

Hi-P International Limited

Second Quarter Financial Statement and Dividend Announcement for the period ended 30 June 2004 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			Group		
	Q2-04 S\$'000	Q2-03 * S\$'000	Increase/ (decrease) %	YTD Jun-04 S\$'000	YTD Jun-03 * S\$'000	Increase/ (decrease) %
Revenue	150,675	58,255	158.6	262,147	102,726	155.2
Cost of sales	(111,532)	(43,382)	157.1	(197,486)	(76,271)	158.9
Gross profit	39,143	14,873	163.2	64,661	26,455	144.4
Operating expenses						
Selling expenses	(1,005)	(435)	131.0	(2,044)	(1,088)	87.9
Administrative expenses	(15,528)	(5,783)	168.5	(22,853)	(10,328)	121.3
	(16,533)	(6,218)	165.9	(24,897)	(11,416)	118.1
Other operating income	1,000	460	117.4	1,686	1,075	56.8
Profit from operations	23,610	9,115	159.0	41,450	16,114	157.2
Financial expenses	(399)	(518)	(23.0)	(811)	(941)	(13.8)
Financial income	34	12	183.33	75	29	158.6
Foreign exchange gain (loss), net	77	(206)	N.M.	(38)	(111)	(65.8)
Profit before tax and share of results of associated company	23,322	8,403	177.5	40,676	15,091	169.5
Share of results of associated companies	146	(3)	N.M.	241	206	17.0
Profit before tax	23,468	8,400	179.4	40,917	15,297	167.5
Tax	(1,066)	(706)	51.0	(2,017)	(1,288)	56.6
Profit after tax but before minority interest	22,402	7,694	191.2	38,900	14,009	177.7
Minority interest	(272)	(213)	27.7	(643)	(557)	15.4
Profit attributable to shareholders	22,130	7,481	195.8	38,257	13,452	184.4

* 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:

	Q2-04	Q2-03	YTD	YTD
	SS'000	SS'000	Jun-04	Jun-03
			SS'000	SS'000
1. Depreciation	4,763	3,372	9,031	6,191
2. Provision for doubtful trade debts	4,512	353	4,512	353
3. Bad debts written off	629	-	629	-
4. Provision for inventories obsolescence	1,287	408	1,920	408
5. Inventories written off	2,380	449	2,559	449
6. Directors' remuneration	1,006	594	1,737	967
7. Directors' fees				
- current year provision	78	-	156	-
- overprovision in prior year	(168)	-	(168)	-
8. Operating lease expense	1,180	867	2,354	1,731
9. Staff cost *	20,151	7,106	35,234	15,055
10. Gain on disposal of fixed assets	(1,225)	(18)	(1,252)	(452)

* Excludes directors' remuneration, which has been disclosed separately in #6 above.

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	
	30/6/2004	31/12/2003	30/6/2004	31/12/2003
	S\$'000	S\$'000	S\$'000	S\$'000
Fixed assets	148,559	133,895	21,880	22,166
Investment in subsidiaries	-	-	50,911	50,735
Investment in associated company	1,992	1,805	903	903
Other investment	12	12	12	12
Current assets				
Inventories	53,960	24,668	2,993	3,444
Trade receivables	97,169	50,487	5,994	7,631
Notes receivable	6,661	1,214	-	-
Other receivables, deposits and prepayments	18,064	16,304	461	408
Due from subsidiaries (non-trade)	-	-	47,223	10,977
Due from subsidiaries (trade)	-	-	244	94
Due from related parties (trade)	2,354	781	-	-
Fixed deposits	30,067	66	30,066	66
Cash and bank balances	32,874	113,227	15,428	80,053
	241,149	206,747	102,409	102,673
Current liabilities				
Trade payables	95,285	50,737	2,945	4,396
Other payables and accruals	35,904	45,516	4,592	9,215
Due to subsidiaries (non-trade)	-	-	24,085	40
Due to subsidiaries (trade)	-	-	358	390
Due to related parties (trade)	42	38	-	-
Lease obligations, current portion	2,210	4,861	1,686	4,337
Provision for income tax	1,611	2,538	714	1,282
Bank term loans, current portion	1,659	2,515	1,387	2,244
Short-term bank loans	6,394	14,509	-	3,020
Bank overdrafts (secured)	-	1,206	-	1,179
	143,105	121,920	35,767	26,103
Net current assets	98,044	84,827	66,642	76,570
Non-current liabilities				
Lease obligations, non-current portion	1,496	2,368	1,150	1,768
Bank term loans, non-current portion	14,515	21,666	1,387	5,937
Deferred tax liability	2,774	2,774	2,774	2,774
	229,822	193,731	135,037	139,907
Equity				
Shareholders' equity	227,345	191,364	135,037	139,907
Minority interest	2,477	2,367	-	-
	229,822	193,731	135,037	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 30/6/2004		As at 31/12/2003	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
3,454	6,809	11,039	12,052

Amount repayable after one year

As at 30/6/2004		As at 31/12/2003	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
1,496	14,515	8,306	15,728

Certain short-term bank loans were secured by way of 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.

	Q2-04 S\$'000	Q2-03 * S\$'000	YTD Jun-04 S\$'000	YTD Jun-03 * S\$'000
Cash flows from operating activities				
Profit before tax and share of results of associated companies	23,322	8,403	40,676	15,091
Adjustments:				
Depreciation of fixed assets	4,763	3,372	9,031	6,191
Gain on disposal of fixed assets	(1,225)	(18)	(1,252)	(452)
Impairment of fixed assets	-	5	-	103
Provision for doubtful trade debts	4,512	353	4,512	353
Provision for inventory obsolescence	1,287	408	1,920	408
Interest income	(34)	(12)	(75)	(29)
Interest expense	399	518	811	941
Translation difference	2,347	(187)	2,239	(131)
Operating profit before working capital changes	<u>35,371</u>	<u>12,842</u>	<u>57,862</u>	<u>22,475</u>
Decrease (increase) in:				
Inventories	(21,380)	1,502	(31,244)	(4,804)
Trade receivables	(21,256)	(4,504)	(50,841)	(3,549)
Notes receivable	(6,023)	(828)	(5,448)	355
Other receivables, deposits and prepayments	5,493	(1,539)	(1,760)	(2,360)
Increase (decrease) in:				
Trade payables	22,869	(2,042)	44,548	1,442
Other payables and accruals	6,662	11,454	(2,205)	7,137
Due from/to related parties (trade), net	750	(1,326)	(1,939)	(42)
Cash generated from operations	<u>22,486</u>	<u>15,559</u>	<u>8,973</u>	<u>20,654</u>
Dividend paid	(3,548)	(234)	(4,104)	(234)
Income taxes (paid) recovered	(1,735)	139	(2,895)	(434)
Net cash generated from operating activities	<u>17,203</u>	<u>15,464</u>	<u>1,974</u>	<u>19,986</u>

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

	Q2-04	Q2-03 *	YTD	YTD
	SS'000	SS'000	Jun-04	Jun-03 *
			SS'000	SS'000
Cash flows from investing activities				
Investment in associated companies	-	(400)	-	(400)
Purchase of fixed assets (Note)	(12,948)	(12,247)	(34,911)	(18,811)
Interest income received	34	12	75	29
Proceeds from disposal of fixed assets	3,836	338	4,171	1,254
Net cash used in investing activities	<u>(9,078)</u>	<u>(12,297)</u>	<u>(30,665)</u>	<u>(17,928)</u>
Cash flows from financing activities				
Interest expense paid	(399)	(518)	(811)	(941)
(Repayment of) Proceeds from bank term loans, net	(499)	4,060	(8,006)	3,861
Repayment of short-term loans, net	(4,262)	(3,609)	(8,114)	(3,368)
Repayment of lease obligations	(2,256)	(5,143)	(3,524)	(3,089)
Net cash used in financing activities	<u>(7,416)</u>	<u>(5,210)</u>	<u>(20,455)</u>	<u>(3,537)</u>
Net increase (decrease) in cash and cash equivalents	709	(2,043)	(49,146)	(1,479)
Cash and cash equivalents at beginning of period	62,232	8,406	112,087	7,842
Cash and cash equivalents at end of period	<u>62,941</u>	<u>6,363</u>	<u>62,941</u>	<u>6,363</u>
Note				
Current period additions to fixed assets	15,247	15,339	27,504	18,026
Less : -				
Financed by leases	-	(5,894)	-	(6,184)
Payable to creditors (Net)	(4,487)	2,802	(11,650)	-
	<u>10,760</u>	<u>12,247</u>	<u>15,854</u>	<u>11,842</u>
Payments for prior period purchase of fixed assets	2,188	-	19,057	6,969
	<u>12,948</u>	<u>12,247</u>	<u>34,911</u>	<u>18,811</u>

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

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 2004

	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
Currency translation differences	-	-	-	-	2,697	-	2,697
Current period transfer	-	-	-	-	-	-	-
Net profit for the period	-	-	-	-	-	22,130	22,130
Final dividend paid	-	-	-	-	-	(3,548)	(3,548)
Balance at 30 June 2004	44,350	75,041	37	9,323	(1,077)	99,671	227,345

(ii) Consolidated statement of changes in equity for the 6 months ended 30 June 2003

	Share capital 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 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
Currency translation differences	-	-	-	(608)	-	(608)
Net profit for the period	-	-	-	-	7,481	7,481
Final dividend paid	-	-	-	-	(234)	(234)
Balance at 30 June 2003	18,400	37	5,505	985	64,036	88,963

(iii) Statement of changes in equity of the company for the 6 months ended 30 June 2004

	Share capital S\$'000	Share premium S\$'000	Accumulated profits S\$'000	Total S\$'000
Balance at 1 January 2004	44,350	75,041	20,516	139,907
Net Loss for the period	-	-	(178)	(178)
Balance at 31 March 2004	44,350	75,041	20,338	139,729
Net Loss for the period	-	-	(1,144)	(1,144)
Final dividend paid	-	-	(3,548)	(3,548)
Balance at 30 June 2004	44,350	75,041	15,646	135,037

(iv) Statement of changes in equity of the company for the 6 months ended 30 June 2003

	Share capital	Accumulated	Total
	SS'000	profits	SS'000
		SS'000	SS'000
Balance at 1 January 2003	18,400	23,006	41,406
Net Profit for the period	-	995	995
Balance at 31 March 2003	18,400	24,001	42,401
Net Profit for the period	-	4,093	4,093
Final dividend paid	-	(234)	(234)
Balance at 30 June 2003	18,400	27,860	46,260

- 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 6 months ended 30 June 2004 and 30 June 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.

	Q2-04	Q2-03	YTD Jun-04	YTD Jun-03
Operating profit after exceptional items and tax before deducting minority interests as a percentage of revenue	14.9%	13.2%	14.8%	13.6%
Operating profit after tax attributable to members of the company as a percentage of issued capital and reserves at the end of the period	9.7%	8.4%	16.8%	15.1%
Earnings per ordinary share				
(a) Based on weighted average number of ordinary shares in issue (cents)	2.49	1.02	4.31	1.83
(b) On a fully diluted basis (cents)	2.49	1.02	4.31	1.83

Earnings per share for Q2 2003 and YTD June 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 Q2 2004 and YTD June 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	
	30/6/2004	31/12/2003	30/6/2004	31/12/2003
	Cents	Cents	Cents	Cents
Net Asset Value per Ordinary Share based on issued share capital at the end of the period	25.63	21.57	15.22	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 continued to register strong growth in the second quarter reflecting the strong market demand for its integrated contract manufacturing services. The performance of the Group during the quarter under review was attributable to the rising volume of turnkey projects and the progression of some of the projects into mass production during the quarter. All business segments, except data storage, posted strong growth with revenue rising 158.6% to \$150.7 million and net profit after tax rising 195.8% to \$22.1 million compared to the second quarter of the previous financial year.

By business activities, the assembly business continued to lead as the largest revenue contributor in the second quarter of FY2004, posting a growth of 300.8% compared to the second quarter of FY2003. During the quarter under review, the assembly business rose to \$74.4 million representing approximately 49.4% of the Group's total revenue. PPIM or Precision Plastic Injection Molding, was the next largest contributor, delivering revenue of \$71.8 million, which represented about 47.7% of the Group's revenue. The third business activity, MDF or Mold Design and Fabrication, delivered revenue of \$4.4 million representing 2.9% of the aggregate revenue.

Geographically, China remained the largest revenue contributor with revenue of \$78.4 million representing 52.0% of the Group's total revenue. The second largest market for the Group was Europe. Sales to Europe totalled approximately \$52.0 million representing 34.5% of the Group's total revenue for the quarter under review. Singapore ranked as the third largest market with revenue totalling \$12.2 million or 8.1% of the Group's total revenue.

Gross profit margins improved slightly from 25.5% in the second quarter of FY2003 to 26.0% in the second quarter of FY2004. Labour cost as a percentage of revenue decreased as assembly business, which generally has lower labour cost as a percentage of cost of good sold, has increased. It also reflected the better labour efficiency achieved in the quarter under review, compared to the second quarter of FY2003. Another contributory factor to the improvement in gross profit margins was the decrease in material costs as a percentage of revenue. This was due to the lowering of wastage for certain projects, as initial start-up issues were resolved.

Operating expenses during the quarter were higher as compared to the corresponding period in the previous year. Administrative expenses have increased mainly due to increase in staff costs to support higher business activities and additional provision made for doubtful debts approximate \$4.5 million. There were also higher selling expenses incurred to support the sales and marketing activities.

In terms of cash flow for the Group, a total of \$17.2 million was generated from operations in the second quarter of FY2004, after payment of dividend amounting to \$3.5 million. A total of \$12.9 million was spent on acquisition of fixed assets during the quarter resulting in net cash used in investing activities of \$9.1 million after netting off cash received from disposal of certain fixed assets. Other utilisation of cash included the repayment of bank borrowings and lease obligations approximate \$7.4 million.

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

Results for the second quarter of FY2004 were better than the results for the second quarter of FY2003. Results for the second quarter of FY2004 were also better compared to the results for the first quarter of FY2004. This was in line with the Directors' projections as included in the FY2004 Q1 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.

Barring unforeseen circumstances, the Group expects that its performance in the third quarter will continue to be strong with contributions primarily from the telecommunications segment and consumer electronics and electrical segment.

On a longer-term perspective, the business reorganisation that the Group is now embarking upon will pave the way for it to further strengthen its global competitive edge and thrust it into a new phase of growth. The new initiative will effectively remove geographic barriers and allow the different business segments to operate as independent business entities. This move will help to build depth into the respective business units, and give them the room to both focus and broaden their perspectives, and create scalability within the respective business units, without the hindrance of geographical constraints.

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.

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, Industries and Geographical Markets

By Activities

	PPIM S\$'000	MDF S\$'000	Assembly S\$'000	Eliminations S\$'000	Consolidated S\$'000
For the 3 months ended 30 June 2004					
Segment revenue					
Sales to external customers	71,834	4,412	74,429	-	150,675
Intersegmental sales	36,802	14,498	869	(52,169)	-
	<u>108,636</u>	<u>18,910</u>	<u>75,298</u>	<u>(52,169)</u>	<u>150,675</u>
For the 3 months ended 30 June 2003					
Segment revenue					
Sales to external customers	32,787	6,900	18,568	-	58,255
Intersegmental sales	4,401	-	-	(4,401)	-
	<u>37,188</u>	<u>6,900</u>	<u>18,568</u>	<u>(4,401)</u>	<u>58,255</u>
For the 6 months ended 30 June 2004					
Segment revenue					
Sales to external customers	119,766	12,215	130,166	-	262,147
Intersegmental sales	56,680	14,812	869	(72,361)	-
	<u>176,446</u>	<u>27,027</u>	<u>131,035</u>	<u>(72,361)</u>	<u>262,147</u>
For the 6 months ended 30 June 2003					
Segment revenue					
Sales to external customers	54,098	11,981	36,647	-	102,726
Intersegmental sales	8,731	-	-	(8,731)	-
	<u>62,829</u>	<u>11,981</u>	<u>36,647</u>	<u>(8,731)</u>	<u>102,726</u>

By Industries

	Segment Revenue			
	Q2-04 S\$'000	Q2-03 S\$'000	YTD Jun-04 S\$'000	YTD Jun-03 S\$'000
Telecommunications	76,848	26,540	128,633	46,064
Consumer Electronics & Electrical	65,305	22,205	114,800	37,996
Data Storage	6,814	8,116	15,218	16,091
Others	1,708	1,394	3,496	2,575
	<u>150,675</u>	<u>58,255</u>	<u>262,147</u>	<u>102,726</u>

By Geographical Markets

	Segment Revenue			
	Q2-04 S\$'000	Q2-03 S\$'000	YTD Jun-04 S\$'000	YTD Jun-03 S\$'000
Asia				
PRC	78,402	31,126	130,162	56,707
Singapore	12,159	7,983	24,856	14,681
Malaysia	1,028	1,232	1,993	2,674
Others	1,123	1,672	2,675	3,446
	<u>92,712</u>	<u>42,013</u>	<u>159,686</u>	<u>77,508</u>
Europe	52,043	11,131	91,156	16,281
USA and other parts of the Americas	5,920	5,111	11,305	8,937
	<u>150,675</u>	<u>58,255</u>	<u>262,147</u>	<u>102,726</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

4 August 2004