

Financial Statement and Dividend Announcement for the period ended 30 June 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) %
	Q2-09 S\$'000	Q2-08 S\$'000		YTD Q2-09 S\$'000	YTD Q2-08 S\$'000	
Revenue	177,605	281,508	(36.9)	421,610	551,493	(23.6)
Cost of sales	(137,070)	(231,070)	(40.7)	(330,328)	(452,291)	(27.0)
Gross profit	40,535	50,438	(19.6)	91,282	99,202	(8.0)
Other items of income						
Interest income	273	375	(27.2)	531	608	(12.7)
Other income	3,176	4,361	(27.2)	6,980	10,645	(34.4)
Other items of expense						
Selling and distribution expenses	(2,671)	(3,150)	(15.2)	(5,219)	(5,683)	(8.2)
Administrative expenses	(13,953)	(16,680)	(16.3)	(32,243)	(30,080)	7.2
Financial costs	(129)	(528)	(75.6)	(255)	(845)	(69.8)
Other expenses	(8,784)	(4,673)	88.0	(15,311)	(16,567)	(7.6)
Share of results of associates	(211)	(7)	n.m.	(211)	44	n.m.
Profit before tax	18,236	30,136	(39.5)	45,554	57,324	(20.5)
Income tax expense	(2,517)	(3,068)	(18.0)	(7,286)	(5,620)	29.6
Profit, net of tax	15,719	27,068	(41.9)	38,268	51,704	(26.0)
Profit attributable to:						
Equity holders of the Company	15,962	27,077	(41.0)	38,533	51,755	(25.5)
Minority interests	(243)	(9)	n.m.	(265)	(51)	419.6
	15,719	27,068	(41.9)	38,268	51,704	(26.0)

n.m. – Not Meaningful

Consolidated statement of comprehensive income for the second quarter ended 30 June 2009

	Group		Increase/ (decrease) %	Group		Increase/ (decrease) %
	Q2-09 S\$'000	Q2-08 S\$'000		YTD Q2-09 S\$'000	YTD Q2-08 S\$'000	
Profit for the period	15,719	27,068	(41.9)	38,268	51,704	(26.0)
Other comprehensive income:						
Foreign currency translation	(20,679)	2,987	n.m.	2,598	1,160	n.m.
Other comprehensive income for the year, net of tax	<u>(20,679)</u>	<u>2,987</u>		<u>2,598</u>	<u>1,160</u>	
Total comprehensive income for the year	<u>(4,960)</u>	<u>30,055</u>	n.m.	<u>40,866</u>	<u>52,864</u>	n.m.
Total comprehensive income attributable to:						
Equity holders of the Company	(4,660)	30,053	n.m.	41,115	52,914	n.m.
Minority interests	<u>(300)</u>	<u>2</u>	n.m.	<u>(249)</u>	<u>(50)</u>	n.m.
	<u>(4,960)</u>	<u>30,055</u>	n.m.	<u>40,866</u>	<u>52,864</u>	n.m.

Other notes:

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

	Q2-09	Q2-08	YTD	YTD
	S\$'000	S\$'000	Q2-09	Q2-08
			S\$'000	S\$'000
1. Depreciation of property, plant and equipment	11,776	10,857	23,799	21,319
2. Reversal of impairment loss on doubtful receivables	(469)	(942)	(1,276)	(502)
3. Bad debt written off	239	413	390	411
4. Impairment loss on inventory obsolescence	387	2,285	411	4,227
5. Inventories (written back)/ written off	(79)	888	(183)	1,398
6. Directors' fees	90	(12)	145	86
7. Operating lease expense	4,698	5,243	10,055	10,019
8. Staff costs (including directors' remuneration)	31,261	46,278	72,916	87,869
9. Net loss/ (gain) on disposal of property, plant and equipment	429	(118)	519	(24)
10. Impairment loss of property, plant and equipment	6,253	2,484	13,293	4,974
11. Property, plant and equipment written off	108	412	113	346
12. (Write back of)/ provision for onerous contracts	(1,723)	-	353	-
13. Foreign exchange loss/ (gain), net	1,183	596	(1,868)	7,665

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	
	30/6/2009	31/12/2008	30/6/2009	31/12/2008
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Property, plant and equipment	262,131	282,544	20,056	21,515
Investment in subsidiaries	-	-	171,826	193,119
Investment in associates	2,482	2,616	1,478	1,478
Other investment	12	12	12	12
Deferred tax assets	4,116	4,381	-	-
Current assets				
Inventories	67,150	114,560	2,618	3,676
Trade and other receivables	134,167	245,799	43,414	81,184
Notes receivable	-	22	-	-
Prepaid operating expenses	3,232	1,988	283	98
Derivatives	1,446	1,197	1,318	1,160
Cash and cash equivalents	256,071	131,566	46,036	23,938
	462,066	495,132	93,669	110,056
Current liabilities				
Trade and other payables	121,450	178,126	36,495	51,582
Accrued operating expenses	29,081	36,278	5,989	9,560
Loans and borrowings	474	543	55	55
Income tax payable	3,045	5,880	357	357
Derivatives	30	21	-	-
	154,080	220,848	42,896	61,554
Net current assets	307,986	274,284	50,773	48,502
Non-current liabilities				
Loans and borrowings	4,163	5,136	3	25
Deferred tax liabilities	45	51	-	-
Net assets	572,519	558,650	244,142	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	42,464	39,879	2,869	2,869
Accumulated profits	417,113	397,736	129,392	142,007
	571,458	557,340	244,142	264,601
Minority interest	1,061	1,310	-	-
Total equity	572,519	558,650	244,142	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 30/6/2009		As at 31/12/2008	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
474	-	543	-

Amount repayable after one year

As at 30/6/2009		As at 31/12/2008	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
4,163	-	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.

	Q2-09	Q2-08	YTD	YTD
	S\$'000	S\$'000	Q2-09	Q2-08
			S\$'000	S\$'000
Cash flows from operating activities				
Profit before tax	18,236	30,136	45,554	57,324
Adjustments for:				
Depreciation of property, plant and equipment	11,776	10,857	23,799	21,319
Impairment loss on property, plant and equipment	6,253	2,484	13,293	4,974
Property, plant and equipment written off	108	412	113	346
Net loss/ (gain) on disposal of property, plant and equipment	429	(118)	519	(24)
Impairment loss on inventory obsolescence	387	2,285	411	4,227
Inventories (written back)/ written off (Write back of)/ provision for onerous contracts	(79)	888	(183)	1,398
Reversal of impairment loss on doubtful receivables	(1,723)	-	353	-
Bad debts written off	(469)	(942)	(1,276)	(502)
Equity compensation expense	239	413	390	411
Interest expense	-	-	-	31
Interest income	129	528	255	846
Net fair value gains on derivatives	(273)	(375)	(531)	(608)
Translation difference	104	(129)	(239)	(129)
Share of results of associates	(15,949)	(220)	(7,714)	(366)
	211	7	211	(44)
Operating cash flows before changes	19,379	46,226	74,955	89,203
Changes in working capital				
Decrease in inventories	20,041	8,735	47,049	16,612
Decrease in trade and other receivables	67,108	2,040	112,156	46,649
Decrease in notes receivables	-	1,277	22	716
Decrease/ (increase) in prepaid operating expenses	4	774	(941)	1,197
Decrease in trade and other payables	(13,626)	(34,270)	(55,273)	(51,135)
(Decrease)/ increase in accrued operating expenses	(12,170)	5,748	(7,550)	11,879
Increase/ (decrease) in amounts due (to)/ from related parties	56	(2)	10	(498)
Total changes in working capital	61,413	(15,698)	95,473	25,420
Cash flows from operations	80,792	30,528	170,428	114,623
Income taxes paid	(5,430)	(3,233)	(9,862)	(4,461)
Net cash flows from operating activities	75,362	27,295	160,566	110,162

	Q2-09	Q2-08	YTD	YTD
	S\$'000	S\$'000	Q2-09	Q2-08
			S\$'000	S\$'000
Cash flows from investing activities				
Dividends received from an associated company	-	300	-	300
Interest received	273	375	531	608
Proceeds from disposal of property, plant and equipment	155	447	445	1,772
Purchase of property, plant and equipment	(4,716)	(4,626)	(12,618)	(17,771)
Net cash flows used in investing activities	(4,288)	(3,504)	(11,642)	(15,091)
Cash flows from financing activities				
Dividends paid on ordinary shares	(19,153)	(13,308)	(19,153)	(13,308)
Purchase of treasury shares	(1,473)	-	(7,844)	-
Interest paid	(129)	(528)	(255)	(846)
Proceeds from loans and borrowings	-	8,986	-	6,479
(Repayments of)/ proceeds in obligations under finance lease	(146)	37	(254)	(56)
Net cash flows used in financing activities	(20,901)	(4,813)	(27,506)	(7,731)
Net increase in cash and cash equivalents	50,173	18,978	121,418	87,340
Effect of exchange rate changes on cash and cash equivalents	-	-	3,087	90
Cash and cash equivalents at beginning of period	205,898	115,216	131,566	46,764
Cash and cash equivalents at end of period	256,071	134,194	256,071	134,194

Note

Current period additions	4,781	5,543	11,202	14,218
Payable to creditors (Net)	(1,321)	(677)	(4,771)	(7,357)
	3,460	4,866	6,431	6,861
Payments for prior period	1,256	(240)	6,187	10,910
Net cash outflow for purchase	4,716	4,626	12,618	17,771

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 2009

Group	<u>Equity attributable to equity holders of the Company</u>						
	Share capital S\$'000	Treasury shares S\$'000	Other reserves S\$'000	Accumulated profits S\$'000	Total 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	-	-	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

(ii) Consolidated statement of changes in equity for the 6 months ended 30 June 2008

Group	<u>Equity attributable to equity holders of the Company</u>						
	Share capital S\$'000	Treasury shares S\$'000	Other reserves S\$'000	Accumulated profits S\$'000	Total S\$'000	Minority interests S\$'000	Total equity 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)
Closing balance at 30 June 2008	119,725	-	22,302	353,329	495,356	1,276	496,632

(iii) Statement of changes in equity of the Company for the 6 months ended 30 June 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 income 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)
Closing balance at 30 June 2009	119,725	(7,844)	2,869	129,392	244,142

(iv) Statement of changes in equity of the Company for the 6 months ended 30 June 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 income 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)
Employee share option scheme -Equity compensation benefits	-	-	-	-	-
Dividends on ordinary shares	-	-	-	(13,308)	(13,308)
Closing balance at 30 June 2008	119,725	-	2,869	98,100	220,694

- 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 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 June 2009 (30 June 2008: 3,497,000).

Treasury Shares

Pursuant to the share buyback mandate approved by the shareholders, the Company purchased a total of 2,510,000 shares during the period and held as Treasury Shares. The shares were purchased by way of market acquisitions at prices ranging from \$0.465 to \$0.670 per share and the total consideration paid was \$1.473 million. As at 30 June 2009, 18,429,000 ordinary shares are held as treasury shares (30 June 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 June 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 June 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).

	Q2-09	Q2-08	YTD Q2-09	YTD Q2-08
Operating profit after exceptional items and tax before deducting minority interests as a percentage of revenue	9.0%	9.6%	9.1%	9.4%
Operating profit after tax attributable to members of the company as a percentage of issued capital and reserves at the end of the period	2.8%	5.5%	6.7%	10.4%
Earnings per ordinary share				
(a) Based on weighted average number of ordinary shares in issue (cents)	1.82	3.05	4.39	5.83
(b) On a fully diluted basis (cents)*	1.82	3.05	4.39	5.83

*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	
	30/6/2009	31/12/2008	30/6/2009	31/12/2008
Net Asset Value per Ordinary Share based on issued share capital at the end of the period	65.78	62.82	28.10	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, 2Q2009 revenue declined 36.9% to S\$177.6 million compared to 2Q2008, mainly due to lower demand from customers.

Gross profit decreased by 19.6% yoy to S\$40.5 million in 2Q2009. However, gross margin improved to 22.8% compared to 17.9% in 2Q2008. The improvement was due to better product mix with more value-added processes and effective overall cost control.

Whilst selling & distribution expenses and administrative expenses decreased 15.2% yoy and 16.3% yoy respectively, other expenses increased 88.0% yoy to S\$8.8 million in 2Q2009. This increase in other expenses was mainly due to the S\$6.3 million impairment for equipment and a foreign exchange loss of S\$1.2 million. The foreign exchange loss was due to the depreciation of the Euro versus the Polish zloty and the appreciation of the Singapore dollar versus the US dollar. As a result, profit before tax decreased by 39.5% yoy to S\$18.2 million in 2Q2009, compared to S\$30.1 million in 2Q2008.

The Group's effective income tax rate increased from 10.2% in 2Q2008 to 13.8% in 2Q2009. This was mainly due to the higher income tax rates for our profitable PRC subsidiaries and having to account for some provisions that are not tax deductible. As a result, profit after tax dropped by 41.9% yoy to S\$15.7 million in 2Q2009.

Cashflow Analysis

Net cash generated from operating activities before working capital changes was S\$19.4 million in 2Q2009. Working capital improved by S\$61.4 million mainly due to decrease in inventories and receivables, partially offset by decrease in payables. As a result, we generated S\$75.4 million of net cash flows from operating activities in 2Q2009.

Net cash used in investing activities was S\$4.3 million in 2Q2009, mainly due to capital expenditure. Net cash used in financing activities was S\$20.9 million in 2Q2009, mainly due to purchase of treasury shares from the open market and the payment of S\$19.2 million of dividends.

Balance Sheet Analysis

The Group further improved its financial position with a strong cash balance of S\$256.1 million and low gearing.

Cash and cash equivalents improved from S\$131.6 million as at 31 December 2008 to S\$256.1 million as at 30 June 2009. Gross debt was S\$4.6 million, resulting in a net cash position of S\$251.4 million. Gross gearing improved further to 0.8% as at 30 June 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 1Q2009 results announcement made on 5 May 2009, the Group guided for much lower revenue and profit for 2Q2009 compared to 2Q2008.

In line with our guidance, revenue declined from S\$281.5 million in 2Q2008 to S\$177.6 million in 2Q2009 and net profit declined from S\$27.1 million in 2Q2008 to S\$16.0 million in 2Q2009.

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 for 3Q2009 compared to 3Q2008. Mass production of new projects will start in 4Q2009.

The Group will continue to exercise good cost control measures. Outlook for FY2009 still dependent on global market conditions.

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 June 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 June 2009 (comprising the balance sheet, consolidated income statement, consolidated statement of comprehensive income, statement of changes in equity and consolidated cash flows statement, together with their accompanying notes) to be false or misleading in any material aspect.

Yao Hsiao Tung
Chairman

Dr Tan Khee Giap
Director