

**Hi-P International Limited**

**Second Quarter Financial Statement and Dividend Announcement for the period ended 30 June 2005**  
**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		
	Q2-05 S\$'000	Q2-04 S\$'000	Increase/ (decrease) %	YTD Jun-05 S\$'000	YTD Jun-04 S\$'000	Increase/ (decrease) %
Revenue	139,611	150,675	(7.3)	273,203	262,147	4.2
Cost of sales	<u>(107,610)</u>	<u>(111,532)</u>	(3.5)	<u>(208,247)</u>	<u>(197,486)</u>	5.4
Gross profit	32,001	39,143	(18.2)	64,956	64,661	0.5
Operating expenses						
Selling expenses	(1,187)	(1,005)	18.1	(2,681)	(2,044)	31.2
Administrative expenses	(10,931)	(15,528)	(29.6)	(20,590)	(22,853)	(9.9)
	(12,118)	(16,533)	(26.7)	(23,271)	(24,897)	(6.5)
Other operating income	<u>980</u>	<u>1,000</u>	(2.0)	<u>1,735</u>	<u>1,686</u>	2.9
Profit from operations	20,863	23,610	(11.6)	43,420	41,450	4.8
Financial expenses	(218)	(399)	(45.4)	(458)	(811)	(43.5)
Financial income	203	34	497.1	399	75	432.0
Foreign exchange gain (loss), net	<u>1,982</u>	<u>77</u>	N.M	<u>1,215</u>	<u>(38)</u>	N.M
Profit before tax and share of results of associated company	22,830	23,322	(2.1)	44,576	40,676	9.6
Share of results of associated companies	<u>(46)</u>	<u>146</u>	N.M.	<u>45</u>	<u>241</u>	(81.3)
Profit before tax	22,784	23,468	(2.9)	44,621	40,917	9.1
Tax	<u>(1,287)</u>	<u>(1,066)</u>	20.7	<u>(2,488)</u>	<u>(2,017)</u>	23.4
Profit after tax	<u>21,497</u>	<u>22,402</u>	(4.0)	<u>42,133</u>	<u>38,900</u>	8.3
Attributable to:						
Equity holders of parent company	21,739	22,130	(1.8)	42,396	38,257	10.8
Minority interests	<u>(242)</u>	<u>272</u>	N.M	<u>(263)</u>	<u>643</u>	N.M
	<u>21,497</u>	<u>22,402</u>	(4.0)	<u>42,133</u>	<u>38,900</u>	8.3

N.M.: Not meaningful

Other notes:

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

	<b>Q2-05 S\$'000</b>	<b>Q2-04 S\$'000</b>	<b>YTD Jun-05 S\$'000</b>	<b>YTD Jun-04 S\$'000</b>
1. Depreciation	6,825	4,763	11,953	9,031
2. Provision for doubtful trade debts	877	4,512	1,330	4,512
3. Bad debts written off	-	629	-	629
4. Provision for inventories obsolescence	1,804	1,287	1,704	1,920
5. Inventories written off	210	2,380	419	2,559
6. Directors' remuneration	910	1,006	1,825	1,737
7. Directors' fees				
- current year provision	92	78	192	156
- overprovision in prior year	-	(168)	(4)	(168)
8. Operating lease expense	2,299	1,180	4,433	2,354
9. Staff cost *	21,078	20,151	39,688	35,234
10. Gain on disposal of fixed assets	(22)	(1,225)	(7)	(1,252)

\* Excludes directors' remuneration, which has been disclosed separately in #5 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	
	30/6/2005 S\$'000	31/12/2004 S\$'000	30/6/2005 S\$'000	31/12/2004 S\$'000
<b>Fixed assets</b>	202,767	168,965	24,243	22,205
<b>Investment in subsidiaries</b>	-	-	66,237	58,345
<b>Investment in associated companies</b>	2,578	2,073	1,384	903
<b>Other non-current assets</b>	12	12	12	12
<b>Deferred expenditure</b>	514	514	514	514
<b>Current assets</b>				
Inventories	52,427	60,278	4,729	3,453
Trade receivables	104,121	102,591	13,674	10,396
Notes receivable	5,368	840	-	-
Other receivables, deposits and prepayments	18,927	17,500	1,614	308
Due from subsidiaries (non-trade)	-	-	51,268	46,305
Due from subsidiaries (trade)	-	-	217	230
Due from related parties (trade)	517	2,481	-	-
Fixed deposits	30,067	40,067	30,067	40,067
Cash and bank balances	47,609	48,128	7,509	15,723
	<b>259,036</b>	<b>271,885</b>	<b>109,078</b>	<b>116,482</b>
<b>Current liabilities</b>				
Trade payables	96,862	97,586	9,125	6,758
Other payables and accruals	39,576	46,867	9,540	11,444
Due to subsidiaries (non-trade)	-	-	37,174	31,186
Due to subsidiaries (trade)	-	-	362	307
Due to related parties (trade)	2,368	1,079	-	-
Lease obligations, current portion	1,141	1,879	781	1,442
Provision for income tax	2,787	1,831	364	374
Bank term loans, current portion	5,787	10,153	1,387	1,387
Short-term bank loans	-	4,911	-	-
	<b>148,521</b>	<b>164,306</b>	<b>58,733</b>	<b>52,898</b>
Net current assets	110,515	107,579	50,345	63,584
<b>Non-current liabilities</b>				
Lease obligations, non-current portion	290	577	288	406
Bank term loans, non-current portion	75	4,574	-	694
Deferred tax liability	2,260	2,774	2,260	2,774
	<b>313,761</b>	<b>271,218</b>	<b>140,187</b>	<b>141,689</b>
<b>Equity</b>				
Shareholders' equity	311,795	268,973	140,187	141,689
Minority interests	1,966	2,245	-	-
	<b>313,761</b>	<b>271,218</b>	<b>140,187</b>	<b>141,689</b>

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

**Amount repayable within one year or less, or on demand**

As at 30/6/2005		As at 31/12/2004	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
1,141	5,787	1,879	15,064

**Amount repayable after one year**

As at 30/6/2005		As at 31/12/2004	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
290	75	577	4,574

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.**

	<b>Q2-05</b> <b>S\$'000</b>	<b>Q2-04</b> <b>S\$'000</b>	<b>YTD</b> <b>Jun-05</b> <b>S\$'000</b>	<b>YTD</b> <b>Jun-04</b> <b>S\$'000</b>
<b>Cash flows from operating activities</b>				
Profit before tax and share of results of associated companies	22,830	23,322	44,576	40,676
Adjustments:				
Depreciation of fixed assets	6,825	4,763	11,953	9,031
Gain on disposal of fixed assets	(8)	(1,225)	7	(1,252)
Provision for doubtful trade debts	877	4,512	1,330	4,512
Equity compensation expense	380	-	760	-
Provision for inventory obsolescence	1,804	1,287	1,704	1,920
Interest income	(203)	(34)	(399)	(75)
Interest expense	218	399	458	811
Translation difference	538	2,347	1,433	2,239
Operating profit before working capital changes	33,261	35,371	61,822	57,862
Decrease (increase) in:				
Inventories	(2,923)	(21,380)	5,460	(31,244)
Trade receivables	(3,881)	(21,256)	(2,981)	(50,841)
Notes receivable	(1,463)	(6,023)	(4,528)	(5,448)
Other receivables, deposits and prepayments	387	5,493	(1,427)	(1,760)
Increase (decrease) in:				
Trade payables	18,961	22,869	(726)	44,548
Other payables and accruals	(7,538)	6,662	(9,579)	(2,205)
Due from/to related parties (trade), net	1,546	750	3,086	(1,939)
Cash generated from operations	38,350	22,486	51,127	8,973
Dividend paid	(7,096)	(3,548)	(7,096)	(4,104)
Income taxes paid	(1,280)	(1,735)	(1,517)	(2,895)
Net cash generated from operating activities	29,974	17,203	42,514	1,974

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

	Q2-05 S\$'000	Q2-04 S\$'000	YTD Jun-05 S\$'000	YTD Jun-04 S\$'000
<b>Cash flows from investing activities</b>				
Purchase of fixed assets (Note)	(23,751)	(12,948)	(38,521)	(34,911)
Interest income received	203	34	399	75
Proceeds from disposal of fixed assets	153	3,836	346	4,171
Net cash used in investing activities	<u>(23,395)</u>	<u>(9,078)</u>	<u>(37,776)</u>	<u>(30,665)</u>
<b>Cash flows from financing activities</b>				
Interest expense paid	(218)	(399)	(458)	(811)
Repayment of bank term loans, net	(8,908)	(499)	(8,865)	(8,006)
Repayment of short-term loans, net	(1,651)	(4,262)	(4,911)	(8,114)
Repayment of lease obligations	(505)	(2,256)	(1,023)	(3,524)
Net cash used in financing activities	<u>(11,282)</u>	<u>(7,416)</u>	<u>(15,257)</u>	<u>(20,455)</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(4,703)</b>	<b>709</b>	<b>(10,519)</b>	<b>(49,146)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>82,379</b>	<b>62,232</b>	<b>88,195</b>	<b>112,087</b>
<b>Cash and cash equivalents at end of period</b>	<b><u>77,676</u></b>	<b><u>62,941</u></b>	<b><u>77,676</u></b>	<b><u>62,941</u></b>
<b>Note</b>				
Current period additions to fixed assets	16,042	15,247	40,810	27,504
Less : -				
Payable to creditors (Net)	<u>(8,708)</u>	<u>(4,487)</u>	<u>(8,708)</u>	<u>(11,650)</u>
	7,334	10,760	32,102	15,854
Payments for prior period purchase of fixed assets	<u>16,417</u>	<u>2,188</u>	<u>6,419</u>	<u>19,057</u>
	<u>23,751</u>	<u>12,948</u>	<u>38,521</u>	<u>34,911</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 2005**

	Share capital S\$'000	Share premium S\$'000	Capital reserve S\$'000	Reserve fund S\$'000	Translation reserve S\$'000	Accumulated profits S\$'000	Minority interests S\$'000	Total S\$'000
Balance at 1 January 2005	44,350	75,041	812	16,044	(10,035)	142,761	2,245	271,218
Currency translation differences	-	-	-	-	1,964	-	(177)	1,787
Net profit for the period	-	-	-	-	-	20,657	(21)	20,636
Equity compensation expense	-	-	380	-	-	-	-	380
Reclassification	-	-	-	(92)	-	-	92	-
Balance at 31 March 2005	44,350	75,041	1,192	15,952	(8,071)	163,418	2,139	294,021
Currency translation differences	-	-	-	-	4,890	-	69	4,959
Net profit for the period	-	-	-	-	-	21,739	(242)	21,497
Equity compensation expense	-	-	380	-	-	-	-	380
Final dividend paid	-	-	-	-	-	(7,096)	-	(7,096)
Balance at 30 June 2005	44,350	75,041	1,572	15,952	(3,181)	178,061	1,966	313,761

**(ii) 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	Minority interest S\$'000	Total S\$'000
Balance at 1 January 2004	44,350	75,041	37	9,313	(2,339)	64,962	2,367	193,731
Currency translation differences	-	-	-	10	(1,435)	-	(22)	(1,447)
Net profit for the period	-	-	-	-	-	16,127	371	16,498
Dividend paid	-	-	-	-	-	-	(556)	(556)
Balance at 31 March 2004	44,350	75,041	37	9,323	(3,774)	81,089	2,160	208,226
Currency translation differences	-	-	-	-	2,697	-	45	2,742
Net profit for the period	-	-	-	-	-	22,130	272	22,402
Final dividend paid	-	-	-	-	-	(3,548)	-	(3,548)
Balance at 30 June 2004	44,350	75,041	37	9,323	(1,077)	99,671	2,477	229,822

**(iii) Statement of changes in equity of the company for the 6 months ended 30 June 2005**

	Share capital S\$'000	Share premium S\$'000	Capital reserve S\$'000	Accumulated profits S\$'000	Total S\$'000
Balance at 1 January 2005	44,350	75,041	775	21,523	141,689
Net Profit for the period	-	-	-	4,726	4,726
Equity Compensation expense	-	-	380	-	380
Balance at 31 March 2005	44,350	75,041	1,155	26,249	146,795
Net Profit for the period	-	-	-	108	108
Equity Compensation expense	-	-	380	-	380
Final dividend paid	-	-	-	(7,096)	(7,096)
Balance at 30 June 2005	44,350	75,041	1,535	19,261	140,187

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

	<b>Share capital S\$'000</b>	<b>Share premium S\$'000</b>	<b>Accumulated profits S\$'000</b>	<b>Total S\$'000</b>
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

**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 2005 and 30 June 2004, 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 has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements as at 31 December 2004, except for the adoption of the following new Financial Reporting Standards ("FRS") that are mandatory for financial year beginning 1 January 2005:

FRS 39	Financial Instruments : Recognition and Measurement
FRS 103	Business Combinations
Revised FRS 36	Impairment of Assets
Revised FRS 38	Intangible Assets

### FRS 39

In accordance with the transitional provisions of FRS 39, the effect of recognition/derecognition and measurement of financial instruments for periods prior to 1 January 2005 is not restated. Consequently, the comparative figures for 2004 will not be restated. The adoption of the FRS did not give rise to any transitional adjustments in the financial statements of the Group and the Company.

### FRS 103, Revised FRS 36 and Revised FRS 38

Under these standards, goodwill arising from business combinations as recorded in the balance sheet of the Group can no longer be amortised and charged to the income statement. Instead, such goodwill will be tested for impairment annually in accordance with FRS 36. The standards are applied on prospective basis and do not affect the Group's financial statements for the financial year ended 31 December 2004.

#### **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.**

	Q2-05	Q2-04	YTD Jun-05	YTD Jun-04
Operating profit after exceptional items and tax before deducting minority interests as a percentage of revenue	15.4%	14.9%	15.4%	14.8%
Operating profit after tax attributable to members of the company as a percentage of issued capital and reserves at the end of the period	7.0%	9.7%	13.6%	16.8%
Earnings per ordinary share				
(a) Based on weighted average number of ordinary shares in issue (cents)	2.45	2.49	4.78	4.31
(b) On a fully diluted basis (cents)	2.45	2.49	4.78	4.31

Earnings per share have been computed based on the share capital of 887,000,000 ordinary shares of \$0.05 each.

In arriving at the fully diluted earnings per share, only those potential ordinary shares arising from the exercise of options which would dilute the basic earnings per share of the Group are included in the computation. There are no options exercisable as at 30 June 2005.

**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**

	<b>30/6/2005</b>	<b>31/12/2004</b>	<b>30/6/2005</b>	<b>31/12/2004</b>
	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
Net Asset Value per Ordinary Share based on issued share capital at the end of the period	35.15	30.32	15.80	15.97

**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.**

**2nd QUARTER FY2005**

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Revenue in the second quarter ended 30 June 2005 declined 7.3% compared to the same quarter a year ago while net profit was marginally lower by 1.8%. Compared to the first quarter ended 31 March 2005, revenue increased by 4.5% and net profit in Q2 FY2005 were up by 5.2%.

Consequently, revenue for the first six months ended 30 June 2005 was up 4.2% to \$273.2 million while net profit rose 10.8% to \$42.4 million.

**SEGMENTAL ANALYSIS**

**Q2 FY2005 vs Q2 FY2004**

By business activities, both Precision Plastic Injection Molding ("PPIM") and Assembly divisions reported lower revenues in Q2 FY2005 due mainly to lower orders from existing customers, particularly in the Telecommunications sector. However, this was partially offset by higher sales to customers in the other two sectors, namely Computing and Automotive ("Computing") and Consumer Electronics and Electrical ("Consumer E&E"). PPIM revenue decreased by 17.3% to \$60.0 million in Q2 FY 2005, mainly due to lower orders from existing customers. Assembly revenue was 2.3% lower at \$72.7 million due to lower as a result of the completion of some existing projects. The Mold Design and Fabrication ("MDF") division however reported a 69.2% jump in revenue to \$7.0 million due to the launch of new projects.

By business segments, sales to customers in the Telecommunications sector were 24.6% lower at \$59.0 million due mainly to lower sales to Motorola and the slowdown amongst the Chinese handset manufacturers. This was partially offset by significantly higher sales to customers in the Computing sector where revenue had risen a hefty 88.1% to \$16.0 million on the back of increased sales to a customer in the disk drive industry.

Meanwhile, sales to customers in the Consumer E&E sector were unchanged at \$65.0 million.

## **Q2 FY2005 vs Q1 FY2005**

Compared to the first quarter ended 31 March 2005, both PPIM and MDF revenue in the current quarter remain largely unchanged at \$60.0 million and \$7.0 million respectively. However, Assembly revenue was 6% higher at \$72.7 million.

By business segment, higher sales to customers in the Telecommunications sector offset flat sales at the other two sectors. Telecommunications revenue grew 13.9% to \$58.2 million due to a pickup in sales to Motorola as well as contributions from new customers. Consumer E&E revenue declined marginally by \$2.0 million to \$65.4 m in the absence of ramp-up for new projects while Computing revenue was flat in the current quarter, compared to Q1 FY2005.

## **PROFITABILITY ANALYSIS**

### **Q2 FY2005 vs Q2 FY2004**

Compared to the same quarter a year ago, material costs were lower due to lower assembly sales and better yields. Both labor and overhead costs were higher as we expanded capacity. As a result, cost of sales declined 3.5% to \$107.6 million in Q2 FY2005.

Due to lower economies of scale and start-up costs at our new plants in Shanghai and Suzhou, gross profit declined by 18.2% to \$32.0 million in Q2 FY2005. Gross profit margins decreased from 26.0% to 22.9% in Q2 FY 2005.

Total operating expenses however fell by 26.7% to \$12.1 million, due mainly to lower administrative costs, which fell 29.6% to \$10.9 million. This was largely attributable to significantly lower provisions for trade debts compared to the same quarter last year.

Operating profit fell 11.5% to \$20.9 million as lower operating expenses mitigated the decline in gross profit. Operating margin declined from 15.7% to 14.9%.

Profit before tax however fell a lower 2.9% to \$22.8 million, lifted by a net foreign exchange gain of \$2.0 million in Q2 FY2005, due mainly to the strength in the US Dollar relative to the Singapore Dollar. Taxation charges however rose 20.7% to \$1.3 million as profit from some PRC subsidiaries enjoyed only half-tax exemption compared to full tax exemption in FY2004.

Consequently, net profit attributable to shareholders declined 1.8% to \$21.7 million.

### **Q2 FY2005 vs Q1 FY2005**

Compared to Q1 FY2005, material costs were higher on the back of higher Assembly sales. Both labor and overhead costs also rose in tandem with the set-up of new plants in Shanghai and Suzhou. On the whole, cost of sales rose 7.4% to \$107.6 million.

Gross profit decreased by approximately 2.9% to \$32.0 million in Q2 FY2005. Gross profit margins decreased from 24.7% to 22.9% in Q2 FY2005.

Total operating expenses increased by 8.7% to \$12.1 million in Q2 FY2005. The increase was mainly due to higher administrative expenses resulting mainly from increase in provision for doubtful debts and pre-operating expenses.

Consequently, profit from operations declined by 7.5% to \$20.9 million in Q2 FY2005. Operating margin declined from 16.9% to 14.9% in Q2 FY2005.

Profit before tax however rose 4.3% from \$21.8 million in Q1 FY2005 to \$22.8 million in Q2 FY2005. This was attributable to a \$2.0 million net foreign exchange gain in Q2 FY2005 as a result of a stronger US Dollar relative to the Singapore Dollar compared to a net foreign exchange loss of \$0.8 million in Q1 FY2005.

## CASHFLOW ANALYSIS

### For the financial year 2005 second quarter ended 30 June 2005

In Q2 FY2005, we generated net cash from operating activities before working capital changes of approximately \$33.3 million, compared to \$28.6 million in Q1 FY2005. After deducting cash utilized for working capital purposes, net cash generated in operating activities amounted to \$30.0 million compared to \$12.5 million in Q1 FY2005.

Net cash used in investing activities amounted to approximately \$23.4 million due mainly to our purchase of plant and machinery, factory buildings and leasehold improvements.

Net cash outflow from financing of \$11.3 million from our financing activities was mainly due to the repayment of the short-term bank loans, lease obligations and term loans.

## BALANCE SHEET ANALYSIS

The Group continued to maintain a healthy balance sheet as evidenced in the strong and positive operating cashflow and overall cash management. As at 30 June 2005, the Group has cash and cash equivalents of \$77.7 million and gross debts of \$7.3 million, resulting in a net cash position of \$70.4 million. Gearing stood at just 2.3%.

### Cash Cycle Analysis

Days	Q2 FY2005	Q1 FY2005	Q2 FY2004
Average Receivables Turnover	66	69	54
Average Inventory Turnover	43	50	36
Average Payables Turnover	73	79	68
Cash Cycle*	36	40	22

\*  $Cash\ Cycle = Avg\ Receivables\ Turnover + Avg\ Inventory\ Turnover - Avg\ Payables\ Turnover$

Cash Cycle in Q2 FY2005 of 36 days had deteriorated from the 22 days achieved in Q2 FY2004, largely due to higher inventory days arising from lower than forecasted sales by customers on some handset projects and longer receivable days. However, cash cycle improved from 40 days to 36 days compared to Q1 FY2005 as Group managed to improve the average receivables and inventory turnover days.

### 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 FY2005 are in line with the Directors' projections as included in the first quarter of FY2005 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.

OEM customers increasingly prefer to deal with vertically integrated suppliers, resulting in a shrinking supplier base. With our continuing emphasis on vertical integration, Hi-P is well-positioned to be a leading global supplier to these manufacturers.

During the year, we expanded into industrial design and mechanical design with the acquisition of Design Exchange Pte Ltd in May 2005. We have also added capacity in our plants in Shanghai as well as started a new joint venture with Samkwang Industry Co. Ltd to provide molding and surface finishing services. In September 2005, we will be investing in a PCBA line to support the integration of component modules.

We have also made significant progress in penetrating new customers in all the segments that we serve.

### **Telecommunications**

In the first half, we were affected by lower than expected sales on some handset projects as well as the slowdown amongst the Chinese handset makers. However, our product pipeline for the second half has picked up and we have also increased our scope of work for our customers.

Recently, Gartner Research has also upgraded their forecast for mobile phone sales in 2006. They now expect cell phone sales to hit 779 million sets this year, rising to 1.3 billion sets in 2009.

### **Consumer Electronics and Electrical**

We continue to be optimistic on the prospects for the Consumer E&E segment as we will add a battery-operated razor project for the Gillette Company in the second half.

### **Computing and Automotive**

We continue to benefit from strong demand for small form factors within the disk drive industry on the back of buoyant consumer demand for MP3 players and handheld gaming devices.

### **A better third quarter**

With loading picking up for the Telecommunications sector and continued high level of activities at the other two segments, the Group expects to achieve better revenue and net profit in the third quarter of FY2005, compared to the levels achieved in the second quarter of FY2005.

The Group also continues to be optimistic on prospects for the rest of the year and expects to see healthy growth for FY2005.

## **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, Industries and Geographical Markets**

**By Activities**

	<b>PPIM S\$m</b>	<b>MDF S\$m</b>	<b>Assembly S\$m</b>	<b>Eliminations S\$m</b>	<b>Consolidated S\$m</b>
<b>For the 3 months ended 30 June 2005</b>					
<b>Segment revenue</b>					
Sales to external customers	60	7	73	-	140
Intersegmental sales	1	-	-	(1)	-
	<u>61</u>	<u>7</u>	<u>73</u>	<u>(1)</u>	<u>140</u>
<b>For the 3 months ended 30 June 2004</b>					
<b>Segment revenue</b>					
Sales to external customers	72	4	74	-	151
Intersegmental sales	8	-	-	(8)	-
	<u>80</u>	<u>4</u>	<u>74</u>	<u>(8)</u>	<u>151</u>
<b>For the 6 months ended 30 June 2005</b>					
<b>Segment revenue</b>					
Sales to external customers	117	14	142	-	273
Intersegmental sales	2	-	-	(2)	-
	<u>119</u>	<u>14</u>	<u>142</u>	<u>(2)</u>	<u>273</u>
<b>For the 6 months ended 30 June 2004</b>					
<b>Segment revenue</b>					
Sales to external customers	120	12	130	-	262
Intersegmental sales	15	-	-	(15)	-
	<u>135</u>	<u>12</u>	<u>130</u>	<u>(15)</u>	<u>262</u>

## By Industries

	Segment Revenue			
	Q2-05 S\$m	Q2-04 S\$m	YTD Jun-05 S\$m	YTD Jun-04 S\$m
Telecommunications	59	77	109	129
Consumer Electronics & Electrical	65	65	132	115
Computing	16	9	32	19
	<u>140</u>	<u>151</u>	<u>273</u>	<u>262</u>

## By Geographical Markets

	Segment Revenue			
	Q2-05 S\$'000	Q2-04 S\$'000	YTD Jun-05 S\$'000	YTD Jun-04 S\$'000
Asia				
PRC	53	78	103	130
Singapore	21	12	39	25
Malaysia	1	1	3	2
Others	3	1	5	3
	<u>78</u>	<u>93</u>	<u>150</u>	<u>160</u>
Europe	54	52	110	91
USA and other parts of the Americas	8	6	13	11
	<u>140</u>	<u>151</u>	<u>273</u>	<u>262</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

3 August 2005