 41.2% yoy to S\$4.1 million mainly due to absence of provision for impairment of fixed assets (1Q2010: S\$5.1 million) and partially offset by increase in foreign exchange loss which arose mainly from depreciation of the USD against SGD and RMB totaling S\$3.5 million (1Q2010: S\$0.5 million).

Income tax expense increased by 520.5% yoy to S\$6.2 million mainly due to higher profits and income tax rates for our PRC subsidiaries. The effective tax rate for 1Q2011 is 25.8%.

As a result of the above factors, the Group achieved net profit after tax of S\$17.9 million in 1Q2011.

Cashflow Analysis

Net cash generated from operating activities before working capital changes was S\$39.0 million in 1Q2011. Net cash flows generated from operating activities in 1Q2011 amounted to S\$49.5 million.

Net cash used in investing activities was S\$2.4 million in 1Q2011, mainly due to capital expenditure amounting to S\$7.2 million partially offset by proceeds from short term investments of S\$3.9 million.

Net cash used in financing activities was approximately S\$9.6 million in 1Q2011, mainly due to purchase of treasury shares amounting to S\$9.8 million.

Balance Sheet Analysis

Trade and other receivables decreased by 26.2% from S\$265.5 million as at 31 December 2010 to S\$195.9 million as at 31 March 2011 due to the decrease in revenue by 29.2% from S\$343.8 million to S\$243.3 million from 4Q2010 to 1Q2011.

Trade and other payables decreased by 14.4% from S\$224.5 million as at 31 December 2010 to S\$192.1 million as at 31 March 2011 due to the decrease in cost of goods sold by 22.3% from S\$261.8 million to S\$203.5 million from 4Q2010 to 1Q2011.

Cash and cash equivalents increased from S\$215.0 million as at 31 December 2010 to S\$250.9 million as at 31 March 2011. Debt was S\$4.0 million, resulting in a net cash position of S\$246.9 million. Gearing maintained at 0.7% per 31 December 2010.

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 4Q2010 results announcement made on 21 Feb 2011, the Group guided for significantly higher revenue and profit in 1Q2011 as compared to 1Q2010 and higher revenue and profit for the full year as compared to FY2010.

In line with our guidance, we achieved revenue and net profit of S\$243.3 million and S\$17.9 million respectively in 1Q2011, which is significantly higher than revenue and net loss of S\$146.9 million and S\$14.5 million respectively in 1Q2010.

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 higher revenue and profit in 2Q2011 as compared to 2Q2010.

The Group expects higher revenue and marginally higher profit in 2Q2011 as compared to 1Q2011 due to more assembly.

The Group expects higher revenue and profit for FY2011 compared to FY2010. However, there are some uncertainties due to possible supply chain issues from the Japanese earthquake.

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/recommendeded, a statement to that effect.

Not applicable.

13. Aggregate value of interested persons transactions entered into during the quarter ended 31 March 2011

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 & its group of companies	\$3,151,620	-

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 31st March 2011 (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

Gerald Lim Thien Su
Director