

Third Quarter Financial Statement and Dividend Announcement for the period ended 30 September 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		
	Q3-04 S\$'000	Q3-03 * S\$'000	Increase/ (decrease) %	YTD Sept-04 S\$'000	YTD Sept-03 * S\$'000	Increase/ (decrease) %
Revenue	154,995	66,669	132.5	417,142	169,395	146.3
Cost of sales	<u>(115,845)</u>	<u>(47,310)</u>	144.9	<u>(313,331)</u>	<u>(123,581)</u>	153.5
Gross profit	39,150	19,359	102.2	103,811	45,814	126.6
Operating expenses						
Selling expenses	(1,057)	(852)	24.1	(3,101)	(1,940)	59.9
Administrative expenses	(12,737)	(5,531)	130.3	(35,590)	(15,859)	124.4
	<u>(13,794)</u>	<u>(6,383)</u>	116.1	<u>(38,691)</u>	<u>(17,799)</u>	117.4
Other operating income	1,165	-	100.0	2,851	1,075	165.2
Profit from operations	<u>26,521</u>	<u>12,976</u>	104.4	<u>67,971</u>	<u>29,090</u>	133.7
Financial expenses	(256)	(517)	(50.5)	(1,067)	(1,458)	(26.8)
Financial income	134	-	100.00	209	29	620.7
Foreign exchange loss, net	<u>(333)</u>	<u>(478)</u>	(30.3)	<u>(371)</u>	<u>(589)</u>	(37.0)
Profit before tax and share of results of associated company	26,066	11,981	117.6	66,742	27,072	146.5
Share of results of associated companies	<u>210</u>	<u>41</u>	412.2	<u>451</u>	<u>247</u>	82.6
Profit before tax	26,276	12,022	118.6	67,193	27,319	146.0
Tax	<u>(1,149)</u>	<u>(516)</u>	122.7	<u>(3,166)</u>	<u>(1,804)</u>	75.5
Profit after tax but before minority interest	25,127	11,506	118.4	64,027	25,515	150.9
Minority interest	<u>(360)</u>	<u>(79)</u>	355.7	<u>(1,003)</u>	<u>(636)</u>	57.7
Profit attributable to shareholders	<u>24,767</u>	<u>11,427</u>	116.7	<u>63,024</u>	<u>24,879</u>	153.3

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

Other notes:

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

	Q3-04 S\$'000	Q3-03 S\$'000	YTD Sept-04 S\$'000	YTD Sept-03 S\$'000
1. Depreciation	4,710	3,043	13,741	9,234
2. Provision for doubtful trade debts	761	-	5,273	353
3. Bad debts written off	173	-	802	-
4. Provision for inventories obsolescence (written back)	1,323	(418)	3,243	(10)
5. Inventories written off (written back)	193	(811)	2,752	(362)
6. Directors' remuneration	1,082	382	2,819	1,349
7. Directors' fees				
- current year provision	93	-	249	-
- overprovision in prior year	-	-	(168)	-
8. Operating lease expense	1,287	966	3,641	2,697
9. Staff costs *	21,688	12,109	56,922	27,164
10. Loss (Gain) on disposal of fixed assets	688	-	(564)	(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	
	30/9/2004	31/12/2003	30/9/2004	31/12/2003
	S\$'000	S\$'000	S\$'000	S\$'000
Fixed assets	167,944	133,895	22,352	22,166
Investment in subsidiaries	-	-	52,706	50,735
Investment in associated company	2,144	1,805	903	903
Other investment	12	12	12	12
Current assets				
Inventories	51,718	24,668	3,015	3,444
Trade receivables	110,193	50,487	8,372	7,631
Notes receivable	3,907	1,214	-	-
Other receivables, deposits and prepayments	17,248	16,304	843	408
Due from subsidiaries (non-trade)	-	-	44,495	10,977
Due from subsidiaries (trade)	-	-	180	94
Due from related parties (trade)	1,771	781	-	-
Fixed deposits	30,066	66	30,066	66
Cash and bank balances	50,409	113,227	20,861	80,053
	265,312	206,747	107,832	102,673
Current liabilities				
Trade payables	110,837	50,737	5,833	4,396
Other payables and accruals	43,182	45,516	7,901	9,215
Due to subsidiaries (non-trade)	-	-	23,715	40
Due to subsidiaries (trade)	-	-	385	390
Due to related parties (trade)	86	38	-	-
Lease obligations, current portion	2,042	4,861	1,519	4,337
Provision for income tax	2,388	2,538	302	1,282
Bank term loans, current portion	1,656	2,515	1,387	2,244
Short-term bank loans	5,073	14,509	-	3,020
Bank overdrafts (secured)	-	1,206	-	1,179
	165,264	121,920	41,042	26,103
Net current assets	100,048	84,827	66,790	76,570
Non-current liabilities				
Lease obligations, non-current portion	976	2,368	762	1,768
Bank term loans, non-current portion	14,249	21,666	1,387	5,937
Deferred tax liability	2,774	2,774	2,774	2,774
	252,149	193,731	137,840	139,907
Equity				
Shareholders' equity	249,352	191,364	137,840	139,907
Minority interest	2,797	2,367	-	-
	252,149	193,731	137,840	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 30/9/2004		As at 31/12/2003	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
2,042	6,729	11,039	12,052

Amount repayable after one year

As at 30/9/2004		As at 31/12/2003	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
976	14,249	8,306	15,728

Certain short-term bank loans were previously secured by way of a charge over certain machineries of the Group. These have been discharged in the third quarter of FY2004.

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.

	Q3-04 S\$'000	Q3-03 * S\$'000	YTD Sept-04 S\$'000	YTD Sept-03 * S\$'000
Cash flows from operating activities				
Profit before tax and share of results of associated companies	26,066	11,981	66,742	27,072
Adjustments:				
Depreciation of fixed assets	4,710	3,043	13,741	9,234
Loss (Gain) on disposal of fixed assets	688	-	(564)	(452)
Impairment of fixed assets	-	-	-	103
Provision for doubtful trade debts	761	-	5,273	353
Provision for inventory obsolescence	1,323	(418)	3,243	(10)
Interest income	(134)	-	(209)	(29)
Interest expense	256	517	1,067	1,458
Translation difference	(2,774)	1,456	(535)	1,325
Operating profit before working capital changes	30,896	16,579	88,758	39,054
Decrease (increase) in:				
Inventories	971	(11,380)	(30,273)	(16,184)
Trade receivables	(13,501)	(10,041)	(64,342)	(13,590)
Notes receivable	2,754	452	(2,694)	807
Other receivables, deposits and prepayments	817	(1,851)	(943)	(4,211)
Increase (decrease) in:				
Trade payables	15,553	14,912	60,101	16,354
Other payables and accruals	(8,152)	(3,187)	(10,357)	3,950
Due from/to related parties (trade), net	431	119	(1,508)	77
Cash generated from operations	29,769	5,603	38,742	26,257
Dividend paid	-	-	(4,104)	(234)
Income taxes paid	(328)	(1,135)	(3,223)	(1,569)
Net cash generated from operating activities	29,441	4,468	31,415	24,454

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

	Q3-04 S\$'000	Q3-03 * S\$'000	YTD Sept-04 S\$'000	YTD Sept-03 * S\$'000
Cash flows from investing activities				
Investment in associated companies	-	-	-	(400)
Purchase of fixed assets (Note)	(8,916)	(7,390)	(43,827)	(26,201)
Interest income received	134	-	209	29
Proceeds from disposal of fixed assets	(590)	-	3,581	1,254
Net cash used in investing activities	<u>(9,372)</u>	<u>(7,390)</u>	<u>(40,037)</u>	<u>(25,318)</u>
Cash flows from financing activities				
Interest expense paid	(256)	(517)	(1,067)	(1,458)
(Repayment of) Proceeds from bank term loans, net	(271)	14,560	(8,277)	18,421
Repayment of short-term loans, net	(1,322)	(8,325)	(9,436)	(11,693)
(Repayment of) Proceeds from lease obligations	(686)	4,497	(4,210)	1,408
Net cash (used in) generated from financing activities	<u>(2,535)</u>	<u>10,215</u>	<u>(22,990)</u>	<u>6,678</u>
Net increase (decrease) in cash and cash equivalents	17,534	7,293	(31,612)	5,814
Cash and cash equivalents at beginning of period / year	62,941	6,363	112,087	7,842
Cash and cash equivalents at end of period / year	<u><u>80,475</u></u>	<u><u>13,656</u></u>	<u><u>80,475</u></u>	<u><u>13,656</u></u>
Note				
Current period / year additions to fixed assets	24,347	11,293	51,851	29,319
Less : -				
Financed by leases (Net)	-	5,835	-	(349)
Payable to creditors (Net)	(16,146)	(9,738)	(27,796)	(9,738)
	<u>8,201</u>	<u>7,390</u>	<u>24,055</u>	<u>19,232</u>
Payments for prior period / year purchase of fixed assets	715	-	19,772	6,969
	<u><u>8,916</u></u>	<u><u>7,390</u></u>	<u><u>43,827</u></u>	<u><u>26,201</u></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 9 months ended 30 September 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
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
Currency translation differences	-	-	-	-	(2,760)	-	(2,760)
Net profit for the period	-	-	-	-	-	24,767	24,767
Balance at 30 September 2004	44,350	75,041	37	9,323	(3,837)	124,438	249,352

(ii) Consolidated statement of changes in equity for the 9 months ended 30 September 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
Currency translation differences	-	-	-	(1,576)	-	(1,576)
Net profit for the period	-	-	-	-	11,427	11,427
Balance at 30 September 2003	18,400	37	5,505	(591)	75,463	98,814

(iii) Statement of changes in equity of the company for the 9 months ended 30 September 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
Net Profit for the period	-	-	2,803	2,803
Balance at 30 September 2004	44,350	75,041	18,449	137,840

(iv) Statement of changes in equity of the company for the 9 months ended 30 September 2003

	Share capital S\$'000	Accumulated profits S\$'000	Total S\$'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
Net Profit for the period	-	8,188	8,188
Balance at 30 September 2003	18,400	36,048	54,448

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 9 months ended 30 September 2004 and 30 September 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.

	Q3-04	Q3-03	YTD Sept-04	YTD Sept-03
Operating profit after exceptional items and tax before deducting minority interests as a percentage of revenue	16.2%	17.3%	15.3%	15.1%
Operating profit after tax attributable to members of the company as a percentage of issued capital and reserves at the end of the period	9.9%	11.6%	25.3%	25.2%
Earnings per ordinary share				
(a) Based on weighted average number of ordinary shares in issue (cents)	2.79	1.55	7.11	3.38
(b) On a fully diluted basis (cents)	2.79	1.55	7.11	3.38

Earnings per share for Q3 2003 and YTD September 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 Q3 2004 and YTD September 2004 have been computed based on the post-invitation 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.

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	
	30/9/2004	31/12/2003	30/9/2004	31/12/2003
	Cents	Cents	Cents	Cents
Net Asset Value per Ordinary Share based on issued share capital at the end of the period	28.11	21.57	15.54	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 see strong demand for its services from customers in the third quarter of the year. The vibrant business climate was evidenced by the revenue growth of 132.5% from \$66.7 million in the third quarter of FY2003 to \$155.0 million in the third quarter of FY2004. Correspondingly, compared to the third quarter of the previous financial year, the Group's net profit after tax rose 116.7% to \$24.8 million.

Growth was seen across all business segments with the telecommunications business registering the strongest growth in the third quarter. The growth in the telecommunications segment was attributable to the successful ramp up in one of the customers' products and stronger demand from global handset OEMs. Demand from China's local handset manufacturers remained weak. The telecommunications business accounted for approximately 60.8% of the Group's total revenue.

The consumer electronics and electrical business registered strong growth of 109.3%. This was despite the EOL of one of the products from a major customer during the third quarter of FY2004. Another encouraging development in the quarter was the higher contribution from the data storage business due to new products launched during the quarter.

Geographically, China continued to dominate, accounting for approximately 59.5% of the Group's total revenue. Sales to Europe ranked second, registering 23.5%, and Singapore, the third major contributor, accounted for about 11.9% of the Group's revenue.

By business activities, the assembly business was the major revenue contributor for the Group accounting for about 51.4% of its revenue. This was followed by the precision plastic injection molding (PPIM) and mold design and fabrication (MDF) business, which registered revenue of \$66.3 million and \$8.9 million or 42.8% and 5.8% of the aggregate revenue respectively.

Gross profit margins decreased from 29.0% in the third quarter of FY2003 to 25.3% in the third quarter of FY2004 mainly due to the increase in overhead cost, despite savings in the cost of labour.

Material cost as a percentage of revenue increased from approximately 51.0% in the third quarter of FY2003 to 51.9% in the third quarter of FY2004. This is primarily due to the increase in sales contributed by the Assembly division, which generally requires higher material content. The increase in resin prices during the quarter and the year have been negated by improvement in yield in the manufacturing process.

Overheads as a percentage of revenue increased from 9.8% in the third quarter of FY2003 to 14.1% in the third quarter of FY2004 mainly due to the 4% reduction in VAT rebate relating to export sales and higher provision for stock obsolescence.

Corresponding to the increased business activities, the Group incurred higher selling and administrative expenses during the quarter under review. Selling expenses rose 24.1% to \$1.1 million while administrative expenses rose 130.3% to \$12.7 million.

In the third quarter of FY2004, other operating income amounted to \$1.2 million mainly due to tax refund for capital investment in PRC.

Operating cashflow remained healthy with cashflow from operations amounting to \$29.4 million. Cash utilised for working capital purposes amounted to \$1.1 million due mainly to an increase in trade receivables and decrease in other payables and accruals of \$13.5 million and \$8.2 million respectively. This was partially offset by an increase in trade payables and decrease in notes receivable, other receivables, deposits and prepayments, amounts due from/to related parties (trade) of \$15.6 million, \$2.8 million, \$0.8 million and \$0.4 million respectively.

Net cash used in investing activities amounted to approximately \$9.4 million due mainly to payments for purchases of fixed assets of \$8.9 million.

The Group recorded net cash outflow of \$2.5 million from financing activities due mainly to the repayment of short-term bank loans, lease obligations and term loan amounting to \$1.3 million, \$0.7 million and \$0.3 million respectively. In addition, interest expense paid amounted to \$0.3 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 third quarter of FY2004 continued to be strong. This was in line with the Directors' projections as included in the FY2004 1H 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 growing outsourcing trend that is increasingly prevalent among MNCs globally will continue to fuel the growth of the contract manufacturing industry in China. Riding on its strong reputation and track record in the industry, Hi-P will continue to benefit from this trend. As such, the Directors are confident of the Group's prospects and expect that it will continue to operate profitably into the fourth quarter of the current financial year.

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

	PPIM S\$'000	MDF S\$'000	Assembly S\$'000	Eliminations S\$'000	Consolidated S\$'000
Q3-04					
Segment revenue					
Sales to external customers	66,346	8,934	79,715	-	154,995
Intersegmental sales	23,267	14,947	473	(38,687)	-
	<u>89,613</u>	<u>23,881</u>	<u>80,188</u>	<u>(38,687)</u>	<u>154,995</u>
Q3-03					
Segment revenue					
Sales to external customers	29,845	4,220	32,604	-	66,669
Intersegmental sales	6,809	-	-	(6,809)	-
	<u>36,654</u>	<u>4,220</u>	<u>32,604</u>	<u>(6,809)</u>	<u>66,669</u>
YTD Sept-04					
Segment revenue					
Sales to external customers	186,112	21,149	209,881	-	417,142
Intersegmental sales	79,947	29,759	1,342	(111,048)	-
	<u>266,059</u>	<u>50,908</u>	<u>211,223</u>	<u>(111,048)</u>	<u>417,142</u>
YTD Sept-03					
Segment revenue					
Sales to external customers	83,943	16,201	69,251	-	169,395
Intersegmental sales	15,540	-	-	(15,540)	-
	<u>99,483</u>	<u>16,201</u>	<u>69,251</u>	<u>(15,540)</u>	<u>169,395</u>

By Industries

	Segment Revenue			
	Q3-04	Q3-03	YTD	YTD
	S\$'000	S\$'000	Sept-04	Sept-03
			S\$'000	S\$'000
Telecommunications	94,239	34,423	222,872	80,487
Consumer Electronics & Electrical	49,441	23,620	164,241	61,616
Data Storage	9,710	7,557	24,928	23,648
Others	1,605	1,069	5,101	3,644
	<u>154,995</u>	<u>66,669</u>	<u>417,142</u>	<u>169,395</u>

By Geographical Markets

	Segment Revenue			
	Q3-04	Q3-03	YTD	YTD
	S\$'000	S\$'000	Sept-04	Sept-03
			S\$'000	S\$'000
Asia				
PRC	92,233	39,452	222,395	96,159
Singapore	18,431	7,340	43,287	22,021
Malaysia	1,280	998	3,273	3,672
Others	898	1,070	3,573	4,516
	<u>112,842</u>	<u>48,860</u>	<u>272,528</u>	<u>126,368</u>
Europe	36,388	10,473	127,544	26,754
USA and other parts of the Americas	5,765	7,336	17,070	16,273
	<u>154,995</u>	<u>66,669</u>	<u>417,142</u>	<u>169,395</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

10 November 2004