

Hi-P International Limited

First Quarter Financial Statement and Dividend Announcement for the period ended 31 March 2004
PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY 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) %
	1/1/2004 to 31/3/2004 S\$'000	1/1/2003 to 31/3/2003 * S\$'000	
Revenue	111,472	44,471	150.7
Cost of sales	(85,954)	(32,889)	161.3
Gross profit	25,518	11,582	120.3
Operating expense			
Selling expenses	(1,039)	(653)	59.1
Administrative expenses	(7,325)	(4,545)	61.2
	(8,364)	(5,198)	60.9
Other operating income	686	615	11.5
Profit from operations	17,840	6,999	154.9
Financial expenses	(412)	(423)	(2.6)
Financial income	41	17	141.2
Foreign exchange (loss) gain, net	(115)	95	N.M.
Profit before tax and share of results of associated company	17,354	6,688	159.5
Share of results of associated companies	95	209	(54.5)
Profit before tax	17,449	6,897	153.0
Tax	(951)	(582)	63.4
Profit after tax but before minority interest	16,498	6,315	161.3
Minority interests	(371)	(344)	7.8
Profit attributable to shareholders	16,127	5,971	170.1

* Certain comparative figures have been reclassified to conform with the current financial period's presentation.

N.M.: Not meaningful

Other notes:

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

	1/1/2004 to 31/3/2004 S\$'000	1/1/2003 to 31/3/2003 S\$'000
1. Depreciation	4,268	2,819
2. Provision for inventories obsolescence (written back)	633	(7)
3. Inventories written off	179	-
4. Fixed assets impairment loss	-	98
5. Directors' remuneration	731	373
6. Directors' fees	78	-
7. Operating lease expense	1,174	864
8. Staff Cost *	15,083	7,949
9. Gain on disposal of fixed assets	(27)	(434)

* Excludes directors' remuneration, which has been disclosed separately in #5 above.

1(a) 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	
	31/3/2004 S\$'000	31/12/2003 S\$'000	31/3/2004 S\$'000	31/12/2003 S\$'000
Fixed assets	140,258	133,895	22,240	22,166
Investment in subsidiaries	-	-	50,735	50,735
Investment in associated company	1,868	1,805	903	903
Other investment	12	12	12	12
Current assets				
Inventories	33,891	24,668	3,030	3,444
Trade receivables	80,071	50,487	7,799	7,631
Notes receivable	639	1,214	-	-
Other receivables, deposits and prepayments	23,557	16,304	636	408
Due from subsidiaries (non-trade)	-	-	45,983	10,977
Due from subsidiaries (trade)	-	-	310	94
Due from related parties (trade)	3,533	781	-	-
Fixed deposits	50,066	66	50,066	66
Cash and bank balances	12,166	113,227	3,171	80,053
	203,923	206,747	110,995	102,673
Current liabilities				
Trade payables	72,416	50,737	4,737	4,396
Other payables and accruals	26,942	45,516	3,886	9,215
Due to subsidiaries (non-trade)	-	-	23,665	40
Due to subsidiaries (trade)	-	-	370	390
Due to related parties (trade)	103	38	-	-
Lease obligations, current portion	3,433	4,861	2,909	4,337
Provision for income tax	2,309	2,538	1,282	1,282
Bank term loans, current portion	1,654	2,515	1,387	2,244
Short-term bank loans	10,657	14,509	-	3,020
Bank overdrafts (secured)	-	1,206	-	1,179
	117,514	121,920	38,236	26,103
Net current assets	86,409	84,827	72,759	76,570
Non-current liabilities				
Lease obligations, non-current portion	2,528	2,368	2,066	1,768
Bank term loans, non-current portion	15,019	21,666	2,080	5,937
Deferred tax liability	2,774	2,774	2,774	2,774
	208,226	193,731	139,729	139,907
Equity				
Shareholders' equity	206,066	191,364	139,729	139,907
Minority interests	2,160	2,367	-	-
	208,226	193,731	139,729	139,907

1(b)(ii) Aggregate amount of group's borrowings and debt securities**Amount repayable within one year or less, or on demand**

As at 31/3/2004		As at 31/12/2003	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
6,040	9,704	11,039	12,052

Amount repayable after one year

As at 31/3/2004		As at 31/12/2003	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
4,608	12,939	8,306	15,728

Bank term loans, short-term bank loans and bank overdrafts were secured by way of a legal mortgage over the factory building of the Company and a charge over certain machineries of the Group. Lease obligations were secured against the respective leased assets.

Certain borrowings of the subsidiaries of the Company were secured by a corporate guarantee of the Company. These amounts have been disclosed as unsecured.

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

	1/1/2004 to 31/3/2004 S\$'000	1/1/2003 to 31/3/2003 S\$'000
Cash flows from operating activities		
Profit before tax and share of results of associated companies	17,354	6,688
Adjustments:		
Depreciation of fixed assets	4,268	2,819
Gain on disposal of fixed assets	(27)	(434)
Impairment of fixed assets	-	98
Provision for inventory obsolescence	633	-
Interest income	(41)	(17)
Interest expense	412	423
Translation difference	(108)	56
Operating profit before working capital changes	22,491	9,633
Decrease (increase) in:		
Inventories	(9,864)	(6,306)
Trade receivables	(29,585)	955
Notes receivable	575	1,183
Other receivables, deposits and prepayments	(7,253)	(821)
Increase (decrease) in:		
Trade payables	21,679	3,484
Other payables and accruals	(8,867)	(4,317)
Due from/to related parties (trade), net	(2,689)	1,284
Cash (used in) generated from operations	(13,513)	5,095
Dividend paid	(556)	-
Income taxes paid	(1,160)	(573)
Net cash (used in) generated from operating activities	(15,229)	4,522

1(c) Cash flow statement (cont'd)

	1/1/2004 to 31/3/2004 S\$'000	1/1/2003 to 31/3/2003 S\$'000
Cash flows from investing activities		
Purchase of fixed assets (Note)	(21,963)	(8,420)
Interest income received	41	17
Proceeds from disposal of fixed assets	335	2,772
Net cash used in investing activities	<u>(21,587)</u>	<u>(5,631)</u>
Cash flows from financing activities		
Interest expense paid	(412)	(423)
Repayment of bank term loans, net	(7,507)	(199)
(Repayment of) Proceeds from short-term loans, net	(3,852)	241
(Repayment of) Lease obligations	(1,268)	2,054
Net cash (used in) generated from financing activities	<u>(13,039)</u>	<u>1,673</u>
Net (decrease) increase in cash and cash equivalents	(49,855)	564
Cash and cash equivalents at beginning of period	112,087	7,842
Cash and cash equivalents at end of period	<u>62,232</u>	<u>8,406</u>
Note		
Current year additions to fixed assets	12,257	4,543
Less : -		
Financed by leases	-	(290)
Payable to creditors	(7,163)	(2,802)
	<u>5,094</u>	<u>1,451</u>
Payments for prior year purchase of fixed assets	<u>16,869</u>	<u>6,969</u>
	<u>21,963</u>	<u>8,420</u>

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.

Group

	Share capital S\$'000	Share premium S\$'000	Capital reserve S\$'000	Reserve fund S\$'000	Translation reserve S\$'000	Accumulated profits S\$'000	Total S\$'000
Balance at 1 January 2004	44,350	75,041	37	9,313	(2,339)	64,962	191,364
Currency translation differences	-	-	-	10	(1,435)	-	(1,425)
Net profit for the period	-	-	-	-	-	16,127	16,127
Balance at 31 March 2004	44,350	75,041	37	9,323	(3,774)	81,089	206,066
Balance at 1 January 2003	18,400	-	37	5,505	223	50,818	74,983
Currency translation differences	-	-	-	-	1,370	-	1,370
Net profit for the period	-	-	-	-	-	5,971	5,971
Balance at 31 March 2003	18,400	-	37	5,505	1,593	56,789	82,324

Company

	Share capital S\$'000	Share premium S\$'000	Accumulated profits S\$'000	Total S\$'000
Balance as at 1 January 2004	44,350	75,041	20,516	139,907
Net Loss for the period	-	-	(178)	(178)
Balance as at 31 March 2004	<u>44,350</u>	<u>75,041</u>	<u>20,338</u>	<u>139,729</u>
Balance as at 1 January 2003	18,400	-	23,006	41,406
Net Profit for the period	-	-	995	995
Balance as at 31 March 2003	<u>18,400</u>	<u>-</u>	<u>24,001</u>	<u>42,401</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 share 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 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 3 months ended 31 March 2004 and 31 March 2003, there has been no increase in the issued and paid up share capital of the Company.

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 financial statements have been applied

The Group had applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited financial statements as at 31 December 2003.

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

Not applicable.

6. Earnings per 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.

	1/1/2004 to 31/3/2004		1/1/2003 to 31/3/2003
Operating profit after exceptional items and tax before deducting minority interests as a percentage of revenue	14.8%		14.2%
Operating profit after tax attributable to members of the company as a percentage of issued capital and reserves at the end of the period	7.8%		7.3%
Earnings per ordinary share			
(a) Based on weighted average number of ordinary shares in issue	1.82 cents	**	0.81 cents *
(b) On a fully diluted basis	1.82 cents	**	0.81 cents *

* Earnings per share for the period 1/1/2003 to 31/3/2003 have been computed based on the pre-invitation share capital of 736,000,000 ordinary shares of \$0.05 each.

** Earnings per share for the period 1/1/2004 to 31/3/2004 have been computed based on the post-invitation share capital of 887,000,000 ordinary shares of \$0.05 each.

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

	Group		Company	
	31/3/2004 Cents	31/12/2003 Cents	31/3/2004 Cents	31/12/2003 Cents
Net Asset Value per Ordinary Share based on issued share capital at the end of the period	23.23	21.57	15.75	15.77

- 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.**

The Group registered strong growth in the first quarter. Compared to the first quarter of FY2003, the Group's revenue rose 150.7% from \$44.5 million to \$111.5 million and net profit after tax increased 170.1% to \$16.1 million from \$6.0 million.

The strong performance of the Group was attributable to the escalating demand from new and existing customers in the telecommunications and consumer electronics and electrical industries. More importantly, turnkey projects from consumer electronics and electrical industry that have progressed onto mass production have contributed strongly to Hi-P's performance for the quarter under review.

By industries, the Group's largest revenue contributor was from its telecommunications business, which comprised 46.5% of the Group's aggregate revenue, followed by contribution from the consumer electronics and electrical business which contributed approximately \$49.5 million or 44.4% of the total revenue.

By business activities, the Group's assembly business rose 208.3% to \$55.7 million compared to \$18.1 million in the first quarter of FY2003. The next largest contributor was the PPIM or Precision Plastic Injection Molding activity, which registered a growth of 124.9%. Revenue contributions from the PPIM business totalled \$47.9 million compared to \$21.3 million in the first quarter of the previous financial year. The third business activity, MDF or Mold Design and Fabrication turned in revenue of \$7.8 million representing an increase of 53.6% over that of the same quarter in FY2003.

Geographically, China continued to dominate as the major revenue contributor. Revenue for the first quarter of the year rose by 113.2% from \$23.6 million to \$50.3 million, accounting for 45.1% of the Group's total revenue. Sales to Europe, the second largest market, totalled \$39.1 million comprising approximately 35.1% of the Group's total revenue. Singapore was the third largest market with \$12.7 million revenue contribution making up about 11.4% of the total revenue.

Gross profit margins decreased from 26.0% in the first quarter of FY2003 to 22.9% this quarter, mainly as a result of higher material costs included in cost of sales due to a change in product mix. The increase in material costs was primarily due to the increase in sales contributed by the Assembly division, which generally requires higher material content. In addition, higher sub-contract expenses were incurred for new projects launched in this quarter. However, labour costs as a percentage of revenue were lower in the first quarter of FY2004 despite the higher sales activities. This reflects the generally lower labour cost related to the assembly business.

Reflecting the higher business activities, operating expenses were higher rising from \$5.2 million in the first quarter of FY2003 to \$8.4 million in the first quarter of FY2004. The higher expenses were attributable to the increase in administrative expenses and sales and marketing expenses incurred to support the strong business growth during the quarter. However, operating expenses as a percentage of revenue decreased from 11.7% in the first quarter of FY2003 to 7.5% in this quarter as a result of economies of scale and cost control measures. As a result, profit from operations margin improved from 15.7% in the first quarter of FY2003 to 16.0% in the first quarter of FY2004.

The tax charge for the first quarter of FY2004 was approximately \$1.0 million as compared to \$0.5 million in the first quarter of FY2003 mainly due to higher profit before tax. However, the effective tax rate declined from 8.4% to 5.5% mainly due to the increased profit contribution from certain China subsidiaries whose profits are entitled to full tax exemption in the first quarter of FY2004.

Net cash used in operating activities amounted to \$15.2 million in the first quarter of FY2004, principally due to increased working capital requirements as a result of increased sales in the first quarter and increasing sales into the second quarter.

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

Results for the first quarter of FY2004 were better than the results for the first quarter of FY2003. This was in line with the Directors' projections as included in the FY2003 full-year announcement.

10. A commentary at the date of the announcement of the 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 Directors of Hi-P International are confident of the prospects of the Group. Geographically China will continue to feature as an important center for Hi-P's manufacturing activities to meet the rising demand by global MNCs for integrated contract manufacturing services in China. Our turnkey projects have entered into the mass production phase, and there are stronger orders from new and existing customers especially in the telecommunications and consumer electronics and electrical segments. This will more than offset the softer demand in the data storage segment.

As such, barring unforeseen circumstances, the Directors are confident that the Group's performance for the second quarter of FY2004 will be significantly better than the second quarter of the previous year in view of the rising demand by global MNCs for integrated contract manufacturing services in China. The Directors also expect its performance in the second quarter of FY2004 to be better than the first quarter of FY2004.

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.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT**13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediate preceding year.****Segmental revenue by Activities and Geographical Markets****By Activities**

	PPIM S\$'000	MDF S\$'000	Assembly S\$'000	Eliminations S\$'000	Consolidated S\$'000
1/1/2004 to 31/3/2004					
Segment revenue					
Sales to external customers	47,932	7,803	55,737	-	111,472
Intersegmental sales	19,878	314	-	(20,192)	-
	<u>67,810</u>	<u>8,117</u>	<u>55,737</u>	<u>(20,192)</u>	<u>111,472</u>
1/1/2003 to 31/3/2003					
Segment revenue					
Sales to external customers	21,311	5,081	18,079	-	44,471
Intersegmental sales	4,330	-	-	(4,330)	-
	<u>25,641</u>	<u>5,081</u>	<u>18,079</u>	<u>(4,330)</u>	<u>44,471</u>

By Geographical Markets

	Revenue	
	1/1/2004 to 31/3/2004 S\$'000	1/1/2003 to 31/3/2003 S\$'000
Asia		
PRC	50,267	23,581
Singapore	12,697	6,698
Malaysia	965	1,442
Others	3,045	3,774
	<u>66,974</u>	<u>35,495</u>
Europe	39,113	5,150
USA and other parts of the Americas	5,385	3,826
	<u>111,472</u>	<u>44,471</u>

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Please refer to paragraph 8.

BY ORDER OF THE BOARD

Tan Tor Howe
Company Secretary

11 May 2004