Hi-P INTERNATIONAL LIMITED

(Incorporated in the Republic of Singapore on 26 December 1980)

PROSPECTUS DATED 8 DECEMBER 2003

(registered with the Monetary Authority of Singapore on 8 December 2003)

This document is important. If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, or other professional adviser.

We have made an application to the Singapore Exchange Securities Trading Limited ("SGX-ST") for permission to deal in, and for quotation of, all the ordinary shares of $0.05 each (the "Shares") in the capital of Hi-P International Limited (the "Company") already issued (including the Vendor Shares), the new Shares which are the subject of this Invitation (the "New Shares") as well as the new Shares which may be issued upon the exercise of the options which may be granted pursuant to the Hi-P Employee Share Option Scheme (the "Option Shares"). Such permission will be granted when our Company has been admitted to the Official List of the SGX-ST. The dealing and quotation of the Shares will be in Singapore dollars.

Our acceptance of applications will be conditional upon, inter alia, permission being granted by the SGX-ST to deal in, and for quotation of, all of our existing issued Shares (including the Vendor Shares), the New Shares and the Option Shares. If the completion of the Invitation does not occur because the SGX-ST's permission is not granted or for any other reasons, monies paid in respect of any application accepted will be returned to you at your own risk, without interest or any share of revenue or other benefit arising therefrom and you will not have any claims whatsoever against us, the Vendors or the Manager.

The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Prospectus. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Invitation, our Company, our subsidiaries, our associated companies, our Shares (including the Vendor Shares), the New Shares or the Option Shares.

A copy of this Prospectus has been lodged with and registered by the Monetary Authority of Singapore (the "Authority"). The Authority assumes no responsibility for the contents of the Prospectus. Registration of the Prospectus by the Authority does not imply that the Securities and Futures Act (Chapter 289 of Singapore), or any other legal or regulatory requirements, have been complied with. The Authority has not, in any way, considered the merits of our Shares (including Vendor Shares), the New Shares or the Option Shares, as the case may be, being offered or in respect of which an Invitation is made, for investment.

Investing in our Shares involves risks which are described on pages 31 to 42 of this Prospectus under the Section on "Risk Factors". NO SHARES WILL BE ALLOTTED OR ALLOCATED ON THE BASIS OF THIS PROSPECTUS LATER THAN SIX MONTHS AFTER THE DATE OF REGISTRATION OF THIS PROSPECTUS. We have not lodged or registered this Prospectus in any other jurisdiction.

Invitation in respect of 205,000,000 Shares of $0.05 each comprising 151,000,000 New Shares and 54,000,000 Vendor Shares as follows:-

(a) 10,250,000 Offer Shares at $0.57 for each Offer Share by way of public offer; and

(b) 194,750,000 Placement Shares by way of placement, comprising:-

(i) 174,250,000 Placement Shares at $0.57 for each Placement Share; and

(ii) 20,500,000 Reserved Shares at $0.57 for each Reserved Share reserved for the Non-executive Directors (including Independent Directors), management, employees, business associates and others who have contributed to the success of our Group,

payable in full on application.

Manager, Underwriter and Placement Agent

UOB ASIA LIMITED

Primary Sub-Underwriters and Primary Sub-Placement Agents

UNITED OVERSEAS BANK LIMITED

UOBKayHian
UOB KAY HIAN PRIVATE LIMITED

Corporate Overview

We are an integrated contract manufacturing services provider specialising in precision plastic injection molding ("PPIM"), mold design and fabrication ("MDF"), assembly, ancillary value-added services (mainly surface finishing services) and precision metal stamping. We provide turnkey contract manufacturing services to our customers mainly in the consumer electronics & electrical industry. Our customers are mainly original equipment manufacturers ("OEMs"), majority of which are multinational corporations ("MNCs"), in the following industries:

- Telecommunications
- Consumer electronics & electrical
- Data storage
- Life sciences / medical
- Automotive

Our principal markets include the PRC, Singapore, USA and other parts of the Americas, Europe, Malaysia and other parts of Asia. Our customers' end products include mobile phones, battery toothbrushes, electric shavers, hairdryers, cameras (digital, reloadable and disposable), hard disk drives, connectors and medical devices. Some of our major customers include Motorola, Braun, Siemens, Kodak, Seagate, Maxtor and Elcoteq.

We have a total of 16 manufacturing plants located in the PRC (13) (in Shanghai, Chengdu, Xiamen, Tianjin, Qingdao, Suzhou), Singapore (2) and Mexico (1).

Principal Business Activities

Our business activities comprise:

- Precision Plastic
- Assembly
- Precision Metal Stamping

Precision Plastic Business encompasses

- MDF or Tooling which involves the design and fabrication of precision plastic injection molds used in our PPIM operations or sold directly to customers.

- PPIM or Molding is the injection molding of a wide range of precision plastic components, which are used as parts or segments of our customers' finished products such as mobile phones, battery toothbrushes, electric shavers, hair dryers, cameras (digital, reloadable and disposable), hard disk drives and medical devices.

- Ancillary value-added services comprise mainly surface finishing services such as spray painting, IMD technology and pad printing, and other value-added services such as ultrasonic welding and EMI shielding.

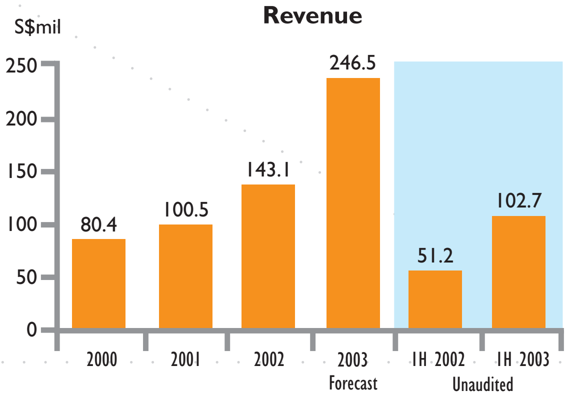
Assembly Business

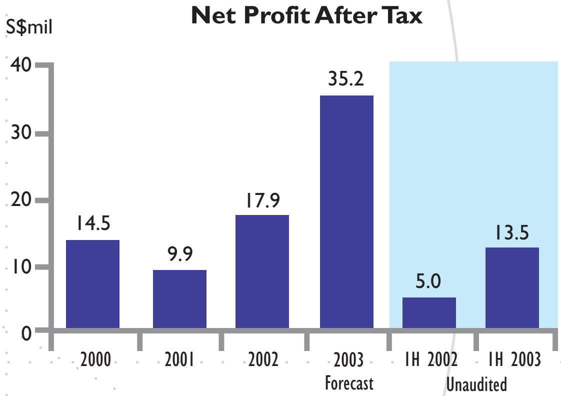
We undertake both full-product assembly and partial product assembly services. We have assembly projects that are undertaken on a turnkey basis i.e. from involvement in product design improvement and/or components design/design improvement up to the delivery of the fully assembled or sub-assembled product including project management and supply chain management services.

Precision Metal Stamping Business

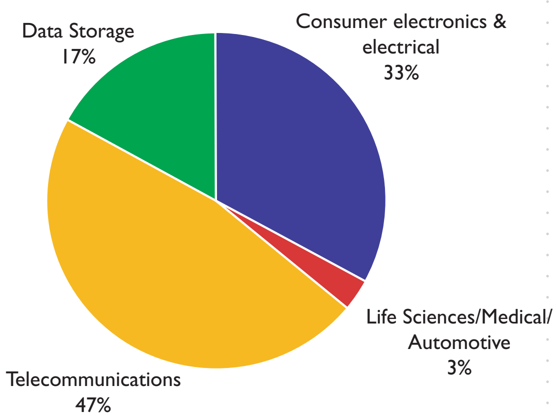
We undertake precision metal stamping production and die design and fabrication, generally to supplement our PPIM and Assembly businesses to support OEMs.

Financial Highlights

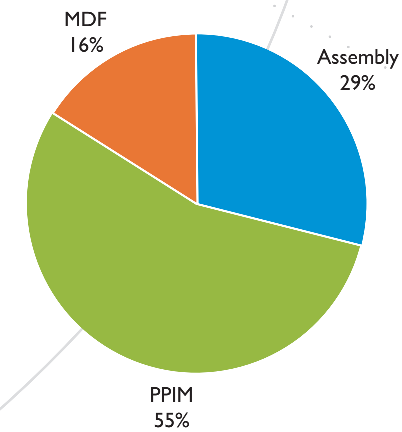




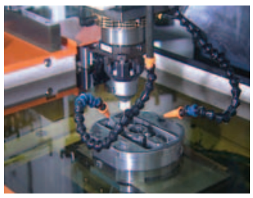
Revenue by Industries FY2002 (%)



Revenue by Activities FY2002 (%)





COMPETITIVE STRENGTHS

- Established turnkey contract manufacturing capabilities for consumer electronics and electrical products
- Wide range of products and services, and vertical integration of processes
- Extensive experience and familiarity with the PRC market
- Geographical diversification and related locational advantages
- Quality products and services
- Diversified customer base
- Well-established customer relationships
- Experienced management team
- Technological emphasis and manufacturing capabilities
- Cost-efficient operations
- Established track record

BUSINESS STRATEGIES

Our business direction is to grow our markets and operations in the industries that we service, along product/service offerings and geographical coverage. These are depicted in our Group's tri-axis strategy for corporate development.

Our business strategies include the following:

- To offer a broader, more diversified and vertically-integrated range of products and services.
- To expand our product and service offerings as a turnkey contract manufacturer and to establish ourselves as a turnkey contract manufacturer in the telecommunications industry, in addition to the consumer electronics & electrical industry.
- To expand our operations in Asia and globally.
- To uphold our commitment to quality and service reliability.
- To maintain our price competitiveness through improved cost efficiency.
- To further strengthen our execution foundation consisting of our human resource base, corporate culture, organisation, systems and procedures.

PROSPECTS

Our Directors view our Group's growth to be driven primarily by:

- Growth in the industries that we service.
- Increase in our penetration of our markets.
- Continued outsourcing trend by OEMs.
- Growth of the PRC as a manufacturing base of OEMs/ MNCs.
- Potential of the PRC to develop into a huge end-market base for the main industries that we service.

Industry Opportunities will comprise:

Telecommunications Industry

- Global demand growth from both new mobile phone subscribers and replacement sales.
- Consumer demand for new product models and/or features.

Consumer Electronics and Electrical Industry

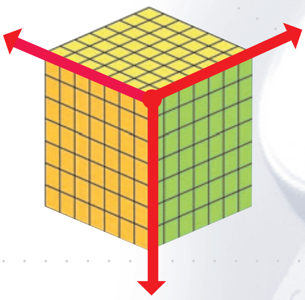
- Has so far had relatively low level of outsourcing.
- Hi-P is well-positioned to expand scope of work given the viable prospects particularly in turnkey contract manufacturing.

Data Storage Industry

- Anticipated growth of personal computer shipments and wider applications of hard disk drives in consumer electronics and automotive products.
- Miniaturisation provides sustained opportunity for our Group which is specialised in precision molding.

Products & Services Diversification &Vertical Integration

- Turnkey contract manufacturing
- Assembly
- Ancillary value added services*
- Precision metal stamping
- Molding
- Tooling



Regionalisation & Globalisation

Manufacturing Operations
- PRC
  Shanghai, Chengdu, Xiamen, Tianjin, Qingdao, Suzhou
- Singapore
- Mexico

Markets
- PRC
- Singapore, Malaysia & other parts of Asia
- USA, Mexico & other parts of the Americas
- Europe

Industry-Markets Diversification

- Telecommunications
- Consumer Electronics & Electrical
- Data Storage
- Life Sciences / Medical
- Automotive

** Mainly surface finishing services such as spray painting, IMD technology, pad printing, ultrasonic welding and EMI shielding.*

Hi-P INTERNATIONAL LIMITED
赫 比 国 际 有 限 公 司
11 International Business Park, Jurong East
Singapore 609926
Tel: 6268 5459 Fax: 6564 1787

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BOARD OF DIRECTORS	:	Yao Hsiao Tung (Executive Chairman and Chief Executive Officer) Wong Huey Fang (Executive Director) Yeo Tiong Eng (Non-executive Director) Dr Tan Khee Giap (Independent Director) Wong Meng Meng (Independent Director)
COMPANY SECRETARY	:	Tan Tor Howe, CPA, CFA
REGISTERED OFFICE	:	11 International Business Park Jurong East Singapore 609926
SHARE REGISTRAR AND SHARE TRANSFER OFFICE	:	Lim Associates (Pte) Ltd 10 Collyer Quay #19-08 Ocean Building Singapore 049315
MANAGER, UNDERWRITER AND PLACEMENT AGENT	:	UOB Asia Limited 80 Raffles Place UOB Plaza Singapore 048624
PRIMARY SUB-UNDERWRITERS AND PRIMARY SUB-PLACEMENT AGENTS	:	United Overseas Bank Limited 80 Raffles Place UOB Plaza Singapore 048624 UOB Kay Hian Private Limited 80 Raffles Place #30-01 UOB Plaza 1 Singapore 048624
AUDITORS AND REPORTING ACCOUNTANTS	:	Ernst & Young Certified Public Accountants 10 Collyer Quay #21-01 Ocean Building Singapore 049315
SOLICITORS TO THE INVITATION	:	Wong Partnership 80 Raffles Place #58-01 UOB Plaza 1 Singapore 048624
LEGAL ADVISERS TO THE COMPANY AS TO PRC LAW	:	Jingtian & Gongcheng 15th Floor, The Union Plaza 20 Chaoyangmenwai Dajie Beijing 100020 People's Republic of China
LEGAL ADVISERS TO THE COMPANY AS TO MEXICO LAW	:	Gascon, Estrada & Estrada, S.C. Luis Perez Verdia, No. 77, 2do Piso, Guadalajara, Jalisco Mexico C.P. 44680

RECEIVING BANKER	:	United Overseas Bank Limited 80 Raffles Place UOB Plaza Singapore 048624
PRINCIPAL BANKERS	:	United Overseas Bank Limited 80 Raffles Place UOB Plaza Singapore 048624
		Oversea-Chinese Banking Corporation Limited 65 Chulia Street #29-02/04 OCBC Centre Singapore 049513
		DBS Bank Ltd 6 Shenton Way DBS Building Tower One Singapore 068809
VENDORS	:	Yao Hsiao Tung
		Molex International Inc 2222, Wellington Court Lisle Illinois, IL 60532, United States of America

In this Prospectus and the accompanying Application Forms and, in relation to Electronic Applications, the instructions appearing on the screens of the ATMs or the IB websites of the relevant Participating Banks, the following definitions apply where the context so admits:-

GENERAL

"Act"	:	Companies Act (Chapter 50 of Singapore)
"Application Forms"	:	The printed application forms to be used for the purpose of the Invitation which form part of the Prospectus
"Application List"	:	The list of applications for subscription for and/or purchase of the Invitation Shares
"associate"	:	(a) in relation to a corporation, means:- (i) a director or controlling shareholder; (ii) a subsidiary or associated company; or (iii) a subsidiary or associated company of the controlling shareholder; of the corporation; (b) in relation to a director, chief executive officer, substantial shareholder or controlling shareholder of a corporation who is an individual, means:- (i) his immediate family; (ii) a trustee, acting in his capacity as such trustee, of any trust of which the individual or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any corporation in which he and his immediate family together (directly or indirectly) have an interest of not less than 30% of the aggregate of the nominal amount of all the voting shares; (c) in relation to a substantial shareholder or controlling shareholder, which is a corporation, means, notwithstanding paragraph (a), any corporation which is its related corporation or associated company
"associated company"	:	In relation to a corporation, means:- (a) any corporation in which the corporation or its subsidiary has, or the corporation and its subsidiary together have, a direct interest of not less than 20% but not more than 50% of the aggregate of the nominal amount of all the voting shares; or

		(b) any corporation, other than a subsidiary of the corporation or a corporation which is an associated company by virtue of paragraph (a), the policies of which the corporation or its subsidiary, or the corporation together with its subsidiary, is able to control or influence materially
"ATM"	:	Automated Teller Machine of a Participating Bank
"Audit Committee"	:	The audit committee of our Company
"Authority"	:	The Monetary Authority of Singapore
"Board"	:	Board of Directors of our Company
"CDP"	:	The Central Depository (Pte) Limited
"controlling shareholder"	:	A person who:- (a) holds directly or indirectly 15% or more of the nominal amount of all voting shares in a company. The SGX-ST may determine that a person who satisfies this paragraph is not a controlling shareholder; or (b) in fact exercises control over a company
"CPF"	:	Central Provident Fund
"Directors"	:	Directors of our Company as at the date of lodgement of this Prospectus
"Electronic Applications"	:	Applications for the Offer Shares made through an ATM or the IB website of one of the relevant Participating Banks in accordance with the terms and conditions of this Prospectus
"EPS"	:	Earnings per Share
"Executive Directors"	:	The executive Directors of our Company as at the date of lodgement of this Prospectus
"Executive Officers"	:	The executive officers of our Company as at the date of lodgement of this Prospectus
"FY"	:	Financial year ended or as the case may be, ending 31 December
"Group"	:	Our Company, our subsidiaries and our associated companies as at the Latest Practicable Date
"IB"	:	Internet Banking
"IB websites"	:	Internet Banking websites of UOB and DBS
"Independent Directors"	:	The independent Directors of our Company as at the date of lodgement of this Prospectus
"Invitation"	:	The invitation by us and the Vendors to the public to subscribe for and/or purchase the Invitation Shares upon the terms of and subject to the conditions set out in this Prospectus

"Invitation Shares"	:	The 205,000,000 Shares which are the subject of the Invitation, comprising the New Shares and the Vendor Shares
"Issue Price"	:	$0.57 for each Invitation Share
"Latest Practicable Date"	:	31 October 2003, being the latest practicable date prior to the lodgement of this Prospectus
"Market Day"	:	A day on which the Singapore Exchange is open for trading in securities
"MNCs"	:	Multi-National Corporations
"NAFTA"	:	North American Free Trade Agreement
"NASDAQ"	:	National Association of Securities Dealers Automated Quotation system (USA)
"New Shares"	:	The 151,000,000 new Shares for which we invite applications to subscribe pursuant to the Invitation upon the terms and subject to the conditions set out in this Prospectus
"Non-executive Director"	:	The non-executive Director of our Company as at the date of lodgement of this Prospectus
"NTA"	:	Net Tangible Assets
"Offer"	:	The offer by us and the Vendors of the Offer Shares to the public for subscription and/or purchase at the Issue Price upon the terms and subject to the conditions set out in this Prospectus
"Offer Shares"	:	10,250,000 Invitation Shares which are the subject of the Offer
"Option Shares"	:	The new Shares (not exceeding 15% of the issued share capital of our Company on the date preceding the grant of an option) which may be allotted and issued upon the exercise of options granted under the Share Option Scheme
"Participating Banks"	:	United Overseas Bank Limited and its subsidiary Far Eastern Bank Limited (the "UOB Group"); DBS Bank Ltd (including POSB) ("DBS"); and Oversea-Chinese Banking Corporation Limited ("OCBC")
"PER"	:	Price earnings ratio
"Placement"	:	The placement of the Placement Shares by the Placement Agent on behalf of our Company and the Vendors at the Issue Price upon the terms and subject to the conditions set out in this Prospectus
"Placement Shares"	:	194,750,000 Invitation Shares which are the subject of the Placement
"PRC" or "China"	:	The People's Republic of China
"Reserved Shares"	:	20,500,000 Placement Shares reserved for the Non-executive Directors (including Independent Directors), management, employees, business associates and others who have contributed to the success of our Group

"SCCS"	:	Securities Clearing & Computer Services (Pte) Ltd
"Securities Account"	:	Securities account maintained by a depositor with CDP
"Securities and Futures Act"	:	The Securities and Futures Act (Chapter 289 of Singapore)
"SGX-ST" or *"Singapore Exchange"*	:	Singapore Exchange Securities Trading Limited
"Share Award Scheme"	:	The Hi-P Employee Share Award Scheme, details of which are set out on page 136 of this Prospectus
"Share Option Scheme"	:	The Hi-P Employee Share Option Scheme, details of which are set out on pages 137 to 143 of this Prospectus
"Shares"	:	Ordinary shares of $0.05 each in the capital of our Company
"UOB Asia", "Manager" or "Underwriter" or "Placement Agent"	:	UOB Asia Limited
"UOB"	:	United Overseas Bank Limited
"USA" or the "US"	:	United States of America
"Vendors"	:	Yao Hsiao Tung and Molex
"Vendor Shares"	:	The 54,000,000 issued and fully paid-up Shares for which the Vendors invite applications to purchase on the terms and conditions of this Prospectus
"%" or *"per cent."*	:	Per centum or percentage
"micrometre"	:	One thousandth of a millimetre
"mm"	:	Millimetre
"sq m"	:	Square metres
"psi"	:	Pounds per square inch

Currencies

"Euro"	:	The official monetary unit of the member nations of the European Union
"MXN" or "MPeso"	:	Mexican Peso
"RMB"	:	PRC Renminbi
"SGD" or "S$" or "$" and "cents" or *"¢"*	:	Singapore dollars and cents respectively
"USD" or "US$"	:	United States dollars

Our Group Companies

"Express Tech"	:	Express Tech Mfg Pte Ltd
"Hi-P International" or "Company"	:	Hi-P International Limited
"Hi-P Camera"	:	Hi-P Camera Products Co., Ltd.
"Hi-P Chengdu"	:	Hi-P (Chengdu) Precision Plastic Manufacturing Co., Ltd.
"Hi-P Chengdu Mold"	:	Hi-P (Chengdu) Mold Base Manufacturing Co., Ltd.
"Hi-P Finland"	:	Hi-P Finland Oy
"Hi-P Housing Appliance"	:	Hi-P (Shanghai) Housing Appliance Co., Ltd.
"Hi-P Mauritius"	:	Hi-P Mauritius Ltd
"Hi-P Mexico"	:	High Precision Moulding and Tools, S.A. de C.V.
"Hi-P North America"	:	Hi-P North America, Inc.
"Hi-P Precision Plastic"	:	Hi-P Precision Plastic Manufacturing (Shanghai) Co., Ltd.
"Hi-P Qingdao"	:	Qingdao Haier Hi-P Science Technology Co., Ltd.
"Hi-P Resources"	:	Hi-P Resources Ltd
"Hi-P Shanghai"	:	Hi-P Shanghai Electronics Co., Ltd.
"Hi-P Shanghai Tooling"	:	Hi-P (Shanghai) Precision Mold & Die Co., Ltd
"Hi-P Suzhou"	:	Hi-P (Suzhou) Technology Co., Ltd.
"Hi-P Tech"	:	Hi-P Tech Singapore Pte Ltd
"Hi-P Tianjin"	:	Hi-P Tianjin Electronics Co., Ltd.
"Hi-P Tianjin Tooling"	:	Hi-P (Tianjin) Precision Mold & Die Co., Ltd.
"Hi-P Xiamen"	:	Hi-P (Xiamen) Precision Plastic Manufacturing Co., Ltd.
"Hi-Tec Precision"	:	Hi-Tec Precision Mould Pte. Ltd.
"Hi-P Industries "	:	Hi-P Industries Pte. Ltd. (formerly known as Hidec Industries Pte Ltd)
"Hidec Shanghai"	:	Hidec (Shanghai) Industries Co., Ltd.

Other Companies

"Baxter"	:	Baxter Healthcare SA – Singapore Branch
"Braun"	:	Braun GmbH and/or its affiliated companies including its parent company The Gillette Company
"Elcoteq"	:	Dongguan Elcoteq Electronics Co. Ltd

“Haier”	:	Qingdao Haier Co., Ltd. and/or its affiliated companies
“Kodak”	:	Eastman Kodak Company and/or its affiliated companies
“Maxtor”	:	Maxtor Corporation and/or its affiliated companies
“MEI”	:	Mars Electronics International and/or its affiliated companies
“Molex”	:	Molex International Inc, a subsidiary of Molex Incorporated
“Molex Group”	:	Molex Incorporated (a company listed on NASDAQ) and/or its affiliated companies
“Motorola”	:	Motorola Inc and/or its affiliated companies
“Philips”	:	Affiliated companies of Koninklijke Philips Electronic N.V.
“Seagate”	:	Seagate Technology Inc and/or its affiliated companies
“Siemens”	:	Siemens AG and/or its affiliated companies
“UTStarcom”	:	UTStarcom (Hangzhou) Telecom Co., Ltd
“Western Digital”	:	Western Digital Corp and/or affiliated companies
“ZTE”	:	深圳市中兴康讯电子有限公司

The expressions “Depositor”, “Depository Agent” and “Depository Register” shall have the meanings ascribed to them respectively in Section 130A of the Act.

The expressions “our”, “ourselves”, “us” and “we” and any other similar words shall, unless otherwise stated, mean our Company, our Group or any member of our Group as the context may admit.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations.

Any reference in this Prospectus, the Application Forms and the Electronic Applications to any statute or enactment is a reference to that statute or enactment as for the time being amended or re-enacted. Any word defined under the Act or any statutory modification thereof and used in this Prospectus, the Application Forms and the Electronic Applications shall have the meaning ascribed to it under the Act, or such statutory modification, as the case may be.

Any reference in this Prospectus, the Application Forms and the Electronic Applications to Shares being allotted to an applicant includes allotment to CDP for the account of that applicant.

Any reference to a time of day in this Prospectus is a reference to Singapore time, unless otherwise stated.

The glossary contains explanation of certain terms and definitions used in this Prospectus in connection with our Group and our business. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

"2-D"	:	Two dimensional configuration of a component
"3-D"	:	Three dimensional configuration of a component
"2-shot molding"	:	A specialised PPIM technique used to manufacture two-colour plastic components or plastic components which are made up of two different types of resins in a single manufacturing cycle
"CAD"	:	Computer Aided Design. The modelling of physical systems on computers allowing both interactive and automatic analysis of design variants and the expression of designs in a form suitable for manufacturing
"CAD/CAM"	:	A high technology integrated manufacturing system which enables the design (using CAD) and manufacture (using CAM) of products
"CAM"	:	Computer Aided Manufacturing. A form of automation where computers communicate work instructions directly to the manufacturing machines
"CD-ROM"	:	Compact disc read-only-memory
"Class 10,000 Cleanroom"	:	A Cleanroom where there are no more than 10,000 particles per cubic foot of air 0.5 microns and larger, and no more than 70 particles 5.0 microns and larger
"Class 100,000 Cleanroom"	:	A Cleanroom where there are no more than 100,000 particles per cubic foot of air 0.5 microns and larger, and no more than 700 particles 5.0 microns and larger
"Cleanroom"	:	A clean space in which the quantity of floating dust (fine particles), bacteria in the air, air velocity, pressure, temperature, humidity, vibration and other factors affecting the work environment is controlled
"CNC"	:	Computerised Numerical Control. A high precision manufacturing process in which numerical directions contained in a computer program control and monitor the operations of machinery
"die design and fabrication"	:	The specialised process of designing and fabricating precision metal stamping dies
"EDM"	:	Electro-Discharge Machine. A precision machine that uses high frequency electrical discharge to melt or vaporise selected areas of a metal mold to form holes, external shapes, profiles or cavities in the mold
"ESI"	:	Early Supplier Involvement
"IMD technology"	:	In-Mould Decoration technology
"insert molding"	:	A specialised PPIM technique used to produce plastic components with embedded parts

GLOSSARY OF TECHNICAL TERMS

"ISO"	:	International Organisation for Standardisation
"ISO 9001 : 2000", "ISO 9002 : 1994"	:	ISO 9001 : 2000 certification or ISO 9002 : 1994 certification, as the case may be, in respect of the quality management and systems of specific business activities
"ISO / TS 16949"	:	ISO / TS 16949 : 2002 is an international technical specification developed by the International Automotive Task Force and published by ISO. It provides a set of quality system requirements for automotive industry suppliers
"ISO 13488"	:	ISO 13488 is a standards certification in respect of quality requirements for medical devices
"MDF"	:	Mold design and fabrication. The specialised process of designing and fabricating precision plastic injection molds
"OEM"	:	Original Equipment Manufacturer
"PPIM"	:	Precision plastic injection molding. The specialised process of mass-producing high quality plastic components of very precise specifications
"Precision metal stamping"	:	The specialised process of mass-producing high quality stamped metal components of very precise specifications
"QS 9000 : 1998"	:	Certification in respect of quality management standards as required by major automotive makers namely, DaimlerChrysler Corporation, General Motors Corporation and Ford Motor Company
"resin"	:	A compounded plastic raw material processed by specialist manufacturers
"supply chain management"	:	This includes sourcing of suppliers for materials/components/ services, supplier selection, qualification and management, materials planning and purchase, inventory management and logistics
"Thin-wall molding"	:	A specialised PPIM technique used to manufacture plastic components with wall thickness measuring 0.8 mm or less in certain sections
"turnkey contract manufacturing"	:	This involves involvement in product design improvement and/or components design/design improvement and manufacturing process design up to the delivery of the fully assembled or sub-assembled product including project management and supply chain management services. Turnkey projects would also involve some or all of the following processes - MDF, PPIM, precision metal stamping and ancillary value-added services
"UL"	:	Underwriters Laboratories Inc., an independent and non-profit product safety testing and certification organisation

EXCHANGE RATES

The following exchange rates are used throughout this Prospectus to translate the historical accounts of our foreign subsidiaries, unless otherwise stated. For FY2000, FY2001 and the 6 months ended 30 June 2002, the exchange rates are made with reference to exchange rates published in the Business Times on the last day of each month. For FY2002 and the 6 months ended 30 June 2003, the exchange rates are made with reference to exchange rates published by the Bank of China on the last day of each month. The tables below indicate the foreign currency exchange rate to one Singapore dollar. For profit and loss account, the average exchange rates used are as follows:-

	FY2000	FY2001	FY2002	6 months ended 30 June 2002	6 months ended 30 June 2003
RMB	4.812	4.623	4.638	4.572	4.730
MPeso	5.469	5.205	5.438	5.168	6.053
USD	–	–	–	–	0.5715
Euro	–	–	–	–	0.5137

For balance sheet, the exchange rates as at the end of the financial year or interim period are as follows:-

	FY2000	FY2001	FY2002	6 months ended 30 June 2002	6 months ended 30 June 2003
RMB	4.787	4.485	4.771	4.651	4.713
MPeso	5.556	4.957	5.977	5.651	5.935
USD	–	–	–	–	0.5693
Euro	–	–	–	–	0.4979

The high and low exchange rates between the foreign currencies and the Singapore dollars for each of the previous six months preceding the Latest Practicable Date are as follows:-

	RMB = S$1.00 *		MPESO = S$1.00 *		USD = S$1.00 *		EURO = S$1.00 *	
	High	Low	High	Low	High	Low	High	Low
May 2003	4.812	4.672	6.07	5.77	0.5813	0.5642	0.5110	0.4842
June 2003	4.819	4.700	6.20	5.91	0.5823	0.5681	0.4991	0.4869
July 2003	4.742	4.696	6.03	5.89	0.5728	0.5674	0.5088	0.4925
August 2003	4.759	4.691	6.31	6.01	0.5749	0.5667	0.5272	0.4976
September 2003	4.793	4.708	6.36	6.18	0.5791	0.5688	0.5267	0.4965
October 2003	4.811	4.740	6.56	6.33	0.5811	0.5727	0.4999	0.4865

* Extracted from Bloomberg L.P. and not independently verified.

As at the Last Practicable Date, the exchange rate* for RMB, MPeso, USD and Euro are RMB4.761/S$1.00, MPeso6.34/S$1.00, US$0.5752/S$1.00 and Euro 0.4962/S$1.00.

LISTING ON THE SGX-ST

Application has been made to the SGX-ST for permission to deal in, and for quotation of, all our Shares already issued (including the Vendor Shares) as well as the New Shares and the Option Shares. Such permission will be granted when our Company has been admitted to the Official List of the SGX-ST. Acceptance of applications will be conditional upon, *inter alia,* permission being granted to deal in, and for quotation of, all of our existing issued Shares (including the Vendor Shares), the New Shares and the Option Shares. Monies paid in respect of any application accepted will be returned to you, without interest or any share of revenue or other benefit arising therefrom and at your own risk, if the said permission is not granted and you will not have any claim against us, the Vendors or the Manager.

The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Prospectus. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Invitation, our Company, our subsidiaries, our associated companies, our Shares (including the Vendor Shares), the New Shares or the Option Shares.

A copy of this Prospectus has been lodged with and registered by the Authority. The Authority assumes no responsibility for the contents of the Prospectus. Registration of the Prospectus by the Authority does not imply that the Securities and Futures Act, or any other legal or regulatory requirements, have been complied with. The Authority has not, in any way, considered the merits of our Shares or units of our Shares, as the case may be, being offered or in respect of which an Invitation is made, for investment.

We are subject to the provisions of the Securities and Futures Act and the Listing Manual of the SGX-ST regarding corporate disclosure. In particular, if after this Prospectus is registered but before the close of the Offer, our Company becomes aware of (a) a false or misleading statement or matter in this Prospectus; (b) an omission from this Prospectus of any information that should have been included in it under Sections 243 or 244 of the Securities and Futures Act; or (c) a new circumstance that has arisen since this Prospectus was lodged with the Authority and would have been required by Section 243 or 244 of the Securities and Futures Act to be included in this Prospectus, if it had arisen before this Prospectus was lodged and that is materially adverse from the point of view of an investor, we may lodge a supplementary or replacement prospectus with the Authority pursuant to Section 241 or the Securities and Futures Act.

Where the Authority issues a stop order pursuant to Section 242 of the Securities and Futures Act, and applications to subscribe and/or purchase the Invitation Shares have been made prior to the stop order, then

(a) in the case where Invitation Shares have not been issued and/or sold to the applicants, the applications for the Invitation Shares pursuant to the Invitation shall be deemed to have been withdrawn and cancelled and our Company shall (as well as on behalf of the Vendors), within 14 days from the date of the stop order, pay to the applicants all moneys the applicants have paid on account of their applications for the Invitation Shares; or

(b) in the case where the Invitation Shares have been issued to the applicants, the issue of the Invitation Shares pursuant to the Invitation shall be deemed to be void and our Company shall, within 14 days from the date of the stop order, pay to the applicants all moneys paid by them for the Invitation Shares; or

(c) where the Invitation Shares have been sold to applicants, the sale of the Invitation Shares shall be deemed to be void and if documents purporting to evidence title have been issued to the applicants, our Company shall (as well as on behalf of the Vendors), within 7 days from the date of the stop order, inform all applicants to return such documents to our Company within 14 days from that date; and within 7 days from the date of receipt of such documents (if applicable) or the date of the stop order, whichever is later, pay to the applicants all moneys the applicants have paid for the Invitation Shares.

This Prospectus has been seen and approved by our Directors and the Vendors, and they individually and collectively accept full responsibility for the accuracy of the information given in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge, information and belief, the facts stated and the opinions expressed, intention and expectation contained herein are honestly held and made after due and careful consideration, and that this Prospectus constitutes full and true disclosure of all material facts as at the Latest Practicable Date about this Invitation, our Group and our Shares and that there are no material facts the omission of which would make any statements in the Prospectus misleading, and that the profit forecast has been stated by our Directors after due and careful enquiry.

Neither our Company, the Vendors, the Manager, Underwriter and Placement Agent, the Primary Sub-Underwriters, Primary Sub-Placement Agents nor any other parties involved in the Invitation is making any representation to any person regarding the legality of an investment in our Shares by such person under any investment or other laws or regulations. No information in this Prospectus should be considered as being business, legal or tax advice regarding investment in our Shares. Each prospective investor should consult his own professional or other advisers for business, legal or tax advice regarding an investment in our Shares.

No person has been or is authorised to give any information or to make any representation not contained in this Prospectus in connection with the Invitation and, if given or made, such information or representation must not be relied upon as having been authorised by us, the Vendors, the Manager, Underwriter, Placement Agent, the Primary Sub-Underwriters or Primary Sub-Placement Agents. Neither the delivery of this Prospectus and the Application Forms nor any documents relating to the Invitation shall, under any circumstances, constitute a continuing representation or create any suggestion or implication that there has been no change in our affairs or in the statements of fact or information contained in this Prospectus since the Latest Practicable Date. Where such changes occur, we may make an announcement of the same to the SGX-ST and will comply with the requirements of the Securities and Futures Act and/or any other requirements of the Authority. All applicants should take note of any such announcement and, upon release of such an announcement, shall be deemed to have notice of such changes. Save as expressly stated in this Prospectus, nothing herein is, or may be relied upon as, a promise or representation as to our future performance or policies.

This Prospectus has been prepared solely for the purpose of the Invitation and may not be relied upon by any persons other than the applicants in connection with their application for the Invitation Shares or for any other purpose.

This Prospectus does not constitute an offer, solicitation or invitation to subscribe for the New Shares and/or the purchase of the Vendor Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or is not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation.

Copies of this Prospectus and the Application Forms and envelopes may be obtained on request, subject to availability during office hours, from:-

UOB ASIA LIMITED
1 Raffles Place
#13-01 OUB Centre
Singapore 048616

and from members of the Association of Banks in Singapore, members of the SGX-ST and merchant banks in Singapore. A copy of this Prospectus is also available on the SGX-ST website *http://www.singaporeexchange.com* and the Authority's website at *http://www.mas.gov.sg*.

The Application List will open at 10.00 a.m. on 15 December 2003 and will remain open until noon on the same day or for such further period or periods as our Directors and the Vendors may, in consultation with the Manager, decide, subject to any limitation under all applicable laws. In the event that a supplemental prospectus or replacement prospectus is lodged, the Application List will remain open for at least 14 days after the lodgement of the supplemental or replacement prospectus.

INDICATIVE TIMETABLE FOR LISTING

In accordance with the SGX-ST's News Release of 28 May 1993 on the trading of initial public offering shares on a "when issued" basis, an indicative timetable is set out below for your reference:-

Indicative Date/Time	Event
15 December 2003, 12.00 noon	Close of Application List
16 December 2003	Balloting of applications, if necessary (in the event of over-subscription for the Offer Shares)
17 December 2003, 9.00 a.m.	Commence trading on a "when issued" basis
29 December 2003	Last day of trading on a "when issued" basis
30 December 2003, 9.00 a.m.	Commence trading on a "ready" basis
5 January 2004	Settlement date for all trades done on a "when issued" basis and for trades done on a "ready" basis on 30 December 2003

The above timetable is only indicative as it assumes that the date of closing of the Application List is 15 December 2003, the date of admission of our Company to the Official List of the SGX-ST is 17 December 2003, the shareholding spread requirement will be complied with and the Invitation Shares will be issued and fully paid-up prior to 17 December 2003. The actual date on which our Shares will commence trading on a "when issued" basis will be announced when it is confirmed by the SGX-ST.

We will publicly announce the level of subscription for the Invitation Shares and the basis of allocation of the Invitation Shares pursuant to the Invitation, as soon as it is practicable after the closure of the Application List through a MASNET announcement to be posted on the Internet at the SGX-ST website http://www.singaporeexchange.com and in a local English newspaper.

In the event of any changes in the closure of the Application List or the time period during which the Invitation is open, we will publicly announce this:-

(i) through a MASNET announcement to be posted in the Internet at the SGX-ST website http://www.singaporeexchange.com; and

(ii) through a paid advertisement in a local English newspaper.

The above timetable and procedures may be subject to such modification as the SGX-ST may, in its absolute discretion, decide, including the decision to permit trading on a "when issued" basis and the commencement date of such trading. All persons trading in our Shares on a "when issued" basis do so at their own risk. **In particular, persons trading in our Shares before their Securities Accounts with CDP are credited with the relevant number of Shares do so at the risk of selling Shares which neither they nor their nominees, as the case may be, have been allotted with or are otherwise beneficially entitled to. Such persons are also exposed to the risk of having to cover their net sell positions earlier if "when issued" trading ends sooner than the indicative date shown above. Persons who have a net sell position traded on a "when issued" basis should close their position on or before the first day of "ready" basis trading.**

Investors should consult the SGX-ST's announcement on "ready" trading date on the Internet (at SGX-ST website http://www.singaporeexchange.com) or the newspapers or check with their brokers on the date on which trading on a "ready" basis will commence.

This Prospectus does not constitute an offer, solicitation or invitation to subscribe for and/or purchase the Invitation Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or is not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. No action has been or will be taken under the requirements of the legislation or regulations of, or of the legal or regulatory requirements of any jurisdiction, except for the filing and/or registration of this Prospectus in Singapore in order to permit a public offering of the Invitation Shares and the public distribution of this Prospectus in Singapore. The distribution of this Prospectus and the offering of the Invitation Shares in certain jurisdictions may be restricted by the relevant laws in such jurisdictions. Persons who come into possession of this Prospectus are required by us, the Vendors, the Manager, Underwriter and Placement Agent, the Primary Sub-Underwriters and the Primary Sub-Placement Agents to inform themselves about, and to observe and comply with, any such restrictions.

Selling Restrictions In Hong Kong

This Prospectus has not been and will not be registered with the Registrar of Companies in Hong Kong and accordingly, except as mentioned below, this document may not be issued, circulated or distributed in Hong Kong.

This document may be issued to professional investors within the meaning of the Securities and Futures Ordinance (the "Ordinance") (Chapter 571 of the Laws of Hong Kong); or otherwise pursuant to, and in accordance with the conditions of, any other applicable exemptions set out in the Ordinance. This document may also be issued in a manner which does not constitute an invitation or an offer to the public in Hong Kong to acquire or subscribe for the Placement Shares .

All statements contained in this Prospectus, statements made in press releases and oral statements that may be made by us or our Directors, Executive Officers, or employees acting on our behalf, that are not statements of historical fact constitute "forward-looking statements". Some of these statements can be identified by terms such as "expects", "believes", "plans", "intends", "estimates", "anticipates", "forecast", "profit forecast", "targeted", "if", "possible", "probable", "project", "may", "will", "would", "could", "should", "shall" and "can" or similar words. These words are however not the exclusive means of identifying forward-looking statements. All statements regarding our expected financial position, operating results, profit forecast, business strategies, plans and prospects are forward-looking statements.

These forward-looking statements, including, but not limited to statements as to our revenue and profitability, prospects, business strategies, future plans and other matters discussed in this Prospectus regarding matters that are not historical fact, are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual future results, performance or achievements to be materially different from any future results, performance or achievements expected, expressed or implied by such forward-looking statements. These risks, uncertainties and other factors include, among others, our planned business strategies and expected growth, changes in our future capital needs and the availability of capital and financing to fund these needs, changes in political, social and economic conditions and the regulatory environment in Singapore, the PRC, Mexico, USA and other countries and territories in which we may conduct business, changes in foreign currency exchange rates, changes in customers' preferences, changes in the cost of raw materials, changes in technology, changes in competitive conditions and our ability to compete under such conditions, and other factors beyond our control. Some of these risk factors are discussed in more detail in this Prospectus, in particular, but not limited to, discussion under the section titled "Risk Factors".

You should be aware that the prospects and forecasts in respect of our industry and businesses which we refer to in this Prospectus are forward-looking statements based on factors and assumptions that may be subject to a high degree of uncertainty and are beyond our control.

Given the risks and uncertainties that may cause our actual future results, performance or achievements to be materially different than expected, expressed or implied by the forward-looking statements in this Prospectus, undue reliance must not be placed on these statements. Neither our Company, the Vendors, the Manager, the Underwriter and the Placement Agent, nor any other person represents or warrants that our actual future results, performance or achievements will be as discussed in those statements.

Our actual future results may differ materially from those anticipated in these forward-looking statements as a result of the risks faced by us. We, the Vendors and the Manager disclaim any responsibility to update any of those forward-looking statements or publicly announce any revisions to those forward-looking statements to reflect future developments, events or circumstances. We are, however, subject to the provisions of the Securities and Futures Act and the Listing Manual of the SGX-ST regarding corporate disclosure. In particular, pursuant to Section 241 of the Securities and Futures Act, if after the Prospectus is registered but before the close of the Offer, the Company becomes aware of (a) a false or misleading statement or matter in the Prospectus; (b) an omission from the Prospectus of any information that should have been included in it under Section 243 or 244 of the Securities and Futures Act; or (c) a new circumstance that has arisen since the Prospectus was lodged with the Authority and would have been required by Sections 243 or 244 of the Securities and Futures Act to be included in the Prospectus, if it had arisen before the Prospectus was lodged and that is materially adverse from the point of view of an investor, the Company may lodge a supplementary or replacement prospectus with the Authority.

The following summary highlights certain information found in greater detail elsewhere in this Prospectus. You should read the entire Prospectus carefully, especially the section on "Risk Factors" as set out on pages 31 to 42 of this Prospectus, before deciding to invest in our Shares.

OVERVIEW OF OUR GROUP

Our Company was incorporated in Singapore on 26 December 1980 as a private company limited by shares under the name of Hi-P Tool & Die Pte Ltd. Our Company changed its name to Hi-P Singapore Pte Ltd on 5 February 1997, and subsequently to Hi-P International Pte Ltd on 12 October 2000. In connection with the Invitation, we converted into a public limited company on 10 October 2003 and assumed our present name of Hi-P International Limited.

Our headquarters is in Singapore and as at the Latest Practicable Date, we have a total of 20 subsidiaries in the PRC (13), Singapore (2), Mexico (1), USA (1), Finland (1) and Mauritius (2), and 2 associated companies in Singapore.

OUR BUSINESS

We are an integrated contract manufacturing services provider specialising in precision plastic injection molding ("PPIM"), mold design and fabrication ("MDF"), assembly, ancillary value-added services and precision metal stamping. We provide turnkey contract manufacturing services to our customers mainly in the consumer electronics & electrical industry.

Our principal markets include the PRC, Singapore, USA and other parts of the Americas, Europe, Malaysia and other parts of Asia. Our customers are mainly original equipment manufacturers ("OEMs"), majority of which are multinational corporations ("MNCs"), in the telecommunications, consumer electronics & electrical, data storage, life sciences/medical and automotive industries. We also have local customers primarily in the PRC. Our customers' end products include mobile phones, battery toothbrushes, electric shavers, hairdryers, cameras (digital, reloadable and disposable), hard disk drives, connectors and medical devices.

Some of our major customers include Motorola, Braun, Siemens, Kodak, Seagate, Maxtor and Elcoteq.

We have a total of 16 manufacturing plants located in the PRC (13) (in Shanghai, Chengdu, Xiamen, Tianjin, Qingdao, Suzhou), Singapore (2) and Mexico (1).

Our business activities are grouped mainly into three general business areas as follows:-

Precision Plastic Business

Our Group undertakes MDF, PPIM and ancillary value-added services.

- ***MDF or Tooling***

  This involves the design and fabrication of precision plastic injection molds used in our PPIM operations or sold directly to customers. We have the capability to design and fabricate intricate and complex precision plastic injection molds with tooling inserts that may be as thin as 0.1 mm in thickness with a precision accuracy of up to 1 micrometer.

- ***PPIM or Molding***

  This involves the injection molding of a wide range of precision plastic components, which are used as parts or segments of our customers' finished products such as mobile phones, battery toothbrushes, electric shavers, hairdryers, cameras (digital, reloadable and disposable), hard disk drives and medical devices.

  We undertake specialised PPIM services such as 2-shot molding, insert molding, Thin-wall molding, and Class 100,000 Cleanroom molding, in addition to conventional PPIM.

- ***Ancillary value-added services***

  We offer a wide range of ancillary value-added services comprising mainly surface finishing services such as spray painting, IMD technology and pad printing, and other value-added services such as ultrasonic welding and EMI shielding. We undertake such services for products including mobile phones, electric shavers and cameras.

Assembly Business

We undertake both full/complete product assembly ("full-product assembly") and partial product assembly ("sub-product assembly") services. We have assembly projects that are undertaken on a turnkey basis i.e. from involvement in product design improvement and/or components design/design improvement up to the delivery of the fully assembled or sub-assembled product including project management and supply chain management services. These projects would also involve some or all of the following processes - MDF, PPIM, ancillary value-added services and precision metal stamping.

Our full-product assembly products include battery toothbrushes and hairdryers, which have also been undertaken on a turnkey basis. Examples of products currently sub-assembled by us are mobile phones and cameras.

Precision Metal Stamping Business

We undertake precision metal stamping production and die design and fabrication, generally to supplement our PPIM and Assembly businesses to support OEMs. Currently we supply to the telecommunications industry for mobile phones, and to the consumer electronics & electrical industry for battery toothbrushes. We have undertaken commercial production mainly as part of the integrated manufacturing services provided by our subsidiaries to some end-clients including Motorola and Braun.

AWARDS AND CERTIFICATIONS

Our Group has to date, received the following awards and certifications:

- Enterprise 50 award (Singapore) for five consecutive years, 1997 to 2001, ranking 2nd in 2001

- We have received the following certifications (details of which are set out on page 96 under "Quality Control" of this Prospectus):

  Hi-P International
  UL
  ISO 9002 : 1994
  QS 9000 : 1998 (based on and including ISO 9002 : 1994)

  Hi-P Mexico
  UL
  QS 9000 : 1998 (based on and including ISO 9002 : 1994)

  Hi-P Shanghai
  UL
  ISO 9001 : 2000

  Hi-P Chengdu
  ISO 9001 : 2000

  Hi-P Precision Plastic
  ISO 9001 : 2000

  Hi-P Camera
  ISO 9001 : 2000

  Hi-P Housing Appliance
  ISO 9001 : 2000
  ISO / TS 16949 : 2002
  ISO 13488

  Hi-P Xiamen
  ISO 9001 : 2000

- Client certifications include Certificate of Excellence from Motorola in 2002 and Supplier Recognition Award from Braun in 2002. Please refer to page 97 under "Quality Control" of the Prospectus for the list/details of our clients' awards/certifications.

COMPETITIVE STRENGTHS

Established turnkey contract manufacturing capabilities for consumer electronics & electrical products

We undertake manufacturing projects on a turnkey basis, hence covering the value chain from involvement in product design improvement to the delivery of the fully assembled or sub-assembled product. We have been undertaking turnkey contract manufacturing services for hairdryers and battery toothbrushes, and have recently secured more projects for consumer electronics & electrical products.

Wide range of products and services, and vertical integration of processes

We undertake a broad and comprehensive range of manufacturing products and services. Our processes are vertically integrated in most of our products and service offerings so that our customers only need to deal with us for all their manufacturing needs. Logistics issues related to the use of multiple suppliers/manufacturing service providers are reduced. Our customers can, therefore, enjoy the potential advantages of shorter production turnaround time and be in a position to incur lower manufacturing costs and achieve faster time to market. Based on our Directors' knowledge, we believe that we are a significant player in the industry that provides such a wide range of products and services in Singapore and the PRC.

Extensive experience and familiarity with the PRC market

Our successful expansion into the PRC has strategically positioned us in the lucrative PRC market, enabling us to strengthen and diversify our customer base and secure more major customers. Our Directors believe that our extensive experience of over 10 years and familiarity with the PRC market coupled with our scale of operations in the PRC is a key competitive advantage that we have over our competitors who have only set up operations in the PRC recently.

Geographical diversification and related locational advantages

Geographical diversification provides us with the advantages of close proximity to our customers, access to a larger pool of skilled labour, and other potential costs savings and efficiencies. We have over the years built a regional and global presence for our operations. We have manufacturing plants largely in relatively low cost locations and/or in close proximity to customers. We also have ESI centres and marketing/sales offices in locations close to our customers' design centres. Geographical diversification allows us flexibility in the utilisation of resources, for instance, some production orders/processes can be carried out in manufacturing plant(s) where deemed beneficial. Geographical diversification also reduces the overall adverse impact on us should operational problems be encountered in a specific manufacturing plant or location.

Our quality products and services

Our clients include major players in their respective industries who are generally known for their high quality products which are sold throughout the world. We believe that our sustained business from such clients, as well as our increasing base of clients and orders are a testament to the confidence in the quality of our products and services. Our dedication to product and service quality is also evident from the certifications and awards from recognised international organisations in respect of our processes/quality systems, and from some of our customers.

Diversified customer base

Our customers comprise mainly OEMs, majority of which are MNCs, operating in a wide spectrum of industries including telecommunications, consumer electronics & electrical, data storage, life sciences/medical and automotive, as well as countries including but not limited to the PRC, Singapore and other countries in Asia, North America and Europe. We believe that a strong and diversified customer base can potentially help to stabilise and further grow the demand for our products and services, and to lessen the business impact on us in the event of a downturn in a specific industry or country and /or reduction, or cancellation or non confirmation of orders from a single customer.

Well-established customer relationships

We have, over the past 22 years, successfully developed and maintained good long-term business relationships with many of our customers. We have had dealings with our customers such as Molex and Maxtor for over 10 years and Motorola, Braun and Kodak for over 5 years. We believe that we have been able to earn and sustain the trust and confidence of our customers mainly due to our reliability in providing quality products and services at competitive prices on a timely basis.

Through our participation in ESI programmes/joint process or product development programmes with our customers, we are also able to participate in and contribute to our customers' manufacturing activities from the product/process design and development phase. This enables us to further build rapport with them, thus strengthening our marketing efforts whilst enhancing our technological knowledge base.

Experienced management team

The track record of our Company's management over the years is evidenced by the growth in our Group's revenue, profits, international market coverage and scale of operations particularly in the PRC and Singapore. Our Executive Chairman and Chief Executive Officer, Mr Yao Hsiao Tung, is a veteran in the business and has accumulated over 40 years of technical and management experiences in our business and in the manufacturing industry in general. Our Executive Director, Mdm Wong Huey Fang, has teamed up with Mr Yao Hsiao Tung in managing and developing the business for the past 18 years. They are assisted by a management team of well-experienced and dedicated professionals.

Technological emphasis and manufacturing capabilities

To stay competitive, we endeavour to keep in pace with technology innovations and advances in our business activities. The ability to keep abreast of and implement technology innovations and advances is critical as the majority of our customers are players in the telecommunications, consumer electronics & electrical and data storage industries which are characterised by rapid technological changes and short product life cycles. Our utilisation of advanced technologies has enabled us to continuously meet our customers' stringent standards for precision engineering and surface finishing.

Cost-efficient operations

We undertake to achieve and maintain cost efficiency in our operations, to enable us to price our products and services competitively whilst protecting profit margins. We review our range of equipment and production processes constantly for possible improvements. One of the main reasons for our expansion to the PRC was to lower our operating costs and improve our manufacturing scale of economies.

Established track record

We have established a creditable institutional track record which we believe will help us in our further corporate growth and development. Over the years of our operations, we have grown considerably and have entrenched our Group in our main markets. We have established and maintained healthy business relationships with our customers in various industries. We believe that our existing and prospective customers would generally prefer to engage a company with a proven track record in the industry. Our track record would also be an advantage to us in terms of joint ventures, strategic alliances and mergers and acquisition opportunities in the future.

PROSPECTS

We view our growth to be driven primarily by corresponding growth in the industries that we service, increase in our penetration of our markets and the continued trend by OEMs to outsource their manufacturing activities to contract manufacturers. To complement the business models of OEMs, contract manufacturers such as our Group have been able to benefit from strategic low costs manufacturing locations to offer competitive prices, and integrated scope of products and services and value-added solutions.

Whilst we are cautiously optimistic of overall growth in our regional and global markets, we view the PRC as a particularly lucrative growth area given the increasing concentration of OEMs /MNCs in the country as their manufacturing base and its potential to develop into a huge end-market base for the main industries that we service.

BUSINESS STRATEGIES

Our corporate vision is to become a regional and global integrated contract manufacturing services provider specialising in the precision plastic business including injection molding, mold design and fabrication and ancillary value-added services, precision metal stamping, assembly, and turnkey contract manufacturing mainly for the telecommunications, consumer electronics & electrical, data storage, life sciences/medical, and automotive industries. Our business direction is to grow our markets and operations in the industries that we service, along product/service offerings and geographical coverage. Our business strategies include the following:-

To offer a broader, more diversified and vertically-integrated range of products and services

We intend to continually broaden and diversify our range of product and service offerings to provide more extensively for the needs of OEMs mainly in the industries that we currently service or may service in the future. We will continue to provide the manufacturing services we currently offer, and will work on opportunities to branch out into other manufacturing services which will further enhance our total products and services offerings and provide more synergies where possible. Hence, we are strengthening our vertical integration whilst expanding the end-products in which we undertake such services.

To expand our product and service offerings as a turnkey contract manufacturer

We intend to leverage on our vertically-integrated, and broad and diverse range of products and services to entrench our Group as a turnkey contract manufacturer. We believe that this will significantly enhance our competitive position as we are able to provide greater value to our customers by covering our customers' manufacturing needs more comprehensively. We have established ourselves as a turnkey contract manufacturer in the consumer electronics & electrical industry and seek to establish ourselves in the telecommunications industry. We will also explore business opportunities mainly in other industries that we currently service. We also intend to expand our manufacturing capabilities to include product and sub-product assemblies involving electronic components in order to provide more complete turnkey manufacturing solutions.

To expand our operations in Asia and globally

We will market more aggressively to existing and prospective customers worldwide. We believe that currently, our manufacturing plants are strategically located in the PRC, Singapore and Mexico to service our target clients internationally. We will continue to strengthen and expand our operations in countries with locational advantages such as proximity to markets/customers and competitive costs and/or skills.

To uphold our commitment to quality and service reliability

We are committed to the provision of high quality products and services as well as delivery timeliness. We believe that such commitment was an essential element of our market entrenchment and will continue to be a major factor for our continuing growth and success.

To maintain price competitiveness through improved cost efficiency

We aim to maintain and even improve our price competitiveness and profitability through sustained efforts to achieve more cost efficiency in our production and other operations. This will primarily be through improvements in our processes/systems, and expansion to achieve better scale economies as well as to benefit from location-based efficiencies and/or lower costs of certain resources such as labour and other operating expenses.

To further strengthen our execution foundation

We believe that the achievement of business strategies and plans springs foremost from effective execution systems and capabilities. We have established and will continue to strengthen our Group's execution foundation, comprising our human resource base, corporate culture, organisation, systems and procedures. We will continue to strengthen our management, technical team and other personnel in line with our continuing growth and expansion. We have established and will continue to fine-tune our employee reward systems to motivate and reward commitment and meritorious performance. We will continue to build and maintain our Group's corporate culture which encourages teamwork among our people from all our offices and plants in various countries. We have put in place an organisational structure which enables geographical focus and functional efficiencies. We have set up/adopted and standardised systems and procedures in our plant operations as well as in our marketing and support functions. We are continuously improving and streamlining our organisation, systems and procedures for enhanced execution efficiencies.

FUTURE PLANS

- We intend to secure more turnkey contract manufacturing projects in the consumer electronics & electrical industry. We are expanding the coverage of our turnkey contract manufacturing services to include the telecommunications industry. We recently secured our first project for turnkey manufacturing involving mobile phones. We will continue to work towards early supplier involvement to position ourselves to offer turnkey contract manufacturing services to them.

- We are developing our capabilities in product design and development in order to provide higher value-added services to our customers and thus strengthen our competitive position against other contract manufacturing service providers. We will also continue to enhance our capabilities in product design improvement, components design and development/improvement, manufacturing process design and development/improvement. We will set up an R&D centre for our Group.

- We are extending our product and sub-product assembly services to include electronic components / sub-assemblies, considering that some of the end-products that we provide our manufacturing services are not only made up of mechanical parts and sub-assemblies but also of electronic components and sub-assemblies. Our Directors believe that such extension of our assembly services is a logical progression in our thrust to offer more complete turnkey manufacturing solutions.

- We intend to continue to develop and expand our Precision Plastic Business by acquiring new and technologically advanced PPIM and MDF machines and mold design softwares, and will continue to work on streamlining our production processes and operations to improve productivity and efficiency. We will continue to actively market our existing PPIM, MDF and assembly services to our existing customers, and will cross-sell our other services.

- We intend to expand our full-product and sub-product assembly business. As assembly services are generally labour-intensive, we plan to concentrate the expansion of our Assembly Business mainly in the PRC and other relatively low cost countries.

- We intend to expand the range and/or capacities of our ancillary value-added services, eg. spray painting, IMD technology, pad printing, ultrasonic welding and EMI shielding, to increase their revenue and profit contribution through cross-selling efforts targeted initially at our existing customers, and subsequently to new customers.

- We intend to develop our Precision Metal Stamping Business, and will leverage on our existing pool of PPIM, MDF and assembly customers whilst marketing to prospective new customers mainly in the telecommunications, consumer electronics & electrical and automotive industries. Our Directors believe that there is potential synergy between our Precision Plastic Business and our Precision Metal Stamping Business both for precision components made up of either plastic or metal, or a combination of plastic and metal components which is becoming increasingly common.

- We intend to extend the coverage of our enterprise resource planning ("ERP") system, which is currently in place for our operations in Shanghai (Hi-P Housing Appliance, Hi-P Camera, Hi-P Precision Plastic and Hi-P Shanghai), Xiamen and Singapore (Hi-P International). We plan to extend the coverage to include certain other companies in our Group.

- We intend to expand our customer base regionally and globally, and plan to market our services to new customers in the US, Europe and North East Asia. We are undertaking proactive marketing efforts and are leveraging on our strategic alliances to widen our customer base regionally and globally. We are continuously exploring other strategic alliances and/or joint ventures to expand our customer base.

- We are continuously expanding our facilities mainly in the PRC. We are setting up a new manufacturing plant in Suzhou, and will also explore the possibility of setting up operations in other relatively low cost countries.

OVERVIEW OF OPERATING RESULTS

In the last three financial years FY2000, FY2001 and FY2002, our revenue was approximately $80.4 million, $100.5 million, and $143.1 million respectively. Our profit attributable to shareholders was approximately $14.5 million, $9.9 million, and $17.9 million respectively. For the 6 months ended 30 June 2003, our revenue was approximately $102.7 million and our profit attributable to shareholders was approximately $13.5 million. Barring unforeseen circumstances and subject to the bases and assumptions set out in the section "Profit Forecast" on page 82 of this Prospectus, our forecast profit attributable to shareholders for FY2003 is approximately $35.2 million.

WHERE YOU CAN FIND US

Our principal and registered office is located at 11, International Business Park, Jurong East Singapore 609926. Our telephone number is (65) 6268 5459 and our facsimile number is (65) 6564 1787. Our internet address is http://www.hi-p.com. **Information contained in our website does not constitute part of this Prospectus.**

THE INVITATION

Issue Size	:	205,000,000 Invitation Shares comprising 151,000,000 New Shares and 54,000,000 Vendor Shares offered in Singapore by way of public offer comprising 10,250,000 Offer Shares, and placement comprising 194,750,000 Placement Shares (including 20,500,000 Reserved Shares). The New Shares, upon allotment and issue, will rank *pari passu* in all respects with our existing issued Shares.
Issue Price	:	$0.57 for each Invitation Share.
Purpose of the Invitation	:	The purpose of the Invitation is to secure admission of our Company to the Official List of the SGX-ST. Our Directors believe that the listing of our Company and the quotation of our Shares, the New Shares and the Option Shares on the Main Board of the SGX-ST will enhance the public image of our Group locally and overseas and will enable us to raise funds from the capital markets mainly to finance our business expansion and additionally to repay part of our bank borrowings. The Invitation will also provide members of the public, employees and business associates and others who have contributed to our success of our Group, with an opportunity to participate in the equity of our Company.
Use of Proceeds	:	The net proceeds to our Company from the issue of the New Shares (after deducting estimated issue expenses) is approximately S$82.19 million. We intend to use the net proceeds in the following manner:- (i) approximately S$25.0 million to finance the purchase of additional machines for the expansion of our MDF and PPIM businesses, in existing manufacturing plants in the PRC, Singapore and Mexico; (ii) approximately S$15.0 million to finance the set-up of a new manufacturing plant in Suzhou; (iii) approximately S$10.0 million to finance the purchase of machines and equipment to expand the range and capacities of our ancillary value added services in our existing manufacturing plants; (iv) approximately S$5.0 million to finance the expansion of our Precision Metal Stamping Business; (v) approximately S$3.0 million for our R&D undertakings; (vi) approximately S$3.0 million to fund the extension of our ERP system to certain other existing companies in our Group; (vii) approximately S$2.0 million to fund possible strategic investments, joint-ventures, acquisitions and/or strategic alliances, where the opportunities arise, failing which the funds will be used for our working capital requirements;

Any remaining financing requirements in respect of the investments highlighted above will be funded mainly through internally generated funds and supplemented by bank borrowings.

(viii) approximately S$5.0 million to repay bank borrowings from UOB; and

(ix) the balance of approximately S$14.19 million to be used for working capital.

In the opinion of our Directors, no minimum amount must be raised from the Invitation.

Pending the deployment of the net proceeds from the issue of the New Shares as aforesaid, the funds may be used as working capital for our Group or be placed in short-term deposits or money markets or debt instruments as our Directors may deem fit.

Reserved Shares	:	20,500,000 Placement Shares will be reserved for the Non-executive Directors (including Independent Directors), management, employees, business associates and others who have contributed to the success of our Group. In the event that any of the Reserved Shares are not taken up, they will be made available to satisfy excess applications for the Placement Shares or in the event of an under-subscription for the Placement Shares, to satisfy excess applications made by members of the public in Singapore for the Offer Shares.
Listing Status	:	Our Shares will be quoted in Singapore dollars on the Main Board of the SGX-ST, subject to admission of our Company to the Official List of SGX-ST and permission for the dealing in, and for quotation of, our Shares being granted by the SGX-ST.
Risk Factors	:	Investing in our Shares involves risks which are described in further details on pages 31 to 42 of this Prospectus under the Section on “Risk Factors”.
Dividend Policy	:	Our Company has paid dividends of S$0.300 million, S$0.226 million and S$0.234 million for FY2000, FY2001 and FY2002 respectively.

We currently do not have a formal dividend policy. The form, frequency and amount of future dividends on our Shares will depend on our operating results, financial condition such as our cash position and retained earnings, other cash requirements including capital expenditure, the terms of our borrowing arrangements (if any), and other factors deemed relevant by our Directors. Past dividend payments by our Group should not be taken as an indication of dividends to be paid by us in the future.

Further details are found on page 47 of this Prospectus under the section “Dividend Policy”.

The Invitation is for 205,000,000 Invitation Shares offered in Singapore by way of public offer and placement comprising 10,250,000 Offer Shares and 194,750,000 Placement Shares (including 20,500,000 Reserved Shares) underwritten by UOB Asia.

The Issue Price is determined by us and the Vendors in consultation with the Manager, the Underwriter and the Placement Agent based on market conditions and estimated market demand for our Shares determined through a book-building process. The Issue Price is the same for all Invitation Shares and is payable in full on application.

Offer Shares

The Offer Shares are made available to the members of the public in Singapore for subscription and/or purchase at the Issue Price. The terms, conditions and procedures for application are described in Appendix J of this Prospectus.

In the event of an under-subscription for the Offer Shares as at the close of the Application List, that number of Offer Shares not subscribed for shall be made available to satisfy excess applications for the Placement Shares to the extent there is an over-subscription for the Placement Shares as at the close of the Application List.

In the event of an over-subscription for the Offer Shares as at the close of the Application List and/or the Placement Shares are fully subscribed as at the close of the Application List, the successful applications for the Offer Shares will be determined by ballot or otherwise as determined by our Directors and approved by the SGX-ST.

Pursuant to the terms and conditions contained in the Management and Underwriting Agreement signed between our Company, the Vendors, the Manager and the Underwriter dated 8 December 2003, the Underwriter has agreed to underwrite our Offer Shares. The Underwriter shall be at liberty to appoint one or more sub-underwriters for the Offer Shares.

Placement Shares (excluding Reserved Shares)

The Placement Shares (excluding Reserved Shares) are reserved for placement to members of the public and institutional investors in Singapore.

Application for the Placement Shares may only be made by way of application form. The terms and conditions and procedures for application are described in Appendix J of this Prospectus.

Pursuant to the terms and conditions in the Placement Agreement signed between our Company, the Vendors and the Placement Agent dated 8 December 2003, the Placement Agent agreed to subscribe for and/or procure subscribers for the Placement Shares at the Issue Price. The Placement Agent may, at its absolute discretion, appoint one or more sub-placement agents for the Placement Shares.

In the event of an under-subscription for the Placement Shares as at the close of the Application List, that number of Placement Shares not subscribed for shall be made available to satisfy excess applications for the Offer Shares to the extent that there is an over-subscription for the Offer Shares as at the close of the Application List.

Subscribers of Placement Shares (excluding Reserved Shares) may be required to pay a brokerage of 1.0 per cent. of the Issue Price.

Reserved Shares

To recognise contributions to our Group, we have reserved 20,500,000 Placement Shares for subscription by our Non-executive Directors (including Independent Directors), management, employees, business associates and those who have contributed to our success at the Issue Price. The employees who would be offered Reserved Shares include Ms Hung Han I, niece of Mr Yao Hsiao Tung and niece-in-law of Mdm Wong Huey Fang, Mr Yao Hsiao Kuang, brother of Mr Yao Hsiao Tung and brother-in-law of Mdm Wong Huey Fang and Ms Szeto Tzen, niece of Mdm Wong Huey Fang and niece-in-law of Mr Yao Hsiao Tung. These Reserved Shares are not subject to any moratorium and may be disposed off after the admission of our Company to the Official List of the SGX-ST. In the event that any of the Reserved Shares are not taken up, they will be made available to satisfy applications for the Placement Shares to the extent there is an over-subscription for the Placement Shares as at the close of the Application List or, in the event of an under-subscription for the Placement Shares as at the close of the Application List, to satisfy applications made by members of the public for the Offer Shares to the extent there is an over-subscription for the Offer Shares as at the close of the Application List.

Save as disclosed above, none of our substantial Shareholders or Executive Directors intend to subscribe for Shares in the Invitation.

None of the members of our Company's management or employees intend to subscribe for Shares in the Invitation amounting to more than 5% of the Invitation Shares.

We are not aware of any person who intends to subscribe for Shares in the Invitation amounting to more than 5% of the Invitation Shares. However, through a book-building process to assess market demand for our Shares, there may be person(s) who may indicate an interest to subscribe for Shares amounting to more than 5% of the Invitation Shares. If such person(s) were to make an application for Shares amounting to more than 5% of the Invitation Shares and subsequently be allocated or allotted such number of Shares, we will make the necessary announcements at an appropriate time.

Further, no Shares shall be allocated or allotted on the basis of this Prospectus later than six months after the date of registration of this Prospectus.

To our best knowledge and belief, the risk factors that are material to investors in making an informed judgement on us are set out below. Prospective investors should carefully evaluate each of the following considerations and all of the other information set forth in this Prospectus before deciding to invest in our Shares. If any of the considerations and uncertainties develops into actual events, our business, financial conditions or results of operations and prospects could be materially and adversely affected. In such a case, the trading price of our Shares could decline due to any of these considerations, and you may lose all or part of your investments. The major risk factors include, but are not limited to, the following factors.

RISKS RELATING TO OUR GROUP

We are dependent on existing major customers and are exposed to the risk of delays, claims, reductions or cancellations of orders from customers in general

We are dependent on 10 major customers, who on aggregate, accounted for approximately 80.3%, 73.9%, 83.6% and 79.6% of our revenue for FY2000, FY2001, FY2002 and the 6 months ended 30 June 2003 respectively. These major customers include Motorola, Braun, Siemens, Kodak, Maxtor, Seagate and Elcoteq. Please refer to pages 105 and 106 of this Prospectus under the Section on "Major Customers" for more detailed information. There can be no assurance that we will be able to retain these customers or continue to receive orders from them at current levels in the future. In addition, with the exception of some long term turnkey contracts from customers ranging from around two to four years, we typically have short-term orders or contracts from our customers.

Any material delay, cancellation, reduction and/or cessation of orders and/or claims for whatever reasons by any of our major and/or other customers e.g. reduced or lack of demand for the products of our customer(s), disruption in operations of our customer(s) may adversely affect our financial results. We have from time to time experienced temporary shut down of machines/production lines as a result of reduction/slowdown in orders from our customers including a temporary shut-down of Hi-P Xiamen's manufacturing plant for a period of approximately four (4) weeks. Furthermore, any claims made against us in respect of any of our products or services by any of our major and other customers for whatever reasons e.g. late delivery or quality defects may adversely affect our financial results. There was a S$1.3 million claim made against us by a major customer (fully settled in April 2003) in respect of a batch of defective mobile phone housings manufactured by us. A batch of defective mobile phone housings was returned by another major customer in November 2003 for which rework costs of approximately S$1 million have been provided for.

We are dependent on the telecommunications, consumer electronics & electrical, and data storage industries which are characterised by rapid technology changes and changing consumer preferences

The majority of our customers are corporations in the telecommunications, consumer electronics & electrical, and data storage industries which are characterised by rapid technological changes and changing consumer preferences, resulting in short product life cycles, technology obsolescence and evolving industry standards. For FY2002, our customers from the telecommunications, consumer electronics & electrical, and data storage industries accounted for approximately 47.1%, 32.8% and 16.6% of our revenue respectively. For the 6 months ended 30 June 2003, our customers from the telecommunications, consumer electronics & electrical, and data storage industries accounted for approximately 44.8%, 37.1% and 15.6% of our revenue respectively. In particular, our customers from the telecommunications industry accounted for approximately 49.7%, 49.1%, 47.1% and 44.8% of our revenue for FY2000, FY2001, FY2002 and the 6 months ended 30 June 2003 respectively. In order to meet our customers' demand for new products and to ensure operational efficiency, we need to continually invest in new machines and technology to upgrade and expand our manufacturing capacity and capabilities. If we are unable to cope with such advances in technology and correspondingly respond to our customers' requirements on a timely basis, demand for our services may decline and our financial results would be adversely affected.

We are exposed to the risks of stock obsolescence and price erosion of our stocks of materials

We generally run our production lines based on actual orders placed. However we generally order materials in advance based on the forecast schedules given by our customers and generally maintain safety stock levels of materials used in our manufacturing processes. This is mainly to ensure timeliness of delivery for customers' subsequent orders and to meet any increase in actual orders placed as well as to take advantage of any bulk discounts offered by our suppliers and to shorten the lead time required for our purchases of such materials.

We run the risk of excess stocks and stock obsolescence (raw materials, work-in-progress and finished goods) on account of the fast pace of technological changes in the industries that we service and/or other unforeseen changes in market demand for our customers' finished products. In such cases, our provisions for stock obsolescence would increase and our financial results will be adversely affected. Furthermore, in the event that the prices of certain anticipated orders are reduced and the cost of the available stocks are not correspondingly lowered, our financial results will be adversely affected if we are unable to claim the differential. The balances of our inventories as at 31 December 2002 and 30 June 2003 were approximately S$14.3 million and S$18.7 million respectively. Our provision for inventory obsolescence as at 31 December 2000, 2001, 2002 and 30 June 2003 were approximately S$1.5 million, S$1.3 million, S$0.3 million and S$0.6 million respectively. Our inventories written off for FY2000, FY2001, FY2002 and the 6 months ended 30 June 2003 were nil, approximately S$0.03 million, S$0.5 million and S$0.4 million respectively.

General economic policies/conditions, political and social conditions, and downturns in specific industries may affect our business

We are dependent on the telecommunications, consumer electronics & electrical, data storage, life sciences/medical and automotive industries. Any downturns which may occur in these industries and other industry(ies) which we may prospectively service, as a result of generally weak economic conditions and/or conditions specific to an industry (for instance excess supply) may have an adverse effect on our financial results. Changes in economic policies/conditions, and/or political and social conditions in the countries we operate in or market our products and services may also affect our financial results. For instance, should there be any protectionist measures against imports in any/some countries, this may affect our exports of products and services to such overseas markets.

We may be affected by the shortage of skilled personnel, increasing costs of labour and overheads

We recognise that there are competing demands for skilled personnel which in our case, are design and machining engineers and technicians, amongst manufacturers in our industry on a global basis. In the event that we are unable to hire adequate skilled personnel and are required to train new staff, the time required to train such personnel may affect our cost competitiveness at least in the short-term, which may in turn adversely affect our operations and financial results.

The relatively high cost of labour in Singapore has also resulted in a number of our customers shifting some of their production facilities to other cost-competitive locations. Nonetheless, our production lines servicing the data storage industry continue to be located in Singapore, as our Singapore plant has attained the core competency in addressing the market demand for high-quality precision plastic components which require high-level of technological know-how and facilities. However, in the future, other countries with significantly lower wage levels may be able to substantially improve their technological know-how and facilities and would thus be in a better position to compete with Singapore plants. We will continue to locate some of our new product introduction centres in high cost countries/regions such as Singapore, USA and Europe as these activities have to be close to our end customers. As far as our operations in general are concerned, increasing cost of labour may erode our profit margins and/or compromise our price competitiveness. For FY2000, FY2001, FY2002 and the 6 months ended 30 June 2003, our labour cost accounted for approximately 15.9%, 16.4%, 14.4% and 14.3% of our total cost of sales respectively.

Our overhead costs accounted for 24.1%, 24.6% and 25.5% of our Group's total costs of sales in FY2000, FY2001 and FY2002 and 18.8% for the 6 months ended 30 June 2003. Our profitability is partly dependent on our ability to manage and contain our overhead costs such as depreciation of plant and equipment, factory supplies, factory space costs, utilities, equipment rental, repairs and maintenance, freight and packaging expenses. In the event that we are unable to manage any increase in our overhead costs, this would adversely affect our financial results.

We may not be able to adequately cope with our expansion and overseas operations

As at the Latest Practicable Date, we have a total of 18 overseas subsidiaries and 14 overseas manufacturing plants located in the PRC (13) and Mexico (1). To ensure effective management and control over our overseas operations, we adopt a reporting structure whereby key positions are filled by qualified managers. Although we have been able to manage and control our existing overseas subsidiaries and manufacturing plants effectively, we cannot assure you that we will be able to continue to effectively manage our existing and new overseas subsidiaries and manufacturing plants in the future.

We intend to carry out our expansion through the set-up of new operations, expansion of existing facilities, mergers, acquisitions, joint ventures and/or strategic alliances, should any opportunities arise. Our continuing expansion may strain our resources including financial resources and may also overstretch our management personnel. We would also need to familiarise ourselves comprehensively with the relevant business requirements and conditions in the case of our overseas operations. Furthermore, we should be able to integrate any acquired companies/assets to our existing operations whilst limiting any integration costs and operational difficulties. If we are unable to successfully manage or integrate our expansion and/or our overseas operations, we may encounter operational and financial difficulties which may in turn adversely affect our operations and financial results.

We are dependent on sub-contractors for some of our manufacturing operations from time to time

Although we are able to undertake a wide range of manufacturing services, we outsource some of our MDF, PPIM, die design and fabrication, precision metal stamping production and ancillary value-added services to third-party sub-contractors from time-to-time. Generally, outsourcing enables us to rationalise our manufacturing schedules, take advantage of lower costs of production and reserve some of our manufacturing capacities to cater to ad-hoc or unanticipated increases in orders for high value-added products and services by our customers. Our decision to outsource would normally take into account factors such as the nature of the work to be done, terms with customers and sub-contractors and existing and planned plant capacity. Our sub-contract costs for the latest three financial years and the 6 months ended 30 June 2003 were as follows:-

	FY2000	**FY2001**	**FY2002**	**6 months ended 30 June 2003**
Sub-contract costs ($'million)	3.0	5.9	4.5	4.3
Percentage of cost of sales (%)	5.8	8.2	4.4	5.6

Although we have been able to negotiate or secure favourable terms with our sub-contractors in the past, there can be no assurance that we will be able to continue to do so in the future. If the costs of sub-contracting increase significantly and we are unable to pass on such cost increases to our customers or the corresponding increase in price to customer leads to overall reduction in orders, our financial results will be adversely affected. Furthermore, there is no assurance on the availability of such sub-contract services as and when we require them. There is also no assurance that the services supplied by our sub-contractors will meet our quality control requirements. In such case, our operations and financial results may be affected.

We are subject to foreign exchange risk

Our sales are denominated mainly in US$, RMB and SGD. On the other hand, our cost of sales (which includes material cost, labour cost and overheads) are mainly in US$, RMB and SGD as well as other currencies such as the Euro and MPeso. Furthermore, there may be an exchange rate differential when a transaction, for instance a sale, is first recorded or invoiced and at the time of receipt of payment. To the extent that our sales and cost of sales are not naturally matched in the same currencies and to the extent that there are timing differences between invoicing and collection/payment, any significant adverse fluctuations in foreign exchange rates will have a negative impact on our financial results.

Any fluctuation in the currency exchange rates may also result in translation differences on consolidation as SGD is our reporting currency. Any such translation differences will be recorded as translation reserves or deficits as part of our shareholders' equity.

For FY2002, approximately 38.1%, 56.9% and 4.6% of our revenue were denominated in USD, RMB and SGD respectively. For the 6 months ended 30 June 2003, approximately 52.4%, 44.6% and 2.8% of our revenue were denominated in USD, RMB and SGD respectively. For FY2002, approximately 16.5%, 58.6% and 18.0% of our cost of sales were denominated in USD, RMB and SGD respectively. For the 6 months ended 30 June 2003, 16.2%, 60.7% and 18.1% of our cost of sales were denominated in USD, RMB and SGD respectively.

Although we currently do not have a formal hedging policy, our Directors are of the opinion that our foreign currency exposure is manageable. We will continue to monitor our foreign currency exposure in the future and may establish a formal hedging policy should the need arise. However, we cannot assure you that our efforts will successfully enable us to hedge effectively against any and all foreign currency fluctuations.

Please refer to page 46 of this Prospectus under the Section on "Foreign Currency Exposure" and note A.5.27 (a) of Audited Consolidated Financial Statements for FY2000, FY2001 and FY2002 on page A-31 for detailed information.

We are dependent on our ability to retain/groom key personnel

Our continued success is dependent to a significant extent on our ability to retain the services of our key management and operational personnel. The loss of certain key personnel and the failure to attract qualified replacements on a timely basis may have an adverse impact on our operations and financial results.

We are subject to fluctuations in prices of and possible shortages in the supply of materials used in our manufacturing processes

The main materials used in our manufacturing processes include resins (for PPIM), steel (for MDF), components (for Assembly) and metal sheets or coils (for precision metal stamping production). Material cost accounted for approximately 60.0%, 59.0%, 60.1% and 66.9% of our cost of sales for FY2000, FY2001, FY2002 and the 6 months ended 30 June 2003 respectively. We are therefore vulnerable to fluctuations in the prices of materials used in our manufacturing processes. In particular, the industry has in the past experienced significant increases in the prices of metal sheets or coils due mainly to fluctuations in the market prices of metals such as copper, nickel and aluminium. The prices of steel used in our manufacturing processes in the PRC may also be affected in the event that our suppliers of steel in the PRC are required to pay higher taxes for import of steel exceeding the quota imposed by the PRC. Any significant increase in the prices of materials used in our manufacturing processes which cannot be passed on to our customers by way of a price increase will adversely affect our financial results. Alternatively, if there is a reduction in the demand levels for our customers' finished products as a result of a price increase due to increases in the prices of such materials, our financial results will be adversely affected.

We also face the risk of possible shortages in the supply of materials used in our manufacturing processes either due to delivery delays, procurement lead times as well as lack of qualified suppliers. In particular, resins and metal sheets or coils are specialised materials which normally require customisation to suit a particular product and can only be processed by qualified specialist suppliers. The lead time required to produce resins and metal sheets or coils may not be fast enough to meet our production demand given that the corresponding demand for our products by our customers often requires a fast production and delivery time. In addition, we have to ensure that we are able to plan ahead the appropriate stock levels of resins and metal sheets or coils in order to meet our sales orders. In the event that we are unable to source the required resins or metal sheets or coils in time for us to meet our delivery commitments, our customers may cancel the order and/or require compensation for any losses arising from our inability to meet the delivery commitment. In such cases, our financial results may be adversely affected.

We face intense competition in our business areas

The precision plastic business, assembly business and precision metal stamping business are support services for many OEM businesses and are highly competitive business areas. Despite what we believe are high barriers of entry such as high initial set-up cost, technology know-how and established client base, the opportunities in our business areas present an attraction for new players. Our success depends on our ability to generate and nurture customer patronage and loyalty mainly by consistently offering quality products and services at competitive prices and reliable delivery time. Should our competitors offer any better-quality products or services, better pricing and/or shorter delivery time, our sales and market share will be adversely affected. Stiff competition and overall decline in demand for our products and services may also exert a downward pressure on our prices and erode our profit margins. As a result, our financial results will be adversely affected. Please refer to pages 106 and 107 of this Prospectus under the Section on “Competition” for detailed information.

Our operations of our manufacturing plants may be disrupted by labour-related and/or technical problems

At present our employees in our various locations other than in Mexico are not unionised. In our Mexico plant, we have one labour union i.e. “Sindicato de Trabajadores en Ensamble y Manufacturas Industriales de Jalisco” with which our relationship has been manageable. As part of our move to scale down Hi-P Mexico’s operation in FY2002, we terminated the services of some of our employees in Mexico. This has resulted in two (2) calls for unionised strikes which were subsequently settled by Hi-P Mexico and did not disrupt the operations of our manufacturing plant in Mexico. As at the Latest Practicable Date, we have a total of 93 personnel in Mexico, of which 76 are unionised. For such employees, we entered into a collective bargaining agreement with the abovementioned labour union, which was signed in June 1999 and is automatically renewed with consensus between the Company and the labour union, taking into account a Federal government recommended annual cost of living increase. Such an agreement may in the future limit our ability to contain increases in our labour costs as our ability to control our future labour costs depends partly on the outcome of our wage negotiations with our staff. Furthermore, any future collective bargaining agreements may lead to further increases in our labour costs. Although, our employees in Singapore and the PRC are currently not unionised, there can be no assurance that they will continue to be as such. We cannot provide any assurance that we will not be affected by any interruptions to the operations of our existing manufacturing plants or new manufacturing plants that we may set up in the future. Any disruptions to our manufacturing plants as a result of labour-related disturbances could affect our ability to meet our delivery and efficiency targets. This would have an adverse effect on our customer relationships and our financial results.

Our manufacturing plants may also encounter disruptions in operations as a result of technical problems. In such event, our operations and hence, our financial results, may be adversely affected.

We are dependent on existing major suppliers

We are dependent on existing major suppliers for the supply of materials used in our manufacturing processes (namely resin, steel, components, paint and metal sheets or coils) and services. Purchases from 7 major suppliers accounted for approximately 39.4%, 28.2%, 19.0% and 16.4% of our purchases for FY2000, FY2001, FY2002 and the 6 months ended 30 June 2003 respectively. The involuntary or unexpected loss of any of these major suppliers will disrupt our supplies and have an adverse impact on our operations and financial results. Please refer to page 106 of this Prospectus under the Section on "Major Suppliers" for detailed information on our major suppliers.

Furthermore, there can be no assurance that these major suppliers will continue to fulfil our needs and expectations in terms of cost and quality. In the event that any of these suppliers is not able to fulfil our requirements, we may incur costs in switching to new suppliers which may disrupt our operations and may adversely affect our financial results.

We are exposed to credit risks of our customers.

We are exposed to credit risks of our customers. Our trade receivables balances as at 31 December 2002 and 30 June 2003 were approximately S$35.6 million and S$38.8 million respectively. These accounted for approximately 52.6% and 51.9% of our current asset balances as at 31 December 2002 and 30 June 2003 respectively. Our average receivables turnover for FY2000, FY2001, FY2002 and the 6 months ended 30 June 2003 were 59 days, 64 days, 71 days and 65 days. Our provisions for doubtful debts as at 31 December 2000, 2001, 2002 and 30 June 2003 were approximately S$0.6 million, S$1.1 million, S$0.8 million and S$1.0 million respectively. Bad debts written off against provision in FY2000, FY2001, FY2002 and the 6 months ended 30 June 2003 amounted to approximately S$0.4 million, nil, nil and S$0.2 million respectively.

We are unable to assure you on the timeliness of our customers' payments and whether they will be able to fulfil their payment obligations. Defaults in payment by our customers may adversely affect our operations and financial results. Please refer to pages 102 and 103 of this Prospectus under the Section on "Credit Control Policy" for more details.

We are in a similar industry as our substantial shareholder, Molex

Molex, a subsidiary of the US-based and NASDAQ-listed MNC, Molex Incorporated, is a substantial shareholder of our Company. Our Non-executive Director, Mr Yeo Tiong Eng is the Regional Financial Director of Molex Far East South Management Pte Ltd which is also a subsidiary of Molex. Please refer to pages 148 to 153 of the Prospectus for the section on "Interested Person Transactions and Conflicts of Interests" for more details.

The principal activities of Molex include the design, manufacture and distribution of electronics, electrical and fibre optic interconnection products and systems, in particular connectors which are used in various electrical and electronic products such as phone terminals and computers. In the manufacture of connectors, Molex also undertakes in-house MDF and PPIM. Some of its MDF and PPIM requirements are sub-contracted to our Group. Although Molex has generally the same MDF and PPIM capability as us, the molds manufactured by Molex, as at the Latest Practicable Date, have only been used in-house and are not on-sold to external customers.

Molex is also involved in precision plastic injection molding and precision metal component stamping and utilises precision plastic injection molding and generic stamping equipment which are also used in our precision plastic injection molding and metal component stamping processes. However, the metal component stamping processes undertaken by Molex are specific to the manufacture of connectors. Molex also supplies its products, which are mainly connectors to some of our customers.

There is, however, no assurance that Molex will not compete with us in future. Should such an event happen, our financial results may be adversely affected.

We are/may be required to obtain and/or maintain quality/product certifications for certain markets

In some countries, certain certifications for products with regard to specifications/quality standards are necessary or preferred in order for these products to be accepted by customers/markets. An example of such a requirement that is applicable to us is the UL certification in respect of certain exports to the USA. Another example is the ISO 13488 which is a requirement in respect of medical devices sold to Canada and USA. As such, we must be able to obtain and/or maintain the relevant certifications so that our customers are able to sell their products, which are manufactured by us, in these countries. If we are unable to meet and/or maintain the requirements needed to secure or renew such certifications, our financial results may be adversely affected.

We had experienced negative working capital position and we are reliant on bank loans to finance our investments in our subsidiaries

We substantially funded our investments in our subsidiaries through short-term bank loans and other sources of funds made available through short-term liabilities such as trade payables to purchase machines for our operations. In view of this, we experienced negative working capital position of approximately S$0.4 million, S$5.2 million, S$5.9 million as at 31 December 2000, 31 December 2001 and 31 December 2002 respectively. As at 30 June 2003, we have a positive working capital position of approximately S$1.9 million.

Despite the fluctuations in our working capital position, we have remained profitable and our overall cash and cash equivalent position as at the end of the last three financial years ended 31 December 2002 and the 6 months ended 30 June 2003 have remained consistently positive (please refer to pages 61 to 82 of this Prospectus under the Section on “Management’s Discussion and Analysis of Financial Condition and Results of Operations”). However, there can be no assurance that any fluctuations in our working capital position in the future will not have a negative impact on our operations and financial results.

We are subject to a variety of environmental laws and regulations in the PRC

The spray-painting equipment used by three subsidiaries in Shanghai, Tianjin and Qingdao will produce harmful gas which may cause adverse impact on the air quality. An environment impact report on each of the three spray printing projects is required to be prepared by an authorized institution conducting environment impact valuation, which is subject to the approval from the PRC environmental protection authorities.

Hi-P Tianjin has completed the environment impact report through the Tianjin Institute of Sciences for Environmental Protection and has obtained the approval from the Environmental Protection Bureau of Tianjin Technological and Economic Development Area. Hi-P Precision Plastic has also completed the environment impact report through Tongji University Institute of Sciences of Environmental Protection of the State Administration of Environmental Protection and has obtained the approval from Shanghai Pudong Bureau of Environmental Protection. Hi-P Qingdao has completed its environmental report through Qingdao Institute of Sciences of Environmental Protection and has obtained the approval from Qingdao Municipal Bureau of Environmental Protection. We also intend to procure such report and approval for the spray painting line that we intend to set up in Suzhou. In the event that these companies fail to procure the environment impact reports/forms, the environmental protection authorities can order them to procure the relevant report within a definite time. If these companies still fail to procure the reports, they may be ordered to stop carrying out spray printing activities.

We had experienced losses for our Mexico operations since FY1998

For our Mexico operations, we have a manufacturing plant in Guadalajara, under Hi-P Mexico which services primarily the US electronics market. The revenue contribution to our Group from Hi-P Mexico for FY2000, FY2001, FY2002 and the 6 months ended 30 June 2003 was 10.8%, 6.0%, 2.9% and 4.9% respectively. For FY2000, FY2001 and FY2002, Hi-P Mexico incurred net losses totalling approximately MXN5.1 million (S$0.9 million), MXN18.0 million (S$3.5 million) and MXN13.1 million (S$2.4 million) respectively. Hi-P Mexico also incurred net losses in FY1998 and FY1999.

For the 6 months ended 30 June 2003, Hi-P Mexico reported net income of MXN2.7 million (S$0.4 million). We intend to retain our manufacturing base in Mexico and to continue to pursue business opportunities in USA and the other parts of the Americas. We are undertaking efforts to make our Mexico operations viable. However, we cannot provide any assurance that Hi-P Mexico's operations will continue to remain profitable in the future.

Our Group may not be able to achieve our forecast

This Prospectus contains our Group's forecast for our financial year ending 31 December 2003. Our unaudited group financial results for the 6 months ended 30 June 2003 has been included in the Prospectus. There is no assurance that our Group will achieve our forecast and investors are cautioned not to place undue reliance on our Group's forecast set out in this Prospectus. The forecast should be read in conjunction with the rest of the Prospectus including the bases and assumptions, the description and discussions of our business, the risk factors set out herein, our prospects, strategies, future plans, other forward-looking statements and historical financial information.

Our operations may be affected by the spread of Severe Acute Respiratory Syndrome ("SARS") and other communicable diseases

The spread of SARS in the first half of 2003 affected regional businesses. Several countries, including those in which we currently operate such as the PRC and Singapore, had reported cases of SARS. In the event of a recurrence of SARS and/or other communicable diseases, there is no guarantee that Singapore, the PRC and any other countries in which we operate, either now or in the future, will not be affected. In addition, if any employee in any of our facilities or the facilities of our suppliers and customers is/are infected with such diseases, we or our suppliers or customers may be required to shut down the affected facility to prevent the spread of the disease, and our operations and financial results will be adversely affected.

We may be affected by terrorist attacks and other events/calamities

Our plant operations and customers are located in various countries e.g. the PRC, Mexico, Singapore, US, Europe, Malaysia, Thailand and other parts of Asia. Risk of terrorism-related activities such as the attack in US on 11 September 2001 and the Bali bombing in October 2002 has heightened. Besides terrorist attacks, other events/calamities beyond our control may substantially damage our physical assets and may disrupt or cause a cessation in our operations, and/or adversely affect our customers' businesses which may in turn affect their orders from us. This may adversely affect our financial results.

We are exposed to risk of loss from fire, theft and natural disasters

We face the risk of loss/damage to our properties, machinery and inventories due to fire, theft and natural disasters such as earthquakes and floods. Such events may cause a disruption or cessation in our operations, and thus adversely affect our financial results.

Whilst our insurance policies cover some losses in respect of damage/loss of our properties, machinery and inventories, our insurance may not be sufficient to cover all of our potential losses. In the event such loss exceeds the insurance coverage or is not covered by the insurance policies we have taken up, we may be liable to cover the amounts claimed.

RISKS RELATING TO THE PRC

As revenue generated from our customers in the PRC accounted for approximately 48.4%, 55.2%, 58.9% and 55.2% of our revenue for FY2000, FY2001, FY2002 and the 6 months ended 30 June 2003 respectively and the majority of our manufacturing plants are located in the PRC, we face the risks of conducting business in the PRC.

Economic conditions of the PRC are subject to uncertainties that may arise from changes in government policies and social conditions

The PRC government has undergone various reforms of its economic systems which have resulted in economic growth for the PRC in the last two decades. However, some of the reforms are unprecedented or experimental, and are expected to be refined and modified from time to time. Other political, economic and social factors may also lead to further readjustment of the reform measures. This refinement and readjustment process may consequently have a material adverse impact on our operations in the PRC and on our financial performance. Our financial results may be adversely affected by changes in the PRC's political, economic and social conditions and by changes in policies of the PRC government or changes in laws, regulations or the interpretation or implementation thereof.

We face risks associated with the introduction of new laws or changes to existing laws by the PRC government

Our business and operations in the PRC are governed by the legal system of the PRC. The PRC legal system is a codified system with written laws, regulations, circulars, administrative directives and internal guidelines. The PRC government is still in the process of developing its legal system, so as to meet the needs of investors and to encourage foreign investment. As the PRC economy is undergoing development generally at a faster pace than its legal system, some degree of uncertainty exists in connection with whether and how existing laws and regulations will apply to certain events or circumstances. Some of the laws and regulations, and the interpretation, implementation and enforcement thereof, are still at an experimental stage and are therefore subject to policy changes. Further, precedents on the interpretation, implementation and enforcement of the PRC laws and regulations are limited, and court decisions in the PRC do not have any binding effect on lower courts. Accordingly, the outcome of dispute resolution may not be as consistent or predictable as in other more developed jurisdictions and it may be difficult to obtain swift and equitable enforcement of the laws in the PRC, or to obtain enforcement of a judgement by a court or another jurisdiction.

We are exposed to PRC foreign exchange control

Our PRC subsidiaries are subject to the PRC rules and regulations on currency conversion. In the PRC, the State Administration for Foreign Exchange ("SAFE") regulates the conversion of the RMB into foreign currencies. Currently, foreign investment enterprises ("FIEs") are required to apply to SAFE for "Foreign Exchange Registration Certificates for FIEs". All of our PRC subsidiaries are FIEs. With such registration certifications (which need to be renewed annually), FIEs are allowed to open foreign currency accounts including the "basic account" and "capital account". Currently translation within the scope of the "basic account" (e.g. remittance of foreign currencies for payment of dividends, etc.) can be effected without requiring the approval of SAFE. However, conversion of currency in the "capital account" (e.g. for capital items such as direct investments, loans, securities, etc.) still required the approval of SAFE. Please refer to pages 154 and 155 of this Prospectus under the Section on "Exchange Controls" for further details.

Although we have, to date, not experienced difficulties in meeting our foreign exchange requirements, there can be no assurance that the current foreign exchange regulations will not be changed to our detriment. As such, there can be no assurance that we will be able to continue to satisfy our foreign exchange requirements should such foreign exchange regulations be changed.

We currently enjoy tax incentives which we may not enjoy in the future

In accordance with the "Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises ("FIEs")", our subsidiaries in the PRC (except Hi-P Qingdao) are entitled to full exemption from Enterprise Income Tax of 15% ("EIT") for the first two years and a 50% reduction in EIT for the next three years, commencing from the first profitable years after offsetting all tax losses carried forward from the previous five years. Hi-P Qingdao is entitled to full exemption from EIT of 24% for the first two years of operations and a 50% reduction in EIT for the next 3 years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous five years. Please refer to pages 62 and 63 of this Prospectus under the Section on "Management's Discussion and Analysis of Financial Condition and Results of Operations" for details of tax rates applicable to each of our PRC subsidiaries.

Upon expiry of the tax relief period, all the PRC subsidiaries, with the exception of Hi-P Qingdao, will be subjected to a reduced tax rate of 15% as they qualify as foreign investments established in Special Economic Zones or Economic and Technology Zones. In the case of Hi-P Qingdao, the subsidiary will be subjected to a tax rate of 24%. In the event of any total or partial removal of such tax benefits, our PRC subsidiaries may be subject to the full state income tax rate and local income tax rates (based on current tax regulations) on profits made and hence, there will be an adverse impact on our financial results.

Currently, there are also tax allowances, tax rebates and exemption given to our Group that allow us to enjoy a rate of tax that is lower than the Singapore corporate tax rate.

Any changes to the current tax incentives and/or tax laws in the jurisdictions of any of the companies in the Group would affect the tax payable by our Group and correspondingly the financial results of our Group.

We face the risk of possible increase in competition following the PRC's entry into the World Trade Organisation ("WTO")

The PRC has gained entry into the WTO. Our Directors believe that trade tariffs and import controls of foreign goods into the PRC may be lowered or removed over time pursuant to the entry. A lowering of import tariffs and barriers will intensify competition and may force us to lower prices of our products and services. In the event that we are forced to lower our prices, our profit margins will be reduced, and our financial results will be adversely affected.

RISKS RELATING TO MEXICO

General economic policies/condition, political and social conditions of Mexico are subject to uncertainties

Mexico's economy is dependent on the economic conditions prevailing in the US as a result of NAFTA and the geographical situation of the two countries. In the past, any decrease of the economic activity in the United States may adversely impact the economy in Mexico. These types of changes may impact the operations and business of the Company.

Also, our financial results may be adversely affected by changes in Mexico's political, economic and social conditions and by changes in policies of the government of Mexico, or changes in laws, regulations or the interpretation or implementation thereof.

Please refer to the risk factor "Our operations of our manufacturing plants may be disrupted by labour-related and/or technical problems" on page 35 for specific labour-related risk in respect of Hi-P Mexico.

RISKS RELATING TO OUR SHARES

Our Shares have never been publicly traded and there may not be an active or liquid market for our Shares

Prior to the Invitation, there has not been a public market for our Shares. Although we have made an application to the SGX-ST to list our Shares on the SGX-ST, there is no assurance that an active trading market for our Shares will develop or if it develops, will be sustainable. There is also no assurance that the market price for our Shares will not decline below the Issue Price. The market price of our Shares could be subject to significant fluctuations as investors' sentiments may be affected by external factors such as the outbreak of war, escalation of hostilities or outbreak of infectious diseases (whether in Singapore, the PRC or elsewhere). Other factors including the liquidity of our Shares in the market, difference between our actual financial or operating results and those expected by investors and analysts, the general market conditions and broad market fluctuations may also result in significant fluctuations in the market price of our Shares.

Our Share price may be volatile and this may affect your Investment in our Shares

An active market may not develop or if it develops, may not be sustained following this Invitation. You may not be able to sell your Shares at or above the Issue Price. Our Share price may be volatile and may fluctuate significantly and rapidly in response to, *inter alia*, the following factors, some of which are beyond our control:-

- Changes in our financial results;
- Changes in securities analysts' estimates of our financial performance;
- Changes in market valuation of similar companies;
- Announcements by our competitors or ourselves of gain or loss of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;
- Additions or departures of key personnel;
- Fluctuations in stock market price and volume; or
- Any involvement in litigation

We will be affected by future sales of our Shares which may adversely affect our Share price

Any future sale or availability of Shares can have a downward pressure on our Share price. The sale of a significant number of Shares in the public market after the Invitation, or the perception that such sales may occur, could adversely affect the market price of our Shares. These factors also affect our ability to sell additional equity securities. Except as otherwise described on pages 146 and 147 of this Prospectus under the Section on "Moratorium", there are no restrictions imposed on our substantial shareholders to dispose of their shareholdings after the Invitation.

New investors will incur immediate dilution and may experience further dilution

The Issue Price of our Shares is substantially higher than our NTA per Share as at 30 June 2003 based on the post-Invitation issued share capital of 887,000,000 Shares. If we were liquidated based on NTA immediately following the Invitation, each shareholder subscribing to the Invitation would receive less than the price they paid for their Shares. Details of the immediate dilution of our Shares incurred by new investors are described on page 55 of this Prospectus under the Section on "Dilution". In addition, we intend to grant our Executive Directors and employees options to acquire our Shares under the Hi-P Employee Share Option Scheme. To the extent that such options are ultimately exercised, there will be further dilution to investors participating in the Invitation. Further details of the Share Option Scheme are described on pages 137 to 143 of this Prospectus under the Section on "Hi-P Employee Share Option Scheme".

Mr Yao Hsiao Tung, a substantial shareholder of our Company, will retain majority control over our Group after the Invitation, which will allow him to influence the outcome of matters submitted to shareholders for approval; Molex may acquire majority control in the event it exercises its pre-emptive rights on the shares of Mr Yao Hsiao Tung

Upon the completion of the Invitation, our Executive Chairman and Chief Executive Officer, Mr Yao Hsiao Tung, will own in aggregate 492,485,200 Shares representing approximately 55.5% of our Company's post-Invitation share capital. Mr Yao Hsiao Tung intends to subsequently transfer approximately 10% of his shareholding in our Company after the Invitation to an investment holding company wholly-owned by his wife, Mdm Wong Huey Fang, who is the Executive Director of our Company. It is also the intention of Mr Yao Hsiao Tung to subsequently transfer all or part of the balance of his shareholding to one or more investment holding companies wholly-owned by him. He may in future explore the establishment of trust(s) or foundation(s) in respect of these shareholding interests. Mr Yao Hsiao Tung would thus still be deemed as having an interest in approximately 55.5% of our Company's post-Invitation share capital and would thus be able to exercise significant influence over all matters requiring shareholders' approval, including the election of Directors and the approval of significant corporate transactions. Mr Yao Hsiao Tung will also have veto power with respect to any shareholder action or approval requiring a majority vote except where he is required by the rules of SGX-ST Listing Manual to abstain from voting. Such concentration of ownership may also have the effect of delaying, preventing or deterring a change in control of our Group which may potentially benefit our shareholders.

Molex will have 20.4% shareholding in our Company post-Invitation. Pursuant to the shareholders' agreement between Mr Yao Hsiao Tung and Molex as discussed in the section "Moratorium' on pages 146 and 147 of this Prospectus, both parties have a pre-emptive right on each other's shares in the event of sale, transfer, or disposal of their respective interests in our Company during certain specified periods. In the event such pre-emptive right is exercised by Molex to the extent that its shareholding in our Company exceeds 50%, Molex may acquire majority control of our Company and will also be required under the Singapore Code on Take-overs and Mergers (the "Code") to make a general offer for all our Shares ("General Offer"). Furthermore, in the event Molex acquires additional shares in our Company such that it holds 30% or more of the voting rights in our Company, Molex will also be required under the Code to make a General Offer. Please refer to the section "Moratorium" on pages 146 and 147 of this Prospectus for more details.

Negative publicity which includes those relating to any of our Directors, Executive Officers or substantial Shareholders may adversely affect our Share price

Negative publicity or announcement relating to any of our Directors, Executive Officers or substantial Shareholders may adversely affect the market perception or the stock performance of our Company, whether or not it is justified. Examples of these include unsuccessful attempts in joint ventures, acquisitions, takeovers or involvement in insolvency proceedings etc. However, our Directors are of the view that we are not vulnerable in any material way to any other factors which can be reasonably anticipated apart from the risk factors listed above and the general business and economic conditions to which all commercial businesses are exposed to. To the best of our Directors' knowledge and belief, none of our substantial Shareholders are presently involved in any insolvency proceedings.

Issue Price	:	$0.57

Net Tangible Assets ("NTA")

NTA per Share based on the audited consolidated balance sheet of our Group as at 31 December 2002 adjusted for the Bonus Issue and Stock Split as disclosed on page 48 of this Prospectus:-

(a)	before adjusting for the estimated net proceeds from the issue of the New Shares and based on the pre-Invitation issued share capital of 736,000,000 Shares	:	10.19 cents
(b)	after adjusting for the estimated net proceeds from the issue of the New Shares and based on the post-Invitation issued share capital of 887,000,000 Shares	:	17.72 cents

Premium of Issue Price over NTA per Share as at 31 December 2002:-

(a)	before adjusting for the estimated net proceeds from the issue of the New Shares and based on the pre-Invitation issued share capital of 736,000,000 Shares	:	459.37%
(b)	after adjusting for the estimated net proceeds from the issue of the New Shares and based on the post-Invitation issued share capital of 887,000,000 Shares	:	221.67%

Earnings

Historical net EPS for FY2002 based on the pre-Invitation issued share capital of 736,000,000 Shares	:	2.43 cents
Historical net EPS for FY2002 based on the pre-Invitation issued share capital of 736,000,000 Shares and assuming that the Service Agreement terms for FY2004(1) (as set out on pages 135 and 136 of this Prospectus) had been in place from the beginning of FY2002	:	2.36 cents
Forecast net EPS based on the forecast profit after tax for FY2003 as disclosed on page 81 of this Prospectus and the weighted average issued share capital of 742,291,667 Shares(2)(3)	:	4.74 cents

Price Earnings Ratio

Historical PER based on the Issue Price and the historical net EPS for FY2002	:	23.46 times
Historical PER based on the Issue Price and the historical net EPS for FY2002 and assuming that the Service Agreement terms for FY2004(1) (as set out on pages 135 and 136 of this Prospectus) had been in place from the beginning of FY2002	:	24.15 times
Forecast PER for FY2003 based on Issue Price and the forecast net EPS for FY2003 and the weighted average share capital of 742,291,667 Shares(2)(3)	:	12.03 times

Net Operating Cash Flow(4)

Historical net operating cash flow per Share for FY2002 based on the pre-Invitation issued share capital of 736,000,000 Shares	:	3.77 cents

Historical net operating cash flow per Share for FY2002 based on the pre-Invitation issued share capital of 736,000,000 Shares and assuming that the Service Agreement terms for FY2004[(1)] (as set out on pages 135 and 136 of this Prospectus) had been in place from the beginning of FY2002	:	3.69 cents
Forecast net operating cash flow per Share for FY2003 based on the weighted average issued share capital of 742,291,667 Shares[(2)(3)]	:	6.58 cents

Price to Net Operating Cash Flow Ratio

Historical price to net operating cash flow per Share based on the Issue Price and the historical net operating cash flow per Share for FY2002 and the pre-Invitation share capital of 736,000,000 Shares	:	15.12 times
Historical price to net operating cash flow per Share based on the Issue Price and the historical net operating cash flow per Share for FY2002 and assuming that the Service Agreement terms for FY2004[(1)] (as set out on pages 135 and 136 of this Prospectus) had been in place from the beginning of FY2002	:	15.45 times
Forecast price to net operating cash flow per Share based on the Issue Price and the forecast net operating cash flow per Share for FY2003[(3)]	:	8.66 times

Market Capitalisation

Market capitalisation based on the Issue Price of $0.57 per Share and post-Invitation issued share capital of 887,000,000 Shares	:	$505.59 million

Notes:-

(1) In terms of annual salary and fixed bonus. Performance bonus is based on 3% of our Group's FY2002 consolidated profit before tax and minority interest excluding extraordinary items.

(2) Weighted average issued share capital is computed based on the assumption that the New Shares will be issued in mid December 2003 [i.e. (736,000,000 pre-Invitation share capital X 11.5 months + 887,000,000 post-Invitation share capital X 0.5 month)/12 months].

(3) The profit forecast for FY2003 has taken into account the terms in the Service Agreement as set out in pages 135 and 136 of this Prospectus.

(4) Net operating cash flow is defined as net profit after tax attributable to shareholders with depreciation expense added back.

The net proceeds from the issue of the New Shares represent the amount that we will receive after payment of professional fees, underwriting and placement commissions and other transaction expenses related to the Invitation. The net proceeds from the issue of the New Shares of approximately S$82.19 million will be used as follows:-.

(i) approximately S$25.0 million to finance the purchase of additional machines for the expansion of our MDF and PPIM businesses, in existing manufacturing plants in the PRC, Singapore and Mexico;

(ii) approximately S$15.0 million to finance the set-up of a new manufacturing plant in Suzhou;

(iii) approximately S$10.0 million to finance the purchase of machines and equipment to expand the range and capacities of our ancillary value added services in our existing manufacturing plants;

(iv) approximately S$5.0 million to finance the expansion of our Precision Metal Stamping Business;

(v) approximately S$3.0 million for our R&D undertakings;

(vi) approximately S$3.0 million to fund the extension of our ERP system to certain other existing companies in our Group (please refer to page 125 of this Prospectus under the Section on "Future Plans" for further details on our ERP System);

(vii) approximately S$2.0 million to fund possible strategic investments, joint-ventures, acquisitions and/or strategic alliances, where the opportunities arise, failing which the funds will be used for our working capital requirements;

Any remaining financing requirements in respect of the investments highlighted above will be funded mainly through internally generated funds and supplemented by bank borrowings.

(viii) approximately S$5.0 million to repay bank borrowings from UOB (please refer to page 53 of this Prospectus); and

(ix) the balance of approximately S$14.19 million to be used for working capital.

Pending the deployment of the net proceeds from the issue of the New Shares as aforesaid, the funds may be used as working capital for our Group or be placed in short-term deposits or money market or debt instruments as our Directors may deem fit. In our Directors' opinion, no minimum amount must be raised from the Invitation.

FOREIGN CURRENCY EXPOSURE

The reporting currency of our Group is S$. Companies within our Group maintain their books and records in their respective functional currencies. The functional currencies of our subsidiaries established in the PRC, USA, Finland and Mexico are RMB, USD, Euro, and MPeso respectively.

Transactions in currencies other than the functional currencies during the years are translated into the respective functional currencies at exchange rates in effect at the date of the transactions. Monetary assets and liabilities denominated in currencies other than the functional currencies at the balance sheet date are translated into the respective functional currencies at the exchange rates in effect at the balance sheet date. Exchange gains and losses are dealt with in the profit and loss accounts of our individual subsidiaries.

Upon consolidation, the financial statements of our subsidiaries whose functional currencies are currencies other than S$ are translated into S$. Assets and liabilities of our subsidiaries are translated into S$ at the exchange rates in effect at the balance sheet date. All profit and loss accounts are translated using average exchange rates for the period. Share capital is translated at the historical rates and the exchange differences arising on translation are included in the foreign currency translation reserves.

Our sales and cost of sales are mainly denominated in US$, RMB and S$. For FY2002, 38.1%, 56.9% and 4.6% of our revenue were denominated in US$, RMB and S$ respectively. For the 6 months ended 30 June 2003, 52.4%, 44.6% and 2.8% of our revenue were denominated in US$, RMB and S$ respectively. For FY2002, 16.5%, 58.6% and 18.0% of our cost of sales were denominated in US$, RMB and S$ respectively. For the 6 months ended 30 June 2003, 16.2%, 60.7% and 18.1% of our cost of sales were denominated in US$, RMB and S$ respectively. Fluctuations in the exchange rates between RMB and US$ against S$ would therefore have an impact on our profitability.

Currently, we do not have a formal foreign exchange hedging policy as our Directors are of the opinion that our foreign currency exposure is manageable. We will continue to monitor our foreign currency exposure and we may establish a formal hedging policy should the need arise in the future. The impact of foreign exchange currency fluctuations on our financial performance over the latest 3 financial years and the 6 months ended 30 June 2003 was as follows:-

$'000	**FY2000**	**FY2001**	**FY2002**	**6 months ended 30 June 2002**	**6 months ended 30 June 2003**
Foreign exchange gains/(losses)	635	1,560	(1,524)	(858)	(111)
% of profit before tax (%)	3.6	13.2	(7.5)	(15.1)	0.7

DIVIDEND POLICY

Dividends paid by our Company for FY2000, FY2001, FY2002 and the 6 months ended 30 June 2003 were as follows:-

S$'000	FY2000	FY2001	FY2002	6 months ended 30 June 2003
Final dividend in respect of previous financial year	300.0	226.5	234.0	234.0
Dividend per Share (cents)	75.0	1.63	1.63	1.63
Tax rate	Tax exempt	24.5%	22.0%	22.0%

Our Company currently does not have any formal dividend policy. The form, frequency and amount of future dividends on our Shares will depend on our operating results, financial condition such as our cash position and retained earnings, other cash requirements including capital expenditure, the terms of our borrowing arrangements (if any), and other factors deemed relevant by our Directors. Past dividend payments by our Group should not be taken as an indication of dividends to be paid by us in the future.

We may declare annual dividends with the sanction of the Shareholders in a general meeting, but the amount of such dividend shall not exceed the amount recommended by the Directors. Future dividends will be paid by us as and when approved by our Shareholders and Directors.

We may only pay dividends out of distributable profits.

For information relating to taxes payable on dividends, please refer to the section "Taxation" on Appendix F of this Prospectus.

Our Company was incorporated in Singapore on 26 December 1980 as a private limited company under the name of Hi-P Tool & Die Pte Ltd. Our Company changed its name from Hi-P Tool & Die Pte Ltd to Hi-P Singapore Pte Ltd on 5 February 1997 and subsequently to Hi-P International Pte Ltd on 12 October 2000. On 7 October 2003, our shareholders approved the conversion of our Company into a public limited company. On 10 October 2003, we converted into a public limited company and changed our name to “Hi-P International Limited”. As at 31 December 2002, the authorised share capital of our Company was S$25,000,000 divided into 25,000,000 ordinary shares of S$1.00 each and the issued and paid-up share capital of our Company was $18,400,000 divided into 18,400,000 ordinary shares of $1.00 each.

At an Extraordinary General Meeting (“EGM”) held on 7 October 2003, the shareholders of our Company approved, *inter alia*, the following :-

(i) the increase in our Company’s authorised share capital from $25,000,000 divided into 25,000,000 ordinary shares of $1.00 each to $100,000,000 divided into 100,000,000 ordinary shares of $1.00 each, by the creation of an additional 75,000,000 ordinary shares of $1.00 each;

(ii) the capitalisation of an amount of $18,400,000 from our Company’s revenue reserve by way of a 1-for-1 bonus issue of 18,400,000 ordinary shares of $1.00 each credited as fully-paid to the shareholders of our Company (the “Bonus Issue”);

(iii) the sub-division of each ordinary share of $1.00 each in our Company’s authorised and issued and paid-up share capital into 20 ordinary shares of $0.05 each (the “Stock Split”);

(iv) the adoption of a new set of Articles of Association for our Company;

(v) the issue of 151,000,000 New Shares, which are the subject of the Invitation. The New Shares, when issued and fully paid, will rank, *pari passu,* in all respects with the existing issued and fully-paid Shares;

(vi) the adoption of the Share Option Scheme, details of which are set out on pages 137 to 143 of this Prospectus; and

(vii) that authority be given pursuant to Section 161 of the Act to our Directors to issue shares (other than the New Shares) and/or convertible securities at any time (whether by way of rights, bonus or otherwise) and upon such terms and conditions whether in cash or otherwise and for such purposes and to such persons as our Directors shall in their absolute discretion deem fit, provided that the aggregate number of shares and/or convertible securities to be issued pursuant to such authority shall not exceed 50% of our post-Invitation issued share capital and the aggregate number of shares and/or convertible securities to be issued other than on a pro-rata basis to the then existing shareholders of our Company does not exceed 20% of our post-Invitation issued share capital.

    For this purpose and pursuant to Rule 806(3) and Rule 806(4) of the SGX-ST Listing Manual, the post-Invitation issued share capital of our Company shall mean our enlarged issued and paid-up share capital after the Invitation after adjusting for the conversion of any convertible securities and employee share options on issue as at the date of the passing of this resolution and any subsequent consolidation or sub-division of Shares. Unless revoked or varied by our Company in general meeting, such authority shall continue in full force until the conclusion of the next Annual General Meeting of our Company or the date by which the next Annual General Meeting is required by law or by our Articles of Association to be held, whichever is earlier.

As at the date of lodgement of this Prospectus, there is only one class of shares in our Company, being ordinary shares of $0.05 each. The rights and privileges of these Shares are stated in our Articles of Association. Save for the Option Shares, there are no founder, management or deferred shares reserved for issuance for any purpose. Save for the Share Option Scheme, no person has been, or is permitted to be, given an option to subscribe for or purchase any securities of the Company or any of our subsidiaries. As at the Latest Practicable Date, no option to subscribe for Shares in our Company has been granted to, or was exercised by any of our Directors.

Our Company's pre-Invitation issued and paid-up share capital is $36,800,000 divided into 736,000,000 Shares. Upon the allotment of the New Shares, our Company's resultant issued and paid-up share capital will increase to $44,350,000 divided into 887,000,000 Shares.

Details of the changes in the issued and paid-up share capital of our Company since 31 December 2002, being the date of the last audited accounts of our Company, and the issued and paid-up share capital of our Company immediately after the Invitation, are as follows:-

	Number of shares	S$
Share capital as at 31 December 2002	18,400,000	18,400,000
Bonus Issue	18,400,000	18,400,000
	36,800,000	36,800,000
Stock Split	736,000,000	36,800,000
Share capital immediately prior to the Invitation	736,000,000	36,800,000
New Shares to be issued pursuant to the Invitation	151,000,000	7,550,000
Share capital immediately after the Invitation	887,000,000	44,350,000

Our authorised share capital and shareholders' equity as at 31 December 2002 before and after adjustments to reflect the Bonus Issue, the Stock Split and the issue of the New Shares are set out below. This should be read in conjunction with the Audited Consolidated Financial Statements for FY2000, FY2001 and FY2002 set out as Appendix A of this Prospectus:-

$'000	As at 31 December 2002	After the Bonus Issue and the Stock Split before the issue of New Shares	After the Invitation
Authorised Share Capital			
25,000,000 ordinary shares of $1.00 each	25,000	–	–
2,000,000,000 ordinary shares of $0.05 each	–	100,000	100,000
Shareholders' Equity			
Issued and fully-paid Shares	18,400	36,800	44,350
Share premium	–	–	74,637
Accumulated profits	50,818	32,418	32,418
Capital reserve	37	37	37
Reserve fund	5,505	5,505	5,505
Translation reserve	223	223	223
	74,983	74,983	157,170

The details of our subsidiaries and associated companies, as at the date of registration of this Prospectus, are set out as follows:

Name of Company	Place of incorporation	Principal place of business	Equity held by Company/Group
Subsidiaries			
Qingdao Haier Hi-P Science Technology Co., Ltd.	The PRC	The PRC	70%
Hi-P (Chengdu) Mold Base Manufacturing Co., Ltd.	The PRC	The PRC	100%
Hi-P (Xiamen) Precision Plastic Manufacturing Co., Ltd.	The PRC	The PRC	100%
Hi-P Precision Plastic Manufacturing (Shanghai) Co., Ltd.	The PRC	The PRC	100%
Hi-P Camera Products Co., Ltd.	The PRC	The PRC	100%
Hi-P (Chengdu) Precision Plastic Manufacturing Co., Ltd.	The PRC	The PRC	100%
Hi-P Finland Oy	Finland	Finland	100%
Hi-P Shanghai Electronics Co., Ltd.	The PRC	The PRC	100%
Hi-P Tech Singapore Pte Ltd	Singapore	Singapore	100%
High Precision Moulding and Tools, S.A. de C.V.	Mexico	Mexico	100%(1)
Hi-P Industries Pte. Ltd.	Singapore	Singapore	100%
Hidec (Shanghai) Industries Co., Ltd.	The PRC	The PRC	100%
Hi-P (Shanghai) Housing Appliance Co., Ltd.	The PRC	The PRC	100%
Hi-P Tianjin Electronics Co., Ltd.	The PRC	The PRC	100%
Hi-P North America, Inc.	USA	USA	100%
Hi-P (Shanghai) Precision Mold & Die Co., Ltd	The PRC	The PRC	100%
Hi-P (Tianjin) Precision Mold & Die Co., Ltd.	The PRC	The PRC	100%
Hi-P (Suzhou) Technology Co., Ltd	The PRC	The PRC	100%
Hi-P Mauritius Ltd	Mauritius	Mauritius	100%
Hi-P Resources Ltd	Mauritius	Mauritius	100%
Associated Companies			
Express Tech Mfg Pte Ltd	Singapore	Singapore	30%
Hi-Tec Precision Mould Pte. Ltd.	Singapore	Singapore	40%

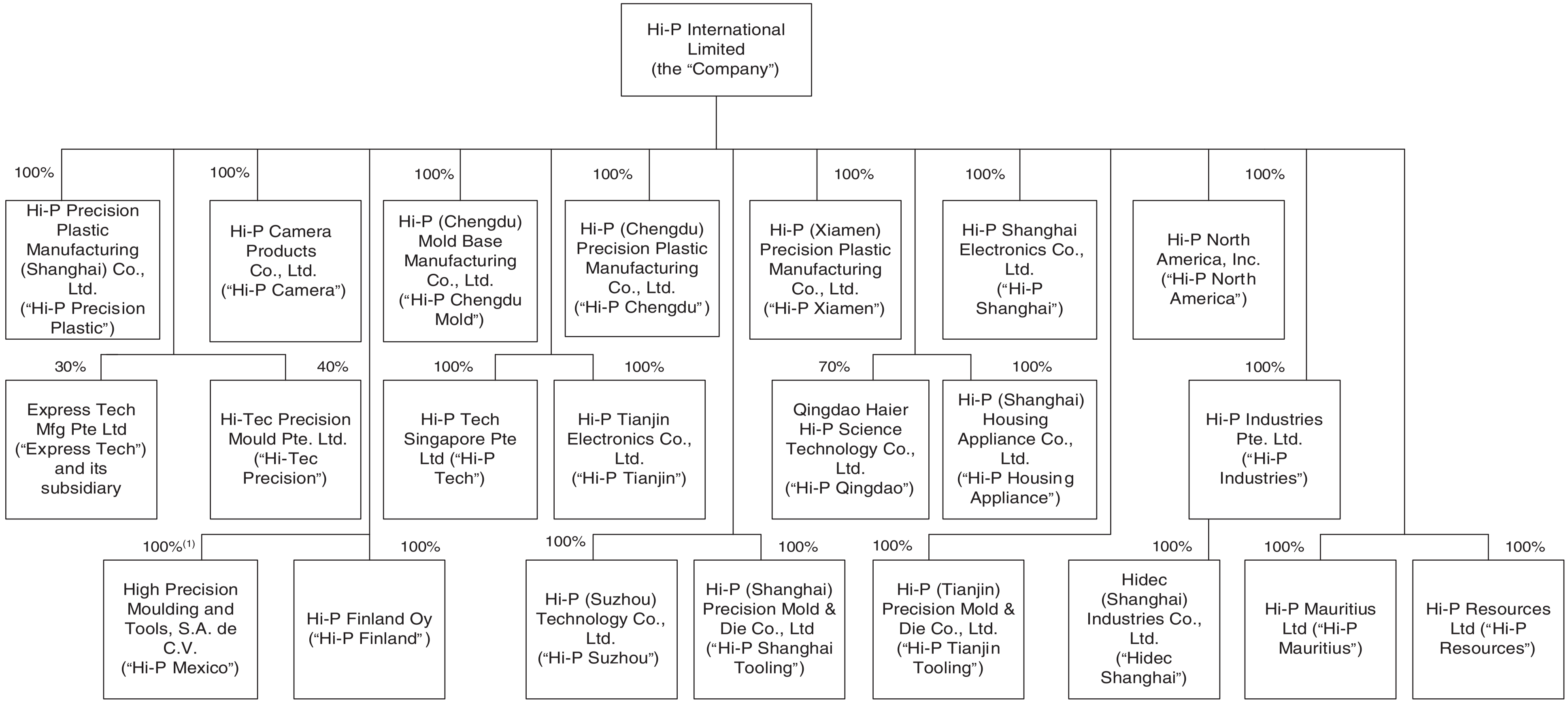
Note:-

(1) As it is a requirement under Mexican laws for Mexican companies to have at least two shareholders, we have arranged for one of our wholly-owned subsidiaries, Hi-P Industries, to hold 0.002% of the share capital of Hi-P Mexico.

None of our subsidiaries or associated companies is listed on any stock exchange.

GROUP STRUCTURE

Our structure as at the date of lodgement of this Prospectus is as follows:-



Note:-

(1) As it is a requirement under Mexican laws for Mexican companies to have at least two shareholders, we have arranged for one of our wholly-owned subsidiaries, Hi-P Industries, to hold 0.002% of the share capital of Hi-P Mexico.

The following table shows our Group's capitalisation and indebtedness as of 30 September 2003:-

(i) on an actual basis;

(ii) as adjusted to give effect to the issue of the New Shares pursuant to the Invitation, and the net proceeds, based on the Issue Price, after deducting underwriting commissions and estimated transaction expenses related to the Invitation.

You should read this table in conjunction with the Audited Consolidated Financial Statements for FY2000, FY2001 and FY2002 set out as Appendix A of this Prospectus and the Section on "Management's Discussion and Analysis of Financial Condition and Results of Operations" as set out on pages 61 to 82 of this Prospectus.

	As at 30 September 2003 ($'000)	**As adjusted for the Invitation ($'000)**
Cash, bank balances and fixed deposits	10,974	88,161
Short-term debt:		
Bank term loans (secured)	2,519	2,519
Short-term bank loans (secured)	8,994	8,994
Short-term bank loans (unsecured)	–	–
Bank overdrafts (secured)	603	603
Lease obligations, current portion	4,358	4,358
	16,474	16,474
Long-term debt:		
Bank term loans (secured)	27,094	22,094
Lease obligations, non-current portion	3,318	3,318
	30,412	25,412
Total Indebtedness	46,886	41,886
Total Shareholders' Equity	99,349	181,536
TOTAL CAPITALISATION AND INDEBTEDNESS	146,235	223,422

As at 30 September 2003, we had total borrowings of approximately $46.9 million, comprising $38.6 million secured bank loans, $7.7 million lease obligations and $0.6 million bank overdrafts. We have been able to service our loan repayments on a timely basis. Based on our shareholders' equity of approximately $99.3 million as at 30 September 2003, our gross gearing ratio, defined by total indebtedness divided by shareholders' equity, was approximately 0.47 times, while our net gearing ratio, defined by total indebtedness less cash and bank balances and fixed deposits divided by shareholders' equity, was approximately 0.36 times.

Our short-term debts relate to current portion of the bank term loans, bank overdrafts, lease obligations (current portion) and short term borrowings from our principal bankers of approximately $16.5 million which all are secured against certain assets of our Group, namely a legal mortgage over the factory building of Hi-P International, personal guarantee by our Executive Chairman and Chief Executive Officer, Mr Yao Hsiao Tung, our Executive Director, Mdm Wong Huey Fang, corporate guarantee by our substantial shareholder, Molex and/or corporate guarantee by Hi-P International. Our secured bank term loans bear interest rates ranging from 1.6% to 5.3% per annum.

Our long-term secured debts relate mainly to bank term loans, with maturity period ranging from 2 to 9 years and lease obligations (non-current portion). Our bank term loans were taken up to finance the construction of our manufacturing plants in Singapore and also to finance the purchase of plant and machines to cater for our expansion. These long-term loans are secured by way of legal mortgage over the manufacturing plant of Hi-P International, personal guarantees by our Executive Chairman and Chief Executive Officer, Mr Yao Hsiao Tung and our Executive Director, Mdm Wong Huey Fang, and corporate guarantee by our substantial shareholder, Molex and/or corporate guarantee by Hi-P International. As at 30 September 2003, our total long term secured debts amounted to approximately $30.4 million.

Lease obligations are repayable over 36 to 84 monthly instalments and bear interest ranging from 2.6% to 4.3% per annum. The lease obligations were used to finance the purchase of motor vehicles, machines and equipments. The outstanding amounts totalling $7.7 million are secured by way of legal mortgages over the respective assets and personal guarantees by our Executive Chairman and Chief Executive Officer, Mr Yao Hsiao Tung and our Executive Director, Mdm Wong Huey Fang.

As at 30 September 2003, our Company has contingent liabilities of approximately $1.3 million which comprised of a letter of credit amounting to $1.0 million which was issued for the benefit of our machine vendor for the import of machines and a banker guarantee of $0.3 million in favour of local service providers. In addition, there is a claim from Hytech Builders Pte Ltd ("Hytech") in relation to the construction of the Company's leasehold property at 11, International Business Park, Jurong East, Singapore 609926 (the "Project") amounting to approximately $1.0 million for the balance construction sum. Hytech was the Main Contractor for the Project and Mr Charles Ho from the architectural firm of Design International Architects was the Project Architect. The dispute relates to defects in the Project, delay in the completion of the Project and valuation of work done and costs overruns.

In respect of material commitments for capital expenditure as of the Latest Practicable Date , our Company has a remaining investment capital of USD 3,682,415 to be contributed towards our subsidiaries in PRC, namely Hi-P Suzhou (US$1,599,915), Hi-P Tianjin Tooling (US$1,190,000) and Hidec Shanghai (US$892,500). Such investment capital will be funded by internally generated funds. In addition, we have placed orders for machinery and equipment for our PPIM and MDF businesses comprising injection molding machines and accessories and tooling machines amounting to approximately $7.3 million which will be funded by the net proceeds of the Invitation and internally generated funds. Save for the above, we do not have any material commitment for capital expenditures as at the Latest Practicable Date.

As at 30 September 2003, the Group had unutilised banking facilities amounting to an aggregate amount of $37.6 million and unused hire purchase facilities of $0.8 million.

We intend to repay a long-term bank loan of S$5.0 million owing to UOB using the proceeds from the Invitation. The loan is due 30 months from 25 June 2003 and was drawn down to finance our fixed assets purchases.

We are in the process of arranging for our Executive Chairman and Chief Executive Officer, Mr Yao Hsiao Tung, our Executive Director, Mdm Wong Huey Fang and our substantial shareholder, Molex, to be released from their respective guarantees with respect to our facilities as mentioned above subject to, *inter alia*, our admission to the official list of the SGX-ST and the provisions of corporate guarantees by our Company. As at the Latest Practicable Date, we have arranged for the respective guarantees from Mr Yao Hsiao Tung and Molex to be released upon listing of our Company on SGX-ST in respect of our PRC subsidiaries which have facilities secured by guarantees from Mr Yao Hsiao Tung and Molex. The financial institutions have agreed to the release of the respective guarantees upon listing of our Company in SGX-ST for Mr Yao Hsiao Tung, Mdm Wong Huey Fang and Molex. Our Directors are of the view that revisions to the terms and conditions of our banking facilities, if any, are unlikely to be material and would not adversely affect our operations and financial conditions. However, in the event that any revisions to the terms and conditions of any of our facilities would adversely affect our operations, our Executive Chairman and Chief Executive Officer, Mr Yao Hsiao Tung, our Executive Director, Mdm Wong Huey Fang and/or our substantial shareholder, Molex, will continue to provide the necessary personal guarantees and/or corporate guarantees. Should some financial institutional(s) not agree to the discharge of the relevant guarantee(s), the respective Directors and Molex will continue to guarantee such banking facilities.

Save as disclosed above and changes in our retained earnings arising from day-to-day operations in the ordinary course of our business, there has not been any major changes to the share capital and indebtedness of our Group since 30 September 2003 to the date of this Prospectus.

DILUTION

Dilution represents the amount by which the Issue Price paid by the subscribers and purchasers of our Invitation Shares exceeds our NTA per Share after the Invitation.

Our Group's NTA per Share as at 31 December 2002 before adjusting for the net proceeds from the issue of the New Shares and based on our pre-Invitation issued and paid-up share capital of 736,000,000 Shares was 10.19 cents per Share.

Pursuant to the Invitation, our Group's NTA per Share, after adjusting for the net proceeds from the issue of the New Shares and based on the post-Invitation issued and paid-up share capital of 887,000,000 Shares would have been 17.72 cents per Share. This represents an immediate increase in NTA per Share of 7.53 cents to our existing shareholders and an immediate dilution in NTA per Share of 39.28 cents to our new shareholders.

The following table illustrates this per Share dilution:-

	Cents	Cents
Issue Price per Share		57.00
Audited NTA per Share as of 31 December 2002 based on the pre-Invitation issued and paid-up share capital of 736,000,000 Shares	10.19	
Increase in NTA per Share attributable to the issue of the New Shares pursuant to the Invitation	7.53	
NTA per Share after the Invitation and based on a post-Invitation issued and paid-up share capital of 887,000,000 Shares		17.72
Dilution in NTA per Share to new investors		39.28
Dilution in NTA per Share to new investors as a percentage of the Issue Price		68.91%

The following table summarises the effective cash cost to the new investors (with adjustments for consideration to vendors arising from sale of Vendor Shares) pursuant to the Invitation and to our existing Shareholders, of Shares acquired by them at any time during the period of 3 years before the date of this Prospectus:-

	Shares Purchased Number	Consideration $'000	Average price per Share Cents
Existing shareholders	736,000,000	36,800	5.0
Less: sale of Vendor Shares	(54,000,000)	(30,780)	57.0
New investors	205,000,000	116,850	57.0
Total	887,000,000	122,870	13.9

OUR OPERATING RESULTS

The following selected financial information should be read in conjunction with the full text of this Prospectus, including the Audited Consolidated Financial Statements for FY2000, FY2001 and FY2002 set out as Appendix A of this Prospectus and the unaudited consolidated financial statements as of 30 June 2003 and for the period from 1 January 2003 to 30 June 2003 as set out as Appendix D of this Prospectus.

$'000	Audited			Unaudited 6 months ended 30 June	Unaudited 6 months ended 30 June
	Year ended 31 December				
	2000	2001	2002	2002	2003
Revenue	80,414	100,543	143,086	51,193	102,726
Cost of sales	(51,860)	(72,925)	(102,317)	(36,170)	(76,271)
Gross profit	28,554	27,618	40,769	15,023	26,455
Operating expenses					
Selling expenses	(111)	(139)	(162)	(33)	(110)
Administrative expenses	(10,565)	(16,507)	(19,173)	(9,189)	(11,306)
Other operating expenses	–	(9)	(38)	(23)	–
	(10,676)	(16,655)	(19,373)	(9,245)	(11,416)
Other operating income (1)	197	502	1,248	942	1,075
Profit from operations	18,075	11,465	22,644	6,720	16,114
Financial expenses	(1,038)	(1,489)	(1,480)	(651)	(941)
Financial income	54	83	37	27	29
Foreign exchange gain (loss), net	635	1,560	(1,524)	(858)	(111)
Profit before tax and share of results of associated companies	17,726	11,619	19,677	5,238	15,091
Share of results of associated companies	–	180	644	444	206
Profit before tax (2)	17,726	11,799	20,321	5,682	15,297
Tax	(3,256)	(1,936)	(1,788)	(778)	(1,288)
Profit after tax but before minority interests	14,470	9,863	18,533	4,904	14,009
Minority interests	–	(4)	(629)	139	(557)
Profit attributable to shareholders (2)	14,470	9,859	17,904	5,043	13,452
EPS (cents) (2) (3)	1.97	1.34	2.43	0.69	1.83

Notes:-

(1) Other operating income comprises mainly net gain on disposal of fixed assets, sale of scrap and raw materials, writeback and refund of VAT and tax refund from capital investment in PRC.

(2) Had the Service Agreement as set out on pages 135 and 136 of this Prospectus been in place in FY2002, our profit before tax, profit attributable to shareholders and EPS would have been $19.6 million, $17.3 million and 2.36 cents respectively.

(3) For comparative purposes, EPS for is calculated based on profit attributable to shareholders and the pre-Invitation share capital of 736,000,000 Shares.

OUR FINANCIAL POSITION

$'000	Audited As at 31 December 2000	Audited As at 31 December 2001	Audited As at 31 December 2002	Unaudited As at 30 June 2003
Fixed assets	59,152	78,788	95,285	107,132
Investment in associated companies	–	642	1,127	1,687
Preliminary expenses	193	–	–	–
Other investment	36	36	12	12
Current assets				
Inventories	3,342	7,104	14,290	18,686
Trade receivables	15,126	20,793	35,622	38,810
Notes receivable	–	–	1,183	828
Other receivables, deposits and prepayments	2,970	3,942	5,791	8,151
Due from related parties (trade)	154	615	1,664	1,500
Due from a corporate shareholder (trade)	–	2	–	–
Fixed deposits	461	451	404	66
Cash and bank balances	7,381	12,071	8,713	6,743
	29,434	44,978	67,667	74,784
Current liabilities				
Trade payables	11,071	14,928	29,964	31,406
Other payables and accruals	2,562	6,170	14,640	14,808
Due to related parties (trade)	–	79	380	174
Due to related parties (non-trade)	–	1,324	–	–
Lease obligations, current portion	1,284	3,195	3,342	4,551
Provision for income tax	2,019	1,931	836	1,638
Bank term loans, current portion (secured)	4,201	1,742	2,410	2,523
Short-term bank loans	8,738	20,839	20,688	17,320
Bank overdrafts (secured)	–	–	1,274	445
	29,875	50,208	73,534	72,865
Net current (liabilities) assets	(441)	(5,230)	(5,867)	1,919
Non-current liabilities				
Lease obligations, non-current portion	1,200	4,123	2,576	4,462
Bank term loans, non-current portion (secured)	6,588	4,855	8,782	12,530
Deferred tax liability	2,760	2,760	2,559	2,559
	10,548	11,738	13,917	19,551
Net assets	48,392	62,498	76,640	91,199
Shareholders' equity	48,392	61,386	74,983	88,963
Minority interests	–	1,112	1,657	2,236
Total	48,392	62,498	76,640	91,199
NTA per Share (cents)[1]	6.58	8.34	10.19	12.09

Note:-

(1) For comparative purposes, NTA per Share is calculated based on the pre-Invitation share capital of 736,000,000 Shares.

REVIEW OF PAST PERFORMANCE BY INDUSTRIES, BY ACTIVITIES AND BY GEOGRAPHICAL MARKETS

We have set out the distribution of our revenue and profit before tax by industries, activities and geographical markets below:-

By Industries

$'000	Audited						Unaudited 6 months ended 30 June		Unaudited 6 months ended 30 June	
	FY2000	%	FY2001	%	FY2002	%	2002	%	2003	%
Revenue										
Telecommunications	39,995	49.7	49,329	49.1	67,388	47.1	23,911	46.7	45,984	44.8
Consumer electronics & electrical	23,756	29.6	30,590	30.4	46,987	32.8	15,685	30.6	38,141	37.1
Data storage	14,165	17.6	15,637	15.5	23,697	16.6	9,131	17.8	16,031	15.6
Life sciences/ Medical	2,048	2.5	4,515	4.5	4,775	3.3	2,285	4.5	2,489	2.4
Automotive	450	0.6	472	0.5	239	0.2	181	0.4	81	0.1
	80,414	100.0	100,543	100.0	143,086	100.0	51,193	100.0	102,726	100.0

$'000	Audited						Unaudited 6 months ended 30 June		Unaudited 6 months ended 30 June	
	FY2000	%	FY2001	%	FY2002	%	2002	%	2003	%
Profit before tax and share of results of associated companies										
Telecommunications	7,480	42.2	4,629	39.8	8,376	42.6	1,972	37.6	6,240	41.3
Consumer electronics & electrical	5,915	33.4	4,302	37.0	6,852	34.8	1,886	36.0	5,427	36.0
Data storage	3,770	21.3	2,312	19.9	3,914	19.9	1,193	22.8	3,073	20.4
Life sciences/ Medical	449	2.5	319	2.8	513	2.6	176	3.4	341	2.2
Automotive	112	0.6	57	0.5	22	0.1	11	0.2	10	0.1
	17,726	100.0	11,619	100.0	19,677	100.0	5,238	100.0	15,091	100.0

By Activities

$'000	Audited						Unaudited 6 months ended 30 June		Unaudited 6 months ended 30 June	
	FY2000	%	FY2001	%	FY2002	%	2002	%	2003	%
Revenue										
PPIM	42,164	52.4	60,434	60.1	78,329	54.7	34,854	68.1	54,098	52.7
MDF	10,576	13.2	16,938	16.8	23,260	16.3	6,879	13.4	11,981	11.7
Assembly	27,674	34.4	23,171	23.1	41,497	29.0	9,460	18.5	36,647	35.6
	80,414	100.0	100,543	100.0	143,086	100.0	51,193	100.0	102,726	100.0

$'000	Audited						Unaudited 6 months ended 30 June		Unaudited 6 months ended 30 June	
	FY2000	%	FY2001	%	FY2002	%	2002	%	2003	%
Profit before tax and share of results of associated companies										
PPIM	10,421	58.8	8,011	68.9	13,924	70.8	4,210	80.4	10,623	70.4
MDF	2,982	16.8	2,021	17.4	2,318	11.8	622	11.9	1,292	8.6
Assembly	4,323	24.4	1,587	13.7	3,435	17.4	406	7.7	3,176	21.0
	17,726	100.0	11,619	100.0	19,677	100.0	5,238	100.0	15,091	100.0

By Geographical Markets[(1)]

$'000	Audited						Unaudited 6 months ended 30 June		Unaudited 6 months ended 30 June	
	FY2000	%	FY2001	%	FY2002	%	2002	%	2003	%
Revenue										
Asia										
PRC	38,918	48.4	55,473	55.2	84,260	58.9	34,065	66.5	56,707	55.2
Singapore	16,234	20.2	17,667	17.6	19,516	13.6	6,253	12.2	14,681	14.3
Malaysia	3,060	3.8	3,458	3.4	5,140	3.6	1,933	3.8	2,674	2.6
Others	3,059	3.8	2,945	2.9	3,319	2.3	1,470	2.9	3,446	3.4
	61,271	76.2	79,543	79.1	112,235	78.4	43,721	85.4	77,508	75.5
Europe	5,865	7.3	5,785	5.8	17,328	12.1	2,130	4.2	16,281	15.8
USA and other parts of the Americas	13,278	16.5	15,215	15.1	13,523	9.5	5,342	10.4	8,937	8.7
	80,414	100.0	100,543	100.0	143,086	100.0	51,193	100.0	102,726	100.0

$'000	Audited						Unaudited 6 months ended 30 June		Unaudited 6 months ended 30 June	
	FY2000	%	FY2001	%	FY2002	%	2002	%	2003	%
Profit before tax and share of results of associated companies										
Asia										
PRC	8,615	48.6	6,617	57.0	11,783	59.9	3,224	61.6	8,886	58.9
Singapore	3,014	17.0	1,027	8.8	2,005	10.2	521	9.9	1,991	13.2
Malaysia	776	4.4	516	4.5	994	5.0	286	5.5	558	3.7
Others	674	3.8	443	3.8	615	3.1	212	4.0	716	4.7
	13,079	73.8	8,603	74.1	15,397	78.2	4,243	81.0	12,151	80.5
Europe	1,254	7.1	795	6.8	2,116	10.8	350	6.7	1,170	7.8
USA and other parts of the Americas	3,393	19.1	2,221	19.1	2,164	11.0	645	12.3	1,770	11.7
	17,726	100.0	11,619	100.0	19,677	100.0	5,238	100.0	15,091	100.0

Note:-

(1) In accordance with the billing addresses of our customers.

OVERVIEW AND SEGMENTATION

We derive revenue mainly from the manufacture and sale of precision plastic components ("PPIM") and the design and fabrication of precision plastic injection molds ("MDF") as well as the provision of sub-product assembly and full-product assembly services (collectively "Assembly"). In addition, we also derive revenue from the provision of a wide range of ancillary value-added services such as spray painting and pad painting. We commenced the commercial production of our Metal Stamping Business in January 2003 under Hi-P Industries which was incorporated in November 2001.

The precision plastic components that we manufacture are used as parts or segments of our customers' finished products such as mobile phones, battery toothbrushes, electric shavers, hairdryers, cameras, hard disk drives, connectors and medical devices. As such, our revenue is ultimately dependent on the demand for our customers' finished products.

Our customers are mainly OEMs, the majority of which are MNCs, operating in a wide range of industries such as the telecommunications, consumer electronics & electrical, data storage, life sciences/medical and automotive industries. For FY2002, our customers from the telecommunications, consumer electronics & electrical, data storage, life sciences/medical and automotive industries accounted for approximately 47.1%, 32.8%, 16.6%, 3.3% and 0.2% of our revenue respectively.

Our major revenue source, PPIM, grew continuously from FY2000 to FY2002. Revenue from MDF also continuously increased from FY2000 to FY2002. Revenue from Assembly increased substantially from FY2001 with full-product assembly and sub-product assembly contracts secured mainly from customers such as Motorola, UTStarcom, Kodak, Philips and Braun. The decrease in revenue contribution by Assembly in FY2001 was due mainly to lower sales to a customer in the telecommunications industry and Braun.

Revenue from MDF is recognised upon the completion of the mold and acceptance by our customers. Revenue from PPIM is recognised upon delivery of goods and acceptance by our customers. Revenue from Assembly is recognised upon delivery of goods and acceptance by our customers. Revenue from the provision of ancillary value-added services is recognised as part of revenue from PPIM and revenue from the provision of mold repair and maintenance services is recognised as part of revenue from MDF. Revenue from Precision Metal Stamping is recognised upon the delivery of goods and acceptance by our customers. As our Precision Metal Stamping Business commenced commercial production only in January 2003, revenue contribution was immaterial for Precision Metal Stamping for FY2002 and for the 6 months ended 30 June 2003. Revenue from ancillary value-added services and Precision Metal Stamping were largely intragroup transactions and were included in PPIM and Assembly revenue on a consolidated basis respectively.

For FY2002, PPIM, MDF and Assembly accounted for approximately 54.7%, 16.3% and 29.0% of our revenue respectively. Our Directors expect contributions from Assembly services to increase significantly in the foreseeable future as we continue to vertically integrates our broad range of products and service offerings and entrench ourselves as a turnkey contract manufacturer.

The principal geographical markets for our products are the PRC, Singapore, Europe, USA and the other parts of the Americas, Malaysia and other parts of Asia. For FY2002, our customers from the PRC, Singapore, Europe, USA and the other parts of the Americas, Malaysia and the other parts of Asia accounted for approximately 58.9%, 13.6%, 12.1%, 9.5%, 3.6% and 2.3% of our revenue respectively.

Our cost of sales comprise material cost, labour cost and overheads. Our cost of sales for the latest three financial years and the 6 months ended 30 June 2003 were as follows:

$'000	FY2000	%	FY2001	%	FY2002	%	6 months ended 30 June 2002	%	6 months ended 30 June 2003	%
Material Cost	31,108	60.0	43,023	59.0	61,501	60.1	23,752	65.7	51,040	66.9
Labour Cost	8,268	15.9	11,997	16.4	14,755	14.4	4,665	12.9	10,935	14.3
Overheads	12,484	24.1	17,905	24.6	26,061	25.5	7,753	21.4	14,296	18.8
	51,860	100.0	72,925	100.0	102,317	100.0	36,170	100.0	76,271	100.0

Our material cost comprises subcontract costs and the cost of materials used in our manufacturing processes which include mainly resin (for PPIM), steel (for MDF), components (for Assembly) and paint (for spray painting). Components comprise mainly plastic and steel components as well as sub-assemblies. Our material cost accounted for approximately 38.7%, 42.8%, 43.0% and 49.7% of our revenue for FY2000, FY2001, FY2002 and the 6 months ended 30 June 2003 respectively.

Our labour cost includes personnel and related cost of our manufacturing/operations staff such as bonus, overtime, allowance, recruitment, defined contribution pension costs and employee benefits. Our labour cost accounted for approximately 10.3%, 11.9%, 10.3% and 10.6% of our revenue for FY2000, FY2001, FY2002 and the 6 months ended 30 June 2003 respectively.

Our overheads comprise mainly depreciation of plant and equipment, factory supplies, factory space costs, utilities, equipment rental, repairs and maintenance, freight and packaging expenses. For FY2000, FY2001, FY2002 and the 6 months ended 30 June 2003, our overheads accounted for approximately 15.5%, 17.8%, 18.2% and 13.9% of our revenue respectively.

Our operating expenses comprise mainly administrative expenses and selling expenses. Administrative expenses comprise mainly personnel and related cost of our management, administrative, information technology and sales and marketing staff, depreciation of office equipment and fixtures, office rental, legal and professional fees, travel and entertainment expenses. For FY2000, FY2001, FY2002 and the 6 months ended 30 June 2003, administrative expenses accounted for approximately 99.0%, 99.1%, 99.0% and 99.0% of our total operating expenses respectively. Selling expenses comprise mainly marketing, advertising and promotional expenses. For FY2000, FY2001, FY2002 and the 6 months ended 30 June 2003, selling expenses accounted for approximately 1.0%, 0.8%, 0.8% and 1.0% of our total operating expenses respectively.

Our operations in the PRC, Singapore and Mexico are subject to tax in accordance with the prevailing tax regulations in the respective countries. In accordance with the "Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises", all our PRC subsidiaries (except for Hi-P Qingdao) are entitled to full exemption from Enterprise Income ("EIT") of 15% for the first 2 years of operations and a 50% reduction in EIT for the next 3 years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous 5 years. Hi-P Qingdao is entitled to full exemption from EIT of 24% for the first 2 years of operations and a 50% reduction in EIT for the next 3 years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous 5 years. Accordingly, the profits of our operations in the PRC were subject to the following tax rates in the respective financial years/periods:

	FY2000 %	FY2001 %	FY2002 %	6 months ended 30 June 2003 %
Hi-P Shanghai	15	15	15	15
Hi-P Camera	Tax exempt	Tax exempt	7.5	7.5
Hi-P Precision Plastic	**	**	Tax exempt	Tax exempt
Hi-P Housing Appliance	*	*	15***	Tax exempt
Hi-P Chengdu	Tax exempt	7.5	7.5	7.5
Hi-P Chengdu Mold	*	**	**	Tax exempt
Hi-P Xiamen	*	Tax exempt	Tax exempt	7.5
Hi-P Qingdao	*	24	Tax exempt****	Tax exempt
Hi-P Tianjin	*	*	**	Tax exempt
Hidec Shanghai	*	*	**	Tax exempt

Notes:-

* Company not incorporated.
** Company in loss position.
*** Company elected FY2003 to commence the full exemption from EIT of 15%.
**** Company elected FY2002 to commence the full exemption from EIT of 24%.

In Mexico, our subsidiary, Hi-P Mexico, is subject to 35% tax on income for FY2000, FY2001 and FY2002. Thereafter a gradual decrease of 1% shall commence in FY2003 until a rate of 32% is reached in FY2005. In addition, Hi-P Mexico is also subject to 2% tax on average assets. Tax on average assets can be used to offset income tax once our Mexico subsidiary turns profitable. As such, although Hi-P Mexico was making losses in the past three financial years, it was subject to tax on average assets as mentioned above.

Our tax expenditure in the PRC, Singapore and Mexico accounted for approximately 65.0%, 28.2% and 6.8% of our total FY2002 income tax expense respectively.

The major factors that affect our revenue include the following:-

a) the demand for our customers' finished products which may in turn be affected by *inter alia* competition in their respective industries and general economic conditions;

b) the mix, quantity and prices of product and services that we are able to secure;

c) changes in product range and models by our customers;

d) our ability to remain competitive. We face intense competition from existing and new competitors who may exert downward pressure in pricing;

e) our ability to expand our customer base and geographical penetration;

f) fluctuations in foreign currencies. Our contracts are denominated largely in RMB, US$ and S$. For example, the depreciation of RMB and US$ against S$ will result in lower turnover being reported upon translation of foreign currency denominated sales to S$;

g) capacity of our manufacturing plants; and

h) our ability to provide quality and timely services. This impacts on customer loyalty and generation of new customers.

The major factors that affect our cost of sales include the following:-

(a) material cost: demand and supply conditions, mix of products and services to the extent of their materials content, quantity levels, prices of these materials, the amount of subcontract work (which is mainly affected by manufacturing plant capacity/rationalisation of plant operations, nature of work and terms with sub-contractors and customers), trade terms with our suppliers, our operating efficiency, and foreign currency fluctuations;

(b) labour cost: additional staffing requirement mainly to correspond to the scale of production/operations, and levels of salaries and wages, labour market conditions and changes in government policies and regulations such as CPF contributions and foreign workers levy and quota; and

(c) overheads:

   (i) depreciation for plant and equipment is affected by increases in capital expenditures for any additional plant and/or equipment in line with our continuing business expansion; and

   (ii) others such as factory supplies, factory space costs, utilities, equipment rental, repairs and maintenance, freight and packaging expenses are generally affected by the scale of production/operations, and the prices/rates of these expense items.

Our operating expenses are dependent on factors some of which include:-

a) staff related costs are dependent on factors such as wage levels, availability of labour in the job market, qualification and experience of the employees hired, number of head counts and changes in government policies and regulations such as CPF;

b) rental expense is dependent on the terms of our lease agreements, property market conditions in the locations in which we operate in and the grant of rebates;

c) depreciation of fixed assets such as leasehold improvements, renovation, motor vehicles, office equipment, furniture and fittings which will increase in line with our continuing business expansion; and

d) frequency of travel and entertainment, size of our marketing department and participation in trade fairs/conventions.

Our financial expenses include interest expense on bank overdrafts, bank borrowings and lease obligations. Our financial income includes interest on bank balances and fixed deposits.

REVIEW OF RESULTS OF OPERATIONS

FY2001 vs FY2000

Revenue

Our revenue increased by approximately $20.1 million or 25.0%, from $80.4 million in FY2000 to $100.5 million in FY2001.

In terms of business activity, the increase in revenue was due mainly to the increase in sales by our PPIM and MDF divisions. Revenue from our PPIM division improved significantly by approximately $18.2 million or 43.3%, from $42.2 million in FY2000 to $60.4 million in FY2001. In the second half of FY2000, we took over certain PPIM machineries, operations and employees from Kodak for their reloadable camera business in their Shanghai plant and started providing contract manufacturing services for Kodak. In FY2001, Kodak contributed revenue for the full year and this resulted in an increase in sales in FY2001. In addition, we set up our Xiamen plant and started manufacturing disposable cameras for Kodak in FY2001. We secured more projects with Elcoteq in FY2001 which contributed to the increase in sales. New business relationships established with UTStarcom and Siemens in FY2000 and Haier in FY2001 also led to an increase in revenue in FY2001. In addition, there was an increase in sales to an existing customer, Baxter, who awarded us new projects during FY2001. The increase was partially offset by a decrease in sales to Western Digital. Following Western Digital's relocation of their major operations to Malaysia, we are no longer their supplier as we do not have a presence there. In addition, there was a decrease in sales to Molex and Philips due to reduction in demand from both customers.

Revenue contribution by our MDF division increased by approximately $6.3 million or 60.2%, from $10.6 million in FY2000 to $16.9 million in FY2001. In FY2000, we secured MEI as a new customer and started manufacturing more molds for them in FY2001. New projects were secured from Braun and a customer in the telecommunications industry in FY2001 and this led to the increase in revenue.

Revenue contribution by our Assembly division decreased by approximately $4.5 million or 16.3%, from $27.7 million in FY2000 to $23.2 million in FY2001. The reduction in our assembly revenue was mainly due to fewer product offerings and lower volume for newly launched products by a customer in the telecommunications industry. The reduction has been partially offset by an increase in sales to Siemens and UTStarcom.

In terms of geographical markets, the increase was due mainly to higher sales attributable to our customers in the PRC. Sales to our customers in the PRC increased substantially by approximately $16.6 million or 42.5% due mainly to a substantial increase in PPIM sales to existing customers such as Elcoteq, UTStarcom, Siemens and Kodak, as well as sales to new customers such as Haier. This was partially offset by a decrease in PPIM sales to other existing customers such as Western Digital and a decrease in Assembly sales to a customer in the telecommunications industry as mentioned above.

By industry, the increase was due mainly to an increase in sales to our customers operating in the telecommunications, consumer electronics & electrical and life sciences/medical industries. Revenue derived from our customers operating in the telecommunications industry increased by approximately $9.3 million or 23.3%, from $40.0 million in FY2000 to $49.3 million in FY2001. The increase was due mainly to significant increases in sales to existing PPIM customers such as Elcoteq, Siemens and UTStarcom which was partially offset by the decrease in Assembly sales to a customer in the telecommunications industry as mentioned above. Revenue from our customers operating in the consumer electronics & electrical industry increased by approximately $6.8 million or 28.8%, from $23.8 million in FY2000 to $30.6 million in FY2001. The increase was due mainly to a significant increase in PPIM and MDF sales to existing customers such as Kodak, MEI and Braun as mentioned above, partially offset by the decrease in PPIM sales to existing customers such as Molex and Philips as mentioned above. Revenue from our customers in the life sciences/ medical industry increased by approximately $2.5 million or 120.5%, from $2.0 million in FY2000 to $4.5 million in FY2001. The increase was due mainly to a significant increase in PPIM sales to an existing customer, Baxter.

Cost of sales

Our cost of sales increased by approximately $21.0 million or 40.6%, from $51.9 million in FY2000 to $72.9 million in FY2001. Cost of sales as a percentage of revenue increased from approximately 64.5% in FY2000 to 72.5% in FY2001. The increase in cost of sales was due to increase in material cost, labour cost and overheads.

Material cost increased by approximately $11.9 million or 38.3%, from $31.1 million in FY2000 to $43.0 million in FY2001. Material cost as a percentage of revenue increased marginally from approximately 38.7% in FY2000 to approximately 42.8% in FY2001 partly due to material wastage for spray painting incurred by Hi-P Precision Plastics during its start-up operations.

Labour cost increased by approximately $3.7 million or 45.1%, from $8.3 million in FY2000 to $12.0 million in FY2001. The increase was due mainly to an increase in headcount and more labour hours which were required to meet the increase in production. Labour cost as a percentage of revenue increased from approximately 10.3% in FY2000 to 11.9% in FY2001. The increase was mainly due to annual wage increment in FY2001 and the higher proportion of increase in labour cost as compared to sales for our PRC tooling operations. In addition, Hi-P Mexico was not able to reduce its workforce in time with the drop in sales. Despite the drop in sales from Hi-P Mexico, the sales to our customers in USA and other parts of the Americas went up due to sales from Hi-P Shanghai and Hi-P Camera.

Overheads increased by approximately $5.4 million or 43.4%, from $12.5 million in FY2000 to $17.9 million in FY2001. Overheads as a percentage of revenue increased from 15.5% in FY2000 to 17.8% in FY2001 mainly due to a $1.8 million increase in depreciation, factory supplies, utilities and rental attributable to the set-up of 4 new manufacturing plants in the PRC, a $0.8 million increase in depreciation expense for our existing manufacturing plants and $2.2 million increase in rental and utilities expense with the relocation of Hi-P Shanghai's manufacturing premises in October 2000 for expansion reasons.

Gross profit

Our gross profit declined by approximately $1.0 million or 3.3%, from $28.6 million in FY2000 to $27.6 million in FY2001 mainly due to the reasons as detailed above.

Operating expenses

Total operating expenses increased by approximately $6.0 million or 56.0%.

Administrative expenses increased by approximately $5.9 million or 56.2%, from $10.6 million in FY2000 to $16.5 million in FY2001.

Personnel and related costs increased by approximately $3.8 million in FY2001 due mainly to the expansion of our operations. In particular, Hi-P Shanghai accounted for approximately $1.3 million of the increase in personnel and related costs as a result of its expansion. The increase was mainly attributable to an increase in headcount, overtime expenses and annual salary increment. Hi-P International and Hi-P Mexico accounted for approximately $0.9 million and $0.7 million of the increase in personnel and related costs respectively. In addition, headcount increases attributable to our newly set-up manufacturing plants accounted for approximately $0.2 million of the increase.

Our newly set-up manufacturing plants accounted for approximately $0.8 million to the increase in other administrative expenses while our Mexico plant recorded a fixed asset impairment loss amounting to $1.5 million which relates to a leasehold property.

Selling expenses increased by approximately $0.03 million or 25.2%, from $0.11 million in FY2000 to $0.14 million in FY2001. The increase was in line with our increase in turnover.

Other operating income

Our other operating income increased by approximately $0.3 million or 154.8%, from $0.2 million in FY2000 to $0.5 million in FY2001 due mainly to an increase in revenue from sale of scrap materials.

Profit from operations

Our profit from operations decreased by approximately $6.6 million or 36.6%, from $18.1 million in FY2000 to $11.5 million in FY2001. Profit from operations margin decreased from 22.5% in FY2000 to 11.4% in FY2001. The decrease was mainly attributable to the decrease in gross profit margin and the increase in administrative expenses as mentioned above.

Financial income (expenses) and foreign exchange gain (loss), net

Our net financial expenses increased by approximately $0.4 million or 42.9% from $1.0 million in FY2000 to $1.4 million in FY2001. The increase is mainly due to the increase in total borrowings by $7.9 million from $19.5 million in FY2000 to $27.4 million in FY2001.

Our net foreign exchange gain increased by approximately $1.0 million from $0.6 million in FY2000 to $1.6 million in FY2001. The increase was mainly attributable to Hi-P Mexico which registered an exchange gain of $0.8 million in FY2001 in respect of balances denominated in SGD owing to Hi-P International. The exchange gain arose as a result of the strengthening of the MPeso against the SGD.

Profit before tax and share of results of associated company

Our profit before tax and share of results of associated company decreased by approximately $6.1 million or 34.5%, from $17.7 million in FY2000 to $11.6 million in FY2001 due mainly to the decrease in gross profit margin from 35.5% in FY2000 to 27.5% in FY2001 and the increase in administrative expenses.

Tax

Our tax charge for FY2001 was approximately $1.9 million as compared to $3.3 million in FY2000, a decrease of approximately $1.4 million or 40.5% due mainly to the decrease in profit before tax. Our effective net tax rate decreased from 18.4% in FY2000 to 16.4% in FY2001 due mainly to the changes in the contribution to profit before tax by the different subsidiaries which were subject to different tax rates and reversal of overprovision of tax in respect of prior years of approximately $0.3 million.

Share of results of associated company

During FY2001, we acquired a 30% equity stake in Express Tech and began equity accounting for our share of Express Tech's profit from June 2001 onwards.

FY2002 vs FY2001

Revenue

Our revenue increased by approximately $42.6 million or 42.3%, from $100.5 million in FY2001 to $143.1 million in FY2002. In terms of business activities, the significant increase in revenue was due mainly to the increase in sales from all our business segments i.e. PPIM, MDF and Assembly.

Revenue derived from our PPIM division improved significantly by approximately $17.9 million or 29.6% from $60.4 million in FY2001 to $78.3 million in FY2002. The increase in revenue was due to the commencement of our digital camera business and the increase in volume of our disposable and reloadable camera business with Kodak in FY2002. At the same time, we started volume production for Haier. We also secured more orders from Maxtor and one other customer in the data storage industry and recorded increased orders for existing products from Siemens in FY2002. This was partially offset by lower sales to other existing customers such as UTStarcom and a customer in the telecommunications industry. There was a reduction in volume of existing projects to UTStarcom and project transition caused the slight reduction in sales to the customer in the telecommunications industry.

Revenue from our MDF division increased by approximately $6.4 million or 37.3%, from $16.9 million in FY2001 to $23.3 million in FY2002. We secured new orders from Braun and a customer in the telecommunications industry. These new orders include a turnkey contract manufacturing project from Braun. This was partially offset by lower sales to other existing customers such as MEI and another customer in the telecommunications industry.

Assembly revenue increased by approximately $18.3 million or 79.1%, from $23.2 million in FY2001 to $41.5 million in FY2002. This increase was mainly attributable to the increase in orders from existing customers such as Braun, Siemens and a customer in the telecommunications industry. We secured the first turnkey contract manufacturing project from Braun which started operations in the second half of FY2002. The new projects from a customer in the telecommunications industry, which has higher assembly content commenced volume production during the year. This was partially offset by the decrease in sales made to Eastman Technology Pte Ltd and UTStarcom due to reduction of orders from these customers.

By geographical markets, the increase was mainly attributable to our customers in the PRC and Europe. Sales from the PRC increased by approximately $28.8 million or 51.9%, from $55.5 million in FY2001 to $84.3 million in FY2002 whereas sales from Europe increased by approximately $11.5 million or 199.5%, from $5.8 million in FY2001 to $17.3 million in FY2002.

The increase in sales to our customers in the PRC was mainly due to a substantial increase in PPIM sales to our existing customers such as Siemens, Kodak, Haier and some customers in the telecommuncations and data storage industries. MDF and PPIM sales to Molex and Philips in the PRC also contributed to the increase in sales. This was partially offset by lower sales to other existing customers such as UTStarcom and Ericsson due to completion of existing projects with Ericsson.

The increase in sales to our customers in Europe was mainly due to a substantial increase in MDF and Assembly sales to an existing customer Braun, partially offset by lower PPIM sales to a customer in the telecommunications industry.

By industry, the increase in revenue was mainly contributed by our customers operating in the telecommunications, consumer electronics & electrical and data storage industries.

Revenue derived from our customers operating in the telecommunications industry increased by approximately $18.1 million or 36.6%, from $49.3 million in FY2001 to $67.4 million in FY2002. The increase was due mainly to a significant increase in PPIM sales to existing customers in the PRC such as Siemens and Haier and an increase in Assembly and MDF sales to a customer in the telecommunications industry. This was partially offset by lower PPIM sales to UTStarcom and the same customer in the telecommunications industry.

Revenue from our customers operating in the consumer electronics & electrical industry increased by approximately $16.4 million or 53.6 %, from $30.6 million in FY2001 to $47.0 million in FY2002. The increase was due mainly to increased sales to existing customers such as Braun (MDF and Assembly sales) and Kodak (PPIM sales), partially offset by the decrease in PPIM and MDF sales to Philips and MDF sales to MEI.

Cost of sales

Our cost of sales increased by approximately $29.4 million or 40.3%, from $72.9 million in FY2001 to $102.3 million in FY2002. Cost of sales as a percentage of revenue decreased marginally from approximately 72.5% in FY2001 to 71.5% in FY2002. The percentage decrease in cost of sales was attributed to lower labour cost as a percentage of sales.

Material cost increased by approximately $18.5 million or 42.9%, from $43.0 million in FY2001 to $61.5 million in FY2002. The increase in material cost as a percentage of revenue from 42.8% in FY2001 to 43.0% in FY2002 was due primarily to the increase in sales contribution by our Assembly division which generally has higher material content.

Labour cost increased by approximately $2.8 million or 23.0%, from $12.0 million in FY2001 to $14.8 million in FY2002. The increase was due mainly to an increase in headcount in FY2002 and more labour hours which were required to meet the increase in production as well as salary increments. Labour cost as a percentage of revenue however decreased from approximately 11.9% in FY2001 to 10.3% in FY2002 arising primarily from the increase in sales contribution by our Assembly division, which generally has a lower labour cost to sales percentage.

Overheads increased by approximately $8.2 million or 45.6%, from $17.9 million in FY2001 to $26.1 million in FY2002. The increase in overheads was mainly attributed to the increase in factory supplies, utilities, depreciation and freight charges by $6.0 million, $0.8 million, $0.7 million and $0.6 million respectively. Overheads as a percentage of revenue increased marginally from 17.8% in FY2001 to 18.2% in FY2002.

Gross profit

Our gross profit increased by approximately $13.2 million or 47.6%, from $27.6 million in FY2001 to $40.8 million in FY2002. The increase in gross profit was due mainly to the significant increase in revenue. However, our gross profit margin increased marginally from 27.5% in FY2001 to 28.5% in FY2002 due to a decrease in the labour cost included in cost of sales as a percentage of revenue offset by increase in the material cost and overheads as a percentage of revenue.

Operating expenses

Our total operating expenses increased by approximately $2.7 million or 16.3%, from $16.7 million in FY2001 to $19.4 million in FY2002. Operating expenses as a percentage of revenue decreased from 16.6% to 13.5% due mainly to economies of scale.

Our administrative expenses increased by approximately $2.7 million or 16.2%, from $16.5 million in FY2001 to $19.2 million in FY2002. The increase was mainly due to the increase in depreciation expense of $0.8 million and personnel related cost of $1.9 million. The increase in personnel and related cost was mainly attributable to the implementation of the ERP in our Shanghai facilities in FY2002.

Our selling expenses have remained relatively unchanged for the year FY2002 compared to FY2001.

Other operating income

Our other operating income increased by approximately $0.7 million from $0.5 million from FY2001 to $1.2 million in FY2002 due mainly to the write-back of provision for value added tax and refund of value added tax.

Profit from operations

Our profit from operations increased significantly by approximately $11.1 million or 97.5 %, from $11.5 million in FY2001 to $22.6 million in FY2002. The increase in profit from operations was attributable to the overall increase in gross profit and other operating income of $13.2 million and $0.7 million respectively, partially offset by a $2.7 million increase in operating expenses. Profit from operations margin increased from 11.4% in FY2001 to 15.8% in FY2002 as a result of the marginal increase in gross profit margin and decrease in operating expenses as a percentage of revenue as described above.

Financial income (expenses) and foreign exchange gain (loss) , net

Our net financial expenses remained fairly constantly at $1.5 million from FY2001 to FY2002 although total bank borrowings increased by $5.8 million from $27.4 million in FY2001 to $33.2 million in FY2002. We have observed a general decline in interest rates in FY2002.

We recorded a net foreign exchange loss of $1.5 million in FY2002 as compared to a foreign exchange gain of $1.6 million in FY2001. The decrease was mainly attributed to Hi-P Mexico, which registered an exchange loss of $0.7 million in FY2002 versus an exchange gain of $0.8 million in FY2001, as a result largely of the depreciation of the MPeso against the SGD. In addition, Hi-P International registered a $0.3 million foreign exchange loss in FY2002 as against a $0.5 million foreign exchange gain in FY2001. The general appreciation of SGD against the USD in FY2002 had a negative impact on our USD denominated receivables. Hi-P Shanghai registered a $0.2 million foreign exchange loss in FY2002 as against a $0.2 million foreign exchange gain in FY2001.

Profit before tax and share of results of associated company

Our profit before tax and share of results of associated company increased by approximately $8.1 million or 69.4%, from $11.6 million in FY2001 to $19.7 million in FY2002. The increase was due mainly to the substantial increases in revenue and gross profit, which were partially offset by the increase in operating expenses and foreign exchange loss.

Tax

Our tax charge for FY2002 has remained relatively unchanged at approximately $1.8 million as compared to $1.9 million in FY2001, despite an increase in profit before tax of approximately $8.5 million. Our effective net tax rate decreased from 16.4% in FY2001 to 8.8% in FY2002. This was on account primarily of substantial profit contribution from certain PRC subsidiaries whose profits were tax exempt.

Unaudited 6 months ended 30 June 2003 vs Unaudited 6 months ended 30 June 2002

Revenue

Our revenue increased by approximately $51.5 million or 100.7%, from $51.2 million for the period ended 30 June 2002 to $102.7 million for the period ended 30 June 2003.

In terms of business activity, the increase in revenue was due mainly to the increase in sales from all our business segments i.e. PPIM, MDF and Assembly.

Revenue from PPIM increased by approximately $19.2 million or 55.2%, from $34.9 million for the period ended 30 June 2002 to $54.1 million for the period ended 30 June 2003. The increase was primarily accounted for by existing customers such as Kodak, Maxtor, MEI and a customer in the telecommunications industry mainly due to increased orders for existing products, contribution from the turnkey contract manufacturing project with Braun and new customers such as Hisense, Sanyo and a Japanese customer from the data storage industry. This was partially offset by the decrease in sales to our existing customers, namely Siemens, Elcoteq and Western Digital, due to the completion of some of our existing projects with these customers.

Revenue from MDF increased by approximately $5.1 million or 74.2%, from $6.9 million for the period ended 30 June 2002 to $12.0 million for the period ended 30 June 2003. The increase was primarily accounted for by new projects with some existing customers in the telecommunications industry and new digital camera projects with Kodak. There were also minor contributions from new customers such as Rockwell Automation Inc. and Spectralink Corporation. These were partially offset by the decrease in sales of molds to Molex and the completion of molds supplied in respect of the first turnkey contract manufacturing project undertaken with Braun.

Revenue from our Assembly division improved by approximately $27.1 million or 287.4%, from $9.5 million for the period ended 30 June 2002 to $36.6 million for the period ended 30 June 2003. The increase was due mainly to higher sales to existing customers in the telecommunications industry and Braun due to increased orders for existing products, which was partially offset by the decrease in sales to our existing customer, Siemens, due to the completion of some of the existing projects.

In terms of geographical markets, the increase was due mainly to higher sales to our customers in the PRC, Europe and Singapore. Sales to our customers in the PRC increased by approximately $22.6 million or 66.5%, from $34.1 million for the period ended 30 June 2002 to $56.7 million for the period ended 30 June 2003. The increase was primarily attributable to PPIM and MDF sales to Kodak and PPIM, MDF and Assembly sales to some of our existing customers in the telecommunications industry, which was partially offset by a decrease in PPIM sales to Siemens and Elcoteq.

Sales to our customers in Europe increased by approximately $14.2 million or 664.4%, from $2.1 million for the period ended 30 June 2002 to $16.3 million for the period ended 30 June 2003. The increase was mainly attributed to higher sales to our existing customer in all 3 activities, Braun.

Sales to our customers in Singapore increased by approximately $8.4 million or 134.8%, from $6.3 million for the period ended 30 June 2002 to $14.7 million for the period ended 30 June 2003. The increase was mainly attributed to higher PPIM sales to a customer in the telecommunications industry and Maxtor.

Sales to our customers in USA and other parts of the Americas increased by approximately $3.6 million or 67.3%, from $5.3 million for the period ended 30 June 2002 to $8.9 million for the period ended 30 June 2003. The increase was mainly attributed to higher PPIM sales to some existing customers in the telecommunications and data storage industries, MEI and Philips and revenue from new customers such as Rockwell Automation Inc., offset by lower sales to Kodak.

By industry, the increase was mainly attributed to our customers operating in the telecommunications, consumer electronics & electrical and data storage industries.

Sales to our customers operating in the telecommunications industry increased by approximately $22.1 million or 92.3%, from $23.9 million for the period ended 30 June 2002 to $46.0 million for the period ended 30 June 2003. The increase was primarily attributable to PPIM sales to some existing customers in the telecommunications industry, which was partially offset by lower sales to Siemens.

Sales to our customers operating in the consumer electronics & electrical industry increased by approximately $22.4 million or 143.2%, from $15.7 million for the period ended 30 June 2002 to $38.1 million for the period ended 30 June 2003. The increase was mainly attributable to sales to our existing PPIM and MDF customers, primarily Braun and Kodak.

Our sales to customers operating in the data storage industry increased by approximately $6.9 million or 75.6%, from $9.1 million for the period ended 30 June 2002 to $16.0 million for the period ended 30 June 2003. The increase was largely attributable to PPIM and MDF sales to existing customers and a new customer, which was partially offset by lower PPIM sales to Western Digital as mentioned above.

Cost of sales

Our cost of sales increased by approximately $40.1 million or 110.9%, from $36.2 million for the period ended 30 June 2002 to $76.3 million for the period ended 30 June 2003. The increase was generally in line with the increase in revenue. Cost of sales as a percentage of revenue increased from approximately 70.7% for the period ended 30 June 2002 to 74.2% for the period ended 30 June 2003.

The increase in cost of sales was mainly due to higher material cost, which increased by approximately $27.2 million or 114.9%, from $23.8 million for the period ended 30 June 2002 to $51.0 million for the period ended 30 June 2003. Material cost as a percentage of revenue increased from 46.4% for the period ended 30 June 2002 to 49.7% for the period ended 30 June 2003. The increase was substantially due to change in product mix with higher assembly sales for the period ended 30 June 2003. Assembly generally has higher material cost content.

Labour cost increased by approximately $6.2 million or 134.4%, from $4.7 million for the period ended 30 June 2002 to $10.9 million for the period ended 30 June 2003. The increase was mainly due to the additional headcount and more labour hours required to support the increase in production and salary increments. Labour cost as a percentage of revenue however increased marginally from approximately 9.1% for the period ended 30 June 2002 to 10.6% for the period ended 30 June 2003.

Overheads increased by approximately $6.5 million or 84.4%, from $7.8 million for the period ended 30 June 2002 to $14.3 million for the period ended 30 June 2003. The increase was mainly attributable to the increase in factory supplies, freight charges, depreciation and factory rental by $2.2 million, $1.1 million, $1.2 million and $0.2 million respectively. Furthermore, there was a $1.3 million claim made against us by a customer (fully settled in April 2003) in respect of a batch of defective mobile phone housing manufactured by us. Notwithstanding this, we managed to secure further contracts from this customer. As a percentage of revenue, overheads decreased from 15.1% in the period ended 30 June 2002 to 13.9% in the period ended 30 June 2003 due mainly to increased economies of scale.

Gross profit

Our gross profit increased by approximately $11.5 million or 76.1%, from $15.0 million for the period ended 30 June 2002 to $26.5 million for the period ended 30 June 2003. The increase was mainly in line with the increase in revenue, which was partially offset by the overall decrease in gross profit margins.

Gross profit margins decreased from approximately 29.3% for the period ended 30 June 2002 to 25.8% for the period ended 30 June 2003 mainly as a result of higher material cost included in cost of sales due to change in product mix.

Operating expenses

Total operating expenses increased by approximately $2.2 million or 23.5%, from $9.2 million for the period ended 30 June 2002 to $11.4 million for the period ended 30 June 2003. As a percentage of revenue, operating expenses decreased from 18.1% for the period ended 30 June 2002 to 11.1% for the period ended 30 June 2003 mainly as a result of economies of scale.

Our administrative expenses increased by approximately $2.1 million or 23.0%, from $9.2 million for the period ended 30 June 2002 to $11.3 million for the period ended 30 June 2003. This increase was mainly due to the increase in travelling expenses and personnel related expenses of $0.6 million and $1.1 million respectively. Increase in travelling expenses was in line with our corporate and business development activities primarily in the US and Europe. Personnel expenses increased largely on account of some executive officers who were hired in the second half of FY2002 and additional hiring primarily in the sales department. For the period ended 30 June 2003, we also accrued approximately $0.5 million in performance bonus pursuant to the service agreement with Mr Yao Hsiao Tung.

Other operating income

Our other operating income increased by approximately $0.2 million or 14.1%, from $0.9 million for the period ended 30 June 2002 to $1.1 million for the period ended 30 June 2003, due mainly to the gain on disposal of fixed assets of approximately $0.4 million arising from the sale of a factory premise in Shanghai, Puxi.

Profit from operations

Our profit from operations increased by approximately $9.4 million or 139.8%, from $6.7 million for the period ended 30 June 2002 to $16.1 million for the period ended 30 June 2003. The increase was attributable to the increase in gross profit of $11.5 million despite a decrease in gross margin percentage, partially offset by the increase in operating expenses of $2.2 million as described above. The decrease in operating expenses as a percentage of revenue more than offset the decrease in gross margin percentage resulting in an increase in profit from operations margin from 13.1% for the period ended 30 June 2002 to 15.7% for the period ended 30 June 2003.

Financial income (expenses) and foreign exchange gain (loss), net

Our net financial expenses increased by approximately $0.3 million or 46.2%, from $0.6 million for the period ended 30 June 2002 to $0.9 million for the period ended 30 June 2003. This was due mainly to the increase in hire purchase interest expense by $0.2 million. Total bank borrowings increased by $5.5 million from $27.3 million as at 30 June 2002 to $32.8 million as at 30 June 2003. However interest rates for the period ended 30 June 2002 were largely lower as compared to the same period ended 30 June 2003.

Foreign exchange loss was $0.1 million for the period ended 30 June 2003, a decrease by approximately $0.8 million from $0.9 million for the period ended 30 June 2002. Foreign exchange fluctuations were generally more moderate for the period ended 30 June 2003 as compared to the period ended 30 June 2002.

Profit before tax and share of results of associated companies

Our profit before tax and share of results of associated companies increased by approximately $9.9 million or 188.1%, from $5.2 million for the period ended 30 June 2002 to $15.1 million for the period ended 30 June 2003. The increase was mainly due to an increase in profit from operations of $9.4 million, decrease in foreign exchange loss of $0.8 million and offset by the increase in net financial expenses of approximately $0.3 million.

Tax

Our tax charge for the period ended 30 June 2003 was approximately $1.3 million as compared to $0.8 million for the period ended 30 June 2002 due mainly to higher profit before tax. However, effective tax rate declined from 13.7% for the period ended 30 June 2002 to 8.4% for the period ended 30 June 2003, due mainly to the increase in profit contribution from certain PRC subsidiaries whose profits are entitled to full tax exemption during the period ended 30 June 2003.

LIQUIDITY AND CAPITAL RESOURCES

Our operations were funded through a combination of shareholders' equity, retained earnings and external borrowings from third party financial institutions. External borrowings from third party financial institutions comprise mainly term loans, with maturity ranging from less than 1 year and up to 9 years, which were taken up mainly to partly finance the construction and set-up of our manufacturing plants in Singapore, Mexico and the PRC, and our working capital.

As at the Latest Practicable Date, our principal sources of liquidity included cash and bank balances of approximately $3.5 million and unutilised external credit facilities from third party financial institutions of approximately $37.5 million. As such, our Directors are of the opinion that, after taking into account our banking facilities as at the Latest Practicable Date, we have adequate working capital for our present requirements.

Summary of Cash Flows

	Year ended 31 December 2000 $'000	2001 $'000	2002 $'000	6 months ended 30 June 2003 $'000
Cash flows from operating activities				
Profit before tax and share of results of associated companies	17,726	11,619	19,677	15,091
Adjustments:				
Depreciation of fixed assets	5,373	8,349	9,815	6,191
(Gain)/loss on disposal of fixed assets	(190)	(40)	38	(452)
Fixed assets impairment loss	–	1,510	–	103
Provision for doubtful trade debts	–	513	127	353
Write back of provision for doubtful trade debts	–	–	(400)	–
Provision for inventory obsolescence	1,111	19	207	408
Write back of provision for inventory obsolescence	–	–	(497)	–
Inventories written off	–	25	497	449
Preliminary expenses written off	–	193	–	–
Amortisation of preliminary expenses	16	–	–	–
Provision for diminution in value of club membership	–	–	24	–
Interest income	(54)	(83)	(37)	(29)
Interest expense	1,038	1,489	1,480	941
Translation difference	(372)	(56)	426	(131)
Operating profit before working capital changes	24,648	23,538	31,357	22,924
Decrease (increase) in:				
Inventories	(1,887)	(3,816)	(7,374)	(5,253)
Trade receivables	(3,964)	(6,225)	(14,476)	(3,549)
Notes receivable	–	–	(1,183)	355
Other receivables, deposits and prepayments	(2,367)	(973)	(1,849)	(2,360)
Due from a corporate shareholder (trade)	43	(2)	2	–
Increase (decrease) in:				
Trade payables	5,809	3,858	15,036	1,442
Other payables and accruals	(1,206)	3,505	8,470	168
Due from/to related parties (trade), net	421	(383)	(748)	(42)
Due to related parties (non-trade)	–	1,324	(1,324)	–
Cash generated from operations	21,497	20,826	27,911	13,685
Dividends paid	(300)	(226)	(234)	(234)
Income taxes paid	(2,541)	(1,983)	(2,935)	(434)
Net cash generated from operating activities	18,656	18,617	24,742	13,017

	← Year ended 31 December		→	6 months ended
	2000	2001	2002	30 June 2003
	$'000	$'000	$'000	$'000
Cash flows from investing activities				
Capital contribution by minority interests of a subsidiary company	–	1,091	–	–
Investment in associated companies	–	(400)	–	(400)
Purchase of fixed assets	(16,786)	(17,724)	(29,742)	(11,842)
Preliminary expenses incurred	(151)	–	–	–
Interest income received	54	83	37	29
Proceeds from disposal of fixed assets	1,094	184	869	1,254
Net cash used in investing activities	(15,789)	(16,766)	(28,836)	(10,959)
Cash flows from financing activities				
Interest expense paid	(1,038)	(1,489)	(1,480)	(941)
(Repayment of) proceeds from bank term loans, net	(3,652)	(4,192)	4,595	3,861
Proceeds from (repayment of) short-term bank loans, net	8,738	12,101	(151)	(3,368)
Lease obligation repayments	(1,697)	(3,591)	(3,549)	(3,089)
Net cash generated from (used in) financing activities	2,351	2,829	(585)	(3,537)
Net increase (decrease) in cash and cash equivalents	5,218	4,680	(4,679)	(1,479)
Cash and cash equivalents at beginning of year/period	2,624	7,842	12,522	7,843
Cash and cash equivalents at end of year/period	7,842	12,522	7,843	6,364

For the financial year ended 31 December 2000

In FY2000, we generated net cash from operating activities of approximately $18.7 million. Operating profit before working capital changes amounted to $24.6 million. There was a net cash utilised for working capital purposes amounting to $3.2 million mainly due to an increase in inventories, trade receivables and other receivables, deposits and prepayments of $1.9 million, $4.0 million, $2.4 million respectively and a decrease in other payables and accruals of $1.2 million. This was partially offset by an increase in trade payables of $5.8 million and trade balances due from related parties of $0.4 million. We also made payments of dividends and income taxes of $0.3 million and $2.5 million respectively. As a result, we had a net cash inflow from operating activities of approximately $18.7 million.

Net cash used in investing activities amounting to approximately $15.8 million was mainly attributable to our purchases of fixed assets of $16.8 million. This was partially offset by proceeds from disposal of fixed assets of $1.1 million.

Net cash generated from financing activities amounted to approximately $2.4 million. This was mainly due to the net proceeds from short-term bank loans of $8.7 million. This was partially offset by interest paid of $1.0 million, lease obligation repayments of $1.7 million and repayment of bank term loans of $3.7 million.

For the financial year ended 31 December 2001

In FY2001, we generated operating profit before working capital changes of approximately $23.5 million. Net cash utilised for working capital purposes amounted to $2.7 million due mainly to increases in inventories, trade receivables, other receivables, deposits and prepayments of $3.8 million, $6.2 million and $1.0 million respectively. This was partially offset by the increase in trade payables, other payables and accruals and balances due to related parties of $3.9 million, $3.5 million and $0.9 million respectively. We made dividend payment and income tax payments of $0.2 million and $2.0 million respectively. As a result, we had a net cash inflow from operating activities of approximately $18.6 million.

Net cash used in investing activities of $16.8 million was mainly due to our purchases of fixed assets of $17.7 million and investment in an associated company of $0.4 million. This was partially offset by the capital contribution by minority interests of a subsidiary of $1.1 million.

Net cash generated from financing activities amounted to $2.8 million due to proceeds from short-term bank loans of $12.1 million, partially offset by interest expense paid, repayment of bank term loans and lease obligation repayments of $1.5 million, $4.2 million and $3.6 million respectively.

For the financial year ended 31 December 2002

In FY2002, we generated net cash from operating activities before working capital changes of approximately $31.4 million. Cash utilised for working capital purposes amounted to $3.5 million due mainly to increase in inventories, trade receivables, notes receivable, other receivables, deposits and prepayments, and balances due from related parties (trade) and decrease in balances due to related parties (non-trade) of $7.4 million, $14.5 million, $1.2 million, $1.8 million, $0.8 million and $1.3 million respectively. This was partially offset by an increase in trade payables and other payables and accruals amounting to $15.0 million and $8.5 million respectively. We also made dividend payment and income tax payments of $0.2 million and $2.9 million respectively, resulting in net cash generated from operating activities of approximately $24.7 million.

Net cash used in investing activities amounted to approximately $28.8 million due mainly to our purchase of fixed assets of $29.7 million, partially offset by proceeds from disposal of fixed assets of approximately $0.9 million.

We recorded net cash outflow of $0.6 million from our financing activities. We repaid $0.2 million and $3.5 million of short-term bank loans and lease obligations respectively. In addition, interest expense paid amounted to $1.5 million. This was partially offset by the proceeds from long-term bank loans of $4.6 million.

For the 6 months ended 30 June 2003

In the first half of FY2003, we generated net cash from operating activities before changes in working capital of approximately $22.9 million. Net cash utilised for working capital purposes amounted to $9.2 million due mainly to increase in inventories, trade receivables and other receivables, deposits and prepayments of $5.2 million, $3.5 million and $2.4 million respectively. This was partially offset by an increase in trade payables and other payables and accruals of $1.4 million and $0.2 million respectively and a decrease in notes receivable of $0.4 million. We also made income tax payments of $0.4 million and dividend payment of $0.2 million, resulting in net cash generated from operating activities of approximately $13.0 million.

Cash outflow from investing activities amounted to approximately $10.9 million. This arose mainly from the purchase of fixed assets of $11.8 million and investment in an associated company of $0.4 million, partially offset by proceeds from the disposal of fixed assets which amounted to $1.2 million.

Net cash outflow from financing activities amounted to approximately $3.5 million. This was due mainly to repayment of short-term bank loans, lease obligations and interest expense of $3.4 million, $3.1 million and $0.9 million respectively, partially offset by net proceeds from long-term bank loans of $3.9 million.

REVIEW OF FINANCIAL POSITION

A review of our financial position as at the end of the past three financial years and 30 June 2003 is set out below:-

Fixed Assets

Our fixed assets comprise factory buildings, leasehold improvements, construction-in-progress, renovation, plant and machinery, furniture and fittings, office equipment and motor vehicles.

Our fixed assets increased by approximately $19.6 million or 33.2%, from $59.2 million as at 31 December 2000 to $78.8 million as at 31 December 2001 due mainly to fixed assets additions of $26.1 million and translation gains of $3.5 million which were partially offset by a depreciation charge of $8.3 million and an impairment loss of $1.5 million. The additions to fixed assets related mainly to investments in plant and machinery of approximately $13.8 million, factory buildings and leasehold improvements of approximately $1.2 million, renovation of approximately $7.6 million, construction-in-progress of approximately $1.2 million and office equipment, furniture and fittings of approximately $2.3 million. Approximately $8.2 million of the increase in plant and machinery was attributable to our newly set-up PRC subsidiaries, namely Hi-P Qingdao, Hi-P Xiamen, Hi-P Precision Plastic and Hi-P Chengdu Mold. The balance of approximately $5.6 million of the increase in plant and machinery was accounted for mainly by Hi-P Shanghai, Hi-P Chengdu and Hi-P International. The increase in renovation was attributable mainly to Hi-P Shanghai following the relocation of its manufacturing plant to its current site in Shanghai, Pudong.

Our fixed assets increased by approximately $16.5 million or 20.9%, from $78.8 million as at 31 December 2001 to $95.3 million as at 31 December 2002 due mainly to the additions in fixed assets of $31.9 million, partially offset by FY2002 deprecation charge of approximately $9.8 million, translation loss of approximately $4.7 million and disposal of fixed assets of $0.9 million.

Fixed asset additions mainly consist of plant & machinery of $25.9 million, factory buildings and leasehold improvements of $1.1 million, renovation of $1.3 million and office equipment, furniture & fittings of $3.4 million. During the financial year, various machines were purchased mainly for our existing and new plants in the PRC and Singapore. The increase in office equipment, furniture and fittings is mainly attributed to the expansion of Hi-P Shanghai and Hi-P Industries ($1.6 million) and newly incorporated sites; Hi-P Housing Appliance and Hi-P Tianjin ($0.7 million). The increase in renovation is mainly attributed to Hi-P Tianjin, amounting to $0.7 million. The increase of factory buildings and leasehold improvement is mainly related to Hi-P Shanghai and Hi-P Xiamen.

Our fixed assets increased by approximately $11.8 million or 12.4%, from $95.3 million as at 31 December 2002 to $107.1 million as at 30 June 2003. Fixed asset additions during the period ended 30 June 2003 comprise mainly of investments in plant and machinery amounting to approximately $15.8 million. The additions to plant and machinery were mainly for Hi-P Camera, Hi-P Xiamen, Hi-P Housing Appliance, Hi-P Tianjin and Hi-P International of approximately $14.7 million. In addition, additions to office equipment, furniture and fittings amounted to approximately $1.4 million. The increase in fixed assets was partly offset by a depreciation charge of approximately $6.2 million. Additionally, a translation gain on fixed assets of approximately $0.9 million was recorded.

Current Assets

Our current assets comprise mainly inventories, trade receivables, other receivables, deposits and prepayments, cash and bank balances, and trade amounts due from related parties.

Our current assets increased by approximately $15.6 million or 52.8%, from $29.4 million as at 31 December 2000 to $45.0 million as at 31 December 2001. The increase was due mainly to increases in cash and bank balances, inventories, trade receivables, other receivables and deposits. Cash and bank balances increased by approximately $4.7 million or 63.5%, from $7.4 million as at 31 December 2000 to $12.1 million as at 31 December 2001 due mainly to our operating profits and proceeds raised from new bank loans which were partially reduced by our capital expenditures as highlighted under the analysis of our fixed assets. Inventories increased by approximately $3.8 million or 112.6%, from $3.3 million as at 31 December 2000 to $7.1 million as at 31 December 2001. Trade receivables increased by approximately $5.7 million or 37.5%, from $15.1 million as at 31 December 2000 to $20.8 million as at 31 December 2001. The increases in inventories and trade receivables were mainly in line with the increase in our revenue. Our average inventory turnover lengthened from 21 days in FY2000 to 26 days in FY2001 due mainly to an increase in our level of safety inventories. Our average receivables turnover also lengthened from 59 days in FY2000 to 64 days in FY2001 due to some customers with longer credit terms. Other receivables, deposits and prepayments increased by approximately $0.9 million or 32.7% from $3.0 million as at 31 December 2000 to $3.9 million as at 31 December 2001, mainly in line with the increase in size of our operations.

Our current assets increased by approximately $22.7 million or 50.4%, from $45.0 million as at 31 December 2001 to $67.7 million as at 31 December 2002. The increase was due mainly to increases in inventories, trade receivables, notes receivable, other receivables, deposits and prepayments, and trade amount due from related parties, partially offset by the decrease in cash and bank balances. Inventories increased by $7.2 million or 101.2%, from $7.1 million as at 31 December 2001 to $14.3 million as at 31 December 2002. Trade receivables increased by $14.8 million or 71.3%, from $20.8 million as at 31 December 2001 to $35.6 million as at 31 December 2002. In addition we had notes receivable amounting to $1.2 million as at 31 December 2002 i.e. bank notes in lieu of the trade receivables from customers. The increase in inventories and trade receivables is in line with the increase in revenue. Average inventory turnover has also lengthened from 26 days in FY2001 to 38 days for the year ended 31 December 2002 in preparation for the anticipated ramp up in production in FY2003. Average receivables turnover lengthened from 64 days to 71 days for the year ended 31 December 2002 due mainly to slower collections from some customers. Other receivables, deposits and prepayments increased by $1.9 million or 46.9%, from $3.9 million as at 31 December 2001 to $5.8 million as at 31 December 2002. This is due mainly to increase in other receivables relating mainly to Hi-P Shanghai by $1.4 million from $1.1 million in FY2001 to $2.5 million in FY 2002. Trade amounts from related parties increased by $1.1 million. Cash at bank decreased by $3.4 million or 27.8%, from $12.1 million as at 31 December 2001 to $8.7 million as at 31 December 2002 due mainly to capital expenditure and lease repayments, partially offset by cash generated from operating profits.

Our current assets increased by approximately $7.1 million or 10.5%, from $67.7 as at 31 December 2002 to $74.8 million as at 30 June 2003. The increase was mainly due to increases in inventories, trade receivables, other receivables, deposits and prepayments totalling $9.9 million which were partially offset by a decrease in cash and bank balances of approximately $2.0 million. While there was no material change in inventory turnover at 39 days for the period ended 30 June 2003, inventories increased by approximately $4.4 million or 30.8%, from $14.3 million as at 31 December 2002 to $18.7 million as at 30 June 2003. Trade receivables increased by approximately $3.2 million or 8.9%, from $35.6 million as at 31 December 2002 to $38.8 million as at 30 June 2003. The increase in inventory and trade receivables was generally in line with the higher business volume and activities for our Group. Average receivables turnover improved from 71 days for the year ended 31 December 2002 to 65 days for the period ended 30 June 2003 due to improved collection efforts. Other receivables, deposits and prepayments increased by approximately $2.4 million or 40.8%, from $5.8 million as at 31 December 2002 to $8.2 million as at 30 June 2003. The increase was mainly attributed to the increase in prepayments made to suppliers for the purchases of fixed assets.

Current Liabilities

Our current liabilities comprise mainly trade payables, other payables and accruals, provision for income tax, bank overdrafts, amount due to related parties, bank term loans (current portion), short-term bank loans and lease obligations (current portion).

Our current liabilities increased by approximately $20.3 million or 68.1%, from $29.9 million as at 31 December 2000 to $50.2 million as at 31 December 2001. The increase was due mainly to increases in trade payables, other payables and accruals, trade amounts due to related parties, short-term bank loans and lease obligations, which were partially offset by a decrease in the current portion of our bank term loans. Trade payables increased by approximately $3.8 million or 34.8%, from $11.1 million as at 31 December 2000 to $14.9 million as at 31 December 2001 while amounts due to related parties increased by approximately $1.4 million. The increase in amounts due to related parties were mainly due to prepayments made by related parties on behalf of Hi-P Qingdao. Other payables and accruals increased by approximately $3.6 million due mainly to increases in other payables mainly by Hi-P Shanghai, Hi-P Qingdao and Hi-P Camera. Lease obligations increased from approximately $1.3 million as at 31 December 2000 to $3.2 million as at 31 December 2001 due mainly to the financing obtained to fund our fixed asset additions in FY2001. Short-term bank loans increased by approximately $12.1 million or 138.5%, from $8.7 million as at 31 December 2000 to $20.8 million as at 31 December 2001 due mainly to new bank loans of approximately $13.2 million drawn down during the financial year for the main purpose of funding our investments in our newly incorporated subsidiaries namely Hi-P Xiamen ($2.6 million), Hi-P Qingdao ($2.5 million) and Hi-P Chengdu Mold ($1.8 million). Current portion of our bank term loans decreased from approximately $4.2 million as at 31 December 2000 to $1.7 million as at 31 December 2001 due mainly to scheduled repayments.

Our current liabilities increased by approximately $23.3 million or 46.5%, from $50.2 million as at 31 December 2001 to $73.5 million as at 31 December 2002. The increase was due mainly to the increase in trade payables, other payables and accruals, bank term loans (current portions) and bank overdrafts partly offset by the decrease in amount due to related parties by $1.0 million and provision for income tax by $1.1 million. Trade payables increased by $15.1 million or 100.7%, from $14.9 million as at 31 December 2001 to $30.0 million as at 31 December 2002. The increase was a result of higher inventory purchases to meet production requirement towards the last quarter of the financial year and anticipated ramp up in production for FY2003. Other payables and accruals increased by $8.4 million or 137.3%, from $6.2 million as at 31 December 2001 to $14.6 million as at 31 December 2002. This was due mainly to purchases of fixed assets and higher accrued operating expenses in line with higher sales activity. The bank term loans (current portion) increased by $0.7 million from $1.7 million as at 31 December 2001 to $2.4 million as at 31 December 2002 due mainly to the conversion of certain short-term bank loans to long-term bank loans. Our bank overdraft balance was $1.3 million as at 31 December 2002 of which $1.1 million was attributed to Hi-P International and $0.2 million was attributed to Hi-P Industries.

Our current liabilities decreased by approximately $0.6 million or 0.9%, from $73.5 million as at 31 December 2002 to $72.9 million as at 30 June 2003. The decrease was mainly due to decreases in short-term bank loans, which was partially offset by increases in lease obligations (current portion) and trade payables. Short-term bank loans decreased by approximately $3.4 million or 16.3%, from $20.7 million as at 31 December 2002 to $17.3 million as at 30 June 2003. The decrease was mainly due to scheduled repayments. Our lease obligations increased by approximately $1.3 million or 36.2%, from $3.3 million as at 31 December 2002 to $4.6 million as at 30 June 2003, due to the purchase of fixed assets which were financed through finance leases. Our trade payables increased by approximately $1.4 million or 4.8%, from $30.0 million as at 31 December 2002 to $31.4 million as at 30 June 2003 in line with the higher business volume.

Non-current Liabilities

Our non-current liabilities comprise mainly non-current portion of lease obligations, bank term loans and deferred tax liability.

Our non-current liabilities increased by approximately $1.2 million or 11.3%, from $10.5 million as at 31 December 2000 to $11.7 million as at 31 December 2001. The increase was due mainly to a $2.9 million increase in lease obligations which was partly offset by a decrease in bank term loans of approximately $1.7 million arising from scheduled repayments. The increase in lease obligations were due to finance leases obtained to finance part of our acquisitions of fixed assets during the financial year.

Non current liabilities increased by approximately $2.2 million or 18.6%, from $11.7 million as at 31 December 2001 to $13.9 million as at 31 December 2002. The increase was due mainly to a $3.9 million increase in bank term loans (non-current portion), partly offset by a $1.5 million decrease in lease obligation. The increase in bank term loans was mainly on account of the conversion of certain short-term bank loans to long-term bank loans. The decrease in lease obligations was mainly due to scheduled repayment.

Our non-current liabilities increased by approximately $5.7 million or 40.5%, from $13.9 million as at 31 December 2002 to $19.6 million as at 30 June 2003. The increase was due mainly to the $5.0 million long-term bank loan (non-current portion) drawn down during the period ended 30 June 2003 to finance purchases of fixed assets.

Shareholders' equity

Our shareholders' equity comprises share capital, capital reserve, reserve fund, translation reserve and accumulated profits.

Our shareholders' equity increased by approximately $13.0 million or 26.9%, from $48.4 million as at 31 December 2000 to $61.4 million as at 31 December 2001. The increase was due mainly to profits attributable to shareholders of approximately $9.9 million for FY2001 and a $3.4 million increase in translation reserve. The increase was partially offset by the payment of dividends of $0.2 million.

Shareholders' equity increased by approximately $13.6 million or 22.2%, from $61.4 million as at 31 December 2001 to $75.0 million as at 31 December 2002. The increase was mainly due to net profit attributable to shareholders of $17.9 million for FY2002. This was partially offset by the decrease in translation reserve of approximately $4.1 million. There was also payment of dividends of $0.2 million.

Our shareholders' equity increased by approximately $14.0 million or 18.6%, from $75.0 million as at 31 December 2002 to $89.0 million as at 30 June 2003. The increase was due mainly to net profit attributable to shareholders of approximately $13.5 million for the period ended 30 June 2003 and partially offset by dividend payment of approximately $0.2 million. Additionally there was an increase in translation reserve of about $0.8 million.

CAPITAL EXPENDITURES AND INVESTMENTS

The following table summarises our principal capital expenditures:-

($'M)	FY2000	FY2001	FY2002	From 1 January 2003 to 30 June 2003	From 1 January 2003 to the Latest Practicable Date
Factory building and leasehold improvements	0.3	1.2	1.1	0.2	0.4
Plant and equipment	11.0	13.8	25.9	15.8	31.5
Other fixed assets	7.2	11.1	4.9	2.0	4.6
Total	18.5	26.1	31.9	18.0	36.5

The Group has acquired factory building and leasehold improvements, plant and machinery and other fixed assets amounting to $18.5 million, $26.1 million, $31.9 million and $36.5 million in FY2000, FY 2001, FY2002 and from 1 January 2003 to the Latest Practicable Date.

From 1 January 2003 to the Latest Practicable Date, our Group acquired 120 molding machines, 42 tooling machines, 11 stamping machines and 2 spray painting lines.

We have placed orders for machinery and equipment comprising mainly injection molding machines (and accessories) for our existing plant Hi-P Housing Appliance, and for our new plant namely Hi-P Suzhou, tooling machines for our new plant Hi-P Tianjin Tooling amounting to approximately $7.3 million.

Our Group did not make any material divestments in the past three financial years, and up to the Latest Practicable Date.

PROFIT FORECAST

Barring any unforeseen circumstances and based on the assumptions below, our Directors forecast our Group to achieve a turnover, profit before tax and net profit attributable to shareholders of approximately S$246.5 million, S$38.0 million and S$35.2 million for FY2003. This represents increases of approximately 72.3%, 87.1% and 96.4% respectively, as compared with FY2002. The revenue forecast is based on the combination of actual turnover recorded for the 1st half of FY2003 of S$102.7 million and revenue forecasts for the 2nd half of FY2003 which is based on secured orders, demand forecasts from customers and indications of demand arising from discussions with customers. For FY2001 and FY2002, turnover for the 2nd half of the financial year constituted 58.4% and 64.2% of the year's total turnover respectively. Profit before tax for the 2nd half of the financial year constituted 44.0% and 72.0% of the financial year's total profit before tax for FY2001 and FY2002 respectively. Accordingly, we expect to achieve a turnover of approximately S$143.8 million for the 2nd half of FY2003 which constitutes 58.3% of the total forecast turnover for the year. Profit before tax for the 2nd half of FY2003 is estimated to be approximately S$22.7 million, which constitutes 59.8% of the total projected profit before tax for the year.

For the 6 months ended 30 June 2003, we achieved a Group turnover, profit before tax and net profit attributable to shareholders of approximately S$102.7 million, S$15.3 million and S$13.5 million respectively. This represents approximately 41.7%, 40.2% and 38.3% respectively of our forecast turnover, profit before tax and net profit attributable to shareholders for FY2003, respectively.

Although our Directors believe that the projected results are achievable, there are risks and uncertainties that may cause our actual results and performance to be materially different from our projections. These factors that may affect our business and operations are mainly set out under the section "Risk Factors" on pages 31 to 42 of this Prospectus.

Bases and Assumptions underlying the profit forecast

The profit forecast, for which our Directors are solely responsible, has been prepared on bases consistent with the accounting policies normally adopted by our Group in the preparation of our financial statements.

(i) There will be no material changes in existing political, economic, legal, regulatory and market conditions affecting the activities of the Group, the industry or the countries in which the Group operates.

(ii) There will be no material changes, other than as announced and projected for, in the bases or rates of taxation, CPF contribution, tariffs, duties, currency exchange rates and interest rates from those prevailing as at the date of the forecast and which may affect the Group's performance. The rates of taxation in the various countries where the Group has significant operations are assumed to be those currently prevailing as follows:

	FY2003 and FY2004
Singapore	22%
People's Republic of China	7.5% to 15% (preferential rates)
Mexico	33% to 34%

(iii) There will be no significant disruptions arising from natural disasters, industrial disputes, or the supply of labour or materials or any other causes which will affect the operations of the Group. There will be no re-occurrence of SARS in the countries in which we operate. Re-occurrence of SARS may increase our business costs as we may need to impose certain measures to enhance hygiene standards. SARS may also cause disruption to our business.

(iv) There will be no exceptional circumstances or events which will materially affect the operations of our major customers and hence the sales projections obtained from these customers, being the principal basis for the Group's sales forecast.

(v) There will be no material change in the selling price of the Group's products.

(vi) There will be no exceptional circumstances, which will require provisions to be made by the Group in respect of any contingent liability or arbitration threatened or otherwise, abnormal bad debts and other assets.

(vii) There will be no material changes in the prevailing foreign currency exchange rates throughout the forecast periods. The exchange rates of the principal foreign currencies are assumed to be those prevailing as at 30 June 2003.

Foreign currency	Rate
RMB: S$	4.713
MPeso: S$	5.935
USD: S$	0.569
Euro: S$	0.498

(xiii) There will be no significant fluctuations in the costs of our raw materials and labour, and rental rates of our existing premises except as forecasted.

(ix) We have taken into account the service agreement for our Executive Director set out on pages 135 and 136 of this Prospectus.

Our Group's history is traced back to 26 December 1980 when Hi-P Tool & Die Pte Ltd ("Hi-P Tool & Die") was incorporated in Singapore for the purpose of designing and manufacturing operating parts ("tooling inserts") for precision plastic injection molds ("molds") by two shareholders who are not related to our existing Shareholders.

In May 1983, Mr Yao Hsiao Tung, our Group's present Executive Chairman and Chief Executive Officer, was appointed as a director of Hi-P Tool & Die. Subsequently in November 1983, Mr Yao Hsiao Tung became one of the shareholders of Hi-P Tool & Die through the acquisition of shares in Hi-P Tool & Die from the then shareholders.

In 1987, Molex International Inc. ("Molex") became a substantial shareholder of Hi-P Tool & Die through the acquisition of a 35% equity stake in Hi-P Tool & Die. Molex is a subsidiary of the US-based and NASDAQ-listed MNC, Molex Incorporated. Molex is a manufacturer of electronic, electrical and fibre optic interconnection products and systems, in particular connectors which are used in various electrical and electronic products such as phone terminals and computers. Molex is also involved in precision plastic injection molding and precision metal component stamping. The tie-up with Molex enabled Hi-P Tool & Die to enhance its technical expertise and to establish itself as a designer and fabricator of high quality tooling inserts for companies operating in the domestic connector industry. Hi-P Tool & Die's experience in designing and fabricating tooling inserts served as the foundation for our Group's growth in the fields of precision plastic injection mold design and fabrication ("MDF") and precision plastic injection molding ("PPIM").

In a move to offer a wider range of services to its customers, Hi-P Tool & Die ventured into the PPIM business in 1985 with the loan of 4 PPIM machines from DuPont Singapore Electronics Pte Ltd. In the beginning, Hi-P Tool & Die manufactured mainly precision plastic components for disk drives for one of our major customers, a US-based disk drive manufacturer. In response to the rising market demand for integrated MDF and PPIM services, Hi-P Tool & Die acquired its first PPIM machine in August 1987 and in October 1987, its first Charmilles "D10" electro-discharge machine ("EDM"), then considered to be a state-of-the-art MDF machine, which further enhanced its MDF capabilities.

In June 1988, Hi-P Tool & Die achieved certification by Underwriters Laboratories Inc. ("UL") for its PPIM processes. Between 1988 and 1991, Hi-P Tool & Die continued to focus its attention on providing MDF and PPIM services to the domestic connector and hard disk drive industries.

In January 1992, Hi-P Tool & Die set-up a joint venture with Shanghai Tonghua Computer Software Factory ("Shanghai Tonghua") to incorporate its first PRC subsidiary (80% owned) in Shanghai, Hi-P Shanghai (then known as "Shanghai Hi-P Precision Mold & Die Co., Ltd."). Hi-P Shanghai was set-up mainly for the purpose of providing PPIM services to Hi-P Tool & Die. Hi-P Tool & Die's entry into the PRC market enabled it to lower its operating costs and provided Hi-P Tool & Die with access to the larger pool of skilled labour required for its continued growth. Hi-P Shanghai subsequently changed to "Hi-P Shanghai Electronics Co., Ltd.", in August 1999.

In March 1993, our Hi-P Tool & Die manufacturing plant successfully achieved ISO 9002 certification.

In response to the rising demand for MDF and PPIM services in the PRC, Hi-P Shanghai expanded its operations to include PPIM services in November 1994. The robust growth of the data storage industry in 1994 provided Hi-P Tool & Die with the opportunity to penetrate into the CD-ROM drive market. In May 1994 Hi-P Shanghai successfully achieved UL certification for its PPIM processes.

In December 1995, Hi-P Tool & Die increased its stake in Hi-P Shanghai from the initial 80% to 100% through a share purchase from Shanghai Tonghua.

In 1996, Hi-P Tool & Die made the strategic decision to become a geographically diversified company and explored new markets and business opportunities. In October 1996, we incorporated our second wholly-owned foreign subsidiary, Hi-P Mexico in Guadalajara, for the purpose of providing PPIM services, with Lucent Technology as its main customer. With the set-up of Hi-P Mexico, Hi-P Tool & Die was able to take advantage of Mexico's NAFTA membership to gain access to the US market where many of its customers were based.

On 5 February 1997, Hi-P Tool & Die changed its name to Hi-P Singapore Pte Ltd ("Hi-P Singapore"). In the same year, Hi-P Singapore expanded its range of services to include Class 100,000 Cleanroom molding and sub-product assembly of plastic components mainly for Motorola's range of mobile phones.

In November 1997, Hi-P Singapore expanded its MDF activities in the PRC to Chengdu through the incorporation of a new wholly-owned subsidiary, Hi-P Chengdu.

In December 1997, Hi-P Singapore completed the construction of our Group's existing 5-storey factory building at 11, International Business Park, Jurong East, Singapore.

In 1997, Hi-P Singapore was awarded its first Enterprise 50 award (36th place). The Enterprise 50 award was established by Accenture (formerly known as Andersen Consulting) and The Business Times with support from the Singapore Economic Development Board, to recognise the achievement of the top 50 most enterprising privately held companies in Singapore.

Between 1997 and 1998, Molex transferred certain shares to Mr Yao Hsiao Tung for an aggregate consideration of S$1.82 million as agreed between the parties resulting in a reduction of their shareholding by 7% of the then issued shares capital of Hi-P Singapore.

In 1998, Hi-P Singapore was awarded the Enterprise 50 award (19th place) for the second time.

In 1999, Hi-P Shanghai expanded its operations to include sub-product assembly to cater to the demand of customers operating in the telecommunications and consumer electronics & electrical industries.

In line with our continuous efforts to strive for product and service excellence, in 1999, our Hi-P Singapore and Hi-P Shanghai manufacturing plants successfully achieved QS 9000 certification. In the same year, our Hi-P Shanghai and Hi-P Chengdu manufacturing plants successfully achieved ISO 9002 certification.

In 1999, Hi-P Singapore was awarded the Enterprise 50 award (20th place) for the third time in succession.

In March 2000, Hi-P Singapore entered into a sales and purchase agreement with Kodak Electronics Product (Shanghai) Co., Ltd., a wholly-owned subsidiary of Kodak, to acquire its PPIM division in Shanghai for a total consideration of approximately US$3.1 million . Hi-P Singapore incorporated a new wholly-owned subsidiary, Hi-P Camera, in March 2000 for the purpose of the acquisition which was subsequently completed in June 2000. In connection with the acquisition, Kodak entered into a two-year contract with Hi-P Singapore for the supply of precision plastic components for Kodak's camera products worldwide.

In May 2000, Hi-P Precision Plastic (then known as "Jintian Plastic Mould (Shanghai) Co., Ltd.") was incorporated for the main purpose of providing PPIM and spray painting services to a major customer in the telecommunications industry.

In July 2000, our Hi-P Mexico manufacturing plant successfully achieved ISO 9002 certification

On 12 October 2000, Hi-P Singapore changed its name to Hi-P International Pte Ltd ("Hi-P International").

In 2000, Hi-P Singapore was awarded the Enterprise 50 award (11th place) for the fourth time in succession.

In 2001, Hi-P Singapore further expanded its operations in the PRC and Singapore with the incorporation of 4 new subsidiaries, namely Hi-P Xiamen (100% owned), Hi-P Chengdu Mold (100% owned), Hi-P Qingdao (70% owned) and Hi-P Industries (100% owned).

Hi-P Xiamen was incorporated in February 2001 for the main purpose of providing PPIM services to Kodak companies in Xiamen for its range of single-use cameras.

Hi-P Chengdu Mold was incorporated in March 2001 for the main purpose of manufacturing and supplying mold bases for use by Hi-P Singapore and its other subsidiaries.

Hi-P Qingdao was incorporated in April 2001 pursuant to a joint venture agreement with Haier Specific Plastic Research, Production and Development Co., Ltd., a PRC electrical appliances manufacturer. Hi-P Qingdao was incorporated mainly for the purpose of providing PPIM, spray painting and assembly services primarily to Haier for its range of mobile phones, and to seek out potential customers operating in the telecommunications industry in the PRC.

In June 2001, as part of the plan to expand its MDF capabilities, Hi-P Singapore purchased a 30% equity stake in Express Tech, a Singapore-incorporated and Singapore-based company specialising in the fabrication of large plastic injection molds (sizes up to 550 tonnes) mainly for the production of plastic components for computer peripherals, from Leong Yoke Ming for a total consideration of S$504,000 (subject to certain profit targets to be met).

In line with its aim to become an integrated contract manufacturing services provider, Hi-P International ventured into the precision metal stamping industry with the incorporation of a wholly-owned Singapore subsidiary, Hi-P Industries, in November 2001.

In December 2001, Hi-P Shanghai secured a four-year contract from Braun to undertake full-product assembly services for its battery toothbrush (the “Braun Project”). The Braun Project is currently undertaken by Hi-P Housing Appliance which commenced production of the battery toothbrushes in July 2002.

In 2001, Hi-P International was awarded its fifth Enterprise 50 award, holding 2nd place.

In January 2002, Hi-P International incorporated a new 100% owned PRC subsidiary, Hi-P Housing Appliance for the main purpose of undertaking the Braun Project.

In June 2002, Hi-P International incorporated Hi-P Tianjin, a 100% owned subsidiary for the main purpose of providing PPIM, spray painting and assembly services primarily to a major customer in the telecommunications industry.

In July 2002, our Hi-P Mexico manufacturing plant successfully achieved QS 9000 certification.

In September 2002, our Hi-P Xiamen manufacturing plant successfully achieved ISO 9001:2000 certification.

On 5 September 2002, we signed a cooperation contract with Oechsler AG (“Oechsler”), a German-based corporation, to establish an Asian-European alliance to provide production and marketing facilities for precision plastic components for Siemens’ mobile phones in the European as well as in the Asian market.

In 2002, we expanded Hi-P Camera’s operations to include sub-product assembly services to Kodak.

To further expand our Precision Metal Stamping Business, Hi-P Industries incorporated a wholly-owned PRC subsidiary, Hidec Shanghai in September 2002.

In January 2003, we incorporated Hi-P North America, our wholly-owned American subsidiary for the main purpose of providing engineering support services to a major customer in the telecommunications industry.

In January 2003, we incorporated Hi-P Finland, our first wholly-owned European subsidiary for the main purpose of providing engineering support services to a customer in the telecommunications industry.

In June 2003, we incorporated Hi-P (Shanghai) Precision Mold & Die Co., Ltd, our wholly-owned PRC subsidiary mainly to expand our MDF activities in the PRC.

In June 2003, as part of the plan to expand our MDF capabilities, Hi-P International purchased a 40% equity stake in Hi-Tec Precision Mould Pte. Ltd., a Singapore based company specialising in manufacturing and repair of machinery, machine tools and machine tools accessories and die-casting.

In June 2003, Hi-P Housing Appliance successfully achieved ISO/TS 16949:2002 certification.

In August 2003, we incorporated Hi-P (Tianjin) Precision Mold & Die Co., Ltd, our wholly-owned PRC subsidiary mainly to expand our MDF activities in the PRC.

In August 2003, we incorporated Hi-P (Suzhou) Technology Co., Ltd, our wholly-owned PRC subsidiary mainly to expand our Precision Plastic Business and Assembly activities in the PRC.

In August 2003, Hi-P Housing Appliance successfully achieved ISO 13488 certification.

In August 2003, we incorporated Hi-P Resources Ltd, our wholly-owned Mauritius subsidiary for providing human resources to our overseas subsidiaries in the future.

In September 2003, we incorporated Hi-P Mauritius Ltd, our wholly-owned Mauritius subsidiary for the purpose of carrying out international sales and marketing activities.

In September 2003, Hidec Industries Pte Ltd changed its name to Hi-P Industries Pte. Ltd..

OVERVIEW

We are an integrated contract manufacturing services provider specialising in precision plastic injection molding (“PPIM”), mold design and fabrication (“MDF”), assembly, ancillary value-added services and precision metal stamping. We provide turnkey contract manufacturing services to our customers mainly in the consumer electronics & electrical industry.

We have a total of 16 manufacturing plants located in the PRC (13) (in Shanghai, Chengdu, Xiamen, Tianjin, Qingdao, Suzhou), Singapore (2) and Mexico (1).

Our principal markets include the PRC, Singapore, USA and other parts of the Americas, Europe, Malaysia and other parts of Asia. For FY2002, revenue generated from our customers from the PRC, Singapore, USA and the other parts of the Americas, Europe, Malaysia and the other parts of Asia accounted for approximately 58.9%, 13.6%, 9.5%, 12.1%, 3.6% and 2.3% of our revenue respectively. For the 6 months ended 30 June 2003, revenue generated from our customers from the PRC, Singapore, USA and the other parts of the Americas, Europe, Malaysia and the other parts of Asia accounted for 55.2%, 14.3%, 8.7%, 15.8%, 2.6% and 3.4% of our revenue respectively.

Our customers are mainly original equipment manufacturers (“OEMs”), majority of which are multinational corporations (“MNCs”), in the telecommunications, consumer electronics & electrical, data storage, life sciences/medical and automotive industries. We also have local customers primarily in the PRC. Our customers’ end products include mobile phones, battery toothbrushes, electric shavers, hairdryers, cameras (digital, reloadable and disposable), hard disk drives, connectors and medical devices. Some of our major customers include Motorola, Braun, Siemens, Kodak, Maxtor, Seagate and Elcoteq.

Revenue derived from our customers from the telecommunications, consumer electronics & electrical, data storage, life sciences/medical and automotive industries accounted for approximately 47.1%, 32.8%, 16.6%, 3.3% and 0.2% of our FY2002 revenue respectively. For the 6 months ended 30 June 2003, revenue derived from our customers from the telecommunications, consumer electronics & electrical, data storage, life sciences/medical and automotive industries accounted for approximately 44.8%, 37.1%, 15.6%, 2.4% and 0.1% of our revenue respectively.

We classify our business activities into three broad business areas namely our Precision Plastic Business, our Assembly Business and our Precision Metal Stamping Business.

PRECISION PLASTIC BUSINESS

Business activities undertaken by our Precision Plastic Business mainly include design and fabrication of precision plastic injection molds (“MDF”) and precision plastic injection molding (“PPIM”). We also provide a wide range of ancillary valued-added services comprising mainly surface finishing services such as spray painting, IMD technology, pad printing and other value-added services such as EMI shielding and ultrasonic welding. For FY2002 and the 6 months ended 30 June 2003, MDF accounted for approximately 16.3% and 11.7% of our revenue respectively. For FY2002 and the 6 months ended 30 June 2003, PPIM (including ancillary value-added services) accounted for approximately 54.7% and 52.7% of our revenue respectively.

MDF

MDF or “Tooling” involves the design and fabrication of the precision plastic injection mold (“mold”), a steel tool made up of many operating mechanisms and parts (“tooling inserts”) assembled together, and subsequently used in PPIM or sold directly to customers. The precision plastic component produced in PPIM has the shape of the mold cavity. We have the capability to design and fabricate intricate and complex precision plastic injection molds with tooling inserts that may be as thin as 0.1 mm in thickness with a precision accuracy of up to 1 micrometer.

In addition to the mold cavity, a mold has channels to facilitate the flow of melted plastic resin into the mold cavity and the circulation of coolants to cool the melted plastic resin. Examples of components and operating mechanisms of a mold are mold bases and rams/gears which are used to operate the moving parts of the mold and to eject the plastic component from the mold cavity. Basically, the MDF process involves determining the mold concept, designing the mold, fabricating the tooling inserts, assembling the mold and testing the assembled mold.

Based on the basic product drawings prepared by our customers, our design engineers and technicians ("Design Engineers") will use design software such as Unigraphics II CAD/CAM System, Pro-Engineering CAD/CAM Software and Mold Adviser to determine the most efficient mold concept and design. To better service our customers and to ensure that the molds designed and fabricated by us conform to our customers' requirements, our Design Engineers regularly participate in our customers' product design and development activities ("Early Supplier Involvement Programmes" or "ESI programmes").

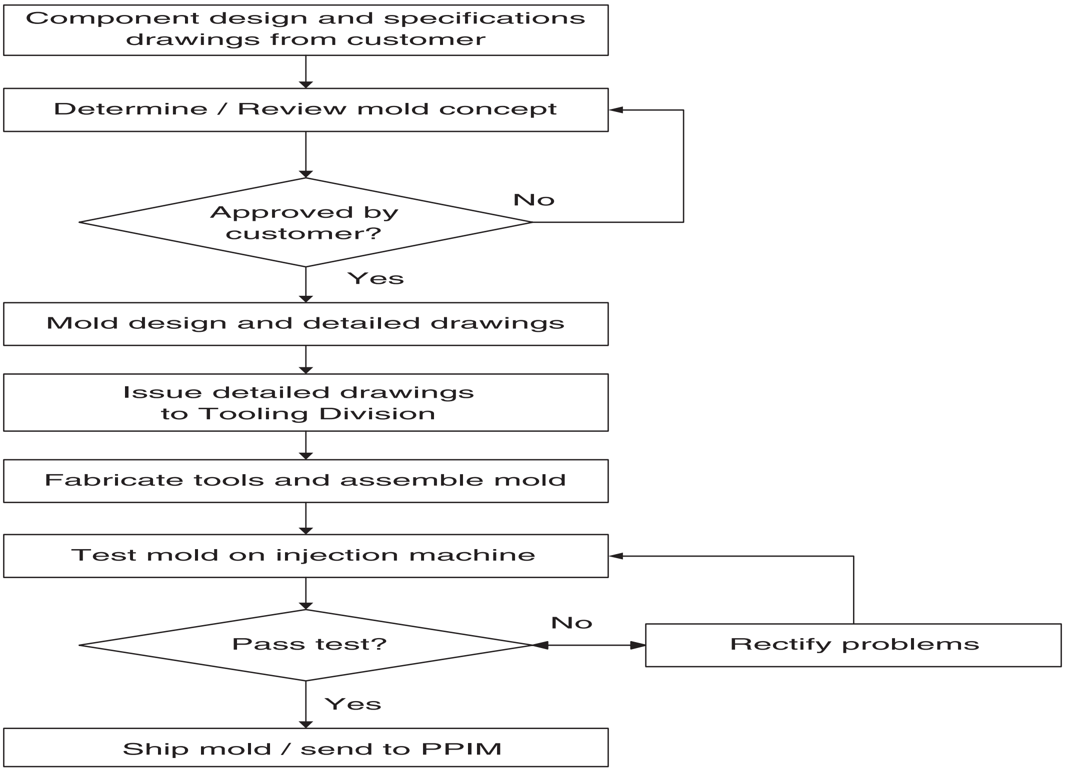
Upon receipt of our customer's approval of the mold concept and design, our Design Engineers will produce detailed drawings of the mold and tooling inserts which will be forwarded to our employees in our Tooling division ("Tool Makers") who will fabricate the tooling inserts with the aid of tooling machines such as CNC machining centres, EDMs, jig-grinding machines, wire-cutting machines and other tooling machines (e.g. lathe and drilling machines) (collectively referred to herein as "MDF machines"). Upon completion, the tooling inserts are assembled to form the mold which will be fitted and tested on a PPIM machine. Depending on the complexity of the mold, the entire MDF process in majority of our cases may take about 3 to 8 weeks to complete. We also do in-house mold repair and maintenance.

Assembled and tested molds are sent to our PPIM division for manufacturing of plastic components ("production molds"), and some are shipped directly to our customers.

We also undertake in-house mold repair and maintenance.

MDF is currently undertaken by Hi-P International, Hi-P Shanghai, Hi-P Chengdu, Hi-P Chengdu Mold and Hi-P Mexico, and will be undertaken by our new subsidiaries Hi-P Shanghai Tooling and Hi-P Tianjin Tooling. As at the Latest Practicable Date, our MDF division has a total of 27 EDMs, 16 wire-cutting machines, 20 CNC machining centres, 1 jig-grinding machine and 117 milling and grinding machines.

A schematic representation of our tooling process is illustrated below:-



PPIM

This involves the injection molding of a wide range of precision plastic components, which are used as parts or segments of our customers' finished products such as mobile phones, battery toothbrushes, electric shavers, hairdryers, cameras (digital, reloadable and disposable), hard disk drives and medical devices.

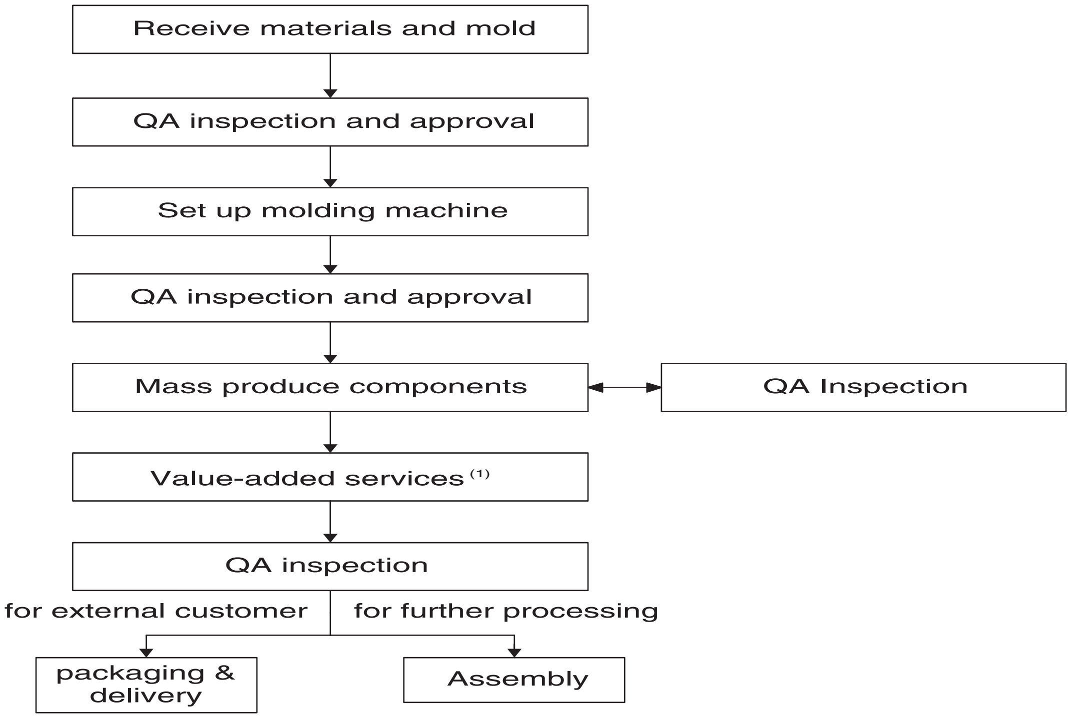
The process mainly involves the systematic heating of compounded plastic raw materials in the form of small pellets ("plastic resins") to the point where the compound melts and flows under high pressure and is then injected into a precision plastic injection mold. The compound is then cooled and subsequently solidifies. We use precision plastic injection molding machines ("PPIM machines"), most of which have computerised material handling systems and robotic parts manipulators. As at the Latest Practicable Date, we have a total of 349 PPIM machines with clamping forces ranging from 18-tonnes to 350-tonnes. PPIM is currently undertaken by Hi-P International, Hi-P Shanghai, Hi-P Camera, Hi-P Housing Appliance, Hi-P Mexico, Hi-P Xiamen, Hi-P Tianjin and Hi-P Qingdao and will be undertaken by our new subsidiary Hi-P Suzhou.

We offer the following PPIM services:-

Conventional PPIM

Conventional PPIM is suitable for producing single material or single colour plastic components with wall thickness ranging between 1.2 mm to 3.0 mm and no embedded parts. In the conventional PPIM process, a single type of compounded plastic raw material in the form of small pellets ("resins") are first subject to a thorough drying process using dehumidifiers before being fed into the heated chamber of a PPIM machine and melted. Following on, the melted resin is injected into the mold under high pressure, typically between 5,000 to 20,000 psi using a high-speed ram. The high pressure is maintained against the melted resin to allow it to solidify to form the shape of the mold cavity under low temperature. When the shape of the plastic component is set, the plastic component is ejected automatically from the PPIM machine.

A schematic representation of our basic PPIM process is illustrated below:-



Note:-

(1) May or may not be required depending on component design or specifications. Value-added services such as spray painting, IMD technology, EMI shielding, pad printing services and ultrasonic welding. May be done after assembly for some.

Specialised PPIM

In addition to conventional PPIM, we offer the following types of specialised PPIM services:-

(a) Class 100,000 Cleanroom molding

As at the Latest Practicable Date, we have 4 Class 100,000 Cleanroom molding facilities located at Hi-P International (2), Hi-P Shanghai (1), Hi-P Tianjin (1). A Class 100,000 Cleanroom is a specially-constructed manufacturing facility which has no more than 100,000 particles, each with a corresponding diameter of size of 0.5 micrometer or larger per cubic foot of volume. Class 100,000 Cleanroom manufacturing condition is a strict requirement for medical and pharmaceutical products which require very high cleanliness standards ("medical grade products"). Currently, Hi-P International's Cleanroom is used to supply all of our customer's demand for medical grade products. Examples of life sciences/medical grade products currently manufactured by us include disposable medical devices for intravenous ("IV") administration. Other products are display windows for mobile phones and camera lens view finder.

(b) 2-shot molding

2-shot molding is a specialised PPIM technique used to manufacture two-colour plastic components or plastic components which are made up of two different types of plastic materials in a single manufacturing cycle. Examples of plastic components manufactured by us using 2-shot molding include plastic components for flashlights, electric shavers, battery toothbrushes and navigation keys for mobile phone.

(c) Insert molding

Insert molding is a specialised PPIM technique used to manufacture plastic components with embedded parts. The embedded parts can be made from a variety of materials such as metal, ceramic and plastic. Examples of plastic components manufactured by us using insert molding include hard disk drive latches and mobile phone chassis.

(d) Thin-wall molding

Thin-wall molding is a specialised PPIM technique used to manufacture plastic components with wall thickness measuring 0.8 mm or less in certain sections. Examples of plastic components manufactured by us using thin-wall molding include mobile phone housings, sockets for testing micro-chips and connectors for the telecommunications, data storage, and consumer electronics & electrical industries.

Ancillary value-added services

To enhance our competitiveness, we also offer our customers a wide range of ancillary value-added services comprising mainly surface finishing services such as spray painting, IMD technology, pad printing and other value-added services such as EMI shielding and ultrasonic welding. We undertake such services for products including mobile phones, electric shavers and cameras. We believe that our ability to provide these ancillary value-added services is critical to the success of our aim to become an integrated contract manufacturing services provider. Ancillary value-added services are currently undertaken by Hi-P Shanghai, Hi-P Camera, Hi-P Precision Plastic, Hi-P Mexico, Hi-P Tianjin and Hi-P Qingdao and will be undertaken by our new subsidiary Hi-P Suzhou.

(a) Spray painting

Spray painting is a type of precision surface finishing technology that is commonly used to provide a decorative effect or feel ("touch and feel") to the surface of molded plastic components, as well as to enhance the functionality and durability of molded plastic components. Spray painting basically involves the automated spraying of a very fine and even layer of paint or plastic film or coating ("Coating Material") on the surface of a molded plastic component. To ensure proper adhesion of the Coating Material, the molded plastic component must have the correct surface finish. The stickiness of the Coating Material and air pressure must also be correctly controlled to produce the correct thickness, evenness and colouration. All spray painted molded plastic components are subject to a curing and drying process at a temperature range and at intervals as recommended by the Coating Material supplier. As at the Latest Practicable Date, we have a total of 5 Class 10,000 Cleanroom spray painting lines each capable of producing up to 2 million parts per month and a paint or coating thickness accuracy of plus or minus 2 microns.

(b) IMD technology

IMD technology involves the simultaneous injection molding of a plastic component with formable hardcoat film and/or lacquers. The use of IMD technology can be used to improve the aesthetic value and/or durability of the product as the hard scratch and solvent-resistant surfaces allow decorations or enhancement such as attractive back-lighting and selective texturing to be made.

(c) Pad printing

Pad printing is a type of printing technique wherein the ink is first pressed on to a metal template containing the design pattern and transferred through a soft silicon pad onto the surface of the material. Pad printing is suitable for use on very small plastic components or plastic components with odd shaped or irregular surface.

(d) EMI shielding

EMI shielding involves treating plastic components with a conductive coating, mainly copper silver or silver to provide an effective electromagnetic interference or radio frequency shielding system for communication products.

(e) Ultrasonic welding

Ultrasonic energy from electrical transducers is used to weld plastic components together or to insert metal components into plastic parts. This is used for example in the assembly of the mobile phone antennae.

ASSEMBLY BUSINESS

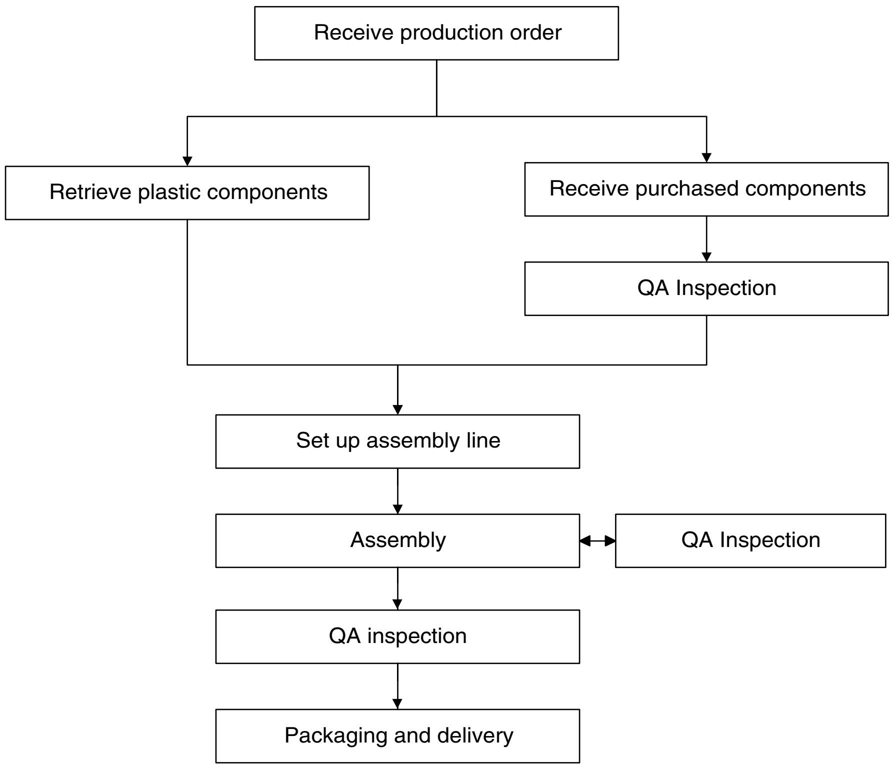
We undertake both full/complete product assembly ("full-product assembly") and partial product assembly ("sub-product assembly") services. For FY2002 and the 6 months ended 30 June 2003, our Assembly Business accounted for approximately 29.0% and 35.6% of our revenue respectively. Assembly business is currently undertaken by Hi-P Shanghai, Hi-P Housing Appliance, Hi-P Xiamen, Hi-P Tianjin and Hi-P Qingdao and will be undertaken by our new subsidiary, Hi-P Suzhou.

We have assembly projects that are undertaken on a turnkey basis i.e. from involvement in product design improvement and/or components design/design improvement up to the delivery of the fully assembled or sub-assembled product including project management and supply chain management services. These projects would also involve some or all of the following processes - MDF, PPIM, precision metal stamping and ancillary value-added services.

Full-product assembly involves assembling our customer's complete finished product. Sub-product assembly involves assembling a part or parts of our customer's finished product. Total output capacity of our assembly business is flexible and varies in accordance with the mix and types of products. Assembly lines are configured/ reconfigured depending on the orders to be processed. Currently, Hi-P Housing Appliance provides full-product assembly services. Our full-product assembly products include battery toothbrushes and hairdryers, which have also been undertaken on a turnkey basis. Examples of products currently sub-assembled by us include mobile phones and cameras.

The assembly process begins with the gathering of all the various components, either plastic or non-plastic, to be assembled. These components are either manufactured by us, consigned by our customers or purchased from third-party suppliers. Concurrently, the assembly line and sub-assembly stations are set up for production. After going through the necessary in-coming quality assurance inspection, the purchased components are placed together with the plastic components manufactured by us at the respective sub-assembly stations in preparation for assembly. During the process, the product is built-up in stages as it moves from one sub-assembly station to another. The movement from one sub-assembly station to another is done either manually or via conveyor belts. In-process inspection is carried out at relevant inspection points at regular intervals to ensure that the product assembled by us meets our customer's requirements at each stage of the assembly process. The assembled product undergoes out-going inspection and testing for quality assurance before it is delivered to our customers.

A schematic representation of our assembly process is illustrated below:-



PRECISION METAL STAMPING BUSINESS

In line with our aim to become an integrated contract manufacturing services provider, we ventured into the precision metal stamping business in November 2001 with the incorporation of a wholly-owned Singapore subsidiary, Hi-P Industries. In September 2002, we expanded our Precision Metal Stamping Business to the PRC through the incorporation of a wholly-owned subsidiary, Hidec Shanghai. We commenced the commercial production of our Singapore manufacturing plant in January 2003 and of our Shanghai manufacturing plant in March 2003. Business activities undertaken by our Precision Metal Stamping Business include precision die design and fabrication and precision metal stamping.

We undertake die design and fabrication, which is the process of designing the stamping die set ("die") which is used to shape and form metal components, fabricating the components of the die, assembling the die and testing the assembled die. Currently, die design, assembly and testing operations are undertaken in-house while part of our die component fabrication operations are outsourced to selected third-party sub-contractors. Our in-house die designers regularly participate in ESI programmes to enhance our competitiveness and improve the quality of our services offered to our customers. The fabricated dies are subsequently used for precision metal stamping production.

Precision metal stamping production refers to the process of impressing and shaping designs or shapes on a metal sheet or coil by the forceful pressing of a die against a metal sheet or coil through the up-and-down motion of a stamping press. The die determines the shape and size of the metal component and the stamping press provides the force needed to effect the process. As at the Latest Practicable Date, we have a total of 15 stamping presses with clamping forces ranging from 35-tonnes to 160-tonnes.

Our Precision Metal Stamping Business is generally to supplement our PPIM and Assembly businesses and supply mainly to OEMs in the telecommunications industry for mobile phones and in the consumer electronics & electrical industry for battery toothbrushes. We have undertaken commercial production mainly as part of the integrated manufacturing services provided by our other subsidiaries to end-clients such as Braun.

SEASONAL FACTORS

We are unable to establish a seasonality pattern for the sales of our products in view of our business expansion. However, since FY2001, we have noted generally higher sales in the second half of the year for our Precision Plastic Business and Assembly Business which may partly be explained by possible build-up of orders for the year-end Christmas holidays.

QUALITY CONTROL

We strive towards building quality into all our products and services at the earliest possible stage of production. Hence, we have established stringent quality control procedures to perform quality checks at each critical stage of our manufacturing processes to ensure that all our products and services satisfy our customers' requirements. Quality control checks are carried out, recorded and monitored by our own in-house quality assurance ("QA") department. As at the Latest Practicable Date, our QA operations employ a total of 279 full-time employees who are located throughout all of our manufacturing plants in the PRC (226), Singapore (46) and Mexico (7).

Our QA activities include the following:-

(a) In-coming quality assurance

All in-coming materials used in our manufacturing processes and products or services provided or manufactured by third-party sub-contractors ("subcontracted works") are subject to inspection at the point of receipt. Any defects or non-compliance with our quality standards are immediately highlighted to the vendors or sub-contractors for replacement or rectification. We document all quality assurance checks on all in-coming materials and sub-contracted works and conduct monthly reviews on the quality of our suppliers and sub-contractors.

(b) MDF and die design and fabrication quality assurance

Design release and documentation controls are vital to our MDF and die design and fabrication operations. All engineering changes, design improvements and the various stages of design verification and approval are monitored, documented and controlled. Upon completion of the mold or die, we also conduct mold or die trials to ensure conformity of designs to the level of expectations set by our customers.

(c) Production quality assurance

We employ a wide range of QA mechanisms and systems at different stages of our production processes to administer preventive and corrective measures to maximise final product quality. These mechanisms and systems include the following:-

(i) Real time Statistical Process Control ("SPC")

SPC monitors and provides real time statistical data feedback, at regular intervals, on the ability of our PPIM machines and stamping presses to consistently produce the dimensions and quality of the plastic or metal components being manufactured.

(ii) Computer Aided Verification ("CAV") system

The CAV system ensures that the manufactured plastic components (the "Manufactured Component") conform to the specifications of a prescribed sample plastic component (the "Sample Component") by comparing the Manufactured Component with the Sample Component. The CAV system is capable of optical measurement, digitising and testing of three-dimensional objects. The CAV system will scan the Manufactured Component, convert the measurements into a digital image, align the digital image with the nominal CAD geometry and provide the results of the comparison. Any tolerance deviations can be quickly and accurately identified, and corrective measures can be administered accordingly.

(iii) Coordinate Measuring Machine ("CMM")

CMM measures the dimensions of the molds, dies and manufactured plastic or metal components to ensure conformance with the requisite specifications. CMM uses an electronic probing system to provide the three-dimensional measurements of the manufactured plastic or metal component. CMM automates the measuring process, thus reducing human errors and manpower in taking measurements of a plastic or metal component. CMM is particularly useful if the plastic or metal component requires very precise dimensional tolerances.

(iv) Optical Measuring System ("OMS")

OMS utilises complex optical mechanisms to measure or inspect tooling inserts, three-dimensional plastic or metal components. OMS is suitable for very complex, small or delicate plastic or metal components that cannot be readily measured or inspected using an electronic probing system.

(v) Spectrophotometer

The spectrophotometer is an electronic optical device designed for a broad range of colour measurement applications. The spectrophotometer measures the colouring and brightness level of incoming materials, in-process parts and painted surfaces of finished products to ensure that the precision plastic components manufactured by us are of consistent colour quality.

(d) Outgoing quality assurance

We carry out sample inspections on all completed plastic and metal components and ensure that packaging requirements are fully complied with. Particularly, some products require special packaging such as tape and reel. Only completed products and packaging that conform to our customers' stringent requirements and standards are delivered.

Certain manufacturing processes and quality control systems are subject to semi-annual quality assurance audit by Det Norske Veritas or other certified organisations. This includes the verification of personnel training, proper maintenance and calibration of equipment used in the manufacturing processes as well as the use of correct procedures for all operations.

We measure our quality standards for our Precision Plastic Business using quality indices, mainly defect parts per million ("DPPM") and tooling scrap rate ("TSR"). DPPM indicates the number of defective plastic components per million produced and is used to measure quality standards for PPIM. TSR measures the percentage of hours used in the production of tooling inserts that are scraped in the month, based on the total number of hours used to fabricate all the tooling inserts produced in the same month. The average quality indices for our Precision Plastic Business for the latest 3 financial years ended 31 December 2002 are as follow:-

	FY2000	**FY2001**	**FY2002**
DPPM	1,493	1,099	1,780
TSR (%)	1.7	3.3	2.1

We measure our quality standards for our Assembly Business using quality indices, mainly assembly rejection rate ("ARR"). ARR measures the percentage of rejected assembled components or products based on the total number of assembled components or products produced in a month.

The average ARR for the latest 3 financial years ended 31 December 2002 are as follow:-

	FY2000	**FY2001**	**FY2002**
ARR (%)	1.4	0.1	1.5

We measure our quality standards for our Precision Metal Stamping Business using quality indices, mainly DDPM and scrap rate. Scrap rate measures the percentage of the value of stamped metal components produced which are scrapped based on the total value of sales achieved for a specific period of time.

As our Precision Metal Stamping Business only commenced commercial production in January 2003 and March 2003 for our Singapore manufacturing plant and Shanghai manufacturing plant respectively, we currently do not have any full year quality indices data. For the period from 1 March 2003 to 30 June 2003, our average quality indices based on DPPM and scrap rate are 4,959 and 2.7% respectively.

As a testimony to our commitment to QA, our Group has achieved the following certifications:-

Companies	**Certifications**
Hi-P International	ISO 9002 : 1994 for plastic injection molding and mold making services QS 9000 : 1998 (based on and including ISO 9002 : 1994) for plastic injection molding (applicable to automotive customers only)
Hi-P Shanghai Hi-P Camera Hi-P Housing Appliance Hi-P Precision Plastic	ISO 9001 : 2000 for manufacture of precision plastic molding parts, spray painting, pad printing and assembly process, manufacture of precision plastic molds
Hi-P Xiamen	ISO 9001 : 2000 for manufacture of plastic injection molded products
Hi-P Chengdu	ISO 9001 : 2000 for design and manufacture of precision molds and associated parts
Hi-P Housing Appliance	ISO/TS 16949 : 2002 for manufacture of precision plastic molded parts ISO 13488 for the manufacture of medical devices (power toothbrushes and interdental devices)
Hi-P Mexico	QS 9000 : 1998 (based on and including ISO 9002 : 1994) for plastic injection molding and pad printing services

QS 9000 is the supplier quality standard required by major automotive makers namely, DaimlerChrsyler Corporation, General Motors Corporation and Ford Motor Company. It involves the development of fundamental quality systems that provide for continuous improvement, emphasising defect prevention and the reduction of variation in the supply chain. QS 9000 applies to suppliers of production materials, production and service parts, heat treating, painting and plating and other finishing services. Hi-P Housing Appliance has the China Compulsory Product Certification for the production of hairdryers.

The PPIM manufacturing processes of Hi-P International, Hi-P Shanghai and Hi-P Mexico are in accordance with the Underwriter's Laboratories ("UL") standards. UL is an independent non-profit organisation which undertakes testing mainly for public safety purposes. For plastic components manufactured by us which are exported directly to the USA or form part of our customers finished products which are exported to the USA, our customers (e.g. Maxtor) require our procurement, manufacturing and packaging processes to be certified by UL.

In order to meet the stringent quality standards required by our customers operating in the data storage industry, we have set up an in-house material science laboratory in Singapore which carries out quality control tests on raw materials and precision plastic components for hard disk drives. Examples of tests carried out by our in-house material science laboratory include Out-gassing Test, Ion Chromatography Test, Fourier Transform Infra-Red Attenuated-T Reflectance Test and Non Volatile Residue Test.

As a testimony of our customers' satisfaction in our products and services, we have, over the years, received awards and certificates from our customers. Examples of such awards and certificates received from our customers include:-

Year	Award/Certificate	For	From	To
2001	Certificate of Excellence	Outstanding performance on Meltflow Analysis	Motorola	Hi-P International
2002	Certificate of Excellence	Excellent achievement in the T720 GSM and CDMA products. Shipped over 1 million units in the first 2 months ramp period	Motorola	Hi-P Shanghai
2002	Supplier Recognition Award	Achieved outstanding results as the best OEM supplier 2002	Braun *	Hi-P Housing Appliance
2002	Supplier Recognition Award	Outstanding performance in quality and service	The Gillette Company	Hi-P Housing Appliance

* For Braun and Oral B brands.

In addition, as a recognition of our high QA standards, Hi-P International has also achieved "ship to stock" status since April 2003 from Maxtor for plastic parts.

PRODUCTION FACILITIES AND CAPACITY

As at the Latest Practicable Date, we have a total of 16 manufacturing plants out of which 13 are located in the PRC, 2 in Singapore and 1 in Mexico. The average annual utilisation rates and production capacity of our production machinery for each of our manufacturing plants over the latest 3 financial years ended 31 December are as follows:-

	FY2000			
	MDF		PPIM	
Location	**Maximum Capacity (machine hours)[(2)]**	**Approximate Utilisation Rate (%)[(1)]**	**Maximum Capacity (machine hours)[(2)]**	**Approximate Utilisation Rate (%)[(1)]**
Singapore **Location** Hi-P International 11 International Business Park Jurong East Singapore 609926	70,080	89%	306,600	64%
PRC **Location** Hi-P Shanghai No. 366 Jin Zang Road Pudong New District, Shanghai, the PRC	148,920	95%	297,840	84%
Location Hi-P Camera No. 366 Jin Zang Road Pudong New District, Shanghai, the PRC	N.A. [(3)]	N.A. [(3)]	227,760	84%
Location Hi-P Chengdu D.E.F Area, 1st/F, #11 Gaopeng Road, Chengdu High Tech Development Zone, the PRC	78,840	61%	N.A. [(3)]	N.A. [(3)]
Mexico **Location** Hi-P Mexico AV. De La Exportation No. 317 Parque Industrial Guadalajara Carretera Guadalajara-Chapala Km7.5 Las Pintas, MPI0, El Salto, Jalisco, C.O. 45690 Mexico	17,520	40%	201,480	73%

	FY2001			
	MDF		PPIM	
Location	**Maximum Capacity (machine hours)[(2)]**	**Approximate Utilisation Rate (%)[(1)]**	**Maximum Capacity (machine hours)[(2)]**	**Approximate Utilisation Rate (%)[(1)]**
Singapore **Location** Hi-P International 11 International Business Park Jurong East Singapore 609926	70,080	95%	350,400	67%
PRC **Location** Hi-P Shanghai No. 366 Jin Zang Road Pudong New District, Shanghai, the PRC	148,920	93%	455,520	79%
Location Hi-P Camera No. 366 Jin Zang Road Pudong New District, Shanghai, the PRC	N.A. [(3)]	N.A. [(3)]	227,760	79%
Location Hi-P Chengdu D.E.F Area, 1st/F, #11 Gaopeng Road, Chengdu High Tech Development Zone, the PRC	105,120	55%	N.A. [(3)]	N.A. [(3)]
Location Hi-P Chengdu Mold B2,C, 1st/F, #11 Gaopeng Road, Chengdu High Tech Development Zone, the PRC	17,520	42%	N.A. [(3)]	N.A. [(3)]
Location Hi-P Qingdao Haier Industrial Park, 1 Haier Road, Qingdao, the PRC	N.A. [(3)]	N.A. [(3)]	105,120	28%
Location Hi-P Xiamen No. 39 Xinchang Road, Haicang Xinyang Industrial Park, Xiamen, Fujian Province, the PRC	N.A. [(3)]	N.A. [(3)]	78,840	58%
Mexico **Location** Hi-P Mexico AV. De La Exportation No. 317 Parque Industrial Guadalajara Carretera Guadalajara-Chapala Km7.5 Las Pintas, MPI0, El Salto, Jalisco, C.O. 45690 Mexico	26,280	37%	280,320	33%

	FY2002			
	MDF		PPIM	
Location	Maximum Capacity (machine hours)[2]	Approximate Utilisation Rate (%)[1]	Maximum Capacity (machine hours)[2]	Approximate Utilisation Rate (%)[1]
Singapore Location Hi-P International 11 International Business Park Jurong East Singapore 609926	70,080	98%	394,200	67%
PRC Location Hi-P Shanghai No. 366 Jin Zang Road Pudong New District, Shanghai, the PRC	148,920	94%	420,480	81%
Location Hi-P Housing Appliance No. 366 Jin Zang Road Pudong New District, Shanghai, the PRC	N.A. [3]	N.A. [3]	219,000	81%
Location Hi-P Camera No. 366 Jin Zang Road Pudong New District, Shanghai, the PRC	N.A. [3]	N.A. [3]	324,120	81%
Location Hi-P Chengdu D.E.F Area, 1st/F, #11 Gaopeng Road, Chengdu High Tech Development Zone, the PRC	113,880	68%	N.A. [3]	N.A.[3]
Location Hi-P Chengdu Mold B2,C, 1st/F, #11 Gaopeng Road, Chengdu HighTech Development Zone, the PRC	35,040	80%	8,760	N.A. [4]
Location Hi-P Qingdao Haier Industrial Park, 1 Haier Road, Qingdao, the PRC	N.A. [3]	N.A. [3]	105,120	40%
Location Hi-P Xiamen No. 39 Xinchang Road, Haicang Xinyang Industrial Park, Xiamen, Fujian Province, the PRC	N.A. [3]	N.A. [3]	210,240	85%
Mexico Location Hi-P Mexico AV. De La Exportation No. 317 Parque Industrial Guadalajara Carretera Guadalajara-Chapala Km7.5 Las Pintas, MPI0, El Salto, Jalisco, C.O. 45690 Mexico	26,280	35%	183,960	29%

The following companies were incorporated in FY2001 and FY2002 but are not included in the above table as commercial production only commenced in FY2003:-

Hi-P Industries

11 Woodlands Sector 1 Singapore 738357
– maximum capacity of 35,040 machine hours for Precision Metal Stamping by end FY2002

Hidec Shanghai

Building 8, No.1006 Jinmin Road, Pudong New District, Shanghai, the PRC

Hi-P Tianjin

6 Building C, Xiang-an Road, Tianjin Technical and Economic Development Area, the PRC
– maximum capacity of 8,760 machine hours for MDF by end FY2002
– maximum capacity of 140,160 machine hours for PPIM by end FY2002

Notes:-

(1) Utilisation rates are computed based on the number of hours that our MDF and PPIM machines are in operation divided by maximum annual production capacity (please see Note 2 below). The utilisation rates will be affected by factors such as (a) the setting of new plants and the ramp up of new projects (b) the acquisition of new machines and (c) the manufacturing processes being employed.

(2) Our maximum annual production capacity is measured in machine hours and calculated based on the following formula : Number of machines x 24 hours per day x 365 days

(3) Not applicable as the site does not undertake the activity.

(4) The molding machine is use to test run the mold and as such not meaningful to provide utilisation rate.

The average annual utilisation for our spray painting facilities for each of our manufacturing plants over the latest 3 financial years ended 31 December 2002 as follows:

	FY2000		**FY2001**		**FY2002**	
Location	**Maximum Capacity (machine hours)**	**Approximate Utilisation Rate (%)**	**Maximum Capacity (machine hours)**	**Approximate Utilisation Rate (%)**	**Maximum Capacity (machine hours)**	**Approximate Utilisation Rate (%)**
Hi-P Precision Plastic No. 366 Jin Zang Road, Pudong New District, Shanghai, the PRC	8,760	1%	8,760	17%	8,760	70%
Hi-P Qingdao Haier Industrial Park, 1 Haier Road, Qingdao, the PRC	N.A. (The Company has not been incorporated)	N.A. (The Company has not been incorporated)	N.A. (The Company has not commenced commercial production)	N.A. (The Company has not commenced commercial production)	8,760	32%

The utilisation rates are computed based on the number of hours that our spray painting facilities are in operation divided by (365 days x 24 hours per day x number of spray painting facilities).

ORDER BOOKS

As at the Latest Practicable Date, our Group has secured orders amounting to approximately $26.4 million in aggregate for our PPIM, MDF and Assembly Businesses. Our order books consist of confirmed purchase orders which are scheduled for delivery in 2 to 8 weeks. Our order books may not be indicative of our revenue for any successive period. Our customers generally provide a demand forecast which is subsequently executed through firm orders of specific quantities deliverable usually in 2 to 8 weeks as stated above.

MARKETING AND BUSINESS DEVELOPMENT

We employ a two-fold marketing and business development strategy that focuses on account management and business development efforts both at the group level as well as at the individual company level. Account management is divided by industries and customers. Its focus is on existing customers and existing projects whereas business development is divided by industries and focuses on developing new customers and providing new services to existing customers.

Our marketing and business development is headed by our Marketing Director who is assisted by a team of Business Development Managers, Account Managers and Sales Managers. Our Business Development Department's efforts are directed at business growth and diversification, penetration into new geographical market regions, developing major new customer accounts and integrating the efforts of companies within our Group for big projects involving multiple companies. In addition, our Business Development Department also proactively markets the full range of our services other than the existing recurrent projects to our existing key customers such as MNCs operating in the data storage, telecommunications and consumer electronics & electrical industries.

Our Account Management Department's efforts are focused on servicing existing customers for their existing/recurrent projects. The Account Managers are assisted by customer focused teams, consisting of sales executives, financial analysts, program managers, materials buyers and schedulers at the sites level.

At the individual company level, the sales executives report directly to the General Manager. The emphasis of our sales executives is to understand and keep abreast of the changing requirements of our existing customers and to position the company to provide solutions to these requirements competently. The sales executives are also responsible for marketing/sales and customer service to secure orders and hence improve production loading for their own site.

CREDIT CONTROL POLICY

Most of our sales to our customers are made on credit and our normal credit terms ranges between 30 to 90 days. For sales of precision plastic and metal components, assembled products and ancillary services, we invoice our customers upon delivery of goods or services. For direct sales of molds, we adopt a downpayment and progress billing policy. The quantum of the advanced or progressive payment as well as the frequency and timing of the progressive payments differ from one transaction to another and are determined in consultation with our customers on a case-by-case basis.

The extension of credit to new customers is recommended by our sales and marketing team which will be subject to review and approval by the respective General Managers as well as our finance managers or controllers. The decision to extend credit would take into account factors such as length of relationship, payment history, creditworthiness and financial position of the customer.

Our average receivables' turnover for the last three financial years ended 31 December 2002 and 6 months ended 30 June 2003 were as follow:-

	FY2000	FY2001	FY2002	6 months ended 30 June 2003
Average receivables turnover (days)	59	64	71	65

Note:-

Average receivables turnover days are computed as follows:- (Average receivables / Revenue) x 360

The usual credit term extended to us by our trade suppliers is between 30 to 60 days. Our average payables' turnover for the last three financial years ended 31 December 2002 and 6 months ended 30 June 2003 were as follow:-

	FY2000	FY2001	FY2002	6 months ended 30 June 2003
Average payables turnover (days)	57	64	79	72

Note:-

Average payables turnover days are computed as follows:- (Average payables / Cost of Sales) x 360

INVENTORY MANAGEMENT

Our inventory comprises raw materials, work-in-progress and finished goods. The inventory of raw materials comprises mostly resin (for PPIM), steel (for MDF), components (for Assembly) and metal sheets or coils (for metal stamping). Our inventory level is determined mainly by our orders, sales forecasts and production requirements. We generally run our production lines based on actual orders placed. For firm order contracts, we will generally maintain adequate inventory of raw materials to satisfy production needs, usually based on procurement lead times which range from 4 weeks to 3 months. In the event of cancellation of order contracts, the customer will generally be liable for the inventory maintained to satisfy the order. The customers generally provide a demand forecast which is subsequently executed through firm orders of specific quantities and delivery dates. As the forecast of the purchase requirements of our customers may change from time to time, these customers typically provide us with an updated rolling forecast. These customers are generally liable for inventory for an agreed period of the rolling forecast.

Our work-in-progress comprises mostly cost of direct materials, direct labour and an attributable proportions of overheads relating to uncompleted jobs.

Our molds are built-to-order based on the production specifications and requirements of our customers. Depending on the complexity of the mold, the entire MDF process in majority of our cases may take about 3 to 8 weeks to complete. Before mold completion, the cost of these molds are accumulated in the work-in-progress and reviewed on monthly basis to detect costs overrun.

We enter into third party warehousing arrangements to provide some of our customers with the necessary buffer inventory. This allows them to draw on the inventory as and when required, thereby reducing the delivery time.

We adopt the First-In-First-Out method of stock control, which means that materials received first will be the first to be used in our production. We monitor the ageing of our stocks of material and review our stocks level in tandem with sales prospects. We also conduct physical count for stocks with movements during the month on a monthly basis to update stock records.

Our average inventory turnover for the last three financial years ended 31 December 2002 and 6 months ended 30 June 2003 were as follows:-

	FY2000	FY2001	FY2002	6 months ended 30 June 2003
Average inventory turnover (days)	21	26	38	39

Note :-

Average inventory turnover days are computed as follows: – (Average inventory Balance/Cost of sales) x 360 days

The increase in the average inventory turnover days from 26 days for FY2001 to 38 days for FY2002 was principally due to the preparation for ramp up in anticipated production in FY2003.

Inventory obsolescence occurs when the projects are declared end of life by the customers or the materials are non moving for more than one year. Our provisions for stock obsolescence in the last three financial years ended 31 December 2002 as follow:-

S$'000	FY2000	FY2001	FY2002	6 months ended 30 June 2003
Provision for inventory obsolescence	1,111	19	207	408
Profit before taxation (%)	6.3	0.2	1.0	2.7

Obsolete inventory may be sold as scrap and income derived from such sales are recognised as part of other income.

For FY2003, we anticipate our inventory levels to increase in line with the significant increase in forecast revenue.

RESEARCH AND DEVELOPMENT

Our research and development initiatives have been focused on product design improvement, parts design and/or design improvement, and/or manufacturing process design and development/improvement. We undertake these efforts to improve the quality of our products and services, and to widen our manufacturing capabilities so as to allow us to offer a wider range of product and services to our customers. Examples of past research and development initiatives which were undertaken by us include the following:-

Manufacturing process		Efforts undertaken / Projects
Three-shot molding (with selective plating)	:	Joint-undertaking with a major customer for the manufacture of three component molding with selective plating for a consumer electronics product
Two-shot molding (with spray painting)	:	Joint-undertaking with a major customer for the manufacture of two component molding with spray painting for a consumer electronics product
Product design improvement	:	Joint-undertaking with a major customer for product design improvement for a new consumer electronics product which is yet to be introduced into the market

We also worked with some of our customers to develop or further develop our capabilities in some surface finishing technologies such as IMD technology. A major engineering company has also worked with us to upgrade our spray painting lines to reduce paint costs and increase efficiency.

Although we do not currently have a separate research and development department, we have engineers and other technical personnel in our engineering department who undertake the research and development activities specified above. For the latest three financial years and the 6 months ended 30 June 2003, our research and development expenditures are as follow:-

S$'000	FY2000	FY2001	FY2002	6 months ended 30 June 2003
Expenditure [(1)]	5	358	629	304
% of revenue	0.0%	0.4%	0.4%	0.3%

Note :-

(1) The above expenditure includes the costs of engineers and other technical personnel in respect of research and development activities.

Going forward, we intend to build our capabilities in product design and development in order to provide higher value-added services to our customers and thus strengthen our competitive position. In line with our customers' increasing requirements for more complete turnkey contract manufacturing solutions which involves product design/ design improvement and development, we expect our R&D undertakings and correspondingly our R&D costs to increase in the future.

TRADEMARK

The details of our Group's registered trade mark are as follows:-

Trademark	Country of Registration	Class	Registration Number	Registration Date / Effective Date
	Singapore	40	T99/15523E	28 December 1999

MAJOR CUSTOMERS

Our major customers who accounted for 5% or more of our revenue for the last three financial years ended 31 December 2002 and the 6 months ended 30 June 2003 are listed below:-

	Percentage of Revenue			
Name of Customer	**FY2000 (%)**	**FY2001 (%)**	**FY2002 (%)**	**6 months ended 30 June 2003 (%)**
Motorola	40.0	19.9	19.0	30.6
Braun	5.6	5.9	13.7	17.7
Kodak	2.7	7.7	10.5	11.8
Maxtor	6.4	5.5	8.0	8.4
Seagate	7.4	8.2	7.7	6.3
Elcoteq	3.6	8.9	6.6	1.8
Philips	6.0	2.9	2.2	1.6
Siemens	0.0	5.4	11.8	0.8
Molex Group	5.2	2.6	2.1	0.6
UTStarcom	3.4	6.9	2.0	0.0
Total	**80.3**	**73.9**	**83.6**	**79.6**

Save for Molex and Yeo Tiong Eng, who is the Regional Financial Director of a subsidiary of Molex, none of our Directors or substantial shareholders have any interest, direct or indirect, in any of the above customers.

MAJOR SUPPLIERS

We purchase materials such as resins (for molding), steel (for tooling), components (for Assembly), metal sheets or coil (for metal stamping), paint (for spray painting) and services such as electro-plating from several suppliers. The following table sets forth our major suppliers who accounted for 5% or more of our purchases of materials and services for the last 3 financial years ended 31 December 2002 and the 6 months ended 30 June 2003.

	Percentage of Purchases of materials and services			
Supplier	**FY2000 (%)**	**FY2001 (%)**	**FY2002 (%)**	**6 months ended 30 June 2003 (%)**
东莞市开扬贸易有限公司	4.9	9.5	5.5	1.4
Eastman Technology Pte Ltd	4.1	7.8	0.6	0.1
GE Group and its appointed agents	10.9	5.5	7.6	7.5
LNP Engineering Group	7.7	3.5	2.4	1.3
Motorola Electronics Pte Ltd	6.5	1.5	–	–
Lee Kee Industries Pte Ltd	5.3	0.4	0.1	–
Mabuchi Motor (Shanghai) Co Ltd	–	–	2.8	6.1
Total	39.4	28.2	19.0	16.4

None of our Directors or substantial shareholders has any interest, direct or indirect, in any of the above suppliers.

COMPETITION

The demand for molds, plastic components, ancillary value-added services, metal stamping dies, metal components and assembly services are dependent on the demand generated by customers of the end products manufactured or sold by our customers. Our customers are mainly OEMs, majority of which are MNCs, from the telecommunications, data storage, consumer electronics & electrical, life sciences/medical and automotive industries.

There are many precision plastic, precision metal stamping and assembly players in Singapore, the PRC and Mexico. The industry is fragmented and we are unaware of any independent published statistics on market share or industry ranking for the industry.

We consider the following players to be our main competitors and their competing activities based on our knowledge:-

Competitor	Competing Activities
First Engineering Ltd	MDF and PPIM
Amtek Engineering Limited	Precision Metal Stamping
Chi Cheng Enterprise	MDF, PPIM and Precision Metal Stamping
Fu Yu Manufacturing Limited	MDF, PPIM, spray painting and assembly
Sunningdale Precision Industries Ltd	MDF, PPIM, spray painting and assembly
Hon Hai Precision Industry Co., Ltd	MDF, PPIM (including spray painting), assembly and Precision Metal Stamping
Taiwan Greenpoint Enterprises Co., Ltd	MDF, PPIM, spray painting and assembly
Interplex Industries Inc	Precision Metal Stamping
Nolato AB	MDF, PPIM, spray painting and assembly
Perlos Oyj	MDF, PPIM, spray painting and assembly
Nypro Inc	MDF, PPIM, spray painting and assembly
Balda-Mikron	MDF, PPIM, spray painting and assembly

To our Directors' knowledge and belief, there are no available industry sources of information on the market share and company rankings for our principal activities.

COMPETITIVE STRENGTHS

We believe that our competitive strengths are as follows:-

Established turnkey contract manufacturing capabilities for consumer electronics & electrical products

We undertake manufacturing projects on a turnkey basis with involvement in product design improvement and/or components design/design improvement and manufacturing process design up to the delivery of the fully assembled or sub-assembled product including project management and supply chain management services. Turnkey projects would also involve some or all of the following processes - MDF, PPIM, precision metal stamping and ancillary value-added services, hence covering the value chain from involvement in product design improvement to the delivery of the final product.

We have been undertaking turnkey contract manufacturing services for hairdryers and battery toothbrushes, and have recently secured more projects for consumer electronics & electrical products.

Wide range of products and services, and vertical integration of processes

We undertake and offer our customers a broad and comprehensive range of manufacturing services comprising mainly MDF, conventional PPIM, 2-shot molding, thin-wall molding, Class 100,000 Cleanroom molding, insert molding, full-product assembly, sub-product assembly, die design and fabrication and precision metal stamping. In addition, we also offer our customers a wide range of ancillary value-added services comprising mainly spray painting, IMD technology, EMI shielding, ultrasonic welding and pad printing.

Hence, our processes are vertically integrated in most of our products and service offerings so that our customers only need to deal with us for all their manufacturing needs. Logistics issues related to the use of multiple suppliers/manufacturing service providers are reduced. Our customers can, therefore, enjoy the potential advantages of shorter production turnaround time and be in a position to incur lower manufacturing costs and achieve faster time to market. Our wide range of manufacturing capabilities has also enabled us to have better control of the quality of our products and services. Based on our Directors' knowledge, we believe that we are a significant player in the industry that provides such a wide range of products and services in Singapore and the PRC.

Extensive experience and familiarity with the PRC market

We started our operations in the PRC in 1993 and have since accumulated more than 10 years of experience in operating in various parts of the PRC. As at the Latest Practicable Date, we have a total of 13 manufacturing plants located in the PRC.

Although the initial aim of our strategy to set up operations in the PRC was mainly to lower our operating costs, it has subsequently allowed us to strategically position ourselves in the lucrative PRC market. Our successful expansion into the PRC has also enabled us to strengthen and diversify our customer base and to secure more major customers including Motorola, Braun, Siemens and Kodak. Our Directors believe that our extensive experience of over 10 years and familiarity with the PRC market coupled with our scale of operations in the PRC primarily for our MDF operations, is a key competitive advantage that we have over our competitors who have only set up operations in the PRC recently. As a testimony to the success of our PRC operations, our accumulated profits attributable to our PRC operations has grown to approximately S$72.6 million as at 30 June 2003 before dividend payouts to our Company and reinvestment into other PRC subsidiaries.

Geographical diversification and related locational advantages

We view geographical diversification as an important strategy. It provides us with the advantages of close proximity to our customers, access to a larger pool of skilled labour, and other potential costs savings and efficiencies.

We have over the years built regional and global presence for our operations. We have manufacturing plants largely in relatively low cost locations and/or in close proximity to customers. We also have ESI centres and marketing/sales offices in locations close to our customers' design centres. In our thrust for more involvement in the early stage of the product design of our customers, we are able to leverage on the close proximity of our ESI centres with some of our customers' design centres. This early involvement facilitates our project management and resource planning. Close proximity to our customers enables us to lower delivery/transportation and storage costs, shorten delivery and response time and forge closer working relationships.

Geographical diversification allows us flexibility in the utilisation of resources, for instance some production orders/processes can be carried out in manufacturing plants where deemed beneficial. Geographical diversification also reduces the overall adverse impact on us should operational problems be encountered in a specific manufacturing plant or location.

Our quality products and services

We have instituted stringent QA procedures to provide products and services that are of high quality and to the satisfaction of our customers. Our clients include major players in their respective industries who are generally known for their high quality products which are sold throughout the world. We believe that our sustained business from such clients, as well as our increasing base of clients and orders are a testament to the confidence in the quality of our products and services. Our dedication to product and service quality is also evident from the certifications and awards from recognised international organisations in respect of our processes/quality systems, and from some of our customers e.g. "Certificate of Excellence" from Motorola and "Supplier Recognition Award" from Braun etc. Please refer to pages 96 to 97 of this Prospectus under the Section on "Quality Control" for details of certifications and awards.

In addition, as a recognition of our high QA standards, Hi-P International has also achieved "ship to stock" status since April 2003 from Maxtor for plastic parts.

Our manufacturing plant in Singapore also has a technology base and manufacturing capability advantage specifically for high technology requirements i.e. "ultra-precision" MDF and PPIM, which enabled us to support the continuing miniaturisation of data storage devices.

Diversified customer base

We have a diversified base of customers comprising mainly OEMs, majority of which are MNCs, operating in a wide spectrum of industries and countries including but not limited to the PRC and other countries in Asia, North America and Europe. Our customers include major players in the telecommunications, consumer electronics & electrical, data storage, life sciences/medical and automotive industries and who are generally known for their high quality products which are sold throughout the world.

We believe that a strong and diversified customer base can potentially help to stabilise and further grow the demand for our products and services, and to lessen the business and financial impact on us in the event of a downturn in a specific industry or country and/or reduction, cancellation or non-continuation of orders from a single customer. Please refer to pages 58 to 60 of this Prospectus under the Section on "Selected Consolidated Financial Information" for details on the industry and geographical profiles of our customers.

We will continue to work towards strengthening our relationships with our existing customers, as well as towards establishing new relationships with prospective customers.

Well-established customer relationships

We believe in establishing and nurturing long-term business relationships with our customers. By doing so, we believe we can have their sustained support in terms of sales demand. We have, over the past 22 years, successfully developed and maintained good long-term business relationships with many of our customers. We have had dealings with our customers such as Molex and Maxtor for over 10 years and Motorola, Braun and Kodak for over 5 years.

We believe that we have been able to earn and sustain the trust and confidence of our customers mainly due to our reliability in providing quality products and services at competitive prices on a timely basis. We have not encountered any delays which have resulted in claims for damages being made by our customers against us. Approximately 79.4%, 89.3%, 95.0% and 94.0% of our revenue for FY2000, FY2001 and FY2002 and the 6 months ended 30 June 2003 were derived from repeat customers[(1)].

Our participation in ESI programmes/joint process or product development programmes with our customers may provide us with visibility of some of these customers' future products. We are also able to participate in and contribute to our customers' manufacturing activities from the product/process design and development phase. This enables us to further build rapport with them, thus strengthening our marketing efforts whilst enhancing our technological knowledge base.

Note:

(1) Repeat customers for a FY are referenced from the prior year.

Experienced management team

The track record of our Company's management over the years is evidenced by the growth in our Group's revenue, profits, international market coverage and scale of operations particularly in the PRC and Singapore. Our management team is led by our Executive Chairman and Chief Executive Officer, Mr Yao Hsiao Tung. Mr Yao Hsiao Tung is a veteran in the business and has accumulated over 40 years of technical and management experiences in our business and in the manufacturing industry in general. Our Executive Director Mdm Wong Huey Fang has teamed up with Mr Yao Hsiao Tung in managing and developing the business for the past 18 years. They are assisted by a management team of well-experienced and dedicated professionals. Please refer to pages 127 to 132 of this Prospectus under the Section on "Management" for detailed information of our Executive Directors and Executive Officers.

Technological emphasis and manufacturing capabilities

To stay competitive, we endeavour to keep in pace with technology innovations and advances in our business activities. The ability to keep abreast of and implement technology innovations and advances is critical as the majority of our customers are players in the telecommunications, consumer electronics & electrical and data storage industries which are characterised by rapid technological changes and short product life cycles.

Our utilisation of advanced technologies has enabled us to continuously meet our customers' stringent standards for precision engineering and surface finishing. Examples of such technologies are Thin-wall molding, 2-shot molding, Insert molding, spray painting and IMD technology.

We monitor developments in manufacturing technologies and processes mainly by forging good working relationships with our customers (e.g. ESI programmes), suppliers and strategic alliance partners. We also keep abreast of technology developments and trends through trade shows and trade publications. With our technological expertise and manufacturing capabilities and capacities, we are able to provide quality products and services at competitive prices and on a timely basis. We upgrade our manufacturing capabilities by investing in new equipment to cope with the relevant developments in manufacturing technologies as and when the need arises. During FY2002 and the 6 months ended 30 June 2003, we invested approximately S$25.9 million and S$15.8 million respectively in plant machinery and equipment to upgrade our technologies, improve our production efficiencies and expand our manufacturing capacities.

Cost-efficient operations

We undertake to achieve and maintain cost efficiency in our operations, to enable us to price our products and services competitively whilst protecting profit margins. We are mindful of the toughening competition in our field and believe that competitive pricing, whilst protecting profit margins, is a critical success factor in our continual growth and expansion.

We review our range of equipment and production processes constantly with the view to improve operational efficiencies and increasing productivity. One of the main reasons for our expansion to the PRC was to lower our operating costs. Increased production scale will also enable us to benefit from higher economies of scale.

Established track record

We have established a creditable institutional track record which we believe will help us in our further corporate growth and development. Over the years of our operations, we have grown considerably and have entrenched our Group in our main markets. We have established and maintained healthy business relationships with our customers in the telecommunications, consumer electronics & electrical, data storage, life sciences/medical and automotive industries. This is substantiated by the long-term relationships we have built with some of our customers. In addition, we have also received awards and certifications from some of our customers in recognition of our performance as a contract manufacturing services provider.

We believe that our existing and prospective customers would generally prefer to engage a company with a proven track record in the industry and in relation to our existing customers, a company that they have been satisfied with in delivering quality products on a timely basis and at competitive prices.

Our track record would also be an advantage to us in terms of joint ventures, strategic alliances and mergers and acquisition opportunities in the future.

PROPERTY, PLANT AND EQUIPMENT

As at the Latest Practicable Date, our Group owns the following properties:-

Description and location	**Built-up Area (sq m)**	**Tenure (years)**	**Monthly**	**Encumbrances**	**Use / Activities**	**Net book value as at 30 June 2003 $'000**
Hi-P International						
11 International Business Park, Jurong East, Singapore 609926	8,486	60 - with effect from 16 August 1995	$18,150	Mortgage in favour of DBS Bank Ltd	Office and Manufacturing (PPIM and MDF)	13,861
Hi-P Shanghai						
333 Qinjiang Road, Caohejing Development Zone, Shanghai, PRC	2,831	27 December 2002 to 27 December 2052	Nil	Mortgage in favour of Caohejing office of the Shanghai Branch of the Bank of China	Warehouse	4,056
Hi-P Mexico						
Av. De la Exportacion No. 317 Parque Industrial Guadalajara Carretera Guadalajara -Chapala Km 7.5 Las Pintas, MP10, El Salto, Jalisco, C.O. 44690, Mexico	3,442	Freehold	Nil	Nil	Office and Manufacturing (PPIM, MDF and ancillary activities)	2,215

As at the Latest Practicable Date, the material properties that our Group leases are as follows:-

Location	Built-up Area (sq m)	Tenure	Monthly rental [(1)]	Lessor	Use / Activities
Hi-P Industries					
11 Woodlands Sector 1, Singapore 738357	1,295	1 March 2002 to 29 February 2004	S$10,000	AEM-Tech Engineers Pte Ltd	Office and Manufacturing (Precision Metal Stamping)
Hi-P (Chengdu)					
D. E. F. Area, 1st floor, #11, Gaopeng Road, Chengdu High-Tech Development Zone, Chengdu, the PRC	2,723	1 July 1999 to 1 July 2004	RMB 68,087	Chengdu Beite Industrial Corporation	Office and manufacturing (MDF)
Hi-P Xiamen					
1st Floor, Building 2, , 39 Xinchang Road, Haicang Xinyang Industrial Park, Xiamen , Fujian Province, the PRC	1,931	1 May 2001 to 30 April 2006	RMB 25,110	Xiamen Tongxing Furniture Industries Co., Ltd	Office and Manufacturing (PPIM)
2nd Floor, Building 2, , 39 Xinchang Road, Haicang Xinyang Industrial Park, Xiamen, Fujian Province, the PRC	1,069	25 June 2002 to 30 April 2006	RMB 8,552	Xiamen Tongxing Furniture Industries Co., Ltd	Warehouse
2nd Floor, Building 3, , 39 Xinchang Road, Haicang Xinyang Industrial Park, Xiamen,Fujian Province, the PRC	2,138	11 December 2002 to 30 April 2006	RMB 17,105	Xiamen Tong Xin Furniture Industries Co., Ltd	Warehouse
Hi-P Chengdu Mold					
B2, C, 1st/F, #11, Gaopeng Road Chengdu High Tech Development Zone, Chengdu, the PRC	1,416	1 January 2003 to 1 January 2004	RMB 39,668	The Sci-Tech Industrial Park of High-Tech Zone of Chengdu Beite Development Group Company Limited	Office and Manufacturing (MDF)
Hi-P Qingdao					
Haier Industrial Park, 1 Haier Road, Qingdao, the PRC	4,660	1 June 2003 to 31 May 2004	RMB 83,880	Qingdao Haier Gongzhuang Development Manufacturing Co., Ltd.	Office and Manufacturing (PPIM, Ancillary activities)

Location	Built-up Area (sq m)	Tenure	Monthly rental [1]	Lessor	Use
Hi-P Tianjin					
6, Building C Xiang-an Road, Tianjin Technical and Economic Development Area, the PRC	Part I : 4,141, Part II : 2,343 and Part III : 2,343	Part I : 1 July 2002 to 30 June 2005, Part II : 1 November 2002 to 30 June 2005 and Part III : 1 June 2003 to 30 June 2005	Part I : RMB 41,413, Part II : RMB 23,433 and Part III : RMB 23,433	Tianjin Technical and Economic Development Area Real Estate Co., Ltd.	Office and manufacturing (PPIM, Assembly, Ancillary activities)
Building H, Fenghua Industrial Park, 66, 9th Avenue, Tianjin Technical and Economic Development Area, the PRC	6,352	1 July 2003 to 30 June 2006	RMB 57,173	Tianjin Technical and Economic Development Area Real Estate Co., Ltd.	Office and manufacturing (PPIM, Assembly, Ancillary activities)
Hidec Shanghai					
Building 8, No. 1006, Jinmin Road, Pudong New District, Shanghai, the PRC	3,086	1 October 2002 to 30 September 2007	RMB 93,838	Shanghai Jinqiao Export Subcontracting District Company Limited	Office and Manufacturing (Precision Metal Stamping)
Hi-P Shanghai					
No. 366, Jin Zang Road, Pudong New District, Shanghai, the PRC:					
Building 34, Building 35, 1st Floor of Building 36, Land Plot 21, Jinqiao Export Industrial Area, Pudong New District, Shanghai, the PRC [3]	28,076	1 November 2000 to 31 October 2005	RMB 768,605	Shanghai Jinqiao Export Industrial Area Development Company Limited	Office and Manufacturing (PPIM, Assembly, Ancillary activities)
2nd Floor of Building 36, Land Plot 21, Jinqiao Export Industrial Area, Pudong New District, Shanghai, the PRC [3]		1 March 2001 to 31 October 2005			

Location	Built-up Area (sq m)	Tenure	Monthly rental [(1)]	Lessor	Use
Building 3 and 4, 1006 Jinmin Road, Jinqiao Export Processing Zone, Shanghai City, the PRC[(4)]	8,819	1 June 2003 to 31 May 2008	RMB 268,236	Shanghai Jinqiao Export Processing Zone Development Company Limited	Office and Manufacturing (MDF)
Hi-P Tianjin Tooling					
South Side, Building F, Fenghua Industrial Park, No. 66 the 9th Avenue, Tianjin Technological & Economic Development Area, Tianjin, the PRC	3,035	1 July 2003 to 30 June 2006	RMB 27,318	Tianjin Technological & Economic Development Area Real Property Development Corporation	Office and Manufacturing (MDF)
Hi-P Suzhou					
Building G, No. 72 Loujiang Road, Kuatang Sub-Zone, Suzhou Industrial Park, Suzhou, the PRC	3,250	1 October 2003 to 30 September 2008	RMB 22,750	Suzhou Huayi Industrial Development Co., Ltd	Office and Manufacturing (PPIM)
Hi- P Finland					
Hornin Katu 7A, 1, Salo 24100, Finland	109	From 1 May 2003 until 31 December 2005 and thereafter in force until terminated with 3 month's notice	Euro 1,020	Lähivakuu-tusyhdistys Salo-Lohja	Office
Hi-P North America					
2020 Hammond Drive, Schaumburg, IL 60173, USA	37	1 October 2003 to 31 October 2004	US$1,600	Sjodin Enterprises and sub-leased by ARC Industries, Inc.	Office

Note:-

(1) Excludes all management and maintenance fees.

(2) Three separate lease agreements were entered into for three separate areas (Part I, Part II and Part III) within these premises.

(3) These 2 properties are sub-leased to Hi-P Housing Appliance (13,757 sq.m), Hi-P Precision Plastic (2,527 sq.m) and Hi-P Camera (6,177 sq.m).

(4) This property is sub-leased to Hi-P Shanghai Tooling (8,819 sq.m) for the same rental.

EMPLOYEES

All of our employees in Singapore and the PRC are not unionised. However, our non-management employees in Mexico belong to a labour union. For such employees, we entered into a collective agreement with the labour union i.e. “Sindicato de Trabajadores en Ensamble y Manufacturas Industriales de Jalisco”.

Apart from the recent two (2) calls for strikes encountered by Hi-P Mexico which were settled with no disruption to our operations, the relationship and co-operation between the management and staff have generally been good and our Directors believe that this is expected to continue in the future. Based on our Directors’ knowledge, there has not been any incidence of work stoppages or labour disputes which has affected our operations.

Hi-P Mexico maintains and administers a savings plan for its permanent employees. Hi-P Mexico and its permanent employees jointly contribute monthly to the savings plan. The funds collected under this savings plan are allocated to the relevant employees every year. In the event of a termination of employment for whatever reasons, the relevant employee may withdraw his entitlement to the funds.

Our average number of full-time employees for FY2000, FY2001 and FY2002 were 662, 841 and 1,087 respectively. Our average staff turnover for the last 3 financial years ended 31 December 2002 are as follows:-

	FY2000	**FY2001**	**FY2002**
Average staff turnover[(1)]	5.6%	2.6%	1.8%

Note:-

(1) Average staff turnover is computed based on the number of resignations divided by the average number of employees.

The geographical and functional distribution of our full-time employees as at 31 December 2002 is as follows:-

Function	**Singapore**	**PRC**	**Mexico**	**Total**
MDF	56	322	3	381
PPIM (including ancillary value-added services)	58	313	21	392
Assembly	0	216	0	216
Precision Metal Stamping	16	0	0	16
Administration and Finance	21	143	6	170
Quality Assurance	39	80	6	125
Sales and Distribution	13	34	2	49
Total	203	1,108	38	1,349

The geographical and functional distribution of our full-time employees as at 31 December 2001 is as follows:-

Function	Singapore	PRC	Mexico	Total
MDF	61	118	8	187
PPIM (including ancillary value-added services)	37	260	85	382
Assembly	0	132	0	132
Administration and Finance	7	52	6	65
Quality Assurance	30	79	19	128
Sales and Distribution	7	0	5	12
Total	142	641	123	906

The geographical and functional distribution of our full-time employees as at 31 December 2000 is as follows:-

Function	Singapore	PRC	Mexico	Total
MDF	47	115	5	167
PPIM (including ancillary value-added services)	46	140	155	341
Assembly	0	162	0	162
Administration and Finance	12	35	10	57
Quality Assurance	32	41	19	92
Sales and Distribution	7	0	0	7
Total	144	493	189	826

As at 31 December 2002, the Company's average temporary employees are as follows :-

Function	Singapore	PRC	Mexico	Total
MDF	0	48	0	48
PPIM (including ancillary value-added services)	70	934	45	1,049
Assembly	7	463	0	470
Precision Metal Stamping	4	0	0	4
Administration and Finance	0	37	2	39
Quality Assurance	10	25	4	39
Sales and Distribution	0	2	0	2
Total	91	1,509	51	1,651

EMPLOYEE TRAINING

We believe that having qualified and competent employees is key to our success in a knowledge-intensive and dynamic business environment. To stay competitive at all times and to ensure our employees are equipped with the necessary skills and knowledge, we conduct annual review and assessment of our employees' training and development needs. We organise internal and external training programmes for our employees from time to time and consider applications from our employees (with at least one year of service) for enrolment in courses relevant to their area of competency. Our training programmes can be classified into three main categories:-

(a) Core training

Core training is designed to provide newly recruited employees with an overview of our culture and to gain an understanding of our business operations, as well as to equip existing employees with non-technical skills such as management development and supervisory skills.

(b) Functional training

Functional training is aimed at providing our employees with the necessary skills and knowledge for their respective work areas.

(c) On-the-job training

On-the-job training reinforces functional training and is managed and monitored by the employees' immediate supervisors

Our total training expenditures for each of our latest 3 financial years and the 6 months ended 30 June 2003 are as follow:-

$'000	**FY2000**	**FY2001**	**FY2002**	**6 months ended 30 June 2003**
Total training expenditure	32.3	33.3	152.0	141.5
% of revenue	0.04%	0.03%	0.11%	0.14%

PROSPECTS

Encouraged by the growth and market entrenchment our Group has achieved, and barring unforeseen circumstances, our Directors remain generally positive of our business prospects. At the same time, our Directors are mindful that the prospects come with challenges. Please refer to the "Risk Factors" on pages 31 to 42.

Our Directors view our growth to be driven primarily by corresponding growth in the industries that we service, increase in our penetration of our markets and the continued trend by OEMs to outsource their manufacturing activities to contract manufacturers such as our Group.

Whilst we are cautiously optimistic of overall growth in our regional and global markets, we view the PRC as a particularly lucrative growth area given the increasing concentration of OEMS /MNCs in the country as their manufacturing base and its potential to develop into a huge end-market base for the main industries that we service.

Industry - Markets

In the telecommunications industry, our Directors anticipate growth in global demand for mobile phones particularly in the medium-term. Growth is expected to come from new mobile phone subscribers and replacement sales. Given constant product and technology innovation, we view the mobile phone market to be driven primarily by consumer demand for new product models/features.

In the consumer electronics & electrical industry, our Directors view sustainable positive prospects in the industry in the foreseeable future. Among all the industries we service, we have noted that consumer electronics & electrical industry has so far had a relatively low proportion of its manufacturing activities outsourced to contract manufacturers. This is the industry that the Group has been building a competitive advantage in particularly in turnkey contract manufacturing as we have been increasingly undertaking such projects since FY2002. Our Directors believe we are well-positioned to expand our scope of work in this industry given the viable prospects particularly in turnkey contract manufacturing.

In the data storage industry, consolidation among some industry players has reduced the number of active manufacturers of hard disk drives ("HDDs"). A number of the few remaining major HDD manufacturers are our Group's clients, some of which are major customers. Going forward, our Directors expect growth in the industry to be stimulated mainly by the anticipated growth in personal computer shipments, wider applications of HDD in consumer electronics and automotive products, and increased requirements for security and backup following heightened fears of terrorist attacks. Additionally, the continued miniaturisation of HDDs provides sustained opportunity for molders such as our Group which are specialised in precision molding.

Our Directors also view continuing market opportunities in other industries that we service, albeit currently on a relatively minor scale. These include the life sciences/medical industry, with demand for medical devices seen to generally benefit from increase in and ageing of world population, increasing healthcare concerns, and technological developments. Opportunities in the automotive sector are supported by new models to be launched in Asia and other markets, demand for replacement automotive parts, and the increased use of plastic components and sub-assemblies in automotive products.

Manufacturing Outsourcing

The above opportunities mainly in the industries that we service are backed up by the continuing trend by OEMs to outsource their manufacturing activities to contract manufacturers such as our Group. These outsourced manufacturing activities range from components production, to ancillary value-added services, to sub-product and full product assemblies, and to turnkey contract manufacturing. Such trend is underscored by the observed general thrust among OEMs to concentrate more on their core competencies and key business strategies specifically in marketing and business development, and to leverage on the cost advantages potentially provided by contract manufacturers. To complement the business models of OEMs, contract manufacturers such as our Group have been able to benefit from their strategic low costs manufacturing locations to offer competitive prices, and integrated scope of products and services and value-added solutions.

In light of our competitive strengths which we will endeavour to sustain and further build on, our Directors are of the view that our Group is well-positioned to continue to tap business opportunities whilst we continually gear ourselves to address business challenges.

For the current year up to the Latest Practicable Date, we have not experienced any sharp fluctuations in the selling prices of our products or services as well as our costs of sales for our raw materials. Barring any unforeseen circumstances, we expect our selling prices and costs of sales to be relatively stable for the rest of this current financial year.

For the current year up to the Latest Practicable Date, although our inventory level has increased due to a need to maintain a higher stock level in line with an increased volume of sales experienced for the period, inventory turnover has been relatively stable. Barring any unforeseen circumstances, we expect our inventory levels to continue to increase and our inventory turnover to be fairly stable for the rest of this current financial year.

BUSINESS STRATEGIES

Our corporate vision is to become a regional and global integrated contract manufacturing services provider specialising in the precision plastic business including injection molding, mold design and fabrication and ancillary value-added services, precision metal stamping, assembly, and turnkey contract manufacturing mainly for the telecommunications, consumer electronics & electrical, data storage, life sciences/medical, and automotive industries. Our business direction is to grow our markets and operations in the industries that we service, along product/service offerings and geographical coverage. These are depicted in our Group's tri-axis strategy for corporate development.

Please refer to exhibit 1 on page 120 of this Prospectus.

Our business strategies include the following:-

To offer a broader, more diversified and vertically-integrated range of products and services

We intend to continually broaden and diversify our range of product and service offerings to provide more extensively for the needs of OEMs mainly in the industries that we currently service or may service in the future. We believe that OEMs will increasingly rely on contract manufacturers that can provide more extensively for their manufacturing needs so that they may limit having to deal with multiple service providers. By doing so, these OEMs will be able to focus more on their core competencies and key business strategies such as in product design and development, and business development and marketing.

We will continue to provide the manufacturing services we currently offer, principally MDF, PPIM, die design and fabrication, precision metal stamping, sub-product and full-product assembly, and ancillary value-added services mainly technologically advanced surface finishing and other services. We will further work on opportunities to branch out into other manufacturing services which will further enhance our total products and services offerings and provide more synergies where possible.

Hence, we are strengthening our vertical integration whilst expanding the end-products in which we undertake such services.

To expand our product and service offerings as a turnkey contract manufacturer

We intend to leverage on our vertically-integrated, and broad and diverse range of products and services to entrench our Group as a turnkey contract manufacturer. We believe that this will significantly enhance our competitive position as we are able to provide greater value to our customers by covering our customers' manufacturing needs more comprehensively, i.e. our involvement will be from product design /design improvement phase, components design/design improvement, execution of various manufacturing activities which include some or all of our principal activities i.e. MDF, PPIM, metal stamping including die design and fabrication, ancillary services, up to sub-product or full product assembly. We also undertake supply chain management and overall project management. We believe that by providing turnkey manufacturing services to our customers, we are able to provide more value to them as their manufacturing partner in that they only need to outsource their manufacturing requirements and project management to us instead of having to manage multiple suppliers /service providers.

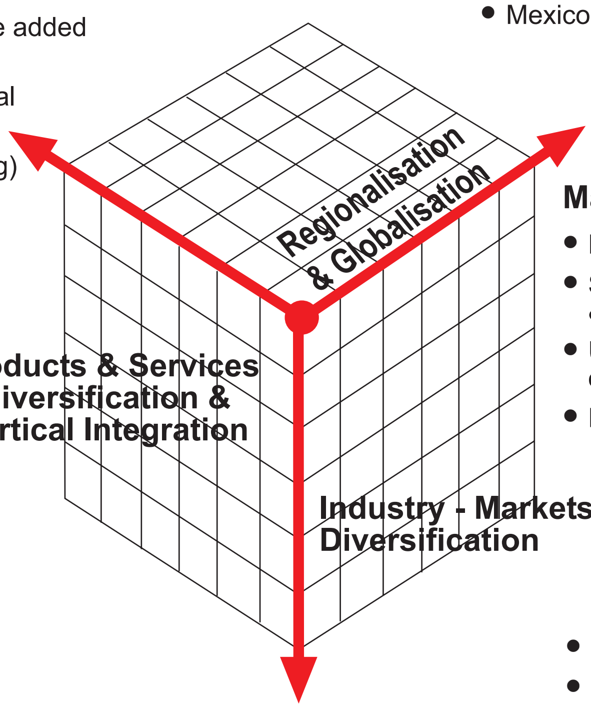
Exhibit 1

Corporate Development 3 Axis Strategy

Manufacturing operations

- PRC
  Shanghai, Chengdu, Xiamen, Tianjin, Qingdao, Suzhou
- Singapore
- Mexico

- Turnkey contract manufacturing
- Assembly
- Ancillary value added services [1]
- Precision metal stamping
- PPIM (molding)
- MDF (tooling)



Markets

- PRC
- Singapore, Malaysia & other parts of Asia
- USA, Mexico & other parts of the Americas
- Europe

- Telecommunications
- Consumer Electronics & Electrical
- Data Storage
- Life Sciences/Medical
- Automotive

[1] *Includes mainly surface finishing services such as spray painting, IMD technology, pad printing, ultrasonic welding and EMI shielding.*

We have established ourselves as a turnkey contract manufacturer in the consumer electronics & electrical industry and seek to establish ourselves in the telecommunications industry. We will also explore business opportunities mainly in other industries that we currently service.

We also intend to expand our manufacturing capabilities to include product and sub-product assemblies involving electronic components in order to provide more complete turnkey manufacturing solutions.

To expand our operations in Asia and globally

Our Directors are of the view that competition in the manufacturing services industry has become more regionalised and globalised. As such, we will market more aggressively to existing and prospective customers worldwide. We believe that currently, our manufacturing plants are strategically located in the PRC, Singapore and Mexico to service our target clients internationally. We will continue to strengthen and expand our operations in countries with locational advantages such as proximity to markets /customers and competitive costs and/or skills.

Our geographical expansion may be through the set-up of new facilities, expansion and/or upgrading of existing facilities, acquisitions, joint ventures, and/or strategic alliances. As at the Latest Practicable Date, other than as disclosed in this section under "Prospects, Business Strategies and Future Plans", we have not entered into any specific strategic investments, joint ventures, acquisitions and/or strategic alliances.

To uphold our commitment to quality and service reliability

We are committed to the provision of high quality products and services as well as delivery timeliness. We believe that our commitment to quality and service reliability was an essential element of our market entrenchment and that it will continue to be a major factor for our continuing growth and success.

As a testament to our quality standards and systems, the majority of our subsidiaries under our Precision Plastic Business have achieved certifications including ISO 9002: 1994, QS 9000: 1998, UL, ISO 9001 : 2000, ISO/TS 16949: 2002 and ISO 13488, and received awards and certifications from some of our customers (please refer to pages 94 to 97 of this Prospectus under the Section on "Quality Control").

To maintain price competitiveness through improved cost efficiency

We expect intensifying competition to continuously exert pressure on the price levels of our products and services. On the other hand, we may be subject to increase(s) in our manufacturing costs and/or other costs and expenses. In light of such challenges, we aim to maintain and even improve our price competitiveness and profitability through sustained efforts to achieve more cost efficiency in our production and other operations. This will primarily be through improvements in our processes/systems, and expansion to achieve better scale economies as well as to benefit from location-based efficiencies and/or lower costs of certain resources such as labour and other operating expenses.

To further strengthen our execution foundation

We believe that the achievement of business strategies and plans springs foremost from effective execution systems and capabilities. Hence, we have established and will continue to strengthen our Group's execution foundation, which we view to comprise the following:

- Human resource base and corporate culture – In the last few years, we have hired additional competent and experienced management and technical personnel to strengthen our operations and to enable the success of our expansion undertaking. We will continue to strengthen our management and technical team, and the rest of our personnel in line with our continuing growth and expansion. This will be through training and additional recruitment as and when deemed necessary. We have established and will continue to fine-tune our employee reward systems at all management and employee levels to motivate and reward commitment and meritorious performance. We will continue to build and maintain our Group's corporate culture which enables and encourages our people from all our offices and plants in various countries to work together as a team.

- Organisation, systems and procedures – We have put in place an organisational structure which enables geographical focus and functional efficiencies. We will continually review such structure for further improvements. We have set up/adopted and standardised systems and procedures in our plant operations as well as in our marketing and support functions. We are continuously improving and streamlining our organisation, systems and procedures for enhanced execution efficiencies.

FUTURE PLANS

To secure more turnkey contract manufacturing projects in the consumer electronics & electrical industry, and to extend such services to the telecommunications industry

One of our business strategies is to establish ourselves as a turnkey contract manufacturer. We have been undertaking turnkey contract manufacturing for the consumer electronics & electrical industry, i.e. battery toothbrushes and hairdryers for a major MNC/OEM. We have recently secured projects for other branded products including rechargeable toothbrush and a few new products yet to be launched in the market. Such projects include full product assembly. We will retain our flexibility to undertake such projects up to sub-product/full product assembly.

We believe that with the vast markets for consumer electronics & electrical products worldwide, the industry provides gainful opportunities for turnkey manufacturing services. We will endeavour to undertake more of such projects servicing the industry. We intend to leverage on our relationships with our existing customers as well as our track record for quality and reliability, and will continue to work towards early supplier involvement, for instance in product design and development. At the same time, we are intensifying our marketing efforts to build our customer base in the industry, not just for turnkey contract manufacturing, but for all our products and services offerings whether provided on separate or semi-/fully-integrated basis.

We are expanding the coverage of our turnkey contract manufacturing services to include the telecommunications industry, specifically for mobile phones and other wireless telecommunications consumer products. We recently secured our first project for turnkey contract manufacturing involving mobile phones for a major telecommunications MNC /OEM. At the same time, we are also intensifying our marketing efforts primarily to our existing customers in the industry and will continue to work towards early supplier involvement to position ourselves to offer turnkey contract manufacturing services to them.

To develop our capabilities in product design and development

Our current in-house capabilities mainly involve product design improvement, components design and development /improvement, manufacturing process design and development/improvement. We are enhancing our capabilities in these areas, which have so far been the primary emphasis of our R&D activities and correspondingly, our marketing initiatives in the area. Going forward, we intend to build our capabilities in product design and development in order to provide higher value-added services to our customers and thus strengthen our competitive position.

We currently do not have a separate R&D department. Instead, we have engineers and other technical personnel in our Engineering department who are involved in R&D activities. We will set up an R&D centre for our Group. This is in line with our thrust towards strengthening our above-mentioned R&D activities to support our turnkey contract manufacturing undertakings and all our various products and services in general. Our proposed R&D centre will also support our efforts to branch out into other manufacturing services. As disclosed in the "Use of Proceeds" on page 45 of this Prospectus, we intend to utilise approximately $3.0 million of the net proceeds from the Invitation for our R&D undertakings.

To extend our product and sub-product assembly services to include electronic components /sub-assemblies

We provide an extensive range of products and services to industries which include telecommunications and consumer electronics & electrical. Some of the end-products that we provide our manufacturing services are not only made up of mechanical parts and sub-assemblies including precision plastic and/or metal components, but also of electronic components and sub-assemblies.

We are extending our manufacturing products and services to include product or sub-product assemblies involving electronics components/sub-assemblies. Hence, our marketing initiatives and R&D operations will also be involved in developing our capabilities in the area. We have recently secured a project involving turnkey contract manufacturing for mobile phone product sub-assembly which includes electronic components. We are also in negotiation to secure turnkey projects for consumer electronics & electrical products. Our Directors believe that extending our product and sub-product assembly services to include electronic components/sub-assemblies is a logical progression in our thrust to offer more complete turnkey manufacturing solutions.

To further develop and expand our Precision Plastic Business

We intend to continue to develop and expand our Precision Plastic Business. In particular, we believe that we have successfully entrenched ourselves in the precision plastic injection molding industry and we intend to continue to leverage on this position to propel our continuing growth and stability.

We will continue to enhance our manufacturing capabilities and expand our capacities by acquiring new and technologically advanced PPIM and MDF machines and mold design softwares, and will continue to work on streamlining our production processes and operations to improve productivity and efficiency. For the foreseeable future, expansion and development of our Precision Plastic Business will continue to be concentrated primarily in the PRC to further build on our early-mover advantage in the country in which our Directors believe has substantial advantages and opportunities in terms of markets and costs competitiveness.

As disclosed in the "Use of Proceeds" on page 45 of this Prospectus, we intend to utilise approximately S$25.0 million of the net proceeds from the Invitation to finance the purchase of additional machines for the expansion of our MDF (approximately $4.7 million) and PPIM (approximately $20.3 million) businesses, in existing manufacturing plants in the PRC, Singapore and Mexico shown below. The estimated total expenditure for the additional machines is approximately $26.6 million which will be funded mainly by the proceeds of the Invitation as described above, and the remainder by our operating cashflow. Some of the machines cited for FY2003 below have been ordered or acquired in the second half of FY2003, and payment for which is intended to be drawn down from the net proceeds of the Invitation and internally generated funds.

Country/ Production lines	Estimated increase in production capacity	Acquired/ Targeted acquisition
PRC		
MDF	30%	From 2nd half of FY2003 to FY2004
PPIM	30%	From 2nd half of FY2003 to FY2004
Singapore		
MDF	13%	By FY2004
PPIM	24%	By FY2004
Mexico		
PPIM	5%	By FY2004

Depending on future order and production requirements, we may vary the allocation of the proceeds among the MDF and PPIM machines, as well as the plant location deployment of such machines.

We will continue to strengthen our relationships with our existing PPIM and MDF customers by continuing to provide quality products and services at competitive prices and on a timely basis. We will continue to actively market our existing PPIM, MDF and assembly services to our existing customers to help ensure continuing high levels of repeat orders and work towards securing even bigger contracts from them. We will also cross-sell our other services to existing customers in order that they may utilise our range of services more fully or substantially.

We will also continue to explore business opportunities through the set-up of operations as well as mergers and acquisitions, joint ventures and/or strategic alliances.

To expand our full-product and sub-product assembly business

We aim to expand our Assembly Business to substantially increase its revenue and profit contribution to our Group. For FY2000, FY2001, FY2002 and the 6 months ended 30 June 2003, our Assembly business accounted for approximately 34.4%, 23.1%, 29.0% and 35.6% of our revenue respectively. We intend to leverage on our existing pool of PPIM and MDF customers and actively market to them to extend the services we provide to them to include sub-product or full-product assembly services. In addition, we also plan to market to new customers operating in industries that we currently service i.e. telecommunications, consumer electronics & electrical, automotive and data storage industries.

We currently provide sub-product and full-product assembly services to some of our customers. As assembly services are generally labour-intensive, we plan to concentrate the expansion of our Assembly Business in the PRC and other relatively low-cost countries. We plan to set-up assembly lines in our new manufacturing plant in Suzhou as well as to increase the number of assembly lines in some of our existing manufacturing plants. In addition, given that full-product assembly involves more value-added processes as compared to sub-product assembly, we plan to have more full-product assembly lines in our manufacturing operations

To expand the range and/or capacities of our ancillary value-added services

In addition to our existing principal activities of MDF, PPIM, die design and fabrication, precision metal stamping, full-product assembly and sub-product assembly, we also provide a wide range of ancillary value-added services comprising mainly surface finishing services such as spray painting, IMD technology, pad printing, ultrasonic welding and EMI shielding.

We plan to increase our marketing efforts on these ancillary value-added services to increase their revenue and profit contribution through cross-selling efforts targeted initially at our existing customers, and subsequently to new customers. We will also expand into other related ancillary services should there be business opportunities. We intend to utilise approximately S$10.0 million of the net proceeds from the Invitation to invest in equipment and machinery to expand our range and/or capacities of our ancillary value-added services such as spray painting and IMD technology as shown below. The estimated total expenditure for the additional equipment and machines is approximately $12.5 million which will be funded mainly by the proceeds of the Invitation as described above and by our operating cashflow. Some of the machines cited for FY2003 below have been ordered or acquired in the second half of FY2003, and payment for which is intended to be drawn down from the net proceeds of the Invitation and internally generated funds.

Activity	Estimated increase in production capacity	Acquired/ Targeted acquisition
IMD systems	1400%	From 2nd half of FY2003 to FY2004
Spray painting lines	50%	From 2nd half of FY2003 to FY2004

Depending on future order and production requirements, we may vary the allocation of the proceeds among the various machines.

In addition, to enhance our total services offering, we also endeavour to keep abreast of technological developments primarily in surface finishing technologies with the view to capitalising on additional business opportunities.

To develop our Precision Metal Stamping Business

Our Metal Stamping Business commenced commercial production in January 2003 (for our Singapore manufacturing plant) and in March 2003 (for our Shanghai manufacturing plant). We intend to develop it into another substantial revenue source by leveraging on our existing pool of PPIM, MDF and assembly customers whilst marketing to prospective new customers mainly in the telecommunications, consumer electronics & electrical and automotive industries. Our Directors believe that there is potential synergy between our Precision Plastic Business and our Precision Metal Stamping Business both for precision components made up of either plastic or metal, or a combination of plastic and metal components which is becoming increasingly common. We intend to focus our efforts on designing and fabricating high precision dies as well as on the manufacturing of high precision and intricately shaped stamped metal components for our customers.

Our Precision Metal Stamping Business is currently undertaken by Hi-P Industries and Hidec Shanghai. As disclosed in "Use of Proceeds" on page 45 of this Prospectus, we intend to utilise approximately S$5.0 million of the net proceeds from the Invitation to fund additional machines and other plant facilities for Hidec Shanghai. These additional machines and plant facilities will enhance our capabilities and increase our existing production capacity by approximately 30%. Barring unforeseen circumstances, we expect to acquire such machines and plant facilities from second half of FY2003 to FY2004.

To extend the coverage of our enterprise resource planning ("ERP") system

We intend to extend the coverage of our enterprise resource planning ("ERP") system, which is currently in place for our operations in Shanghai (Hi-P Housing Appliance, Hi-P Camera, Hi-P Precision Plastic and Hi-P Shanghai), Xiamen and Singapore (Hi-P International). The ERP system is intended to improve efficiency and internal controls in our operations mainly by linking various business functions such as production planning, manufacturing, inventory management, purchasing, sales and finance. We intend to extend the coverage of our ERP system to include certain other existing companies in our Group by 2004, and for other companies that we may set up in light of our expansion thrust. The total cost of designing, developing and implementing the ERP system for these existing companies in our Group, including hardware costs, is estimated at approximately S$5.0 million. As at the Latest Practicable Date, we have incurred a total of approximately S$2.0 million for our Shanghai, Xiamen and Singapore operations. We intend to utilise approximately S$3.0 million of the net proceeds from the Invitation to fund the extension of our ERP system to cover certain other existing companies in our Group.

To expand our customer base regionally and globally

Our principal markets include the PRC, Singapore, USA and other parts of the Americas, Europe, Malaysia and other parts of Asia. We plan to market our services to new customers in the US, Europe and North East Asia. We are undertaking proactive marketing efforts and are leveraging on our strategic alliances to widen our customer base regionally and globally.

In September 2002, we established an Asian-European alliance with Oechsler AG to provide production and marketing facilities for precision plastic components for Siemens' mobile phones in the European market. Another important development was a memorandum of understanding ("MOU") signed in September 2002 with ARC Industries, Inc. ("ARC"), a USA-based MDF corporation. The MOU established an Asian-American alliance to provide an ESI facility in support of a major customer in the telecommunications industry as well as other customers and markets in the Americas regions. We are continuously exploring other similar strategic alliances or joint ventures to expand our customer base regionally and globally, including in new markets. We are targeting new customers operating mainly in industries that we currently service.

To expand our operations in the PRC and other relatively low cost countries

We have subsidiaries and manufacturing plants in the PRC, located in Shanghai, Chengdu, Xiamen, Tianjin and Qingdao. We are continuously expanding our facilities mainly in the PRC.

We have recently set up a new manufacturing plant in Hi-P Suzhou, which was incorporated in August 2003, to provide PPIM, MDF and assembly services to new and existing customers operating in the telecommunications and consumer electronics & electrical industries. As disclosed in the "Use of Proceeds" on page 45 of this Prospectus, approximately $15.0 million of the net proceeds from the Invitation will be used to finance the set-up of a new manufacturing plant in Suzhou. The estimated total expenditure for the new manufacturing plant in Suzhou is approximately $15.4 million majority of which will be for PPIM machines. Approximately $15.0 million of the estimated total expenditure will be funded by the net proceeds of the Invitation as described above and the remainder by our operating cashflow. As at the date of this Prospectus, Hi-P Suzhou has commenced PPIM activities for one of our turnkey contract manufacturing projects. The anticipated increase in our Group's overall production capacity for PPIM will be approximately 5%.

We will also explore opportunities to expand our manufacturing operations into other countries which will provide us competitive advantage primarily in terms of low costs of operations, as well as other locational benefits.

DIRECTORS

Our Directors are entrusted with the responsibility for the overall management and formulation of business strategies for our Group. Their particulars are as follows:-

Name	Age	Address	Current Occupation
Yao Hsiao Tung	63	193 Eng Kong Garden Singapore 599291	Executive Chairman and Chief Executive Officer
Wong Huey Fang	55	193 Eng Kong Garden Singapore 599291	Executive Director
Yeo Tiong Eng	51	44 Pemimpin Place Singapore 576041	Regional Financial Director Molex Far East South Management Pte Ltd
Dr Tan Khee Giap	46	32 Nanyang Cresent, Nanyang Technological University Singapore, 62-6-1246, Hall 13 Singapore 637658	Associate Professor, Banking and Finance Nanyang Technological University. Singapore
Wong Meng Meng	55	6A Rochalie Drive Singapore 248236	Senior Partner Wong Partnership

Save for Mdm Wong Huey Fang, who is the spouse of Mr Yao Hsiao Tung and Mr Yeo Tiong Eng who is the Regional Financial Director of Molex Far East South Management Pte Ltd, a subsidiary of Molex which is a substantial Shareholder of our Company, none of our Directors are related to one another or to the substantial shareholders.

Information on the business and working experiences of each of our Directors is set out below:-

Mr Yao Hsiao Tung is our Executive Chairman and Chief Executive Officer. He was appointed to our Board on 21 May 1983. Mr Yao is responsible for the overall management, operations and formulation of business strategies for our Group. Mr Yao has more than 40 years of experience in the precision tooling and plastic injection molding industry. Prior to joining our Group, he was a technical service manager with Du Pont Singapore Electronics Pte Ltd from 1979 to 1983. From 1971 to 1979, Mr Yao was a tooling supervisor with the tooling division of Du Pont Taiwan Co Ltd. Prior to that, Mr Yao was a mold technician with Tai Ta Plastics Co Ltd from 1964 to 1970. Mr Yao started his career as a designer with CPC China Petroleum Co Ltd in 1962. Mr Yao holds a Diploma in Chemical Engineering from Taiwan Kaohsiung Technical College.

Wong Huey Fang is an Executive Director of our Group and Chief Administrative Officer of our Group. She was appointed to our Board on 21 January 1988. Her key responsibilities include managing our Group's administrative and public relations functions. Prior to joining our Group, Mdm Wong was a purchaser with Aven Electronics Co Ltd, a company based in Taiwan from 1973 to 1979. In 1985, Mdm Wong joined Hi-P Tool & Die and was responsible for managing and overseeing the administrative functions.

Mr Yeo Tiong Eng is a Non-executive Director of our Group. He was appointed to our Board on 1 April 1987 when Molex became a shareholder of our Company. He is currently the regional financial director of Molex Far East South Management Pte Ltd ("Molex Far East"), a subsidiary of Molex International Inc. As the regional financial director of Molex Far East, Mr Yeo is responsible for overseeing the financial functions of Molex Far East's operations in Singapore, Malaysia, Hong Kong, the PRC, Taiwan, Thailand and India. Mr Yeo started his career as an auditor with Arthur Andersen in 1977 and joined Molex Singapore Pte Ltd as a finance manager in 1981. He was subsequently promoted to the position of group controller of Molex Far East in 1992. Between 1994 and 1996, he was seconded to the Molex Corporate Office in USA as a member of the Molex global information system team, overseeing the implementation of an enterprise resource planning system for Molex offices worldwide. During these 2 years, he was the SAP financial and costing module project manager. In 1996, he returned to Singapore where he assumed his current position. Mr. Yeo graduated with a Bachelor Degree in Accountancy from the Nanyang University in 1977 and he holds a Master of Business Administration (Business Law) from Nanyang Technological University in 1998. Mr Yeo is a member of the Institute of Certified Public Accountants, Singapore.

Dr Tan Khee Giap was appointed as an independent Director of our Group on 5 November 2003. Dr Tan is currently working with the Nanyang Technological University of Singapore ("NTU") as an Associate Professor of Banking and Finance. Prior to joining NTU, Dr Tan was a lecturer of the Department of Economics and Statistics with the National University of Singapore ("NUS") from 1990 to 1993. Dr Tan also serves as consultant to various MNCs, international organisations including the Asian Development Bank Institute (ADBI), the ASEAN Secretariat, the United Nations Industrial Development Organisation (UNIDO), and various Singapore government agencies in the area of international trade, public finance, public housing, manpower, tourism, airport and seaport activities. Dr Tan's current research interest areas include the efficiency of financial markets and institutions, ASEAN economies and econometric modelling. Dr Tan is also currently the coordinator for the Pacific Economic Cooperation Council, Singapore, and the Deputy President of the Economic Society of Singapore. Dr Tan holds a PhD in Economics from the University of East Anglia, UK.

Mr Wong Meng Meng, aged 55, was appointed as an Independent Director of our Group on 5 November 2003. He is the Senior Partner of Wong Partnership, a domestic law firm, and a director of Clifford Chance Wong Pte Ltd, a joint venture between Wong Partnership and an international law firm Clifford Chance. He has been practising for more than 30 years. Mr Wong's practice has focused on litigation and arbitration in banking, corporate and commercial matters, shareholders' disputes, insolvency and building and construction matters. He was appointed Senior Counsel in January 1997. He is a member of the International Arbitration Institute (based in Paris), the Singapore International Arbitration Centre's Main Panel of Arbitrators, the Butterworths Asia Advisory Panel on Construction Industry and the Singapore Institute of Architects Panel of Arbitrators.

The list of present and past directorships of each Director over the past five years excluding those held in our Company, is set out below:-

Name	Present Directorships	Past Directorships
Yao Hsiao Tung	Group Companies Hi-P Shanghai Electronics Co., Ltd. Hi-P Camera Products Co., Ltd. Hi-P Precision Plastic Manufacturing (Shanghai) Co., Ltd. Hi-P (Chengdu) Precision Plastic Manufacturing Co., Ltd. Hi-P (Chengdu) Mold Base Manufacturing Co., Ltd. Hi-P (Xiamen) Precision Plastic Manufacturing Co., Ltd. High Precision Moulding and Tools S.A. De C.V. Qingdao Haier Hi-P Science Technology Co., Ltd Hi-P (Shanghai) Housing Appliance Co., Ltd Hi-P Tianjin Electronics Co., Ltd Hi-P Industries Pte. Ltd. Hidec (Shanghai) Industries Co., Ltd Hi-P Finland Oy Hi-P (Shanghai) Precision Mold & Die Co., Ltd Hi-P (Suzhou) Technology Co., Ltd Hi-P (Tianjin) Precision Mold & Die Co., Ltd Hi-P Tech Singapore Pte Ltd Hi-P North America, Inc. Hi-P Resources Ltd Hi-P Mauritius Ltd	Group Companies Express Tech Mfg Pte Ltd Hi-Tec Precision Mould Pte. Ltd.
	Other Companies Nil	Other Companies Nil

Name	Present Directorships	Past Directorships
Wong Huey Fang	Group Companies Hi-P Shanghai Electronics Co., Ltd. Hi-P Camera Products Co., Ltd. Hi-P Precision Plastic Manufacturing (Shanghai) Co., Ltd. Hi-P (Chengdu) Precision Plastic Manufacturing Co., Ltd. Hi-P (Chengdu) Mold Base Manufacturing Co., Ltd. Hi-P (Xiamen) Precision Plastic Manufacturing Co., Ltd. High Precision Moulding and Tools S.A. De C.V. Qingdao Haier Hi-P Science Technology Co., Ltd Hi-P (Shanghai) Housing Appliance Co., Ltd Hi-P Tianjin Electronics Co., Ltd Hi-P Industries Pte. Ltd. Hidec (Shanghai) Industries Co., Ltd Hi-P Finland Oy Hi-P (Shanghai) Precision Mold & Die Co., Ltd Hi-P (Suzhou) Technology Co., Ltd Hi-P (Tianjin) Precision Mold & Die Co., Ltd Hi-P Tech Singapore Pte Ltd Hi-P North America, Inc. Hi-P Resources Ltd Hi-P Mauritius Ltd	Group Companies Nil
	Other Companies Chin Shun Hsing Singapore Pte Ltd	Other Companies Nil
Yeo Tiong Eng	Group Companies Hi-P Industries Pte. Ltd.	Group Companies Nil
	Other Companies Crescendas MEC (S) Pte Ltd Molex Far East South Management Pte Ltd Molex Interconnect Shanghai Co Ltd The Excalibur Corporation Pte Ltd	Other Companies Davidson Carbide Pte Ltd Flexible Automation System Pte Ltd
Dr Tan Khee Giap	Group Companies Nil	Group Companies Nil
	Other Companies Nil	Other Companies Fixmarket Ventures Pte Ltd
Wong Meng Meng	Group Companies Nil	Group Companies Nil
	Other Companies United Overseas Bank Limited Far Eastern Bank Limited Antara Koh Development (V) Pte Ltd Clifford Chance Wong Pte Ltd Mapletree Investments Pte Ltd SembCorp Utilities Pte Ltd The Dynasty Corporation (S) Pte Ltd WOPA Services Limited WOPA Services Pte Ltd	Other Companies Harimau Investments Limited (Liquidated upon voluntary liquidation) Wilkie Securities Pte Ltd (Liquidated upon voluntary liquidation) Hotel Plaza Limited Industrial & Commercial Bank Limited United Overseas Land Limited

EXECUTIVE OFFICERS

Our day-to-day operations are entrusted to our Executive Directors who are assisted by our Executive Officers, whose particulars are as detailed below:-

Name	Age	Address	Current Occupation
Tan Tor Howe	39	1 King Albert Park #01-16 Singapore 598326	Chief Financial Officer
Ho Hock Yong	31	Blk 182 Jelebu Road #21-56 Singapore 670182	Marketing Director
Ang Lien Peng	39	21 Hillview Avenue #06-10 Glendale Park Tower C Singapore 669556	General Manager, Singapore Operations
Chan Hean Wee	46	77, Hazel Park Terrace Singapore 678910	Managing Director, Hi-P Industries
Gerhard J. Zebe	51	Vernal Garden Villa 44, Hongqiao Rd., Shanghai 200335, PRC	Managing Director, Great China
James R. Soderquist	47	1521 Highland Lakes Drive, Keller, TX 76248 USA	General Manager, Americas
Lee Kam Choon	53	161 Countryside Road Singapore 786887	Vice President, Human Resources

Information on the business and working experience of our Executive Officers is set out below:-

Tan Tor Howe is our Chief Financial Officer. He joined our Company in June 2002 and is responsible for the overall financial operations of our Group. Prior to joining our Company in June 2002, he was the director of financial planning and analysis of Solectron Technology Pte Ltd, previously known as NatSteel Electronics Limited ("Natsteel"). During the post acquisition period of one and a half years, he reported to the vice president of finance of Solectron Asia region. Before NatSteel was acquired by Solectron Corporation, he was the finance director mainly responsible for the operational finance of the group. From 1994 to 1999, he was the chief financial officer of Uraco Holdings Limited ("Uraco"), which was subsequently renamed Beyonics Technology Limited, a company listed on the main board of the SGX-ST, overseeing the financial functions of the group. Prior to his employment at Uraco, he was an accountant with Liang Court Pte Ltd and an auditor with Deloitte & Touche for one year and four years respectively. He holds a Bachelor of Accountancy Degree (Honours) from the National University of Singapore (1989).

Ho Hock Yong is our Marketing Director. He oversees the sales and business development functions of our Group and is responsible for developing new business potentials as well as managing sales performance for our operations in the PRC. He joined our Company in April 1996 as a Sales Engineer and was promoted to his current position in October 2001. Previous positions held by Mr Ho in our Group included Senior Sales Engineer, Assistant Sales Manager, Sales Manager, Regional Sales Manager and Corporate Business Manager. Mr Ho holds a diploma in production technology from the German Singapore Institute (1996).

Ang Lien Peng is the General Manager of our Singapore operations. He is responsible for the overall performance of our Singapore operations. He joined Hi-P International in September 1998 as a sales account manager and was promoted to the position of operations manager of our Singapore operations in October 2000. He was promoted to his current position in January 2002. Mr Ang has more than 17 years of experience in the precision plastic injection molding field. Prior to joining Hi-P International, he was a senior sales engineer with Omni Plastics Pte Ltd from 1995 to 1998, a senior mold designer with Singa Plastics Pte Ltd from 1994 to 1995, and a mold designer with Philips Singapore Pte Ltd - Machine Factory from 1990 to 1994. Mr Ang holds a Bachelor Degree in Business Administration from the Oklahoma City University (1995) and a Diploma in Production Technology from the German Singapore Institute (1990) where he majored in mold design.

Chan Hean Wee is the Managing Director of Hi-P Industries. He joined our Group in November 2001. He oversees the entire operations of Hi-P Industries. Mr Chan has more than 20 years of experience in the metal stamping field. Prior to joining us, he was the chief executive officer and executive director of Bi-link Metal Specialties (S) Pte. Ltd. ("Bi-Link"), a metal stamping company from July 1991 to November 2001, where he was responsible for the overall management and profitability of the company. Prior to his employment at Bi-Link, Mr Chan was the head of engineering of NMB Precision Tool & Die Pte. Ltd. from 1985 to 1991, the assistant superintendent of the press operation of NMB Singapore Limited ("NMB Singapore") from 1981 to 1983, and the assistant superintendent of the fastener operation of NMB Singapore from 1977 to 1981. Mr Chan holds a Bachelor Degree (First Class Honours) in Mechanical Engineering from Strathclyde University, Scotland (1985) and a Diploma in Mechanical Engineering from Singapore Polytechnic (1977).

Gerhard J. Zebe is our Managing Director, Great China. He joined our Group in June 2002 and is responsible for the overall operations of our Group's PRC operations. Mr Zebe has more than 28 years of experience in the precision plastic injection mold design and fabrication field with Braun Gmbh Kronberg ("Braun") and other German-based companies. Immediately prior to joining us, Mr Zebe held the position of technical director in Braun (Shanghai) Co., Ltd from 1996 to 2002 where he was responsible for production, toolroom and sourcing for tools and equipment. Prior to his appointment as technical director of Braun (Shanghai) Co., Ltd , Mr Zebe held various managerial positions at Braun including manager engineering (parts production and toolroom) and manager plastic technology. Prior to joining Braun (Shanghai) Co., Ltd , Mr Zebe was a plant manager with Erodier Service GmbH in Hattersheim, Germany (1986 to 1988), a toolroom manager with Funkenerosions-Technik E. Achenbach, Neunkirchen (Siegerland), Germany (1981 to 1986), and an assistant toolroom manager with Schaefer GmbH, NeunKirchen (Siegerland), Germany (1975 to 1981). Mr Zebe holds a Diploma for tool making/ tool design with the German Chamber for Industry and Commerce.

James R. Soderquist is our General Manager – North America. He joined our Group in July 2002. He is responsible for all activities in the Americas region including our Mexico operations. Prior to joining us, from July 2000 to May 2002, he was Director of Business Strategy for Textron Fastening Systems, a US$ 2 billion subsidiary of Textron Corporation. Prior to joining Textron, he was Director of Business Development for Nolato AB from 1998 to 2000, and Vice President – Manufacturing Consulting for Exportradet, a Swedish based management consulting firm from 1994 to 1998, and President of InterSource Consulting Group, a supply-chain consulting firm from 1983 to 1994, and Sales Manager for Mitsubishi International from 1979 to 1983. Mr Soderquist holds a Bachelor Degree in Business Administration from Illinois State University in 1978.

Lee Kam Choon is our Vice President of Human Resources. He joined our Company in October 2003 and is responsible for all human resource and administrative matters. From 1976 to 1980, Mr Lee provided training and consultancy services to small-to-medium enterprises and multinational companies, as a senior officer of the National Productivity Board. He subsequently joined as the head of human resources at Du Pont Singapore Electronics Pte Ltd from 1980 to 1986. In 1986, Mr Lee was transferred to Du Pont Far East Inc. – Singapore Branch, where he was the head of the Singapore human resources and regional training manager for Asia until 1988. Mr Lee joined Micropolis Ltd in 1988 where he was the director of personnel and administration. From 1989 to 1992, he was the vice president and human resource director at Citibank N.A. In 1992, he joined Sony International (S) Limited as the director of human resources and corporate services until 1996. In 1995, Mr Lee was appointed as a Board member of Sony International (S) Limited and he managed the senior management development programs for high potential managers in Asia. In 1996, Mr Lee joined the Asia Pacific Corporate Headquarters for Philips as the human resource director supporting Asia consumer electronic businesses. Mr Lee was then appointed as the vice-president, human resources of Asia sales and drive manufacturing at Seagate Technology International where he handled the restructuring of the Company involving over 10,000 employees. Prior to joining our Company, Mr Lee was the senior vice president of group human resources at United Overseas Bank Group. Mr Lee holds a Bachelor of Commerce (Honours) from Nanyang University, as well as a Master of Arts (Human Resources Development) from George Washington University in the United States.

Save as disclosed below, none of our Executive Officers has any present or past directorships over the past five years:-

Name	**Present Directorships**	**Past Directorships**
Tan Tor Howe	Group Companies Hi-P Camera Products Co., Ltd. Hi-P (Chengdu) Mold Base Manufacturing Co., Ltd. Hi-P (Chengdu) Precision Plastic Manufacturing Co., Ltd. Hi-P Precision Plastic Manufacturing (Shanghai) Co., Ltd. Hi-P Shanghai Electronics Co., Ltd Hi-P (Xiamen) Precision Plastic Manufacturing Co., Ltd. Express Tech Mfg Pte Ltd Hidec (Shanghai) Industries Co., Ltd Hi-P (Shanghai) Housing Appliance Co., Ltd Hi-P Tianjin Electronics Co., Ltd Hi-P (Shanghai) Precision Mold & Die Co., Ltd Hi-P (Suzhou) Technology Co., Ltd Hi-P (Tianjin) Precision Mold & Die Co., Ltd Qingdao Haier Hi-P Science Technology Co., Ltd Hi-P North America, Inc. Hi-Tec Precision Mould Pte. Ltd. Hi-P Mauritius Ltd Hi-P Resources Ltd Other Companies UMS Semiconductor Pte Ltd	Group Companies Hi-P Finland Oy Other Companies Beyonics Technology Limited Beyonics Precision Engineering Pte Ltd Uraco Manufacturing (M) Sdn Bhd Uraco Die Casting Sdn Bhd Beyonics Manufacturing Pte Ltd Acura Manufacturing Sdn Bhd Beyonics Precision Stampings Private Limited SPS Technologies Sdn Bhd Vision Venture Private Limited Techplus Technology (S) Pte Ltd Beyonics Distribution Pte Ltd Selinus Investments Pte Ltd Longs Manufacturing Inc. Uraco Electronics Pte Ltd Uraco Electronics (M) Sdn Bhd Beyonics Investment (S) Pte Ltd Multiwave Innovation Pte Ltd Cinch Electronics Pte Ltd Beyonics Services Pte Ltd
Chan Hean Wee	Group Companies Hi-P Industries Pte. Ltd. Hidec (Shanghai) Industries Co., Ltd Other Companies Nil	Group Companies Nil Other Companies Bi-Link Metal Specialties (S) Pte Ltd
James R. Soderquist	Group Companies Hi-P North America, Inc. Other Companies Nil	Group Companies Nil Other Companies Nil

Save for Mr Yeo Tiong Eng who is the Regional Financial Director of Molex Far East South Management Pte Ltd, a subsidiary of Molex which is a substantial Shareholder of our Company, there is no arrangement or understanding with a substantial shareholder, customer or supplier of the Company or other person, pursuant to which any of our Directors or Executive Officers was selected as a director or executive officer of our Company. Save for Mdm Wong Huey Fang who is the spouse of Mr Yao Hsiao Tung, none of our Directors and Executive Officers is related by blood or marriage to one another nor are they so related to any substantial shareholders of our Company.

REMUNERATION OF OUR DIRECTORS AND EXECUTIVE OFFICERS

The compensation paid to our Directors and our Executive Officers for services rendered to us and our subsidiaries on an individual basis and in remuneration bands were as follows:

Names	FY2001	FY2002	Estimated amount for current FY2003(v)
Directors			
Yao Hsiao Tung	B	B	B
Wong Huey Fang	B	B	B
Yeo Tiong Eng (vi)	A	A	A
Dr Tan Khee Giap	–	–	A
Wong Meng Meng	–	–	A
Executive Officers			
Tan Tor Howe	–	A	B
Ho Hock Yong	A	A	A
Ang Lien Peng	A	A	B
Chan Hean Wee	A	B	B
Gerhard J. Zebe	–	A	B
James R. Soderquist(iv)	–	A	A
Lee Kam Choon	–	–	A

Notes:-

(i) Band A means between S$0 to S$249,999.

(ii) Band B means between S$250,000 to S$499,999.

(iii) Band C means between S$500,000 and above.

(iv) The remuneration of James R. Soderquist is paid in US dollars.

(v) For the purposes of this estimation, no account is taken for the bonus that our Executive Chairman is entitled to under his service agreement, further details of which are set out on pages 135 and 136 of this Prospectus under the Section on "Service Agreement".

(vi) No remuneration was paid to Mr Yeo Tiong Eng in FY2001 and FY2002.

Save as disclosed under the section on "Employees" on page 115 of this Prospectus, we have not set aside or accrued any amounts for our Directors and Executive Officers to provide for pension, retirement or similar benefits.

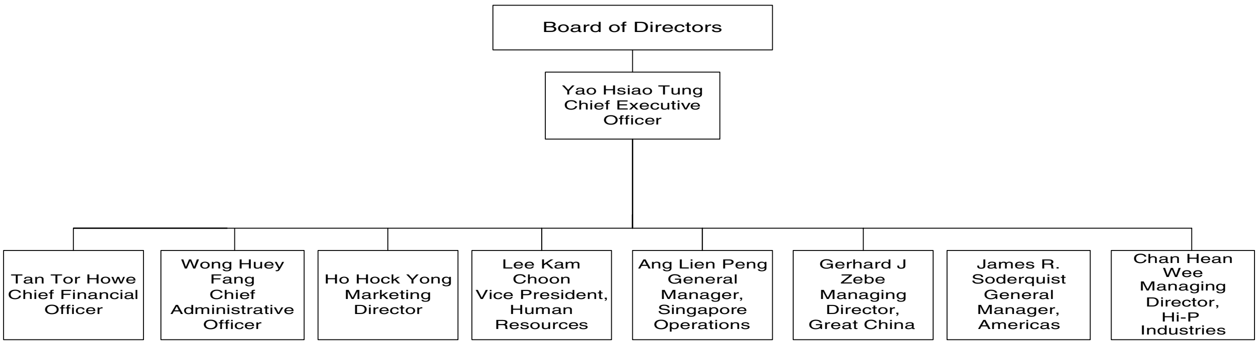
REMUNERATION OF EMPLOYEES RELATED TO OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

For FY2001 and FY2002 the aggregate remuneration (including CPF contributions thereon and benefits) of employees occupying managerial position who are related to our Directors and substantial shareholders amounted to approximately $172,400 and $174,000 respectively. These represented approximately 0.17% and 0.12% of our Group's profit before taxation for FY2001 and FY2002 respectively with the aggregate remuneration of these employees added back.

For the current financial year ending 31 December 2003, the estimated aggregate remuneration (including CPF contributions thereon and benefits) of employees who are related to our Directors and substantial shareholders is $185,700.

These employees are namely, our Corporate Controller, Financial Planning and Analysis, Ms Hung Han I, and our Xiamen Human Resource Manager, Mr Yao Hsiao Kuang. Ms Hung Han I is the niece of Mr Yao Hsiao Tung and Mr Yao Hsiao Kuang and the niece-in-law of Mdm Wong Huey Fang. Mr Yao Hsiao Kuang is the brother of Mr Yao Hsiao Tung, the brother-in-law of Wong Huey Fang and the uncle of Ms Hung Han I.

MANAGEMENT REPORTING STRUCTURE



CORPORATE GOVERNANCE

Every Director shall retire from office once every three years and for this purpose, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that no Director holding office as Managing or Joint Managing Director shall be subject to retirement by rotation or be taken into account in determining the number of Directors to retire. A retiring Director shall be eligible for re-election.

Audit Committee

Our Audit Committee comprises Mr Wong Meng Meng, Dr Tan Khee Giap and Mr Yeo Tiong Eng. The Chairman of our Audit Committee is Mr Wong Meng Meng. Our Directors recognise the importance of corporate governance and the offering of high standards of accountability to the shareholders of our Company. Our Audit Committee shall meet periodically to perform the following functions:-

(a) review our financial and operating results and accounting policies;

(b) review the audit plans of our Company's external auditors, the scope of work and the results of our external auditors' examination and evaluation of our internal accounting control systems;

(c) review the external auditors' reports;

(d) review the co-operation given by our Company's management and officers to the external auditors;

(e) review the financial statements of our Company and our Group before the submission to our Board;

(f) review and evaluate our administrative, operating and internal accounting controls and procedures;

(g) review and make recommendation to the Board on the nomination of external auditors for appointment or re-appointment;

(h) review interested person transactions, if any; and

(i) generally undertake such other functions and duties which may be required by statute or the Listing Manual, and by such amendments made thereto from time to time.

Apart from the duties listed above, our Audit Committee shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on our Group's operating results and/or financial position. Each member of our Audit Committee shall abstain from voting any resolutions in respect of matters in which he is or may be interested in.

Remuneration Committee

We have established a Remuneration Committee with the responsibility to oversee the general compensation of employees of our Group with a goal to motivate, recruit and retain our employees and Directors through competitive compensation and progressive policies. In particular, our Remuneration Committee is responsible for implementing and administering our Hi-P Employee Share Option Scheme and other performance bonus scheme(s) that our Group may set up in the future.

Our Remuneration Committee comprises Mr Wong Meng Meng, Mr Yao Hsiao Tung and Dr Tan Khee Giap. The Chairman of our Remuneration Committee is Mr Wong Meng Meng. In the event that any member of our Remuneration Committee is interested in a decision to be made by the Remuneration Committee, he will abstain from the decision-making process. The independent Directors on our Remuneration Committee will review and approve annually the total remuneration of our Directors, Executive Officers and other employees who are related to our substantial shareholders.

Nominating Committee

Our Nominating Committee comprises Dr Tan Khee Giap, Mr Yeo Tiong Eng and Mr Wong Meng Meng. The Chairman of our Nominating Committee is Dr Tan Khee Giap. Our Nominating Committee will be responsible for (i) re-nomination of our Directors having regard to our Director's contribution and performance, (ii) determining annually whether or not a Director is independent and (iii) deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director. Our Nominating Committee will decide how our Board's performance is to be evaluated and propose objective performance criteria, subject to the approval of our Board, which address how the Board has enhanced long-term shareholders' value. Our Board will also implement a process to be carried out by our Nominating Committee for assessing the effectiveness of our Board as a whole and for assessing the contribution by each individual Director to the effectiveness of our Board. Each member of our Nominating Committee shall abstain from voting any resolutions in respect of the assessment of his performance or re-nomination as a Director.

SERVICE AGREEMENT

On 5 November 2003, our Company entered into a service agreement (the "Service Agreement") with our Executive Chairman and Chief Executive Officer, Mr Yao Hsiao Tung, for a period of three years (unless otherwise terminated by either party giving not less than six months' notice to the other) with effect from 1 January 2003. We may also terminate the Service Agreement if Mr Yao Hsiao Tung is guilty of dishonesty or serious or persistent misconduct, becomes bankrupt or otherwise acts to the prejudice of our Company. Mr Yao Hsiao Tung will not be entitled to any benefits upon termination of the Service Agreement. The Service Agreement covers the terms of employment, specifically salaries and bonuses. Directors' fees do not form part of the terms of the Service Agreement as these require the approval of shareholders in our Company's annual general meeting.

Pursuant to the terms of the Service Agreement, Mr Yao Hsiao Tung is entitled to an annual salary of S$384,000 and a fixed bonus of S$32,000 for FY2003. Mr Yao Hsiao Tung will also be entitled to a performance bonus equivalent to 3% of our Group's consolidated profit before tax and minority interest in a financial year excluding any extraordinary items.

With effect from 1 January 2004, the annual salary and fixed bonus of Mr Yao Hsiao Tung will be increased to S$480,000 and S$40,000 respectively. Mr Yao Hsiao Tung will also be entitled to a performance bonus equivalent to 3% of our Group's consolidated profit before tax and minority interest in a financial year excluding any exceptional items and extraordinary items. The Service Agreement also states that Mr Yao Hsiao Tung will be entitled to two vehicles, one in Singapore and one in Shanghai, the PRC, provided by our Group. All travelling and travel-related expenses, entertainment expenses and other out-of-pocket expenses reasonably incurred by Mr Yao Hsiao Tung in the process of discharging his duties on behalf of our Group will be borne by our Group. Mr Yao shall also have the benefit of a keyman insurance policy and personal accident insurance policy.

Had the Service Agreement terms for FY2004(1) as described in the previous paragraph been in place for FY2002, the aggregate remuneration (including contributions to CPF and other benefits) paid/provided to our Directors and our consolidated profit before tax would be approximately S$1.7 million and S$19.6 million respectively. Aggregate remuneration payable to our Directors in FY2002 as a percentage of our consolidated profit before tax was approximately 8.7%.

Save as disclosed above, there are no other existing or proposed service agreements between us and any of our Directors or Executive Officers.

(1) In terms of annual salary and fixed bonus. Performance bonus is based on 3% of our Group's FY2002 consolidated profit before tax and minority interest excluding any exceptional items and extraordinary items.

HI-P EMPLOYEE SHARE AWARD SCHEME

In September 2002, the Vendors entered into an agreement to set up a one-off Hi-P Share Award Scheme (the "Employee Share Award Scheme") under which the Vendors agreed to set aside 360,000 ordinary shares of par value of $1.00 each (the "Award Shares") held by them to be awarded to certain key employees ("Eligible Persons") in accordance with the Scheme.

The objective of the Employee Share Award Scheme is to provide an opportunity for our key employees, who have contributed greatly to our success, to participate in the equity of our Company and to motivate them to optimise their performance standards, dedication and to promote their retention.

The Award Shares to be transferred to the Eligible Persons shall take place over two years in three tranches. The transfer of the first tranche of the Awards Shares shall take place on a date to be decided by the Vendors for each of the Eligible Persons (the "Transfer Date"). The transfer of the second tranche and third tranche of the Award Share shall take place on the first and second anniversary of the Transfer Date respectively.

According to the terms and conditions of the Employee Share Award Scheme, if a variation in the issued ordinary share capital of our Company (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation, distribution or otherwise) shall take place prior to the Invitation, then the number of Award Shares which each Eligible Person is entitled to shall be adjusted accordingly as determined by the Vendors. In the event of a declaration of dividends or variation in the issued original share capital of our Company (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation, distribution or otherwise) taking place after the Invitation, the Eligible Persons shall only be entitled to such dividends or rights in relation to the Award Shares which have been transferred to them.

As at the Latest Practicable Date, all the Award Shares have been accepted by the relevant Eligible Persons and an aggregate of 96,000 Award Shares of $1.00 each have been transferred to the Eligible Persons. Pursuant to the stock split and the bonus issue as set out on page 48 of this Prospectus, such Eligible Persons hold an aggregate of 3,840,000 Shares of $0.05 each prior to the Invitation and shall be entitled to receive 10,560,000 Award Shares of $0.05 each over the next two years. No further shares will be awarded under the Employee Share Award Scheme upon listing of the Company on the SGX-ST.

HI-P EMPLOYEE SHARE OPTION SCHEME

On 7 October 2003, our shareholders approved a share option scheme known as the Hi-P Employee Share Option Scheme (the "Share Option Scheme"), the rules of which are set out in Appendix H of this Prospectus. The Share Option Scheme complies with the relevant rules as set out in Chapter 8 of the SGX-ST Listing Manual. The Share Option Scheme will provide eligible participants with an opportunity to participate in the equity of our Company and to motivate them towards better performance through increased dedication and loyalty. The Share Option Scheme, which forms an integral and important component of a compensation plan, is designed to primarily reward and retain executive directors and employees whose services are vital to our well being and success.

As at the Latest Practicable Date, no options have been granted under the Share Option Scheme.

Objectives of the Share Option Scheme

The objectives of the Share Option Scheme are as follows:-

(a) to motivate participants to optimise their performance standards and efficiency and to maintain a high level of contribution to our Group;

(b) to retain key employees and executive Directors whose contributions are essential to the long-term growth and prosperity of our Group;

(c) to instill loyalty to, and a stronger identification by participants with the long-term prosperity of, our Company;

(d) to attract potential employees with relevant skills to contribute to our Group and to create value for the shareholders of our Company; and

(e) to align the interest of participants with the interests of the shareholders of our Company.

Summary of the Share Option Scheme

A summary of the rules of the Share Option Scheme is set out as follows:-

(1) Participants

Under the rules of the Share Option Scheme, executive directors and employees of our Group are eligible to participate in the Share Option Scheme, including our controlling shareholders and their associates.

(2) Scheme administration

The Share Option Scheme shall be administered by the Remuneration Committee with powers to determine, *inter alia*, the following:-

(a) persons to be granted options;

(b) number of options to be offered; and

(c) recommendations for modifications to the Share Option Scheme.

The Remuneration Committee will consist of Directors (including Directors or persons who may be participants of the Share Option Scheme). A member of the Remuneration Committee who is also a participant of the Share Option Scheme must not be involved in its deliberation in respect of options granted or to be granted to him.

(3) Size of the Share Option Scheme

The aggregate number of shares over which the Remuneration Committee may grant options on any date, when aggregated with the number of shares issued and issuable in respect of all options granted under Share Option Scheme and any other share option schemes of our Company, shall not exceed fifteen per cent. (15%) of the issued Shares of our Company on the day preceding the date of the relevant grant.

Our Company believe that this fifteen per cent. (15%) limit gives our Company sufficient flexibility to decide the number of Option Shares to offer to its existing and new employees. Fifteen per cent. (15%) of the post-Invitation share capital of our Company constitutes approximately 133,050,000 Shares. As it is intended that the Share Option Scheme shall last for ten (10) years, assuming that there is no change in the total issued share capital of the Company, the number of Options that may be granted in a year will average approximately 13,305,000. Our Company, in line with its goals of ensuring sustainable growth, is constantly reviewing its position and considering the expansion of its talent pool which may involve employing new employees. The employee base, and thus the number of eligible participants will increase as a result. Our Company is of the opinion that it should have sufficient number of Options to offer to new employees as well as to existing ones. The number of Options offered must also be significant enough to serve as a meaningful reward for contribution to our Group. The Remuneration Committee shall exercise its discretion in deciding the number of Option Shares to be granted to each employee which will depend on the performance and value of the employee to our Group.

(4) Maximum entitlements

The number of shares comprised in any options to be offered to a participant in the Share Option Scheme shall be determined at the absolute discretion of the Remuneration Committee, who shall take into account criteria such as rank, past performance, years of service, potential for future development of that participant, provided that:-

(a) the aggregate number of shares available to controlling shareholders and their associates must not exceed 25% of the shares available under the Share Option Scheme; and

(b) the number of shares available to each controlling shareholder or his associate must not exceed 10% of the shares available under the Share Option Scheme.

(5) Options, exercise period and exercise price

The options that are granted under the Share Option Scheme may have exercise prices that are, at the Remuneration Committee's discretion, set at a discount to a price (the "Market Price") equal to the average of the last dealt prices for the shares on the Official List of the SGX-ST for the five consecutive market days immediately preceding the relevant date of grant of the relevant option of a Share (subject to a maximum discount of 20%). For options granted with an exercise price which is set at a discount to the Market Price ("Incentive Options"), 50% of the Incentive Options may be exercised after the 2nd anniversary from the date of grant of that Incentive Option and the remaining 50% may be exercised after the 3rd anniversary from the date of grant of that Incentive Option. For options granted with an exercise price fixed at the Market Price ("Market Price Option"), 50% of the Market Price Options may be exercised after the 1st anniversary of the date of grant of that Market Price Option and the remaining 50% may be exercised after the 2nd anniversary of the date of grant of that Market Price Option. Options granted under the Share Option Scheme will have a life span of 10 years. In no circumstances shall the exercise price be less than the par value of a Share.

In the event that participants require the Company to pay the consideration for the issue of Shares for the exercise of their options, such participants will be required to exercise their Options and sell the Shares thereof on the same day.

(6) Grant of options

Under the rules of the Share Option Scheme, there are no fixed periods for the grant of options. As such, offers of the grant of options may be made at any time from time to time at the discretion of the Remuneration Committee.

However, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is imminent, offers may only be made after the second market day from the date on which the aforesaid announcement is made.

(7) Termination of options

Special provisions in the rules of the Share Option Scheme deal with the lapse or earlier exercise of options in circumstances which include the termination of the participant employment in our Group, the bankruptcy of the participant, the death of the participant, a take-over of our Company and the winding-up of our Company.

(8) Acceptance of options

The grant of options shall be accepted within 30 days from the date of the offer. Offers of options made to grantees, if not accepted before the closing date, will lapse. Upon acceptance of the offer, the grantee must pay our Company a consideration of S$1.00.

(9) Rights of shares arising

Shares arising from the exercise of options are subject to the provisions of the Memorandum and Articles of Association of our Company. The shares so allotted will upon issue rank *pari passu* in all respects with the then existing issued shares, save for any dividend, rights, allotments or distributions, the record date ("Record Date") for which falls on or before the relevant exercise date of the option. "Record Date" means the date as at the close of business on which the shareholders must be registered in order to participate in any dividends rights, allotments or other distributions.

(10) Duration of the Share Option Scheme

The Share Option Scheme shall continue in operation for a maximum duration of ten (10) years and may be continued for any further period thereafter with the approval of our shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

Grant of options with a discounted exercise price

The ability to offer options to participants of the Share Option Scheme with exercise prices set at a discount to the prevailing market prices of the Shares will operate as a means to recognise the performance of participants as well as to motivate them to continue to excel while encouraging them to focus more on improving the profitability and return of our Group above a certain level which will benefit all Shareholders when these are eventually reflected through share price appreciation. Discounted options would be perceived in a more positive light by the participants, inspiring them to work hard and produce results in order to be offered options at a discount as only employees who have made outstanding contributions to the success and development of our Group would be granted options at a discount.

The flexibility to grant options with discounted prices is also intended to cater to situations where the stock market performance has overrun the general market conditions. In such events, the Remuneration Committee will have absolute discretion to:-

(i) grant options set at a discount to Market Price of a share (subject to a maximum limit of 20%); and

(ii) determine the participants to whom, and the options to which, such reduction in exercise prices will apply.

In determining whether to give a discount and the quantum of the discount, the Remuneration Committee shall be at liberty to take into consideration factors including the performance of our Company, our Group, the performance of the participant concerned, the contribution of the participant to the success and development of our Group and the prevailing market conditions.

It is envisaged that our Company may consider granting the options with exercise prices set at a discount to the Market Price of the shares prevailing at the time of grant under circumstances including (but not limited to) the following:-

(a) where, due to speculative forces in the stock market resulting in an overrun of the market, the market price of the shares at the time of the grant of options is not a true reflection of the financial performance of our Company;

(b) to enable our Company to offer competitive remuneration packages in the event that the practice of granting options with exercise prices that have a discount element becomes a general market norm. As share options become more significant components of executive remuneration packages, a discretion to grant options with discounted prices will provide our Company with a means to maintain the competitiveness of our Group compensation strategy; and/or

(c) where our Group needs to provide more compelling motivation for specific business units to improve their performance, grants of share options with discounted exercise prices will help to align the interests of employees to those of the shareholders by encouraging them to focus more on improving the profitability and return of our Group above a certain level which will benefit all shareholders when these are eventually reflected through share price appreciation, as such the options granted at a discount would be perceived more positively by the employees who receive such options.

The Remuneration Committee will determine on a case-by-case basis whether a discount will be given, and if so, the quantum of the discount, taking into account the objective that is desired to be achieved by our Company and the prevailing market conditions. As the actual discount given will depend on the relevant circumstances, the extent of the discount may vary from one case to another, subject to a maximum discount of 20% of the Market Price of a Share, as described in paragraph (5) above.

The discretion to grant options to subscribe for shares at an exercise price set at a discount to the market price will, however, be used judiciously. The amount of the discount may vary from one offer to another, and from time to time, subject to a limit of 20% on the quantum of discount in respect of options granted under the Share Option Scheme.

Such flexibility in determining the quantum of discount would enable the Remuneration Committee to tailor the incentives in the grant of options to be commensurate with the performance and contribution of each individual participant. By individually recognising the degree of performance and contribution of each participant, the granting of options at a commensurate discount would enable the Remuneration Committee to provide incentives for better performance, greater dedication and loyalty of the participants.

Our Company may also grant options without any discount to the market price. Additionally, our Company may, if it deems fit, impose conditions on the exercise of the options (whether such options are granted at the market price or at a discount to the market price), such as restricting the number of shares for which the option may be exercised during the initial years following its vesting.

Participation of executive directors and employees of our Group and associated companies in the Share Option Scheme

The extension of the Share Option Scheme to our executive directors (including controlling shareholders and their associates) and employees of our Group and associated companies allows our Group to have a fair and equitable system to reward executive directors and employees who have made and who continue to make significant contributions to the long-term growth of our Group.

We believe that the Share Option Scheme will also enable us to attract, retain and provide incentives to its participants to higher standards of performance as well as encourage greater dedication and loyalty by enabling our Company to give recognition to past contributions and services as well as motivating participants generally to contribute towards the long-term growth of our Group.

Participation of controlling shareholders and their associates in the Share Option Scheme

Although the controlling shareholders and their associates may already have shareholding interests in the Company, the extension of the Share Option Scheme to encompass them ensures that they are equally entitled, with the other eligible participants who are not controlling shareholders or their associates, to take part and benefit from this system of remuneration. The Directors are of the view that a person who would otherwise be eligible should not be excluded from participating from the Share Option Scheme solely because he/ she is a controlling shareholder or and associate of a controlling shareholder.

The rationale for the participation of the controlling shareholders and their associates are set out below.

Mr Yao Hsiao Tung

Mr Yao Hsiao Tung, as our CEO, plays a major role in the overall management of the Group's operations and business opportunities. Our Group benefits much from his strategic directions and looks to him to actively lead our Group in maintaining our Group's position in the precision injection molding, metal stamping and assembly business. The extension of the Share Option Scheme to him will serve not only as recognition of his valuable contributions to our Group but also give him a stake in the future performance of our Group. Participation in the Share Option Scheme will serve as a means to motivate him to continue to achieve and maintain a high level of performance which is vital to the success of our Group.

Mr Yao has been instrumental in guiding and developing our Group during the past 20 years. As Mr Yao has extensive experience in the business, he has been using his wealth of experience and expertise to further the business goals of our Group. Mr Yao is also responsible for the effective management of business relations with our suppliers and customers. He has been instrumental in successfully implementing the expansion of our business from a plastic injection molding business into an integrated contract manufacturing services provider specialising in precision plastic injection, mold design and fabrication, assembly, metal stamping and provision of turnkey contract manufacturing services. Through Mr Yao's business acumen and vision, our Group has grown from a single plant in Singapore to owning a total of 16 plants in the PRC, Singapore and Mexico, with presence in the USA and Europe.

Mr Yao is also in charge of overseeing the day-to-day management of our Group as well as our Group's strategic and business development. Under his management, our Group achieved growth in revenue, profits, international market coverage and scale of operations. Mr Yao's leadership and management skills are invaluable to our Group.

We are of the view that Mr Yao's experience and contribution towards the growth of our Group is invaluable and his continuing contribution is required for the continued success of our Group. Participation in the Share Option Scheme will provide sufficient incentive which will instil in him a deeper sense of commitment to our Group. As the Share Option Scheme serves to recognise past contributions as well as to encourage future contributions, we consider it important that Mr Yao be allowed to participate in the Share Option Scheme.

Mdm Wong Huey Fang

Mdm Wong Huey Fang, our Executive Director, is the spouse of our CEO and controlling shareholder, Mr Yao Hsiao Tung. Mdm Wong joined our Company in 1985 and was appointed to our Board in January 1988. The responsibilities of Mdm Wong Huey Fang include managing our Group's administrative and public relations functions. Mdm Wong is responsible for the administration and implementation of our human resource policies. She is also responsible for public relations. Mdm Wong has contributed to the growth of our Group through her efforts in the area of human resources where she has been integral in creating a conducive working environment which has been key to attracting, motivating and retaining qualified and talented employees in our Group as well as facilitating good relationships between our Group and our employees.

Yao Hsiao Kuang

Mr Yao Hsiao Kuang is the brother of Mr Yao Hsiao Tung, the brother-in-law of Mdm Wong Huey Fang and the uncle of Hung Han I. Mr Yao Hsiao Kuang joined our Group in 2001 and is the Human Resource Manager of Hi-P Xiamen. He is responsible for the administrative functions of Hi-P Xiamen.

Hung Han I

Ms Hung Han I is the niece of Yao Hsiao Tung and Yao Hsiao Kuang and the niece-in-law of Wong Huey Fang. Ms Hung is our Corporate Controller (Financial Planning and Analysis). She is responsible for the overall financial operations of our PRC subsidiaries and reports to our Group General Manager Great China. Ms Hung has been working with our Group since 2000.

We believe that each of Messrs Yao Hsiao Tung, Wong Huey Fang, Yao Hsiao Kuang and Hung Han I will continue to make vital contributions towards the future development and further success of our Group. We are of the view that their individual remuneration package (including share options which they will be granted under the Share Option Scheme) is fair. The extension of the Share Option Scheme to them is consistent with our objectives to motivate our employees to achieve and maintain a high level of performance and contribution which is vital to the success of our Group. Mr Yao Hsiao Tung will have a direct shareholding interest of 55.5% immediately after the Invitation. Mr Yao Hsiao Tung intends to subsequently transfer 10% of his shareholding in our Company to an investment holding company wholly-owned by his wife, Mdm Wong Huey Fang, who is the Executive Director of our Company. It is also the intention of Mr Yao Hsiao Tung to transfer all or part of the balance of his shareholding to one or more investment holding companies wholly-owned by him. The extension of the Share Option Scheme to Messrs Yao Hsiao Tung, Wong Huey Fang, Yao Hsiao Kuang and Hung Han I will ensure that they are equally entitled to take part in and benefit from this system of remuneration, thereby enhancing their long-term commitment to us. For the aforesaid reasons, our Directors believe that Messrs Yao Hsiao Tung, Wong Huey Fang, Yao Hsiao Kuang and Hung Han I deserve to and should be allowed to participate in the Share Option Scheme.

In the event that our Directors decide to grant Options to any of Messrs Yao Hsiao Tung, Wong Huey Fang, Yao Hsiao Kuang and Hung Han I, our Directors will disclose the rationale and justification for their participation, the actual number of Options and the terms of the Options to our independent shareholders and will seek the approval of such independent shareholders at a general meeting in a separate resolution. Details of the number of Options granted, the number of Options exercised and the subscription price (including any discount) will be disclosed in the annual report of our Company.

Cost of options granted under the Share Option Scheme to our Company

Any options granted under the Share Option Scheme would have a fair value. In the event that such options are granted at prices below the fair value of the options, there will be a cost to our Company. The amounts of such costs may be more significant in the case of Incentive Options, where such options are granted with exercise prices set at a discount to the prevailing market price of the Shares. The cost to our Company of granting options under the Share Option Scheme would be as follows:-

(i) the exercise of an option at the discounted exercise price would translate into a reduction of the proceeds from the exercise of such option, as compared to the proceeds that our Company would have received from such exercise had the exercise been made at the prevailing market price of the Shares. Such reduction of the exercise proceeds would represent the monetary cost to our Company; and

(ii) as the monetary cost of granting options with a discounted exercise price is borne by our Company, the earnings of our Company would effectively be reduced by an amount corresponding to the reduced interest earnings that our Company would have received from the difference in proceeds from exercise price with no discount versus the discounted exercise price. Such reduction would, accordingly, result in the dilution of our Company's EPS.

The effect of the issue of new Shares upon the exercise of Options, is that the Company's NTA per Share will increase if the exercise price is above the NTA per Share and decrease, if the exercise price is below the NTA per Share.

The costs as discussed above would only materialise upon the exercise of the relevant options. Currently, the Singapore Financial Reporting Standard ("FRS") does not require companies to account for share-based awards granted to their employees. Accordingly, companies have not recognised any compensation expenses relating to share options granted to their employees in their financial statements. However, share options have value because the option to buy a company's share for a fixed price during an extended future time period is a valuable right, even if there are restrictions attached to such an option. If the FRS is revised such that our Company is required to account for share-based awards granted to our employees, the cost of granting options will affect our financial results as this cost to our Company would be required to be charged to our Company's profit and loss account at the time options are granted. Even if the options are not granted at a discount, there would be a cost to the Company though this cost is not required to be charged to the Company's profit and loss account under the FRS. Subject as aforesaid, as and when Options are exercised, the cash inflow will add to the net tangible assets of our Company and its share capital base will grow. Where options are granted with subscription prices that are set at a discount to the market prices for the Shares prevailing at the time of the grant of such options, the amount of the cash inflow to the Company on the exercise of such options would be diminished by the quantum of the discount given, as compared with the cash inflow that would have been receivable by the Company had the options been granted at the market price of the Shares prevailing at the time of the grant.

Details of the number of options granted pursuant to the Share Option Scheme, the number of options exercised and the exercise price (as well as any applicable discounts) will be disclosed in our annual report.

We have made an application to the SGX-ST for permission to deal in and for quotation of the Shares which may be issued upon the exercise of the options to be granted under the Share Option Scheme. The approval of the SGX-ST is not to be taken as an indication of the merits of our Company, our subsidiaries, our Shares, the New Shares or the Option Shares.

Any Shareholder entitled to participate in the Share Option Scheme should abstain from voting at all general meetings in respect of any ordinary resolutions relating to the Share Option Scheme and should not accept nominations as proxies or otherwise for voting at such general meetings in respect of the said ordinary resolutions.

PRINCIPAL SHAREHOLDERS AND OWNERSHIP STRUCTURE

The shareholders of our Company and their respective shareholdings before and immediately after the Invitation are summarised below:-

	Before the Invitation				After the Invitation			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Directors								
Yao Hsiao Tung[(1)]	524,165,200	71.2	–	–	492,485,200	55.5	–	–
Wong Huey Fang[(1)]	–	–	524,165,200	71.2	–	–	492,485,200	55.5
Yeo Tiong Eng[(4)]	–	–	–	–	–	–	–	–
Dr Tan Khee Giap[(4)]	–	–	–	–	–	–	–	–
Wong Meng Meng[(4)]	–	–	–	–	–	–	–	–
Substantial shareholders (5% or more)								
Molex[(2)]	203,394,800	27.6	–	–	181,074,800	20.4	–	–
Molex Incorporated[(2)]	–	–	203,394,800	27.6	–	–	181,074,800	20.4
Other shareholders[(3)]	8,440,000	1.2	–	–	8,440,000	1.0	–	–
Reserved Shares[(5)]	–	–	–	–	20,500,000	2.3	–	–
Public (net of Reserved Shares) from the Invitation	–	–	–	–	184,500,000	20.8	–	–
	736,000,000	100.0			887,000,000	100.0		

Notes:-

(1) Wong Huey Fang is the spouse of Yao Hsiao Tung. Mr Yao Hsiao Tung intends to subsequently transfer approximately 10% of his shareholding in our Company after the Invitation to an investment holding company wholly-owned by his wife, Mdm Wong Huey Fang, who is the Executive Director of our Company. It is also the intention of Mr Yao Hsiao Tung to subsequently transfer all or part of the balance of his shareholding to one or more investment holding companies wholly-owned by him.

(2) Molex is incorporated in the USA and is a subsidiary of Molex Incorporated. which is listed on NASDAQ. Molex's principal activities are designing, manufacturing and distributing electronic, electrical and fiber optic interconnection products and systems.

(3) Other shareholders are employees of our Group, some of whom have received shares from Mr Yao Hsiao Tung and Molex International Inc pursuant to the Employee Share Award Scheme (Please refer to page 136 of this Prospectus for further details.)

(4) Mr Yeo Tiong Eng, Dr Tan Khee Giap and Mr Wong Meng Meng, who are the Non-executive and Independent Directors of our Company will each be offered 500,000, 550,000 and 500,000 Reserved Shares respectively, in aggregate representing 0.2% of the post-Invitation share capital of our Company. Should Mr Yeo Tiong Eng, Dr Tan Khee Giap and Mr Wong Meng Meng accept the Reserved Shares, they may hold, dispose of or transfer all or part of their respective shareholding in our Company after the admission of our Company to the Official List of the SGX-ST.

(5) Some Reserved Shares will be allotted to our Company's Non-executive Director, Independent Directors and management who are directors in certain subsidiaries. Reserved Shares will also be offered to employees who are related to our Executive Directors namely, Ms Hung Han I, niece of Mr Yao Hsiao Tung and niece-in-law of Mdm Wong Huey Fang, Mr Yao Hsiao Kuang, brother of Mr Yao Hsiao Tung and brother-in-law of Mdm Wong Huey Fang and Ms Szeto Tzen, niece of Mdm Wong Huey Fang and niece-in-law of Mr Yao Hsiao Tung.

As at the Latest Practicable Date, our employees who are related to our Executive Directors namely, , Ms Hung Han I, Mr Yao Hsiao Kuang and Ms Szeto Tzen do not hold any Shares in the Company. Only Ms Hung Han I and Mr Yao Hsiao Kuang hold managerial positions in our Group. Ms Hung Han I is the niece of Yao Hsiao Tung and Yao Hsiao Kuang and the niece-in-law of Wong Huey Fang. Mr Yao Hsiao Kuang is the brother of Yao Hsiao Tung, the brother-in-law of Wong Huey Fang and the uncle of Hung Han I. Ms Szeto Tzen is the niece of Mdm Wong Huey Fang and niece-in-law of Mr Yao Hsiao Tung.

Save as disclosed above, there are no other family relationships among the substantial shareholders and Directors of our Company.

Save for the proposed transfers of Shares by Mr Yao Hsiao Tung to one or more investment holding companies wholly-owned by him and Mdm Wong Huey Fang after the Invitation as disclosed above, there is no known arrangement which may result in a change in control.

The significant changes in the percentage ownership of our Company held by our Directors and substantial Shareholders in the last 3 years prior to the date of lodgement of this Prospectus and as at the date of lodgement of this Prospectus after the Bonus Issue and Stock Split are as follows:-

	As at 30 June 2003				As at the date of lodgement of this Prospectus			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number of Shares S$1.00 each	%	Number of Shares	%	Number of Shares S$0.05 each	%	Number of Shares	%
Directors								
Yao Hsiao Tung	13,173,250	71.6	–	–	524,165,200	71.2	–	–
Wong Huey Fang[1]	–	–	13,173,250	71.6	–	–	524,165,200	71.2
Yeo Tiong Eng	–	–	–	–	–	–	–	–
Dr Tan Khee Giap	–	–	–	–	–	–	–	–
Wong Meng Meng	–	–	–	–	–	–	–	–
Substantial shareholders (5% or more)								
Molex[2]	5,111,750	27.8	–	–	203,394,800	27.6	–	–
Molex Incorporated[2]	–	–	5,111,750	27.8	–	–	203,394,800	27.6
Other shareholders[3][4]	115,000 [3]	0.6	–	–	8,440,000 [4]	1.2	–	–

Notes:-

(1) Wong Huey Fang is the spouse of Yao Hsiao Tung.

(2) Molex is incorporated in the USA and a subsidiary of Molex Incorporated which is listed on NASDAQ. Molex's principal activities are designing, manufacturing and distributing electronic, electrical and fiber optic interconnection product and systems.

(3) Other shareholders are employees of our Group who received shares from Mr Yao Hsiao Tung and Molex.

(4) Other shareholders are employees of our Group, some of whom have received shares from Mr Yao Hsiao Tung and Molex pursuant to the Employee Share Award Scheme (Please refer to page 136 of this Prospectus for further details.)

The Shares held by our Directors and substantial Shareholder do not carry different voting rights from the New Shares which are the subject of the Invitation.

SELLING SHAREHOLDERS

The names of the Vendors and the number of Vendor Shares which they will offer (in proportion to their respective shareholdings before the Invitation) pursuant to the Invitation are set out below:-

Name	No. of Shares held before the Invitation	No. of Vendor Shares	No. of Vendor Shares as a % of pre-Invitation Share Capital (%) as at the date of lodgement of this Prospectus	No. of Shares held after the Invitation
Yao Hsiao Tung	524,165,200	31,680,000	4.3	492,485,200
Molex	203,394,800	22,320,000	3.0	181,074,800
	727,560,000	54,000,000	7.3	673,560,000

MORATORIUM

Mr Yao Hsiao Tung who has interests in 492,485,200 shares, representing approximately 55.5% of our Company's enlarged share capital immediately after the Invitation has given an undertaking not to realise or transfer or otherwise dispose of any part of his interests in our Company for a period of six months after our Company is listed on the SGX-ST (the "Moratorium Period") save for the proposed transfers as follows:-

(a) transfer of approximately 10% of his shareholding in our Company to an investment holding company to be wholly-owned by Mdm Wong Huey Fang;

(b) transfer of part or all of the balance of his shareholding in our Company to one or more investment holding companies to be wholly-owned by him; and

(c) transfer of 7,603,200 Shares over the next two years to certain key employees pursuant to the Hi-P Employee Share Award Scheme,

provided that, such transferees who receive the Shares owned by Mr Yao Hsiao Tung during the Moratorium Period shall provide an undertaking not to realise or transfer or otherwise dispose of any part of their shareholding in the Company received during the Moratorium Period for a period of six months after our Company is listed on the SGX-ST.

In the event that Mr Yao Hsiao Tung transfers his shareholding to the investment holding companies wholly-owned by himself and Mdm Wong Huey Fang as set out above, both Mr Yao Hsiao Tung and Mdm Wong Huey Fang shall provide an undertaking not to realise or transfer or otherwise dispose of any part of their shareholding in such investment holding companies for a period of six months after our Company is listed on the SGX-ST.

As evidence of its commitment to our Group, Molex, which has interests in 181,074,800 Shares, representing approximately 20.4% of our Company's enlarged share capital after the Invitation, has given an undertaking not to realise or transfer or otherwise dispose of any part of its interest in our Company for a period of six months after our Company is listed on the SGX-ST save for the proposed transfer of 2,956,800 Shares over the next two years to certain key employees pursuant to the Hi-P Employee Share Award Scheme provided that, such transferees who receive Shares owned by Molex during the Moratorium Period shall provide an undertaking not to realise or transfer or otherwise dispose of any part of their shareholding in the Company received during the Moratorium Period for a period of six months after our Company is listed on the SGX-ST.

Molex Incorporated, the holding company of Molex, has also given an undertaking not to realise or transfer or otherwise dispose of any part of its interest in Molex for a period of six months after our Company is listed on the SGX-ST.

Both Mr Yao Hsiao Tung and Molex have entered into a shareholders' agreement (the "Shareholders' Agreement) dated 5 November 2003 and have mutually agreed, save for the proposed transfers of shares by Mr Yao Hsiao Tung to the investment companies as described above and to the employees under the Hi-P Share Award Scheme and the proposed transfers of shares by Molex to the employees under the Hi-P Share Award Scheme:-

(i) not to sell, transfer or dispose any of their respective interests in the Company for a period of 12 months after our Company is listed on the SGX-ST;

(ii) in the period between the date falling 12 months after our Company is listed on the SGX-ST and the date falling 36 months after our Company is listed on the SGX-ST, not to sell, transfer or dispose more than 40% of their respective interests in the Company; and

(iii) in the event of sale, transfer or disposal of any of their respective interests in our Company, the other party(ies) shall have a pre-emptive right to purchase such shares.

In relation to the proposed transfer by Mr Yao Hsiao Tung of approximately 10% of his shareholding in our Company to an investment company wholly-owned by Mdm Wong Huey Fang and the proposed transfer by Mr Yao Hsiao Tung of part or all of the balance of his shareholding in our Company to one or more investment holding companies to be wholly-owned by him, the transferees shall enter into a deed of ratification and accession to agree to be bound by the Shareholders' Agreement.

INTERESTED PERSON TRANSACTIONS

In general, transactions between our Group and any of its interested persons (namely, the Directors, the Chief Executive Officer or controlling shareholders of our Company or the Associates of such Directors, the Chief Executive Officer or controlling shareholders) are known as interested person transactions. The following discussion on material interested person transactions for the last three financial years and up to the Latest Practicable Date, is based on our Group and interested persons are construed accordingly.

Transactions with Molex

Mr Yeo Tiong Eng, our Non-executive Director, is the Regional Financial Director of Molex Far East South Management Pte Ltd ("Molex Far East") which is a subsidiary of Molex International Inc and the ultimate holding company is Molex Incorporated. Molex International Inc is one of our substantial shareholders, and Molex Incorporated is listed on NASDAQ.

We engage in transactions with Molex Incorporated and its group of companies (the "Molex Group") during the last three financial years and up to the Latest Practicable Date.

(1) Provision of MDF and PPIM services

We provided MDF and PPIM services to Molex Group for the past 3 financial years ended 31 December 2002 and up to the Latest Practicable Date. These transactions were in the ordinary course of business and the aggregate amount of sales were as follows:-

($'000)	FY2000	FY2001	FY2002	From 1 January 2003 to the Latest Practicable Date
Sales	4,180	2,621	2,995	1,286
% of Revenue	5.2%	2.6%	2.1%	0.7%

All of the above transactions were made on normal commercial terms and at market rates.

(2) Purchase of training materials

We purchased marketing training materials through the Molex Group in FY2001 amounting to approximately S$8,958. The purchases were not transactions in the normal course of our business and we do not expect similar transactions to occur in the future.

(3) Purchase of connectors and cables for assembly purposes

We purchased connectors and cables from the Molex Group which are used in our Assembly processes for telecommunication and consumer electronics & electrical products for the past financial year ended 31 December 2002 and up to the Latest Practicable Date. These transactions were in the ordinary course of business and the aggregate amount of sales were as follows:-

($'000)	FY2002	From 1 January 2003 to the Latest Practicable Date
Purchases	483	1,080
% of Purchases	0.5%	0.9%

All of the above transactions were made on normal commercial terms and at market rates.

After the listing of our Company on the SGX-ST, all future transactions with the Molex Group will be conducted in accordance with such guidelines as described in the section under "Review by Audit Committee" set out on pages 149 and 150 of this Prospectus and Chapter 9 of the Listing Manual.

Provision of legal services by Wong Partnership and Clifford Chance Wong Pte Ltd

Mr Wong Meng Meng, our Independent Director, is a practising Advocate and Solicitor in Singapore and Senior Partner of Wong Partnership, the Solicitors to the Invitation. The professional fees to be paid to Wong Partnership in respect of the Listing are according to prevailing market rates. Mr Wong Meng Meng is also a director of Clifford Chance Wong Pte Ltd, a joint venture between Wong Partnership and an international law firm, Clifford Chance. Wong Partnership and Clifford Chance Wong Pte Ltd provide professional legal services to the Company from time to time. The aggregate amounts paid to Wong Partnership and Clifford Chance Wong Pte Ltd for professional legal services rendered in last three financial years and up to the Latest Practicable Date are set out below: -

	FY2000	FY2001	FY2002	From 1 January 2003 to the Latest Practicable Date
Fees paid for professional legal services rendered	–	–	S$68,113	S$82,560

After the listing of our Company on the SGX-ST, all future transactions with Wong Partnership and Clifford Chance Wong Pte Ltd will be conducted in accordance with such guidelines as described in the section under "Review by Audit Committee" set out on pages 149 and 150 of this Prospectus and Chapter 9 of the Listing Manual.

Provision of personal guarantees by our Executive Chairman and Chief Executive Officer, Mr Yao Hsiao Tung and our Executive Director, Mdm Wong Huey Fang and corporate guarantee by our substantial shareholder, Molex

Our Executive Chairman and Chief Executive Officer, Mr Yao Hsiao Tung and our Executive Director, Mdm Wong Huey Fang and our substantial shareholder, Molex have provided several personal guarantees and corporate guarantees to secure credit facilities granted to our company. These credit facilities consist of term loans, bank overdrafts and lease obligations from financial institutions to finance the purchase of fixed assets and for working capital purposes. As at the Latest Practicable Date, the total outstanding loans in respect of the aforestated credit facilities was approximately $41.6 million. The largest amount outstanding at any time for the last three financial years and the period up to the Latest Practicable Date was approximately $7.6 million. The interest on these credit facilities drawn down range between 1.6% per annum and 5.2% per annum.

As disclosed under the Section on "Capitalisation and Indebtedness" on pages 53 and 54 of this Prospectus, we are in the process of arranging for Mr Yao, Mdm Wong and Molex to be released from their respective guarantees with respect to the credit facilities subject to, *inter alia*, our admission to the official list of the SGX-ST and the provisions of corporate guarantees by our Company. As at the Latest Practicable Date, we have arranged for the respective guarantees from Mr Yao Hsiao Tung and Molex to be released upon listing of our Company on SGX-ST in respect of our PRC subsidiaries which have banking facilities secured by guarantees from Mr Yao Hsiao Tung and Molex.

REVIEW BY AUDIT COMMITTEE

In respect of all interested person transactions, our Directors will ensure that all such dealings will be conducted on an arm's length basis by undertaking the following procedures:-

(a) market rates will be used as benchmarks for interested person transactions;

(b) should any future business dealings between our Group and our interested parties be on less than favourable terms to our Group as compared to what may be procured from independent third parties, prior approval from our Board will be obtained;

(c) in determining the most competitive purchase price, the suitability, quality and the cost of the product, and the experience and expertise of the supplier will be taken into consideration; and

(d) a quarterly listing of all interested person transactions will be reviewed by the Audit Committee.

Each such interested person transaction will be properly documented and summarised in a quarterly listing to be submitted to our Audit Committee for its review. In the event that a member of our Audit Committee is interested in any interested person transaction, he will abstain from reviewing that particular transaction. Our Audit Committee will include the review of such interested person transactions as part of the standard procedures while examining the adequacy of internal controls of our Group.

In reviewing interested person transactions, our Audit Committee will ensure that all provisions and disclosures on all such interested person transactions, including those required by prevailing legislation, SGX-ST listing rules and accounting standards, as the case may be, are complied with. Our Audit Committee has reviewed the above procedures, and are of the opinion that the procedures are sufficient to ensure that interested person transactions will be carried out on normal commercial terms and will not be prejudicial to our minority shareholders. As part of the review procedure, our Audit Committee will also review the procedures described above on quarterly basis.

POTENTIAL CONFLICTS OF INTERESTS

Potential conflict of interests with our Non-executive Director

Mr Yeo Tiong Eng, one of our Non-executive Directors, is the Regional Financial Director of Molex Far East South Management Pte Ltd ("Molex Far East") which is a subsidiary of Molex International Inc. and the ultimate holding company is Molex Incorporated. Molex International Inc is one of our substantial shareholders and Molex Incorporated is listed on NASDAQ.

Molex is a manufacturer of electronic, electrical and fiber optic interconnection products and systems, in particular connectors which are used in various electrical and electronic products such as phone terminals and computers. In the manufacture of connectors, Molex would also manufacture molds used in the manufacturing process and undertake PPIM for components for connectors. Although Molex has the capability of producing molds fabricated by us, the molds manufactured by Molex, as at the Latest Practicable Date, have only been used in-house and are not on-sold to external customers.

In 1987, Molex entered into a strategic alliance with us by acquiring a 35% equity stake in our Company. Our Company has since been commissioned to undertake the fabrication of molds used in the manufacturing process of connectors by Molex. Molex is also involved in precision plastic injection molding and precision metal component stamping, two of our principal businesses. Molex utilises generic precision plastic injection molding and stamping equipment which are also used in our precision plastic injection molding and metal component stamping processes. However, the precision plastic injection molding and metal component stamping processes undertaken by Molex are specific to the manufacture of connectors. Molex also supplies its products to some of our customers. However, such products supplied by Molex are mainly connectors which are different from our products.

Although there is no assurance nor understanding that Molex would not compete with us in the future, in light of the above stated, our Directors believe that at present there does not exist any conflict of interest between our Group and Molex. At present, Molex is engaged primarily in the manufacture of connectors and it does not supply identical or similar products to the same principal markets or the same customers as our Group. Our Directors believe that Molex is not likely to compete with us in our principal markets in the PRC, Singapore, USA and other parts of the Americas, Europe, Malaysia and other parts of Asia, or for the same customers (to the extent that this is within the knowledge of Molex) in respect of the business of plastic injection molding and precision metal component stamping of products as Molex focuses on these business activities in relation to their core product, which is connectors. This is also because Molex regards us to be its strategic partner and this will not be affected by the termination of the joint venture agreement between Mr Yao and Molex with effect from the date of execution of the shareholders' agreement between them.

Our Company has procured an undertaking from Molex that in the event that Molex and/or any of its associates compete with us in the future or acquire majority interests or become the single largest shareholder in corporations or business entities involved in similar businesses as our Group, Molex will cease to be represented on the Board of our Company and shall procure the resignation of their representative from the Board of our Company. This will allow our Company to compete effectively with Molex in respect of those businesses. In such an event, our Company will appoint another independent director to the Board of our Company. In the event that Molex commences to compete with our Group, Mr Yeo will be bound by his duties as a director of our Company and obliged under the Companies Act, to declare at a meeting of the directors of our Company, the fact and the nature, character and extent of the conflict which has arisen by reason of such competition.

Notwithstanding the above, as Mr Yeo Tiong Eng is the Regional Financial Director of Molex Far East, there is a possibility that potential conflicts of interests may arise in the future with Mr Yeo being one of our Non-executive Directors.

Although Mr Yeo, as a Non-executive Director, does not participate in the day-to-day management of our business, he is bound by the same fiduciary duties of good faith, due diligence and confidentiality as all our directors. He is also bound to act at all times in the interests of our Company in the discharge of his duties as director of our Company.

Relevant safeguards and measures as set out below have been implemented to avoid any potential conflict of interests in the future.

The Board of Directors will, in the discharge of their fiduciary duty to our Company, ensure that it would not involve Mr Yeo in any management or board discussions or the decision-making process in relation to any transactions involving the Molex Group, or any existing or potential customers or competitors of the Molex Group.

In the event that a conflict of interest arises in the course of his participation in discussions with our Board, Mr Yeo shall declare his interests to our Board, which will then determine if he should continue to participate in such deliberations.

In addition, where necessary, our Board will implement safeguards to prevent disclosure to Mr Yeo of any confidential information or trade secret that will provide him, Molex or any of their respective associates or related persons with a competitive advantage.

Further, our Company has procured an undertaking from Mr Yeo that:-

(i) in the event that business opportunities are presented or made available to Mr Yeo (a) by persons other than customers of the Molex Group; and (b) which relate to the precision plastic injection molding and precision metal component stamping of products other than connectors, Mr Yeo shall not refer such business opportunities to the Molex Group without first referring it to our Company for consideration;

(ii) in the event that business opportunities are presented or made available to our Company which may lead to conflicts of interest with the Molex Group, including conflicts with respect to the decision to take up such opportunities, Mr Yeo shall disclose the situations of conflict, if any, to our Board of Directors and abstain from any discussions or voting at any meeting of our directors on any matters relating to such opportunities;

(iii) subject to (iv) below, in the event that Mr Yeo should receive or come into possession any business information (a) received from clients which are common to our Company and the Molex Group to the best of his knowledge and belief; (b) that is of a material nature; and (c) is beneficial to both our Company and the Molex Group, other than information received in his capacity as a director of our Company and information that has been made available to him by the Molex Group and/or in his capacity as an executive officer of the Molex Group, Mr Yeo shall provide the same level of disclosure of such information relating to such clients, to our Company and the Molex Group at the same time as far as reasonably practicable; and

(iv) in respect of any confidential or trade-sensitive information which Mr Yeo shall receive as a director of our Company, Mr Yeo shall keep such information confidential and shall not disclose the same to the Molex Group.

Further, our Board of Directors includes two independent Directors who are members of our Audit Committee and are responsible for ensuring that good corporate governance is practised.

Interest of Executive Officer in similar business

Mr Chan Hean Wee, one of our Executive Officers and a director of Hi-P Industries, owns 10% shareholding interest in Bi-Link Metal Specialities (S) Pte Ltd ("Bi-Link") which is in the business of metal stamping. Mr Chan had become a shareholder of Bi-Link for about seven years prior to his appointment as the Managing Director of Hi-P Industries and an Executive Officer of our Group.

Our Directors are of the opinion that at present there is no conflict of interest and the shareholding interest of Mr Chan Hean Wee in Bi-Link will not interfere with his independent judgement in his role as one of our Executive Officers and a director of Hi-P Industries. Following are the reasons for the aforestated Directors' opinion, as well as measures that have been put in place to avoid any potential conflict of interest in the future:-

(1) Apart from his shareholding interest in Bi-Link of which he has been a passive shareholder since being appointed as Managing Director of Hi-P Industries and an Executive Officer of our Group, Mr Chan Hean Wee does not have any executive roles in Bi-Link and is not represented on the board of directors of Bi-Link.

(2) Mr Chan Hean Wee has agreed, pursuant to his employment letter, not to be directly or indirectly engaged or concerned or interested (whether as shareholder, director, employee, partner, agent or otherwise) in any other competing business for the time being of our Group during the term of his employment with our Group except where he is engaged, concerned or interested as a representative of our Group or where our Directors have otherwise consented in writing.

(3) Mr Chan Hean Wee is bound by duties of good faith, due diligence and confidentiality as all the other directors of Hi-P Industries. He is also bound to act in the interests of Hi-P Industries and our Group.

(4) The Board of Directors will, in the discharge of their fiduciary duty to our Company, ensure that to avoid any potential conflict of interest in the future, in the event a conflict of interests arises, Mr Chan Hean Wee shall abstain from participating in and voting at any meeting of the directors of Hi-P Industries relating to resolutions in respect of such conflict of interests situation. In the event that a conflict of interest arises in the course of Mr Chan's participation in management discussions or the decision-making process, Mr Chan shall declare his interests to our Board, which will then determine if he should continue to participate in such deliberations.

(5) Mr Chan has given an undertaking that he shall not refer any business opportunities that may be given to the metal stamping business of our Group to Bi-Link. Mr Chan has also undertaken not to disclose business information that is beneficial to our Group such as but not limited to business contracts, customers and other trade/industry information to Bi-Link. Although, in the normal course of business, some customers engaging our metal stamping business for sub-assembly /assembly services may specify procurement of certain component/s from other supplier(s), which may include Bi-Link. In such case, the customers shall be required to make the specification in writing.

Furthermore, in the event that our management is of the opinion that our internal plant capacity and/or capabilities is /are inadequate, we may sub-contract some of our metal stamping process(es) to third party contractors, which may include Bi-Link. These third party contractors shall be evaluated and selected by the purchasing department of our metal stamping companies after due consideration of factors such as product quality and pricing. If Bi-Link is selected, Mr Chan will refer the matter to the Audit Committee for its final review and approval. The Audit Committee will ensure that the transaction is on an arm's length basis and that the terms are fair and reasonable.

Further, our Board of Directors includes two Independent Directors who are members of our Audit Committee and are responsible for ensuring that good corporate governance is practised.

Save as disclosed under the Section on "Interested Person Transactions" and "Potential Conflicts of Interests":-

(a) none of our Directors, controlling shareholders or Executive Officers and their associates has any interest, direct or indirect in any transactions to which our Company was or is to be a party;

(b) none of our Directors, controlling shareholders or Executive Officers and their associates has any interest, direct or indirect, in any company carrying on the same business or carrying on a similar trade as our Group; and

(c) none of our Directors, controlling shareholders or Executive Officers and their associates has any interest, direct or indirect, is in any enterprise or company that is our Group's customer or supplier of goods or services.

Under Chapter 9 of the SGX-ST Listing Manual, a listed company may seek a shareholders' mandate for recurrent transactions of a revenue or trading nature or those necessary for its day to day operations such as supplies and materials, which may be carried out with the listed company's Interested Persons, but not for the purchase or sale of assets, undertakings or businesses.

At present, we anticipate that we would in the ordinary course of business enter into recurrent business transactions with Molex, it is likely that such transactions will occur with some degree of frequency and could arise at any time and from time to time, on normal commercial terms and not prejudicial to our Shareholders. We will continue to monitor such transactions which shall be subject to the review of our Audit Committee as set out above and seek a shareholders' mandate for such transactions when necessary.

The following is a description of the exchange controls which exist in the PRC. Based on our knowledge, there are no exchange controls in Mexico.

Exchange Controls in PRC

Prior to 31 December 1993, foreign investment enterprises were generally required by the PRC government to keep a balance of foreign exchange between its expenses and earnings. In the event of a need to pay foreign exchange out of the PRC for purchase of raw materials from abroad, foreign investment enterprises may make such remittance from its foreign exchange account in a designated bank, which is the People's Bank of China. Foreign investment enterprises could convert RMB reserved by such foreign investment enterprises into foreign currency at swap centers with the prior examination and verification by the State Administration for Foreign Exchange ("SAFE") if in shortage of foreign exchange.

On 28 December 1993, the People's Bank of China announced that the dual exchange rate system for RMB against foreign currencies would be abolished with effect from 1 January 1994 and be replaced by the unified exchange rate system. Under the new system, the People's Bank of China publishes the RMB exchange rate against the United States dollar daily. The daily exchange rate is set by reference to the RMB/US$ trading price on the previous day on the "inter-bank foreign exchange market".

On 1 April 1996, the Foreign Exchange Control Regulations of the PRC (as amended on 14 January 1997) came into effect. On 20 June 1996, the People's Bank of China issued the Announcement on the Implementation of Sale and Purchase of Foreign Exchange for the Foreign Investment Enterprises which allows foreign investment enterprises to settle their foreign exchange related transactions at designated banks or at swap centre from 1 July 1996. On 20 June 1996, the Regulations on Sale and Purchase of and Payment in Foreign Exchange were promulgated by the People's Bank of China and came into effect on 1 July 1996.

On 25 October 1998, the People's Bank of China and SAFE issued a Joint Announcement on Abolishment of Foreign Exchange Swap Business which stated that from 1 December 1998, foreign exchange transactions for foreign investment enterprises may only be conducted at designated banks. In addition, some of the swap centres would be abolished, while the others which are already linked up with the China Foreign Exchange Trading Centre (the "CFETC") by the computerised network will be merged with the CFETC and sub-centres to the CFETC.

In summary, the present position under the PRC law relating to foreign exchange control, taking into account the promulgation of the recent new regulations and the extent the existing provisions stipulated in previous regulations do not contradict these new regulations are as follows:-

(i) The previous dual exchange rate system for RMB was abolished and a unified floating exchange rate system based largely on supply and demand was introduced. The People's Bank of China, having regard to the trading prices between RMB and major foreign currencies on the inter-bank foreign exchange market, publishes on each bank business day the exchange rates against major foreign currencies.

(ii) PRC enterprises are generally required to sell their foreign exchange earnings to designated banks unless specifically approved otherwise and purchase foreign exchange at designated banks for current account transactions.

(iii) Foreign investment enterprises, however, may have their own foreign currency account and are permitted to retain a certain percentage of their recurrent foreign exchange earnings.

(iv) Foreign investment enterprises which require foreign exchange for their ordinary trading activities such as trade services and payment of interest on foreign debts may purchase foreign exchange from designated foreign exchange banks if the application is supported by proper payment notices or supporting documents.

(v) In event that foreign investment enterprises require foreign exchange for the payment of dividends to its foreign investors it may withdraw such funds from its foreign exchange account kept with the designated bank by presentation of the resolutions of the board of directors on the profit distribution of the particular enterprise and the tax settlement certificate. Where the amount of the funds in its foreign exchange is insufficient, the foreign investment enterprise may purchase and remit foreign exchange through the designated bank upon presentation of the resolution and the tax settlement certificate.

(vi) Where the foreign investment enterprise is wound up or in the process of winding up for any reasons and there is residual assets after settlement of all debts or liabilities including taxes pursuant to the PRC liquidation law, the liquidation committee may, through the designated bank, purchase and remit the foreign exchange to its foreign shareholders by presentation of the liquidation documents, the tax settlement certificate and approval by SAFE.

Subject to the relevant PRC regulations, our PRC subsidiaries are permitted to exchange RMB for foreign currencies through designated banks in the PRC to meet its foreign currency requirements for, inter alia, payment of dividends or their trade activities. We have, to date, not encountered difficulties in our foreign currency requirements.

Upon listing and quotation on SGX-ST, our Shares will be traded under the book-entry settlement system of the CDP, and all dealings in and transactions of the Shares through SGX-ST will be effected in accordance with the terms and conditions for the operation of securities accounts with the CDP, as amended form time to time.

Our Shares will be registered in the name of CDP or its nominee and held by CDP for and on behalf of persons who maintain, either directly or through depository agents, securities accounts with CDP. Persons named as direct securities account holders and depository agents in the depository register maintained by the CDP, rather than CDP itself, will be treated, under our Articles of Association and the Act, as members of the Company in respect of the number of Shares credited to their respective securities accounts.

Persons holding the Shares in securities account with CDP may withdraw the number of Shares they own from the book-entry settlement system in the form of physical share certificates. Such share certificates will, however, not be valid for delivery pursuant to trades transacted on SGX-ST, although they will be *prima facie* evidence of title and may be transferred in accordance with our Articles of Association. A fee of S$10.00 for each withdrawal of 1,000 Shares or less and a fee of S$25.00 for each withdrawal of more than 1,000 Shares is payable upon withdrawing the Shares from the book-entry settlement system and obtaining physical share certificates. In addition, a fee of S$2.00 or such other amount as our Directors may decide, is payable to the share registrar for each share certificate issued and a stamp duty of S$10.00 is also payable where our Shares are withdrawn in the name of the person withdrawing our Shares or S$0.20 per S$100.00 or part thereof of the last-transacted price where it is withdrawn in the name of a third party. Persons holding physical share certificates who wish to trade on SGX-ST must deposit with CDP their share certificates together with the duly executed and stamped instruments of transfer in favour of CDP, and have their respective securities accounts credited with the number of Shares deposited before they can effect the desired trades. A fee of S$20.00 is payable upon the deposit of each instrument of transfer with CDP.

Transactions in the Shares under the book-entry settlement system will be reflected by the seller's securities account being debited with the number of Shares sold and the buyer's securities account being credited with the number of Shares acquired. No transfer of stamp duty is currently payable for the Shares that are settled on a book-entry basis.

A Singapore clearing fee for trades in our Shares on the SGX-ST is payable at the rate of 0.05 per cent. of the transaction value subject to a maximum of S$200.00 per transaction. The clearing fee, instrument of transfer deposit fee and share withdrawal fee may be subject to Singapore Goods and Services Tax at the prevailing rate.

Dealings of our Shares will be carried out in Singapore dollars and will be effected for settlement by CDP on a scripless basis. Settlement of trades on a normal "ready" basis on the SGX-ST generally takes place on the third Market Day following the transaction date, and payment for the securities is generally settled on the following business day. CDP holds securities on behalf of investors in securities accounts. An investor may open a direct account with CDP or a sub-account with a CDP agent. The CDP agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

INFORMATION ON DIRECTORS AND EXECUTIVE OFFICERS

1. None of our Directors, Executive Officers or controlling shareholders is or was involved in any of the following events:-

   (i) during the last 10 years, a petition under any bankruptcy laws of any jurisdiction filed against him or against a partnership of which he was a partner;

   (ii) during the last 10 years, a petition under any law of any jurisdiction filed against a corporation of which he was a director or key executive for the winding up of that corporation on the ground of insolvency;

   (iii) any unsatisfied judgements against him;

   (iv) a conviction of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment for three months or more, or has been the subject of any criminal proceedings (including any pending criminal proceedings which he is aware of) for such purpose;

   (v) a conviction of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or been the subject of any criminal proceedings (including pending criminal proceedings which he is aware of) for such breach;

   (vi) during the last ten years, judgement entered against him in any civil proceeding in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or has been the subject of any civil proceedings (including any pending civil proceedings which he is aware of) involving an allegation of fraud, misrepresentation or dishonesty on his part;

   (vii) a conviction in Singapore or elsewhere of any offence in connection with the formation or management of any corporation;

   (viii) disqualification from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;

   (ix) the subject of any order, judgement or ruling of any court, tribunal or governmental body permanently or temporarily enjoining him from engaging in any type of business practice or activity; and

   (x) to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of affairs of

      (a) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or

      (b) any corporation or partnership which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,

   in connection with any matter occurring or arising during the period when he was so concerned with the corporation or partnership.

SHARE CAPITAL

2. Save as disclosed below and set out under "Share Capital" on pages 48 to 49 of this Prospectus, there were no changes in the issued and paid-up capital of the Company and its subsidiaries within the three years preceding the date of lodgement of this Prospectus.

The Company

Date	Purpose	Par value (S$)	Issue Price/ Consideration (S$)	Number of Shares	Resultant Issued Share Capital (S$)
5 November 2003	The capitalisation of S$18,400,000 out of retained earnings account by way of a bonus issue of 18,400,000 fully paid ordinary shares of S$1.00 each	1.00	18,400,000	18,400,000	36,800,000
5 November 2003	The sub-division of each ordinary share of $1.00 each into 20 ordinary shares of $0.05 each	0.05	–	736,000,000	36,800,000
Hi-P Industries					
22 November 2001	Incorporation	1.00	2	2	2
28 June 2002	Working Capital	1.00	499,998	499,998	500,000
20 March 2003	Working Capital	1.00	1,000,000	1,000,000	1,500,000
Hi-Tec Precision					
18 March 2003	Incorporation	1.00	2	2	2
25 June 2003	Working Capital	1.00	999,998	999,998	1,000,000

Date	Purpose	Increase in variable part of the share capital (MPesos)	Resultant Issued Share Capital (MPesos)
Hi-P Mexico			
20 September 2001	Working capital	13,830,000	32,401,239
28 December 2001	Working capital	22,960,000	55,361,239
30 December 2002	Working capital	10,000,000	65,361,239

Date	Purpose of Issue	Registered capital contributed (US$)	Resultant registered capital (US$)
Hi-P Shanghai			
26 June 2001	Investment contribution	1,400,000	6,300,000
Hi-P Chengdu			
31 January 2001	Investment contribution	700,000	2,000,000
10 June 2003	Investment contribution	700,000	2,700,000

Date	Purpose of Issue	Registered capital contributed (US$)	Resultant registered capital (US$)
Hi-P Camera			
22 December 2000	Investment contribution	3,500,000	3,500,000
15 April 2003	Investment contribution	1,200,000	4,700,000
Hi-P Precision Plastic			
7 November 2000	Investment contribution	315,500	315,500
5 February 2002	Investment contribution	1,784,500	2,100,000
Hi-P Xiamen			
15 March 2001	Investment contribution	158,000	158,000
16 July 2001	Investment contribution	1,242,000	1,400,000
21 December 2002	Investment contribution	1,100,000	2,500,000
Hi-P Chengdu Mold			
9 August 2001	Investment contribution	1,000,000	1,000,000
18 August 2003	Investment contribution	700,000	1,700,000
Hi-P Qingdao			
20 June 2001	Investment contribution	1,400,000	1,400,000
7 January 2002	Investment contribution	600,000	2,000,000
Hi-P Tianjin			
2 July 2002	Investment contribution	375,000	375,000
11 April 2003	Investment contribution	2,125,000	2,500,000
Hi-P Tianjin Tooling			
17 September 2003	Investment contribution	210,000	210,000

Date	Purpose	Par value (Euro)	Consideration (Euro)	Number of Shares	Resultant Issued Share Capital (Euro)
Hi-P Finland					
21 January 2003	Incorporation	80	8,000	100	8,000

Date	Purpose	Par value (US$)	Consideration (US$)	Number of Shares	Resultant Issued Share Capital (US$)
Hi-P North America					
23 January 2003	Incorporation	Nil	1,000	1	1,000

Date	Purpose of Issue	Registered capital contributed (US$)	Resultant registered capital (US$)
Hi-P Housing Appliance			
26 June 2002	Investment contribution	2,500,000	2,500,000

Date	Purpose of Issue	Registered capital contributed (US$)	Resultant registered capital (US$)
Hidec Shanghai			
28 October 2002	Investment contribution	157,500	157,500
Hi-P Shanghai Tooling			
4 July 2003	Investment contribution	393,838	393,838
5 September 2003	Investment contribution	2,106,162	2,500,000
Hi-P Suzhou			
3 September 2003	Investment contribution	386,613.50	386,613.50
26 September 2003	Investment contribution	513,471.07	900,084.57

LITIGATION

3. Save as disclosed below, neither our Company nor any of our subsidiaries or associated companies is engaged in any litigation as plaintiff or defendant in respect of any claims or amounts which are material in the context of the Invitation and our Directors have no knowledge of any proceedings pending or threatened against our Company or any of our subsidiaries or any facts likely to give rise to any litigation, claims or proceedings which might materially affect the financial position or the business of our Company or any of our subsidiaries or associated companies.

   There is a claim from Hytech Builders Pte Ltd ("Hytech") in relation to the construction of the Company's leasehold property at 11, International Business Park, Jurong East, Singapore 609926 (the "Project") amounting to approximately $1.0 million for the balance construction sum. Hytech was the Main Contractors for the Project, and Mr Charles Ho from the architectural firm of Design International Architects was the Project Architect. The dispute relates to defects in the Project, delay in the completion of the Project and valuation of work done and cost overruns. The parties are unable to agree on the balance of the construction sum to be paid. The balance of the construction sum will have to be valued by the Quantity Surveyor and certified by the Architect. No legal proceedings have been commenced though there has been an exchange of correspondence between solicitors for all parties.

   In addition, we face a potential claim from Cheng Chien Chung, an ex-employee. Cheng Chien Chung was the Operations Manager of Hi-P Mexico from July 2001 until he was dismissed from his employment in April 2003. Although no formal legal proceedings have to date been instituted, Cheng Chien Chung has, through his solicitors, sent a letter of demand to our Company alleging that he is entitled to (a) be issued 10,500 shares in our Company pursuant to an alleged term in his employment contract (which is disputed by our Company), or (b) S$175,000, being the alleged monetary equivalent of such shares. We have sought legal advice on this matter and in the event that Cheng Chien Chung institutes legal proceedings, we intend to vigorously defend the claim.

MANAGEMENT AND UNDERWRITING AND PLACEMENT ARRANGEMENTS

4. (a) Pursuant to the Management and Underwriting Agreement dated 8 December 2003 (the "Management and Underwriting Agreement") entered into between our Company, the Vendors and UOB Asia, our Company appointed UOB Asia to manage and underwrite the Invitation. UOB Asia will receive a management fee from our Company for its services rendered in connection with the Invitation.

   (b) Pursuant to the Management and Underwriting Agreement, UOB Asia has agreed to underwrite the Offer Shares for a commission of 2.25 per cent. of the Issue Price (the "Offer Commission") for each Offer Share payable by our Company and the Vendors in the Agreed Proportion (the proportion in which the number of Invitation Shares offered by each of them bears to the total number of Invitation Shares) pursuant to the Invitation. UOB Asia may, at its absolute discretion, appoint one or more sub-underwriters for the Offer Shares, including UOB and UOB Kay Hian Private Limited.

(c) Pursuant to the Placement Agreement dated 8 December 2003 (the "Placement Agreement") entered into between our Company, the Vendors and the Placement Agent, the Placement Agent has agreed to subscribe for and/or purchase or procure subscriptions for and/or purchases of the Placement Shares for a placement commission of 1.5 per cent. of the Issue Price (the "Placement Commission") for each Placement Share payable by our Company and the Vendors in the Agreed Proportion. UOB Asia may, at its absolute discretion, appoint one or more sub-placement agents for the Placement Shares, including UOB and UOB Kay Hian Private Limited.

(d) Brokerage will be paid by our Company and the Vendors in the Agreed Proportion at the rate of 0.25 per cent. of the Issue Price for each Offer Share (the "Offer Brokerage") and 1.0 per cent. of the Issue Price for each Placement Share (the "Placement Brokerage") to UOB Asia as Placement Agent. For the Offer Shares, the brokerage will be paid to members of the Association of Banks in Singapore, members of the SGX-ST and merchant banks, in respect of successful applications made on Application Forms bearing their respective stamps, or to the Participating Banks in respect of successful applications made through Electronic Applications at their respective ATMs or IB websites. For the Placement Shares, Placement Brokerage will be paid to the Placement Agent in accordance with the Placement Agreement.

Subscribers of Placement Shares (excluding Reserved Shares) may be required to pay a brokerage of 1.0 per cent. of the Issue Price.

(e) Save as aforesaid, no commission, discount or brokerage, has been paid or other special terms granted within the two years preceding the date of this Prospectus or is payable to any Director, promoter, expert, proposed Director or any other person for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares in, or debentures of, our Company or our subsidiaries.

(f) The Management and Underwriting Agreement may be terminated by UOB Asia at any time on or before the close of the Application List, if:-

(A) there shall develop, occur or come into force:-

(i) any material adverse change, or any development involving a prospective material adverse change, in the condition (financial or otherwise), performance or general affairs of our Company or of our Group as a whole;

(ii) any introduction or prospective introduction of or any change or prospective change in any legislation, regulation, order, policy, rule, guideline or directive (whether or not having the force of law and including, without limitation, any directive or request issued by the Authority, the Securities Industry Council of Singapore or the SGX-ST) or in the interpretation or application thereof by any court, government body, regulatory authority or other competent authority;

(iii) any change, or any development involving a prospective change, in local, national, regional or international financial (including stock market, foreign exchange market, inter-bank market or interest rates or money market), political, industrial, economic, legal or monetary conditions, taxation or exchange controls;

(iv) any occurence or any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict (whether or not involving financial markets);

(v) the issue of a stop order by the Authority in accordance with Section 242 of the Securities and Futures Act (notwithstanding that a supplementary prospectus or replacement prospectus is subsequently registered with the Authority pursuant to Section 241 of the Securities and Futures Act); or

(vi) any other occurrence of any nature whatsoever, which event or events shall in the reasonable opinion of the UOB Asia:-

(1) result or be likely to result in a material adverse fluctuation or adverse conditions in the stock market in Singapore or overseas;

(2) be likely to materially prejudice the success of the subscription or offer of the Invitation Shares (whether in the primary market or in respect of dealings in the secondary market);

(3) make it impracticable, inadvisable, inexpedient or uncommercial to proceed with any of the transactions contemplated in this Management and Underwriting Agreement;

(4) be likely to have a material adverse effect on the business, trading position, operations or prospects of our Company or of our Group as a whole;

(5) be such that no reasonable underwriter would have entered into the Management and Underwriting Agreement;

(6) make it uncommercial or otherwise contrary to or outside the usual commercial practices of underwriters in Singapore for UOB Asia to observe or perform or be obliged to observe or perform the terms of the Management and Underwriting Agreement; or

(B) there comes to the notice of UOB Asia:-

(i) any statement contained in the Prospectus, or the application forms relating hereto which in the sole and absolute opinion of UOB Asia has become untrue, incorrect or misleading in any material respect; or

(ii) matters have arisen or have been discovered, which would, if this Prospectus, was to be issued at that time, constitute in the sole and absolute opinion of UOB Asia, a material omission of such information, and our Company fails to lodge any amendment to this Prospectus, a supplementary or replacement prospectus or document (as the case may be) within a reasonable time after being notified of such material misrepresentation or omission or fails to promptly take such steps as UOB Asia may reasonably require to inform investors of the lodgement of such amendment to this Prospectus, supplementary or replacement prospectus or document. In such event, UOB Asia reserves the right, at its reasonable discretion to cancel the Invitation and any application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to the applicants for the Invitation Shares by ordinary post or telegraphic transfer at the applicant's own risk within fourteen days of the termination of the Invitation.

In the event that the Management and Underwriting Agreement is terminated, our Company and the Vendors reserve the right, at our absolute discretion, to cancel the Invitation.

The Placement Agreement is conditional upon the Management and Underwriting Agreement not being terminated or rescinded pursuant to the provisions of the Management and Underwriting Agreement.

5. UOB Asia Limited, our Manager, Underwriter and Placement Agent, is a subsidiary of UOB, one of our principal bankers. UOB is acting as one of our Primary Sub-Underwriters and Primary Sub-Placement Agents. UOB Kay Hian Pte Ltd ("UOB Kay Hian"), an associated company of the UOB Group is also one of our Primary Sub-Underwriters and Primary Sub-Placement Agents. Save as disclosed, we do not have any material relationship with UOB Asia Limited and the Primary Sub-Underwriters and Primary Sub-Placement Agents.

   Mr Wong Meng Meng, our independent Director, is an independent director of UOB and Far Eastern Bank Limited.

EXPENSES OF THE OFFER

6. The estimated amount of expenses of the Invitation and of the application for listing, including management fee, professional fees to reporting accountants and solicitors to the Invitation, underwriting and placement commission, brokerage and all other incidental expenses in relation to this Invitation will be borne by our Company and the Vendors. Breakdown of these estimated expenses is as follows:-

	S$'000
Listing fees	49.7
Professional fees	1,310.0
Underwriting commission, placement commission and brokerage	2,921.3
Miscellaneous expenses	990.0
Total estimated expenses of the Invitation	5,271.0

   The aforesaid expenses to be borne by the Company and the Vendors are in proportion in which the number of Invitation Shares offered by each of them pursuant to the Invitation bears to the total number of Invitation Shares.

MATERIAL CONTRACTS

7. The following contracts not being contracts entered into in the ordinary course of business have been entered into by our Company and our subsidiaries within the two years preceding the date of lodgement of this Prospectus and are or may be material:-

   (a) Investment Agreement dated 28 March 2003 between the Company and Li-Tec Pte Ltd for the subscription of shares in Hi-Tec Precision by the Company and Li-Tec Pte Ltd of 400,000 and 600,000 ordinary shares of S$1.00 each respectively, representing 40% and 60% of the issued and paid-up share capital of Hi-Tec Precision respectively;

   (b) Shareholders' Agreement dated 25 June 2003 between the Company and Li-Tec Pte Ltd to regulate their relationship inter se as shareholders of Hi-Tec Precision;

   (c) Management and Underwriting Agreement dated 8 December 2003 between our Company, the Vendors and UOB Asia for the management of the Invitation and the underwriting of the Invitation Shares;

(d) Placement Agreement dated 8 December 2003 between our Company, the Vendors and UOB Asia for the placement of the Placement Shares; and

(e) Depository Agreement dated 8 December 2003 between our Company and CDP pursuant to which CDP will act as central depository for our Company's securities for trades in the securities through the SGX-ST.

CONSENTS

8. The Auditors and Reporting Accountants have given and have not withdrawn their written consent to the issue of this Prospectus with the inclusion herein of, and references to (i) their name, (ii) the auditors' report on the consolidated financial statements for FY2000, FY2001 and FY2002, (iii) the letter from the auditors in relation to the unaudited consolidated financial statements as of 30 June 2003 and for the period from 1 January 2003 to 30 June 2003 and (iv) the letter from the auditors in relation to the examination of prospective financial information for the financial year ending 31 December 2003, in the form and context in which they are included and references to their name in the form and context in which it appears in this Prospectus and to act in such capacity in relation to this Prospectus.

9. Each of the Solicitors to the Invitation, the Legal Advisers to the Company as to PRC Law, the Legal Advisers to the Company as to Mexico Law, the Share Registrar and Share Transfer Office, the Manager, Underwriter and Placement Agent to the Invitation, the Primary Sub-Underwriters and Primary Sub-Placement Agents to the Invitation, the Receiving Banker and the Principal Bankers do not make, or purport to make, any statement in this Prospectus or any statement upon which a statement in this Prospectus is based and, to the maximum extent permitted by law, expressly disclaim and take no responsibility for any liability to any person which is based on, or arises out of, the statements, information or opinions in this Prospectus.

MISCELLANEOUS

10. There was no public take-over offer, by a third party in respect of our Company's Shares or by our Company in respect of the shares of another corporation, during FY2002 and up to the Latest Practicable Date.

11. No expert is employed on a contingent basis by our Group, has a material interest, whether direct or indirect, in the Shares of our Group, or has a material economic interest, whether direct or indirect, in the Company, including an interest in the success of the Invitation.

12. The Directors are not aware of any event which has occurred since 30 June 2003, which may have a material effect on the financial information provided in the audited consolidated financial statements for FY2000, FY2001 and FY2002 and the unaudited consolidated financial statements as of 30 June 2003 and for the period from 1 January 2003 to 30 June 2003.

DOCUMENTS AVAILABLE FOR INSPECTION

13. Copies of the following documents may be inspected at 11, International Business Park, Jurong East, Singapore 609926 during normal business hours for a period of six months from the date of registration of this Prospectus:-

(a) the Memorandum and Articles of Association of our Company;

(b) the audited consolidated financial statements for FY2000, FY2001 and FY2002 and the auditors' report thereon as set out in Appendix A and Appendix B of this Prospectus;

(c) the unaudited consolidated financial statements as of 30 June 2003 and for the period from 1 January 2003 to 30 June 2003 and the letter from the auditors in relation thereto as set out in Appendix D and Appendix C of this Prospectus;

(d) letter from the auditors in relation to the examination of prospective financial information for the financial year ending 31 December 2003 as set out in Appendix E of this Prospectus;

(e) the respective audited financial statements of our Company and our subsidiaries for FY2000, FY2001 and FY2002;

(f) the material contracts referred to on pages 163 and 164 of this Prospectus;

(g) the letter of consent of Ernst & Young; and

(h) the Service Agreement referred to on pages 135 and 136 of this Prospectus.

STATEMENT BY DIRECTORS OF THE COMPANY AND THE VENDORS

14. This Prospectus has been seen and approved by our Directors and the Vendors and they collectively and individually accept the full responsibility for the accuracy of the information given in this Prospectus and confirm, having made all reasonable enquires, that to the best of their knowledge and belief, that the facts stated and the opinions expressed herein are fair and accurate in all material respects as of the date hereof and there are no other facts the omission of which would make any statements herein misleading, and that this Prospectus constitutes full and true disclosure of all material facts about the Invitation and our Group and that the Profit Forecast has been stated by the Directors after due and careful enquiry.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR FY2000, FY2001 and FY2002

A.1 PROFIT AND LOSS ACCOUNTS

(Amounts expressed in Singapore dollars)

	Note	Year ended 31 December 2000 $'000	2001 $'000	2002 $'000
Revenue	A.5.3	80,414	100,543	143,086
Cost of sales		(51,860)	(72,925)	(102,317)
Gross profit		28,554	27,618	40,769
Operating expenses				
Selling expenses		(111)	(139)	(162)
Administrative expenses		(10,565)	(16,507)	(19,173)
Other operating expenses		–	(9)	(38)
		(10,676)	(16,655)	(19,373)
Other operating income	A.5.4	197	502	1,248
Profit from operations	A.5.5	18,075	11,465	22,644
Financial expenses	A.5.7	(1,038)	(1,489)	(1,480)
Financial income	A.5.7	54	83	37
Foreign exchange gain (loss), net		635	1,560	(1,524)
Profit before tax and share of results of associated company		17,726	11,619	19,677
Share of results of associated company		–	180	644
Profit before tax		17,726	11,799	20,321
Tax	A.5.8	(3,256)	(1,936)	(1,788)
Profit after tax but before minority interests		14,470	9,863	18,533
Minority interests		–	(4)	(629)
Net profit attributable to shareholders of the Company		14,470	9,859	17,904
Earnings per share (cents)	A.5.9	1.97	1.34	2.43

The accounting policies and explanatory notes form an integral part of the financial statements.

A.2 BALANCE SHEETS

(Amounts expressed in Singapore dollars)

	Note	As at 31 December 2000 $'000	2001 $'000	2002 $'000
Fixed assets	A.5.10	59,152	78,788	95,285
Investment in associated company	A.5.11	–	642	1,127
Preliminary expenses	A.5.12	193	–	–
Other investment	A.5.13	36	36	12
Current assets				
Inventories	A.5.14	3,342	7,104	14,290
Trade receivables	A.5.15	15,126	20,793	35,622
Notes receivable		–	–	1,183
Other receivables, deposits and prepayments	A.5.16	2,970	3,942	5,791
Due from related parties (trade)		154	615	1,664
Due from a corporate shareholder (trade)		–	2	–
Fixed deposits		461	451	404
Cash and bank balances		7,381	12,071	8,713
		29,434	44,978	67,667
Current liabilities				
Trade payables		11,071	14,928	29,964
Other payables and accruals	A.5.17	2,562	6,170	14,640
Due to related parties (trade)		–	79	380
Due to related parties (non-trade)	A.5.18	–	1,324	–
Lease obligations, current portion	A.5.19	1,284	3,195	3,342
Provision for income tax		2,019	1,931	836
Bank term loans, current portion (secured)	A.5.20	4,201	1,742	2,410
Short-term bank loans	A.5.21	8,738	20,839	20,688
Bank overdrafts (secured)	A.5.21	–	–	1,274
		29,875	50,208	73,534
Net current liabilities		(441)	(5,230)	(5,867)
Non-current liabilities				
Lease obligations, non-current portion	A.5.19	1,200	4,123	2,576
Bank term loans, non-current portion (secured)	A.5.20	6,588	4,855	8,782
Deferred tax liability	A.5.22	2,760	2,760	2,559
		48,392	62,498	76,640
Share capital and reserves				
Share capital	A.5.23	18,400	18,400	18,400
Capital reserve		37	37	37
Reserve fund	A.5.24	3,105	3,925	5,505
Translation reserve		935	4,296	223
Accumulated profits	A.5.25	25,915	34,728	50,818
		48,392	61,386	74,983
Minority interests		–	1,112	1,657
		48,392	62,498	76,640

The accounting policies and explanatory notes form an integral part of the financial statements.

A.3 STATEMENTS OF CHANGES IN EQUITY
(Amounts expressed in Singapore dollars)

	Share capital $'000	Capital reserve $'000	Reserve fund $'000	Translation reserve $'000	Accumulated profits $'000	Total $'000
Balance at 1 January 2000	400	37	1,283	395	31,567	33,682
Transfer to reserve fund	–	–	1,822	–	(1,822)	–
Currency translation differences	–	–	–	540	–	540
Bonus issue of shares	18,000	–	–	–	(18,000)	–
Dividend (Note A.5.26)	–	–	–	–	(300)	(300)
Net profit for the year	–	–	–	–	14,470	14,470
Balance at 31 December 2000	18,400	37	3,105	935	25,915	48,392
Transfer to reserve fund	–	–	820	–	(820)	–
Currency translation differences	–	–	–	3,361	–	3,361
Dividend (Note A.5.26)	–	–	–	–	(226)	(226)
Net profit for the year	–	–	–	–	9,859	9,859
Balance at 31 December 2001	18,400	37	3,925	4,296	34,728	61,386
Transfer to reserve fund	–	–	1,580	–	(1,580)	–
Currency translation differences	–	–	–	(4,073)	–	(4,073)
Dividend (Note A.5.26)	–	–	–	–	(234)	(234)
Net profit for the year	–	–	–	–	17,904	17,904
Balance at 31 December 2002	18,400	37	5,505	223	50,818	74,983

The accounting policies and explanatory notes form an integral part of the financial statements.

A.4 STATEMENTS OF CASH FLOWS
(Amounts expressed in Singapore dollars)

	Year ended 31 December		
	2000	**2001**	**2002**
	$'000	**$'000**	**$'000**
Cash flows from operating activities			
Profit before tax and share of results of associated company	17,726	11,619	19,677
Adjustment for:			
Depreciation of fixed assets	5,373	8,349	9,815
(Gain) loss on disposal of fixed assets	(190)	(40)	38
Fixed assets impairment loss	–	1,510	–
Provision for doubtful trade debts	–	513	127
Write back of provision for doubtful trade debts	–	–	(400)
Provision for inventory obsolescence	1,111	19	207
Write back of provision for inventory obsolescence	–	–	(497)
Inventories written off	–	25	497
Preliminary expenses written off	–	193	–
Amortisation of preliminary expenses	16	–	–
Provision for diminution in value of club membership	–	–	24
Interest income	(54)	(83)	(37)
Interest expense	1,038	1,489	1,480
Translation difference	(372)	(56)	426
Operating profit before working capital changes	24,648	23,538	31,357
Decrease (increase) in:			
Inventories	(1,887)	(3,816)	(7,374)
Trade receivables	(3,964)	(6,225)	(14,476)
Notes receivable	–	–	(1,183)
Other receivables, deposits and prepayments	(2,367)	(973)	(1,849)
Due from a corporate shareholder (trade)	43	(2)	2
Increase (decrease) in:			
Trade payables	5,809	3,858	15,036
Other payables and accruals	(1,206)	3,505	8,470
Due from/to related parties (trade), net	421	(383)	(748)
Due to related parties (non-trade)	–	1,324	(1,324)
Cash generated from operations	21,497	20,826	27,911
Dividends paid	(300)	(226)	(234)
Income taxes paid	(2,541)	(1,983)	(2,935)
Net cash generated from operating activities	18,656	18,617	24,742
Cash flows from investing activities			
Capital contribution by minority interests of a subsidiary company	–	1,091	–
Investment in an associated company	–	(400)	–
Purchase of fixed assets (Note B)	(16,786)	(17,724)	(29,742)
Proceeds from disposal of fixed assets	1,094	184	869
Preliminary expenses incurred	(151)	–	–
Interest income received	54	83	37
Net cash used in investing activities	(15,789)	(16,766)	(28,836)
Cash flows from financing activities			
Interest expense paid	(1,038)	(1,489)	(1,480)
(Repayment of) proceeds from bank term loans, net	(3,652)	(4,192)	4,595
Proceeds from (repayment of) short-term bank loans, net	8,738	12,101	(151)
Lease obligation repayments	(1,697)	(3,591)	(3,549)
Net cash generated from (used in) financing activities	2,351	2,829	(585)
Net increase (decrease) in cash and cash equivalents	5,218	4,680	(4,679)
Cash and cash equivalents at beginning of year	2,624	7,842	12,522
Cash and cash equivalents at end of year (Note A)	7,842	12,522	7,843

A.4 **STATEMENTS OF CASH FLOWS (Continued)**
(Amounts expressed in Singapore dollars)

NOTES TO STATEMENTS OF CASH FLOWS

A. Cash and cash equivalents

Cash and cash equivalents comprise the following balance sheet amounts:

	2000 $'000	2001 $'000	2002 $'000
Cash and bank balances	7,381	12,071	8,713
Fixed deposits	461	451	404
Bank overdrafts (secured)	–	–	(1,274)
Cash and cash equivalents	7,842	12,522	7,843

B. Purchase of fixed assets

During the financial year ended 31 December 2002, the Group acquired fixed assets with an aggregate cost of approximately $31,891,000 (2001: $26,149,000, 2000: $18,540,000) of which approximately $2,149,000 (2001: $8,425,000, 2000: $1,754,000) was acquired by means of hire purchase. Payments of approximately $29,742,000 (2001: $17,724,000, 2000: $16,786,000) were or will be made with cash.

The accounting policies and explanatory notes form an integral part of the financial statements.

A.5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2000 to 2002
(Amounts expressed in Singapore dollars, unless otherwise stated)

These notes are an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL

(a) Corporate information

The Company was a private limited company domiciled and incorporated in Singapore. On 10 October 2003, the Company was converted into a public limited company and changed its name from Hi-P International Pte Ltd to Hi-P International Limited.

The registered office of the Company is located at 11 International Business Park, Jurong East, Singapore 609926.

The principal activities of the Company are the manufacture and sale of tools, moulds and plastic components. There have been no significant changes in the nature of these activities during the financial years under review.

During the financial years under review, the Group operated in three countries and has full time employees of 1,349 as of 31 December 2002 (2001: 906, 2000: 826).

(b) Subsidiary companies

The Company had the following subsidiary companies as at 31 December 2000, 2001 and 2002:

Name of subsidiary company	Principal activities	Country of incorporation and place of business	Percentage of equity held by the Group			Cost of investment by the Company		
			2000 %	2001 %	2002 %	2000 $'000	2001 $'000	2002 $'000
<u>Held by the Company</u>								
Hi-P Shanghai Electronics Co., Ltd.	Manufacture of moulds	People's Republic of China	100	100	100	1,098	3,530	3,530
High Precision Moulding and Tools, S.A. de C.V.	Manufacture of plastic injection parts	Mexico	100	100	100	3,412	10,167	11,840
Hi-P (Chengdu) Precision Plastic Manufacturing Co., Ltd.	Manufacture of plastic injection parts	People's Republic of China	100	100	100	2,136	2,136	2,136
Hi-P Camera Products Co., Ltd.	Manufacture of camera products	People's Republic of China	100	100	100	6,359	6,359	6,359

A.5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. GENERAL (Continued)

(b) Subsidiary companies (Continued)

Name of subsidiary company	Principal activities	Country of incorporation and place of business	Percentage of equity held by the Group			Cost of investment by the Company		
			2000 %	2001 %	2002 %	2000 $'000	2001 $'000	2002 $'000
Hi-P Precision Plastic Manufacturing (Shanghai) Co., Ltd.	Spray painting	People's Republic of China	100	100	100	547	547	3,769
Hi-P (Xiamen) Precision Plastic Manufacturing Co., Ltd.	Manufacture and sale of plastic product modules	People's Republic of China	–	100	100	–	2,552	2,552
Qingdao Haier Hi-P Science Technology Co., Ltd.	Manufacture and sale of plastic product modules	People's Republic of China	–	70	70	–	2,544	2,544
Hi-P (Chengdu) Mold Base Manufacturing Co., Ltd.	Manufacture of mould base and components	People's Republic of China	–	100	100	–	1,791	1,791
Hi-P Tech Singapore Pte Ltd	Manufacture and sale of tools, moulds and plastic components	Singapore	–	100	100	–	*	*
Hi-P Industries Pte. Ltd. (formerly known as Hidec Industries Pte Ltd)	Manufacture of metal precision components	Singapore	–	100	100	–	*	500
Hi-P (Shanghai) Housing Appliance Co., Ltd.	Manufacture of moulds and related housing appliance plastic components	People's Republic of China	–	–	100	–	–	4,550
Hi-P Tianjin Electronics Co., Ltd.	Manufacture of moulds	People's Republic of China	–	–	100	–	–	666
Held by a subsidiary company								
Hidec (Shanghai) Industries Co., Ltd.	Manufacture of precision stamped metal components and precision tools and die design and fabrication	People's Republic of China	–	–	100	–	–	–

* $2 comprising two subscriber shares of $1 each

1. GENERAL (Continued)

(b) Subsidiary companies (Continued)

Subsequent to 31 December 2002, the Company incorporated the following subsidiaries:

Name of subsidiary company	Principal Activities	Country of incorporation and place of business	Percentage of equity held by the Group %	Paid-up share capital
Hi-P North America, Inc.	Provision of engineering support services	United States of America	100	US$1,000
Hi-P Finland Oy	Provision of engineering support services	Finland	100	Euro 8,000
Hi-P (Shanghai) Precision Mold & Die Co., Ltd	Manufacture of moulds	People's Republic of China	100	US$2,500,000
Hi-P (Tianjin) Precision Mold & Die Co., Ltd.	Manufacture of moulds	People's Republic of China	100	US$210,000
Hi-P (Suzhou) Technology Co., Ltd.	Manufacture of plastic injection parts	People's Republic of China	100	US$900,085
Hi-P Mauritius Ltd	International sales and marketing activities	Mauritius	100	–
Hi-P Resources Ltd	Provision of human resource to related companies	Mauritius	100	–

1. GENERAL (Continued)

(c) Auditors

The financial statements of the companies in the Group for the financial years covered by this report were audited by the following firms of auditors:

Name of Company	Auditors	Financial Period/Year
Hi-P International Limited	Arthur Andersen, Singapore	For the financial years ended 31 December 2000 and 2001
	Ernst & Young, Singapore	For the financial year ended 31 December 2002
Hi-P Shanghai Electronics Co., Ltd.	Arthur Andersen, Hua Qiang	For the financial years ended 31 December 2000 and 2001
	Ernst & Young Hua Ming*	For the financial year ended 31 December 2002
High Precision Moulding and Tools, S.A. de C.V.	Arthur Andersen, Mexico	For the financial years ended 31 December 2000 and 2001
	Mancera, S.C.*	For the financial year ended 31 December 2002
Hi-P (Chengdu) Precision Plastic Manufacturing Co., Ltd.	Arthur Andersen, Hua Qiang	For the financial years ended 31 December 2000 and 2001
	Ernst & Young Hua Ming*	For the financial year ended 31 December 2002
Hi-P Camera Products Co., Ltd.	Arthur Andersen, Hua Qiang	For the financial period from date of incorporation, 30 March 2000 to 31 December 2000
	Arthur Andersen, Hua Qiang	For the financial year ended 31 December 2001
	Ernst & Young Hua Ming*	For the financial year ended 31 December 2002
Hi-P Precision Plastic Manufacturing (Shanghai) Co., Ltd.	Shanghai Hongda Certified Public Accountants Co., Ltd.	For the financial period from date of incorporation, 14 May 2000 to 31 December 2000
	Arthur Andersen, Hua Qiang	For the financial year ended 31 December 2001
	Ernst & Young Hua Ming*	For the financial year ended 31 December 2002
Hi-P (Xiamen) Precision Plastic Manufacturing Co., Ltd.	Arthur Andersen, Hua Qiang	For the financial period from date of incorporation, 19 February 2001 to 31 December 2001
	Ernst & Young Hua Ming*	For the financial year ended 31 December 2002
Qingdao Haier Hi-P Science Technology Co., Ltd.	Arthur Andersen, Hua Qiang	For the financial period from date of incorporation, 30 April 2001 to 31 December 2001
	Ernst & Young Hua Ming*	For the financial year ended 31 December 2002
Hi-P (Chengdu) Mold Base Manufacturing Co., Ltd.	Arthur Andersen, Hua Qiang	For the financial period from date of incorporation, 6 March 2001 to 31 December 2001
	Ernst & Young Hua Ming*	For the financial year ended 31 December 2002

A.5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. GENERAL (Continued)

(c) Auditors (Continued)

Name of Company	Auditors	Financial Period/Year
Hi-P Tech Singapore Pte Ltd	Arthur Andersen, Singapore	For the financial period from date of incorporation, 19 September 2000 to 31 December 2001
	**	For the financial year ended 31 December 2002
Hi-P Industries Pte. Ltd. (formerly known as Hidec Industries Pte Ltd	Ernst & Young, Singapore	For the financial period from date of incorporation, 22 November 2001 to 31 December 2002
Hi-P (Shanghai) Housing Appliance Co., Ltd.	Ernst & Young Hua Ming*	For the financial period from date of incorporation, 7 January 2002 to 31 December 2002
Hi-P Tianjin Electronics Co., Ltd.	Ernst & Young Hua Ming*	For the financial period from date of incorporation, 12 June 2002 to 31 December 2002

* An associated firm of Ernst & Young, Singapore.
** For the purpose of the preparation of the consolidated financial statements for the financial year ended 31 December 2002, Ernst & Young, Singapore has reviewed the unaudited management accounts.

The financial statements of Hi-P Precision Plastic Manufacturing (Shanghai) Co., Ltd. for the financial period from the date of incorporation, 14 May 2000 to 31 December 2000 were prepared under applicable accounting regulations in the PRC and audited by Shanghai Hongda Certified Public Accountants Co., Ltd. in accordance with PRC regulations for PRC reporting purposes. For the purposes of consolidation, the financial statements of the subsidiary company were presented in accordance with International Accounting Standards.

The financial statements of the Company and subsidiary companies incorporated in Singapore for all the years under review were prepared in accordance with Singapore Statements of Accounting Standard. The financial statements of all other subsidiary companies as detailed in the table above (except that of Hi-P Precision Plastic Manufacturing (Shanghai) Co., Ltd for the financial period ended 31 December 2000 as described in the previous paragraph) for the years under review were prepared in accordance with International Accounting Standards.

No audited financial statements have been prepared for the newly incorporated subsidiary companies since their respective dates of incorporation.

The auditors' report on the financial statements of High Precision Moulding and Tools, S.A. de C.V. for the financial year ended 31 December 2000 was qualified on the basis of lack of recognition of the effects of inflation in the financial statements which is not in accordance with accounting policies generally accepted in Mexico. The recognition of the effects of inflation in the financial statements is not required under Singapore Statements of Accounting Standard.

Other than disclosed above, the auditors' reports on the financial statements of the companies within the Group for all the financial years under review were not subject to any qualification.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements of the Company and of the Group, which are expressed in Singapore dollars, are prepared under the historical cost basis and in accordance with Singapore Statements of Accounting Standard (SAS) and applicable provisions of the Companies Act.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary companies. All intercompany balances, transactions and any unrealised profit or loss on intercompany transactions are eliminated on consolidation. The equity and net profit attributable to minority shareholders' interests are shown separately in the consolidated balance sheet and consolidated profit and loss account, respectively.

Subsidiary companies are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Acquisitions of subsidiary companies are accounted for using the purchase method of accounting.

Positive goodwill

Positive goodwill represents the excess of the cost of acquisition over the fair value of identifiable net assets acquired. Positive goodwill is amortised using the straight-line basis over a period of 5 years that benefits are expected to be received. The estimated useful life is revised for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Positive goodwill is stated at cost less accumulated amortisation and any impairment.

(c) Subsidiary companies

A subsidiary company is defined as a company, in which the Group, directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

Investments in subsidiary companies are stated in the financial statements of the Company at cost. An assessment of investments in subsidiary companies is performed when there is indication that the asset has been impaired or the impairment losses recognised in the prior years no longer exist.

(d) Associated company

An associated company is defined as a company, not being a subsidiary company, in which the Group has an equity interest of not less than 20% and in whose financial and operating policy decisions the Group exercises significant influence.

The Group's investments in associated companies are accounted for under the equity method. Investments in associated companies are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of associated companies, less any impairment loss. The Group's investments in associated companies include goodwill (net of accumulated amortisation) on acquisition. When the Group's share of losses exceeds the carrying amount of the investment, the investment is reported at nil value and recognition of losses is discontinued except to the extent of the Group's commitment. Unrealised gains arising from transactions with associated companies are eliminated to the extent of the Group's interest in the associated companies, against the investment in the associated companies. Unrealised losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Associated company (Continued)

The Group's share of the results of associated companies is included in the consolidated profit and loss account. Investments in associated companies are stated at cost less any impairment loss in the Company's balance sheet.

An assessment of investments in associated companies is performed when there is indication that the asset has been impaired or the impairment losses recognised in prior years no longer exist.

(e) Related party

A related party is defined as a company, not being a subsidiary company or an associated company, in which the directors of the Company have an equity interest or exercise significant influence.

(f) Other investment

Other investment relates to investment in a club membership stated at cost and provision is made when there is indication that the investment has been impaired or the impairment losses recognised in the prior years no longer exist.

(g) Inventories

Inventories are valued at the lower of cost and net realisable value. Raw materials comprise purchase cost accounted for on a weighted average basis. Cost of work-in-progress and finished goods includes cost of direct materials and direct labour and an attributable proportion of overheads. Provision is made for deteriorated, damaged, obsolete and slow-moving stocks.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(h) Foreign currency translation

<u>Foreign currency transactions</u>

Transactions in foreign currencies are recorded at exchange rates approximating those ruling at the transaction dates. Foreign currency monetary assets and liabilities are translated into Singapore dollars at exchange rates ruling at balance sheet date. All resultant exchange differences are recognised in the profit and loss account.

<u>Foreign entities</u>

For consolidation purposes, assets and liabilities of the foreign subsidiary companies and associated companies are translated into Singapore dollars at the exchange rates ruling at balance sheet date. Share capital and reserves are translated at historical exchange rates. The results of foreign subsidiary companies and associated companies are translated into Singapore dollars at the average exchange rates applicable for the year. Foreign currency translation adjustments arising on consolidation of subsidiary companies are accumulated as a separate component of equity. The Group's share of the foreign currency translation adjustments accounted for under the equity method is included in the Group's investments in associated companies.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and any impairment in value. All items of fixed assets are initially recorded at cost.

The initial cost of fixed assets comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to the profit and loss account in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of fixed asset beyond its originally assessed standard of performance, the expenditures are capitalised as an additional cost of fixed asset.

When an asset is revalued, any increase in the carrying amount is credited directly to revaluation reserve unless it reverses a previous revaluation decrease relating to the same asset, which was previously recognised as an expense. In these circumstances the increase is recognised as income to the extent of the previous write down. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised as an expense unless it reverses a previous surplus relating to that asset, in which case it is charged against any related revaluation surplus, to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of the same asset. Any balance remaining in the revaluation surplus in respect of an asset, is transferred to accumulated profits on retirement or disposal of the asset.

Depreciation is computed on a straight-line basis over the estimated useful life of the asset as follows:

Factory buildings and leasehold improvements	20 – 57 years
Renovation	3 – 6 years
Plant and machinery	3 – 10 years
Motor vehicles	5 – 6 years
Office equipment, furniture and fittings	3 – 10 years

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of fixed assets. An assessment of the carrying value of fixed assets is made when there are indications that the assets have been impaired or the impairment losses recognised in prior years no longer exist.

No depreciation is provided for construction-in-progress.

(j) Preliminary expenses

Preliminary expenses are costs incurred prior to incorporation. For the financial years up to and including the financial year ended 31 December 2000, the expenses were capitalised and amortised on a straight-line basis over 5 years from the date of commencement of operations. During the financial year ended 31 December 2001, the Group changed its accounting policy to be in compliance with Statement of Accounting Standard (SAS) No. 34, Intangible Assets. Under the requirements of SAS No. 34, the deferral and amortisation of preliminary expenses and pre-production costs is prohibited. As a result of the change, the preliminary expenses were fully written off during the financial year ended 31 December 2001.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amount. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Notes receivable which have an average maturity of 6 months, are interest free and backed by banks or commercial organisations. Notes receivable are carried at cost, being the fair value of the consideration given.

Receivables from related parties are recognised and carried at cost less an allowance for any uncollectible amounts.

(l) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and cash with banks, including bank overdrafts. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

Cash on hand and in banks are carried at cost.

(m) Trade and other payables

Trade and other payables, which are normally settled on 30-60 day terms, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Payables to related parties are carried at cost.

(n) Borrowing costs

Borrowing costs are expensed as incurred.

(o) Impairment of assets

Long-term assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the profit and loss account or treated as a revaluation decrease for assets carried at revalued amount to the extent that the impairment loss does not exceed the amount held in the revaluation surplus for that same asset.

Reversal of an impairment loss recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised in the profit and loss account or as a revaluation increase. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for that asset in prior years.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Leases

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the lease item, are capitalised at the present value of the minimum lease payments at the inception of the lease term. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of liability. Finance charges are charged directly to the profit and loss account.

Capitalised leased assets are depreciated over the estimated useful lives of the assets.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the lease term, are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(q) Employee benefits

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Company makes contribution to the Central Provident Fund (CPF) Scheme in Singapore, a defined contribution pension scheme. The subsidiary companies incorporated and operating in the People's Republic of China ("PRC") are required to provide certain staff pension benefits to their employees under existing PRC regulations. Pension contributions are provided at rates stipulated by PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiary companies' employees. The subsidiary company in Mexico maintains and administers a savings plan for its employees where the subsidiary company and its permanent employees jointly contribute monthly to the savings plan. The funds collected under this savings plan are allocated to the relevant employees every year. In the event of a termination of employment, the relevant employee may withdraw his entitlement to the funds.

Contributions to national pension schemes are recognised as an expense in the same period as the employment that gives rise to the contribution.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(r) Revenue

Revenue from sale of goods is recognised upon delivery of goods and acceptance by customers.

Revenue from the manufacturing of moulds and metal stamps is recognised upon acceptance by customers. All known or anticipated losses are provided for in the period in which such losses are determined.

Interest income is recognised on an accrual basis. Dividend income is recognised gross on the date it is declared payable by the investee company.

Group turnover excludes intercompany transactions and turnover of associated companies.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(t) Financial instruments

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents, trade and other accounts receivable and payable, bank loans and other borrowings. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

(u) Income taxes

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiary companies except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

At each balance sheet date, the Group re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Group conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised.

Current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

(v) Segmental information

For management purposes, the Group is organised on a world-wide basis into three main operating activities. These operating activities are the basis on which the Group reports its primary segment information.

Segment revenue, expenses and results include transfers between business segments. Such transfers are accounted for on an arm's length basis.

3. REVENUE

Revenue represents invoiced trading sales to customers net of discounts and returns. Intra-group transactions have been excluded from Group turnover.

4. OTHER OPERATING INCOME

	2000 $'000	2001 $'000	2002 $'000
Gain on disposal of fixed assets	190	40	12
Gain on sale of raw materials	–	60	–
Sale of scrap materials	7	287	201
Write back of provision for value-added tax	–	–	349
Refund of value-added tax	–	–	307
Tax refund on capital investment	–	63	310
Others	–	52	69
	197	502	1,248

5. PROFIT FROM OPERATIONS

This is determined after charging (crediting) items as shown in A.5.4 and the following:

	2000 $'000	2001 $'000	2002 $'000
Auditors' remuneration			
- auditors of the Company	26	33	37
- other auditors	57	127	237
Amortisation of preliminary expenses	16	–	–
Preliminary expenses written off	–	193	–
Depreciation of fixed assets	5,373	8,349	9,815
Fixed assets impairment loss	–	1,510	–
Provision for diminution in value of club membership	–	–	24
Directors' remuneration			
- directors of the Company	627	677	673
- director of a subsidiary company	–	–	310
Provision for doubtful trade debts	–	513	127
Write back of provision for doubtful trade debts	–	–	(400)
Provision for inventory obsolescence	1,111	19	207
Write back of provision for inventory obsolescence	–	–	(497)
Loss on disposal of fixed assets	–	–	50
Inventories written off	–	25	497
Operating lease expense	588	2,891	2,173
Personnel expenses (Note A.5.6)*	11,127	18,656	23,348

* This includes the amount shown as directors' remuneration.

6. PERSONNEL EXPENSES

	2000 $'000	2001 $'000	2002 $'000
Wages, salaries and bonus	10,158	16,509	20,511
Pension contributions	815	1,896	2,321
Other personnel expenses	154	251	516
	11,127	18,656	23,348

7. FINANCIAL (EXPENSES) INCOME

	2000 $'000	2001 $'000	2002 $'000
Interest expense			
- bank term loans	(941)	(1,379)	(1,297)
- lease obligations	(97)	(110)	(174)
- bank overdrafts	–	–	(9)
	(1,038)	(1,489)	(1,480)
Interest income			
- bank balances	39	76	27
- fixed deposits	15	7	10
	54	83	37

8. TAX

	2000 $'000	2001 $'000	2002 $'000
Current tax			
- current year	3,265	2,185	1,845
- over provision in respect of prior years	(9)	(291)	(5)
Deferred tax			
- current year	–	–	(197)
- over provision in respect of prior years	–	–	(4)
Share of tax of associated company	–	42	149
	3,256	1,936	1,788

The reconciliation of the tax expense and that of accounting profit multiplied by the applicable tax rate is as follows:

	2000 $'000	2001 $'000	2002 $'000
Profit before tax and share of results of associated company	17,726	11,619	19,677
Applicable tax rate:			
- year ended 31 December 2000: 25.5%	4,520		
- year ended 31 December 2001: 24.5%		2,847	
- year ended 31 December 2002: 22%			4,329
Tax effect of lower tax rates in the People's Republic of China	(1,218)	(1,060)	(1,168)
Tax effect of profits entitled to full tax exemption in the People's Republic of China	(662)	(806)	(2,023)
Tax effect of losses not available for offset against taxable profits	236	924	717
Tax effect of expenses that are not deductible in determining taxable profit	361	116	257
Tax effect of income that are not taxable in determining taxable profit	–	(15)	(292)
Impact on deferred tax liability resulting from reduction in tax rate	(53)	(106)	(281)
Over provision in respect of prior years	(9)	(291)	(9)
Tax rebate and exemption	–	(49)	(12)
Share of tax of associated company	–	42	149
Others	81	334	121
Tax expense	3,256	1,936	1,788

8. TAX (Continued)

The Company and subsidiary companies incorporated in Singapore are subject to income tax at the statutory tax rates of 25.5%, 24.5% and 22% on chargeable income for the financial years ended 31 December 2000, 2001 and 2002 respectively.

In accordance with the "Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises", the subsidiary companies in the PRC are entitled to full exemption from Enterprise Income Tax ("EIT") for the first two years and a 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous five years. Accordingly, the profits of these subsidiary companies are taxed at the following tax rates:

	2000	**2001**	**2002**
	%	**%**	**%**
Hi-P Shanghai Electronics Co., Ltd.	15	15	15
Hi-P Camera Products Co., Ltd.	Tax exempt	Tax exempt	7.5
Hi-P Precision Plastic Manufacturing (Shanghai) Co., Ltd.	Tax exempt	Tax exempt	Tax exempt
Hi-P (Shanghai) Housing Appliance Co., Ltd.	*	*	15
Hi-P (Chengdu) Precision Plastic Manufacturing Co., Ltd.	Tax exempt	7.5	7.5
Hi-P (Chengdu) Mold Base Manufacturing Co., Ltd.	*	Tax exempt	Tax exempt
Hi-P (Xiamen) Precision Plastic Manufacturing Co., Ltd.	*	Tax exempt	Tax exempt
Qingdao Haier Hi-P Science Technology Co., Ltd.	*	24	Tax exempt
Hi-P Tianjin Electronics Co., Ltd.	*	*	Tax exempt
Hidec (Shanghai) Industries Co., Ltd.	*	*	Tax exempt

* Company not incorporated.

Qingdao Haier Hi-P Science Technology Co., Ltd. has elected the financial year ended 31 December 2002 as the first profitable year for the purpose of determining the tax holiday period as the subsidiary company has commenced operations for less than 6 months during the financial year ended 31 December 2001. Hi-P (Shanghai) Housing Appliance Co. Ltd. has elected the financial year ending 31 December 2003 as the first profitable year for the purpose of determining the tax holiday period as the subsidiary company has commenced operations for less than 6 months during the financial year ended 31 December 2002. Accordingly, provisions for tax on the profits of Qingdao Haier Hi-P Science Technology Co., Ltd. for the financial year ended 31 December 2001 and that of Hi-P (Shanghai) Housing Appliance Co., Ltd for the financial year ended 31 December 2002 have been made based on the tax rates of 24% and 15% respectively.

High Precision Moulding and Tools, S.A. de C.V. is subject to the following types of income tax:

Asset tax: the 1.8% asset tax (which is a minimum income tax) is computed on the average value of most assets net of certain liabilities. Since asset tax may be credited against income tax, the former is actually payable only to the extent that it exceeds income tax and any amount actually paid may be recovered in any of the succeeding ten years in which income tax exceeds asset tax.

Income tax rate: the corporate income tax applicable was 35%. Thereafter, a gradual decrease of 1% shall start in 2003, until a rate of 32% is reached in 2005.

9. EARNINGS PER SHARE

Earnings per share is computed based on the net profit attributable to shareholders and the pre-Invitation share capital of 736,000,000 ordinary shares.

A.5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. FIXED ASSETS

2000	Factory buildings and leasehold improvements $'000	Construction-in-progress $'000	Renovation $'000	Plant and machinery $'000	Motor vehicles $'000	Office equipment, furniture and fittings $'000	Total $'000
Cost							
As at 1.1.2000	23,198	350	400	31,988	561	1,743	58,240
Additions	271	2,134	50	10,971	508	4,606	18,540
Reclassification	–	(525)	414	–	–	111	–
Disposals	–	–	–	(1,057)	(35)	(344)	(1,436)
Translation difference	271	14	15	724	4	40	1,068
As at 31.12.2000	23,740	1,973	879	42,626	1,038	6,156	76,412
Accumulated depreciation							
As at 1.1.2000	1,049	–	7	10,604	399	205	12,264
Charge for the year	630	–	73	3,615	129	926	5,373
Reclassification	–	–	–	(381)	–	381	–
Disposals	–	–	–	(497)	(35)	–	(532)
Translation difference	15	–	1	145	2	(8)	155
As at 31.12.2000	1,694	–	81	13,486	495	1,504	17,260
Net book value							
As at 31.12.2000	22,046	1,973	798	29,140	543	4,652	59,152

As at 31 December 2000, the Group had plant and machinery and motor vehicles under lease with net book values of approximately $3,629,000 and $305,000 respectively.

10. FIXED ASSETS (Continued)

2001	Factory buildings and leasehold improvements $'000	Construction-in-progress $'000	Renovation $'000	Plant and machinery $'000	Motor vehicles $'000	Office equipment, furniture and fittings $'000	Total $'000
Cost							
As at 1.1.2001	23,740	1,973	879	42,626	1,038	6,156	76,412
Additions	1,222	1,202	7,601	13,806	33	2,285	26,149
Reclassification	378	(3,212)	300	2,618	–	(84)	–
Disposals	–	–	–	(604)	–	–	(604)
Translation difference	874	71	307	2,649	22	530	4,453
As at 31.12.2001	26,214	34	9,087	61,095	1,093	8,887	106,410
Accumulated depreciation and impairment loss							
As at 1.1.2001	1,694	–	81	13,486	495	1,504	17,260
Charge for the year	713	–	271	5,164	157	2,044	8,349
Reclassification	–	–	–	101	–	(101)	–
Disposals	–	–	–	(460)	–	–	(460)
Impairment loss	1,510	–	–	–	–	–	1,510
Translation difference	174	–	15	565	10	199	963
As at 31.12.2001	4,091	–	367	18,856	662	3,646	27,622
Net book value							
As at 31.12.2001	22,123	34	8,720	42,239	431	5,241	78,788

As at 31 December 2001, the Group had plant and machinery and motor vehicles under lease with net book values of approximately $10,752,000 and $249,000 respectively.

10. FIXED ASSETS (Continued)

2002	Factory buildings and leasehold improvements $'000	Construction-in-progress $'000	Renovation $'000	Plant and machinery $'000	Motor vehicles $'000	Office equipment, furniture and fittings $'000	Total $'000
Cost							
As at 1.1.2002	26,214	34	9,087	61,095	1,093	8,887	106,410
Additions	1,067	42	1,286	25,881	197	3,418	31,891
Reclassification	13	(23)	606	112	12	(720)	–
Disposals	(484)	–	(136)	(304)	(113)	(203)	(1,240)
Translation difference	(1,252)	(3)	(604)	(3,875)	(24)	(754)	(6,512)
As at 31.12.2002	25,558	50	10,239	82,909	1,165	10,628	130,549
Accumulated depreciation							
As at 1.1.2002	4,091	–	367	18,856	662	3,646	27,622
Charge for the year	1,318	–	1,189	5,805	115	1,388	9,815
Reclassification	(29)	–	19	(236)	2	244	–
Disposals	(94)	–	–	(48)	(66)	(125)	(333)
Translation difference	(464)	–	(58)	(890)	(12)	(416)	(1,840)
As at 31.12.2002	4,822	–	1,517	23,487	701	4,737	35,264
Net book value							
As at 31.12.2002	20,736	50	8,722	59,422	464	5,891	95,285

As at 31 December 2002, the Group had plant and machinery, motor vehicles and office equipment under lease with net book values of approximately $10,669,000, $296,000 and $36,000 respectively.

Factory building and certain machinery of the Group are pledged as security for bank loan and bank overdraft facilities as disclosed in Notes A.5.20 and A.5.21.

11. INVESTMENT IN ASSOCIATED COMPANY

(a) Associated company comprises:

	2000 $'000	2001 $'000	2002 $'000
Unquoted equity shares at cost	–	503	503
Share of post-acquisition profits of associated company	–	139	634
Translation reserve	–	–	(10)
	–	642	1,127

(b) Details of the associated company are as follows:

Name	Principal activities	Country of incorporation and place of business	Percentage of equity held by the Group 2000 %	2001 %	2002 %	Cost of investment by the Company 2000 $'000	2001 $'000	2002 $'000
Express Tech Mfg Pte Ltd and its subsidiaries*	Manufacture and sale of plastic products and engineering parts	Singapore	–	30	30	–	503	503

* Audited by Deloitte & Touche, Singapore.

Subsequent to 31 December 2002, the Company acquired a 40% equity interest in a newly incorporated company, Hi-Tec Precision Mould Pte. Ltd., for a purchase consideration of $400,000 for cash based on the par value of shares acquired. The principal activities of Hi-Tec Precision Mould Pte Ltd are manufacturing and repair of machinery, machine tools and machine tool accessories and die-casting.

12. PRELIMINARY EXPENSES

	2000 $'000	2001 $'000	2002 $'000
At cost	241	241	–
Less accumulated amortisation	(48)	(48)	–
Written off	–	(193)	–
	193	–	–

Movements in accumulated amortisation during the years are as follows:

	2000 $'000	2001 $'000	2002 $'000
At beginning of year	32	48	–
Provision for the year	16	–	–
At end of year	48	48	–

13. OTHER INVESTMENT

This relates to investment in a club membership, stated at cost less provision for diminution in value.

	2000 $'000	2001 $'000	2002 $'000
Cost	36	36	36
Less provision for diminution in value, representing provision for the year	–	–	(24)
	36	36	12

14. INVENTORIES

	2000 $'000	2001 $'000	2002 $'000
Work-in-progress			
Cost incurred in excess of progress billings	(1,626)	1,053	1,704
At net realisable value	–	–	327
Raw Materials			
At cost	2,397	3,545	7,248
At net realisable value	543	466	546
Finished goods			
At cost	2,028	1,910	4,465
At net realisable value	–	130	–
Total inventories at lower of cost and net realisable value	3,342	7,104	14,290
Work-in-progress, raw materials and finished goods are stated after deducting provision for obsolescence	1,460	1,340	277

Movements in provision for inventory obsolescence during the years are as follows:

	2000 $'000	2001 $'000	2002 $'000
At beginning of year	349	1,460	1,340
Provision for the year	1,111	19	207
Written off against provision	–	(149)	(753)
Write back of provision	–	–	(497)
Translation difference	–	10	(20)
At end of year	1,460	1,340	277

15. TRADE RECEIVABLES

	2000 $'000	2001 $'000	2002 $'000
Trade receivables	15,708	21,933	36,409
Less provision for doubtful trade debts	(582)	(1,140)	(787)
	15,126	20,793	35,622

Movements in provision for doubtful trade debts during the years are as follows:

	2000	2001	2002
At beginning of year	938	582	1,140
Provision for the year	–	513	127
Written off against provision	(356)	–	–
Write back of provision	–	–	(400)
Translation difference	–	45	(80)
At end of year	582	1,140	787

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2000 $'000	2001 $'000	2002 $'000
Other receivables	1,762	1,075	2,510
Deposits	1,008	21	316
Prepayments	200	2,846	2,965
	2,970	3,942	5,791

17. OTHER PAYABLES AND ACCRUALS

	2000 $'000	2001 $'000	2002 $'000
Other payables	716	4,574	11,661
Accrued operating expenses	1,846	1,596	2,979
	2,562	6,170	14,640

18. DUE TO RELATED PARTIES (NON-TRADE)

These balances are unsecured, interest-free and repayable on demand.

19. LEASE OBLIGATIONS

	Total minimum lease payments $'000	Present value of payments $'000
2000		
Within one year	1,373	1,284
After one year but not more than five years	1,304	1,200
Total minimum lease payments	2,677	2,484
Less amounts representing finance charges	(193)	–
Present value of minimum lease payments	2,484	2,484
2001		
Within one year	3,424	3,195
After one year but not more than five years	4,438	4,123
Total minimum lease payments	7,862	7,318
Less amounts representing finance charges	(544)	–
Present value of minimum lease payments	7,318	7,318
2002		
Within one year	3,691	3,342
After one year but not more than five years	2,848	2,576
Total minimum lease payments	6,539	5,918
Less amounts representing finance charges	(621)	–
Present value of minimum lease payments	5,918	5,918

Lease terms range from 1 year to 7 years with options to purchase at the end of the lease term. Lease terms do not contain restrictions concerning dividends, additional debt or further leasing.

The average discount rate implicit in the leases is 2.6% to 4.25% per annum for the financial years ended 31 December 2000 to 2002. The outstanding amounts of lease obligation are secured by way of legal mortgages over the respective assets and personal guarantees by certain directors of the Company.

20. BANK TERM LOANS (SECURED)

		2000 $'000	2001 $'000	2002 $'000
(a)	Bank term loan bearing interest at SWAP offer rate (6 months) plus 1.25% per annum and is repayable over 17 equal half yearly instalments commencing 30 June 1998	7,629	6,242	4,855
(b)	Bank term loan bearing interest at 6.65% per annum and matured in June 2001	1,532	–	–
(c)	Bank term loan bearing interest at 6.25% per annum, repayable over 36 equal monthly instalments and matured in December 2001	470	–	–
(d)	Bank term loan bearing interest at LIBOR plus 1.6% per annum, repayable annually and matured in April 2002	657	140	–
(e)	Bank term loan bearing interest at 4.9% per annum and is repayable over 12 equal quarterly instalments commencing 30 November 1999	501	215	–
(f)	Bank term loan bearing interest at 4.7% per annum (fixed for 7 years) and is repayable over 84 equal monthly instalments commencing 25 July 2002	–	–	5,571
(g)	Bank term loan bearing interest at SIBOR plus 2% per annum and is repayable over 11 equal quarterly instalments commencing May 2003	–	–	295
(h)	Bank term loan bearing interest at SIBOR plus 2% per annum and is repayable over 11 equal quarterly instalments commencing September 2003	–	–	471
		10,789	6,597	11,192
	Less repayable within 1 year	(4,201)	(1,742)	(2,410)
	Repayable between 1 and 5 years	6,588	4,855	8,782

The bank term loans are secured by way of a legal mortgage over the factory building of the Company, a personal guarantee of a director of the Company and corporate guarantee by the corporate shareholder.

21. SHORT-TERM BANK LOANS/BANK OVERDRAFTS

		2000 $'000	2001 $'000	2002 $'000
(a)	Loan bearing interest at the following rates per annum: - 2002: 2.88%, maturing in May 2003. - 2001: 3.42%, maturing in May 2002. - 2000: 4.67%, maturing in May 2001.	1,100	1,100	1,100
(b)	Loan bearing interest at the following rates per annum: - 2002: 2.4%, maturing in May 2003. - 2001: 3.4%, maturing in May 2002. - 2000: 4.45%, maturing in May 2001.	1,100	1,100	1,100
(c)	Loan bearing interest at the following rates per annum: - 2002: 2.33%, maturing in June 2003. - 2001: 3.35%, maturing in June 2002. - 2000: 3.98%, maturing in June 2001.	5,400	5,400	5,400
(d)	Loan bearing interest at the rate of 5.85% per annum and matured in July 2001.	1,138	–	–
(e)	Loan bearing interest at the rate of 6.14% per annum and matured in April 2002.	–	2,229	–
(f)	Loan bearing interest at the rate of 5.85% per annum and matured in September 2002.	–	2,230	–
(g)	Loan bearing interest at the rate of 5.85% per annum and matured in December 2002.	–	2,230	–
(h)	Loan bearing interest at the rate of 3.67% per annum and matured in May 2002.	–	1,500	–
(i)	Loan bearing interest at the rate of 3.7% per annum and matured in June 2002.	–	2,550	–
(j)	Loan bearing interest at the rate of 3.74% per annum and matured in June 2002.	–	2,500	–
(k)	Loan bearing interest at the rate of 2.42% per annum and matured in June 2003.	–	–	550
(l)	Loan bearing interest at the rate of 5.04% per annum and maturing in December 2003.	–	–	2,096
(m)	Loan bearing interest at the rate of 2.4% per annum and maturing in October 2003.	–	–	500
(n)	Loan bearing interest at the rate of 1.87% per annum and matured in May 2003.	–	–	300
(o)	Loan bearing interest at the rate of 5.04% per annum and matured in April 2003.	–	–	2,096
(p)	Loan bearing interest at the rate of 5.04% per annum and matured in April 2003.	–	–	2,096

21. SHORT-TERM BANK LOANS/BANK OVERDRAFTS (Continued)

		2000 $'000	2001 $'000	2002 $'000
(q)	Loan bearing interest at the rate of 5.04% per annum and matured in May 2003.	–	–	2,096
(r)	Loan bearing interest at the rate of 5.31% per annum and matured in July 2003.	–	–	1,258
(s)	Loan bearing interest at the rate of 5.31% per annum and maturing in September 2003.	–	–	2,096
		8,738	20,839	20,688

Short-term bank loans (a), (b), and (c) are secured by a personal guarantee of a director of the Company.

Short-term bank loans (h), (i), (j), (k), (m) and (n) are secured by way of a legal mortgage over the factory building of the Company and a personal guarantee of a director of the Company.

Short-term bank loan (d) is guaranteed by a standby letter of credit issued by another bank.

Short-term bank loans (e), (o), (p) and (q) are secured by a corporate guarantee by the Company and a personal guarantee of a director of the Company.

Short-term bank loan (r) is secured by a charge over certain machinery of the Group with a net book value of approximately $2,596,000 as of 31 December 2002.

Short-term bank loan (l) is secured by a corporate guarantee by a subsidiary company.

Short-term bank loans (f), (g) and (s) are unsecured.

Bank overdrafts are secured by way of a legal mortgage over the factory building of the Company, a personal guarantee of a director of the Company and a corporate guarantee by the Company.

22. DEFERRED TAX LIABILITY

Deferred tax liability arises as a result of:

	2000 $'000	2001 $'000	2002 $'000
Deferred tax liability			
Excess of net book value over tax written down value of fixed assets	2,711	2,688	2,497
Unrealised exchange gain	3	80	4
Income taxable on a receipt basis	–	–	68
Others	69	4	–
Deferred tax asset			
Provision for inventory obsolescence	(23)	(12)	(10)
Net deferred tax liability	2,760	2,760	2,559

23. SHARE CAPITAL

	2000 $'000	2001 $'000	2002 $'000
Authorised			
- 25,000,000 ordinary shares of $1 each	25,000	25,000	25,000
Issued and fully paid			
- 18,400,000 ordinary shares of $1 each	18,400	18,400	18,400

During the financial year ended 31 December 2000, the Company increased its authorised share capital from $1,000,000 to $25,000,000 by the creation of an additional 24,000,000 ordinary shares of $1 each.

In addition, the Company issued 18,000,000 bonus ordinary shares of $1 each via the capitalisation of accumulated profits. The bonus shares were allotted, issued and credited as fully paid amongst and to the persons who were registered as holders of the ordinary shares in the capital of the Company as the closing of the books on 15 May 2000, in the proportion of forty five bonus shares for every one ordinary share of $1 each held by such shareholders. These shares rank pari passu in all respects with the existing ordinary shares of the Company. As a result, the issued and paid-up share capital of the Company increased from $400,000 to $18,400,000.

24. RESERVE FUND

Pursuant to the relevant laws in the People's Republic of China ("PRC"), the Group has set aside a reserve fund. The reserve fund may be utilised to off set accumulated losses or increase the capital of subsidiary companies, subject to approval from the PRC authorities. The above fund is not available for dividend distribution to the shareholders.

25. ACCUMULATED PROFITS

	2000 $'000	2001 $'000	2002 $'000
Retained in:			
- the Company	8,518	19,180	23,006
- subsidiary companies	17,397	15,409	27,178
- associated company	–	139	634
	25,915	34,728	50,818

26. DIVIDENDS

During the financial year ended 31 December 2002, a final dividend of 1.63 cents per share (2001: 1.63 cents per share, 2000: 75 cents per share) less tax at 22% (2001: 24.5%, 2000: tax exempt) amounting to $234,000 (2001: $226,500, 2000: $300,000) is proposed and paid in respect of the previous financial year.

27. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Financial derivatives

As at 31 December 2000 to 2002, the Group has interest rate swap contracts to exchange a floating rate obligation for a fixed rate obligation. The notional amount of the interest rate swap contracts is approximately $4,855,000 (2001: $6,242,000, 2000: $7,629,000). The swap contracts were entered into to hedge the Group's interest rate exposures on bank term loan (a) as disclosed in Note A.5.20. Unrealised exchange loss of $150,000 and $249,000 has not been recognised in the profit and loss account for the financial years ended 31 December 2001 and 2002 respectively. There was no unrealised exchange difference for the financial year ended 31 December 2000.

(b) Capital expenditure commitments

	2000 $'000	2001 $'000	2002 $'000
Commitments in respect of purchase of fixed assets	1,924	653	1,814

(c) Operating lease commitments

The Group has various operating lease agreements for factory sites, offices, staff accommodation and equipment. Most leases contain renewable options. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

Future minimum rentals under non-cancellable leases as at 31 December are as follows:

	2000 $'000	2001 $'000	2002 $'000
Future minimum lease payments			
- not later than 1 year	2,090	3,037	3,061
- 1 year through 5 years	7,697	7,857	6,983
- later than 5 years	19,881	19,481	19,081
	29,668	30,375	29,125

27. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

(d) Litigation

(i) There is a claim from Hytech Builders Pte Ltd in relation to the construction of the Company's leasehold property at 11 International Business Park (the "Project") amounting to approximately $1.0 million for the balance construction sum. Hytech was the Main Contractor for the Project and Mr Charles Ho from the architectural firm of Design International Architects was the Project Architect. The dispute relates to defects in the Project, delay in the completion of the Project and valuation of work done and costs overruns.

The directors are of the view that the claim has no merit and accordingly, no provision for the claim has been made in the financial statements as of 31 December 2002.

(ii) There is a letter of demand from an ex-employee which alleged that he is entitled to (a) be issued 10,500 shares in the Company pursuant to an alleged term in his employment contract (which is disputed by the Company), or (b) $175,000, being the alleged monetary equivalent of such shares.

The directors are of the view that the claim has no merit and accordingly, no provision for the claim has been made in the financial statements as of 31 December 2002.

28. RELATED PARTY INFORMATION

In addition to the related party information disclosed elsewhere, transactions with related parties, on terms agreed between the parties, were as follows:

	2000 $'000	2001 $'000	2002 $'000
Income			
Sales to a corporate shareholder and companies related to it	4,180	2,621	2,995
Sales to minority interests of a subsidiary	–	1,090	5,266
Expenses			
Purchases of materials from a corporate shareholder and companies related to it	–	–	483
Purchases of materials from minority interests of a subsidiary	–	187	376
Purchases of training materials from a corporate shareholder and companies related to it	–	9	–

29. SUBSEQUENT EVENTS

Subsequent to the end of the financial year ended 31 December 2002:

(1) The Company incorporated the following wholly-owned subsidiary companies:

i. Hi-P North America, Inc. with a paid-up share capital of US$1,000;
ii. Hi-P Finland Oy with a paid-up share capital of Euro 8,000;
iii. Hi-P (Shanghai) Precision Mold & Die Co., Ltd with a paid-up capital of US$2,500,000;
iv. Hi-P (Tianjin) Precision Mold & Die Co., Ltd. with a paid-up capital of US$210,000;
v. Hi-P (Suzhou) Technology Co., Ltd. with a paid-up capital of US$900,085;
vi. Hi-P Mauritius Ltd with nil paid-up capital; and
vii. Hi-P Resources Ltd with nil paid-up capital.

For details on these subsidiaries, see Note A.5.1(b).

29. SUBSEQUENT EVENTS (Continued)

(2) The Company acquired a 40% equity interest in a newly incorporated company, Hi-Tec Precision Mould Pte. Ltd., for a purchase consideration of $400,000 for cash based on the par value of shares acquired. The principal activities of Hi-Tec Precision Mould Pte Ltd are manufacturing and repair of machinery, machine tools and machine tool accessories and die-casting.

(3) At an extraordinary general meeting held on 7 October 2003, the shareholders of the Company approved, inter alia, the following:

(i) the conversion of the Company into a public limited company;

(ii) the change of name of the Company to "Hi-P International Limited";

(iii) the increase in the Company's authorised share capital from $25 million divided into 25 million ordinary shares of $1 each to $100 million divided into 100 million ordinary shares of $1 each, by the creation of an additional 75 million ordinary shares of $1 each;

(iv) the capitalisation of an amount of $18,400,000 from the Company's revenue reserve by way of a 1-for-1 bonus issue of 18,400,000 ordinary shares of $1 each credited as fully-paid to the then existing shareholders of the Company (the "Bonus Issue");

(v) the sub-division of each ordinary share of $1 each in the Company's authorised and issued and paid-up share capital into 20 ordinary shares of $0.05 each (the "Stock Split");

(vi) the adoption of a new set of Articles of Association for the Company;

(vii) the issue of 151,000,000 New Shares, which are the subject of the Invitation. The New Shares, when issued and fully-paid, will rank, pari passu, in all respects with the existing issued and fully-paid Shares;

(viii) the adoption of the Share Option Scheme; and

(ix) that authority be given pursuant to Section 161 of the Act to the Directors to issue shares (other than the New Shares) and/or convertible securities at any time (whether by way of rights, bonus or otherwise) and upon such terms and conditions whether in cash or otherwise and for such purposes and to such persons as the Directors shall in their absolute discretion deem fit, provided that the aggregate number of shares and/or convertible securities to be issued pursuant to such authority shall not exceed 50% of the post-Invitation issued share capital and the aggregate number of shares and/or convertible securities to be issued other than on a pro-rata basis to the then existing shareholders of the Company does not exceed 20% of the post-Invitation issued share capital.

For this purpose and pursuant to Rule 806(3) and Rule 806(4) of the SGX-ST Listing Manual, the post-Invitation issued share capital of the Company shall mean the enlarged issued and paid-up share capital after the Invitation after adjusting for the conversion of any convertible securities and employee share options on issue as at the date of the passing of this resolution and any subsequent consolidation or sub-division of Shares. Unless revoked or varied by the Company in general meeting, such authority shall continue in full force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting is required by law or by the Articles of Association to be held, whichever is earlier.

30. SEGMENT INFORMATION

(a) Business segments

The Group is organised on a regional basis into three main operating activities, namely:

- Precision plastic injection molding ("PPIM")
- Mold design and fabrication ("MDF")
- Provision of sub-product assembly and full-product assembly services ("Assembly")

Segment assets and liabilities cannot be directly attributable to individual business segments and it is impractical to allocate them to the business segments. Accordingly, it is not meaningful to disclose assets, liabilities and capital expenditure by business segments.

	PPIM $'000	MDF $'000	Assembly $'000	Consolidated $'000
2000				
Revenue	42,164	10,576	27,674	80,414
Profit from operations	10,627	3,040	4,408	18,075
Financial expenses				(1,038)
Financial income				54
Foreign exchange gain, net				635
Share of results of associated company				–
Tax				(3,256)
Minority interests				–
Net profit attributable to shareholders of the Company				14,470
Depreciation	3,159	904	1,310	5,373
Other non-cash expenses	663	190	274	1,127
2001				
Revenue	60,434	16,938	23,171	100,543
Profit from operations	7,905	1,994	1,566	11,465
Financial expenses				(1,489)
Financial income				83
Foreign exchange gain, net				1,560
Share of results of associated company				180
Tax				(1,936)
Minority interests				(4)
Net profit attributable to shareholders of the Company				9,859
Depreciation	5,757	1,452	1,140	8,349
Other non-cash expenses	1,558	393	309	2,260

30. SEGMENT INFORMATION (Continued)

	PPIM $'000	MDF $'000	Assembly $'000	Consolidated $'000
2002				
Revenue	78,329	23,260	41,497	143,086
Profit from operations	16,024	2,668	3,952	22,644
Financial expenses				(1,480)
Financial income				37
Foreign exchange loss, net				(1,524)
Share of results of associated company				644
Tax				(1,788)
Minority interests				(629)
Net profit attributable to shareholders of the Company				17,904
Depreciation	6,946	1,156	1,713	9,815
Other non-cash expenses	632	105	156	893

(b) Geographical segments

Revenue is based on the location of customers. Assets and additions to property, plant and equipment are based on the location of those assets.

	Revenue			Assets			Capital expenditure		
	2000 $'000	2001 $'000	2002 $'000	2000 $'000	2001 $'000	2002 $'000	2000 $'000	2001 $'000	2002 $'000
Asia									
People's Republic of China	38,918	55,473	84,260	43,793	81,022	122,642	12,931	23,349	28,735
Singapore	16,234	17,667	19,516	32,388	33,577	35,071	1,911	2,427	3,124
Malaysia	3,060	3,458	5,140	–	–	–	–	–	–
Others	3,059	2,945	3,319	–	–	–	–	–	–
	61,271	79,543	112,235	76,181	114,599	157,713	14,842	25,776	31,859
Europe	5,865	5,785	17,328	–	–	–	–	–	–
United States of America and other parts of the Americas	13,278	15,215	13,523	12,634	9,845	6,378	3,698	373	32
	80,414	100,543	143,086	88,815	124,444	164,091	18,540	26,149	31,891

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The policies for managing each of these risks are summarised below.

Interest rate risk

The Group obtains additional financing through bank borrowings and leasing arrangements. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

The Group's policy is to manage its interest cost using a mix of fixed and floating rate debts. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps. The interest rate swaps allow the Group to raise long term borrowings at either fixed or floating rates and swap them into floating and fixed rates respectively, with the objective to lower the interest costs on these borrowings.

Surplus funds are placed with reputable banks.

Information relating to the Group's interest rate exposure is also disclosed in the notes on the Group's borrowings, including leasing obligations.

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the directors to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Short-term funding is obtained from banking facilities.

Foreign currency risk

The foreign currency risk of the Group arises from its subsidiary companies operating in the People's Republic of China and Mexico, which generate revenue and incur costs denominated in foreign currencies. The Group also generates revenue and incurs costs in foreign currencies, which give rise to foreign currency risk. The Group does not enter into forward exchange contracts to hedge against its foreign currency risk resulting from sale and purchase transactions denominated in foreign currencies.

Credit risk

The carrying amount of cash and cash equivalents, trade receivables and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

The Group has no significant concentrations of credit risk.

Fair values

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models where practical.

The following methods and assumptions are used to estimate the fair value of each class of financial instrument:

Cash and cash equivalents, other current assets and current liabilities

The carrying amounts approximate fair values due to the relatively short-term maturity of these financial instruments.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Bank term loans

The fair values of the non-current portions of bank term loans with variable interest rates approximate their carrying amounts.

Financial derivatives

The fair value of the interest rate swap contracts as at 31 December is as follows:

	2000 $'000	2001 $'000	2002 $'000
Interest rate swap			
- notional amount	7,629	6,242	4,855
- estimated negative value	–	150	249

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR FY2000, FY2001 AND FY2002

8 December 2003

The Board of Directors
Hi-P International Limited
11 International Business Park
Jurong East
Singapore 609926

Dear Sirs

We have audited the consolidated financial statements of Hi-P International Limited (the "Company") and its subsidiary companies (the "Group") set out on pages A-1 to A-37. The financial statements comprise the balance sheets of the Group as at 31 December 2000, 2001 and 2002, the profit and loss accounts, the statements of changes in equity and statements of cash flows of the Group for the financial years ended 31 December 2000, 2001 and 2002, and notes thereto. These consolidated financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the abovementioned consolidated financial statements of the Group present fairly, in all material respects, the consolidated financial positions of the Group as at 31 December 2000, 2001 and 2002 and the results, changes in equity and cash flows of the Group for the years then ended in accordance with Singapore Statements of Accounting Standard.

This report has been prepared for inclusion in the Prospectus in connection with the Invitation in respect of 205,000,000 Shares of $0.05 each comprising 151,000,000 New Shares and 54,000,000 Vendor Shares. No audited financial statements of the Company or its subsidiary companies have been prepared for any period subsequent to 31 December 2002.

Yours faithfully

ERNST & YOUNG
Certified Public Accountants
Singapore

Max Loh Khum Whai
Partner-in-charge

LETTER FROM THE AUDITORS IN RELATION TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2003 AND FOR THE PERIOD FROM 1 JANUARY 2003 TO 30 JUNE 2003

8 December 2003

The Board of Directors
Hi-P International Limited
11 International Business Park
Jurong East
Singapore 609926

Dear Sirs

We have reviewed the unaudited consolidated financial statements of Hi-P International Limited (the "Company") and its subsidiaries (the "Group") as of 30 June 2003 and for the period from 1 January 2003 to 30 June 2003 set out on pages D-1 to D-19 of the Prospectus. These consolidated financial statements comprise the balance sheet of the Group as at 30 June 2003, the profit and loss account, the statement of changes in equity and statement of cash flows of the Group for the period from 1 January 2003 to 30 June 2003, and notes thereto. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our review.

We conducted our review in accordance with the Singapore Standard on Auditing applicable to review engagements. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the consolidated financial statements are free of material misstatement. A review is limited primarily to inquiries of Group personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the consolidated financial statements are not presented fairly, in all material respects, in accordance with Singapore Financial Reporting Standards.

This letter has been prepared in accordance with the Singapore Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2002 for the purpose of incorporation in the Prospectus issued in connection with the Invitation in respect of 205,000,000 Shares of $0.05 each comprising 151,000,000 New Shares and 54,000,000 Vendor Shares.

Yours faithfully

ERNST & YOUNG
Certified Public Accountants
Singapore

Max Loh Khum Whai
Partner-in-charge

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2003 AND FOR THE PERIOD FROM 1 JANUARY 2003 TO 30 JUNE 2003

Our Directors confirm that the Group's unaudited consolidated financial statements for the period from 1 January 2003 to 30 June 2003 and as at 30 June 2003 set out below have been prepared on the basis of accounting policies normally adopted by the Group.

The comparative figures for the period from 1 January 2002 to 30 June 2002 have not been reviewed or audited by the auditors.

D.1 CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE PERIOD FROM 1 JANUARY 2003 TO 30 JUNE 2003

(Amounts expressed in Singapore dollars)

	Note	1 January 2003 to 30 June 2003 $'000	1 January 2002 to 30 June 2002 $'000
Revenue		102,726	51,193
Cost of sales		(76,271)	(36,170)
Gross profit		26,455	15,023
Operating expenses			
Selling expenses		(110)	(33)
Administrative expenses		(11,306)	(9,189)
Other operating expenses		–	(23)
		(11,416)	(9,245)
Other operating income	D.5.2	1,075	942
Profit from operations	D.5.3	16,114	6,720
Financial expenses	D.5.4	(941)	(651)
Financial income	D.5.4	29	27
Foreign exchange loss, net		(111)	(858)
Profit before tax and share of results of associated companies		15,091	5,238
Share of results of associated companies		206	444
Profit before tax		15,297	5,682
Tax	D.5.5	(1,288)	(778)
Profit after tax but before minority interests		14,009	4,904
Minority interests		(557)	139
Net profit attributable to shareholders of the Company		13,452	5,043
Earnings per share (cents)*		1.83	0.69

* Earnings per share has been computed based on the net profit for the period and the pre-Invitation share capital of 736,000,000 shares.

D.2 CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2003

(Amounts expressed in Singapore dollars)

	Note	30 June 2003 $'000	31 December 2002 $'000
Fixed assets	D.5.6	107,132	95,285
Investment in associated companies	D.5.7	1,687	1,127
Other investment		12	12
Current assets			
Inventories	D.5.8	18,686	14,290
Trade receivables	D.5.9	38,810	35,622
Notes receivable		828	1,183
Other receivables, deposits and prepayments	D.5.10	8,151	5,791
Due from related parties (trade)		1,500	1,664
Fixed deposits		66	404
Cash and bank balances		6,743	8,713
		74,784	67,667
Current liabilities			
Trade payables		31,406	29,964
Other payables and accruals	D.5.11	14,808	14,640
Due to related parties (trade)		174	380
Lease obligations, current portion	D.5.12	4,551	3,342
Provision for income tax		1,638	836
Bank term loans, current portion (secured)	D.5.13	2,523	2,410
Short-term bank loans	D.5.14	17,320	20,688
Bank overdrafts (secured)	D.5.14	445	1,274
		72,865	73,534
Net current assets (liabilities)		1,919	(5,867)
Non-current liabilities			
Lease obligations, non-current portion	D.5.12	4,462	2,576
Bank term loans, non-current portion (secured)	D.5.13	12,530	8,782
Deferred tax liability		2,559	2,559
		91,199	76,640
Share capital and reserves			
Share capital		18,400	18,400
Capital reserve		37	37
Reserve fund		5,505	5,505
Translation reserve		985	223
Accumulated profits		64,036	50,818
		88,963	74,983
Minority interests		2,236	1,657
		91,199	76,640

D.3 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 1 JANUARY 2003 TO 30 JUNE 2003

(Amounts expressed in Singapore dollars)

	Share capital $'000	Capital reserve $'000	Reserve fund $'000	Translation reserve $'000	Accumulated profits $'000	Total $'000
Balance at 1 January 2002	18,400	37	3,925	4,296	34,728	61,386
Currency translation differences	–	–	–	(2,274)	–	(2,274)
Dividend (Note D.5.16)	–	–	–	–	(234)	(234)
Net profit for the period	–	–	–	–	5,043	5,043
Balance at 30 June 2002	18,400	37	3,925	2,022	39,537	63,921
Balance at 1 January 2003	18,400	37	5,505	223	50,818	74,983
Currency translation differences	–	–	–	762	–	762
Dividend (Note D.5.16)	–	–	–	–	(234)	(234)
Net profit for the period	–	–	–	–	13,452	13,452
Balance at 30 June 2003	18,400	37	5,505	985	64,036	88,963

Reserve Fund

Pursuant to the relevant laws in the People's Republic of China ("PRC"), the Group has set aside a reserve fund. The reserve fund may be utilised to off set accumulated losses or increase the capital of subsidiary companies, subject to approval from the PRC authorities. The above fund is not available for dividend distribution to the shareholders.

D.4 CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 1 JANUARY 2003 TO 30 JUNE 2003

(Amounts expressed in Singapore dollars)

	1 January 2003 to 30 June 2003 $'000	1 January 2002 to 30 June 2002 $'000
Cash flows from operating activities		
Profit before tax and share of results of associated companies	15,091	5,238
Adjustment for:		
Depreciation of fixed assets	6,191	4,497
Gain on disposal of fixed assets	(452)	(12)
Fixed assets impairment loss	103	–
Provision for doubtful trade debts	353	240
Provision for inventory obsolescence	408	–
Write back of provision for inventory obsolescence	–	(204)
Inventories written off	449	–
Provision for diminution in value of club membership	–	24
Interest income	(29)	(27)
Interest expense	941	651
Translation difference	(131)	243
Operating profit before working capital changes	22,924	10,650
Decrease (increase) in:		
Inventories	(5,253)	(2,893)
Trade receivables	(3,549)	(2,684)
Notes receivable	355	–
Other receivables, deposits and prepayments	(2,360)	(1,363)
Due from a corporate shareholder (trade)	–	2
Increase (decrease) in:		
Trade payables	1,442	2,023
Other payables and accruals	168	(539)
Due from/to related parties (trade), net	(42)	(645)
Cash generated from operations	13,685	4,551
Dividend paid	(234)	–
Income taxes paid	(434)	(1,673)
Net cash generated from operating activities	13,017	2,878
Cash flows from investing activities		
Investment in associated companies	(400)	(103)
Purchase of fixed assets (Note B)	(11,842)	(4,024)
Interest income received	29	27
Proceeds from disposal of fixed assets	1,254	854
Net cash used in investing activities	(10,959)	(3,246)
Cash flows from financing activities		
Interest expense paid	(941)	(651)
Proceeds from bank term loans, net	3,861	5,275
Repayment of short-term bank loans, net	(3,368)	(6,239)
Lease obligation repayments	(3,089)	(1,733)
Net cash used in financing activities	(3,537)	(3,348)
Net decrease in cash and cash equivalents	(1,479)	(3,716)
Cash and cash equivalents at beginning of period	7,843	12,522
Cash and cash equivalents at end of period (Note A)	6,364	8,806

D.4 CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 1 JANUARY 2003 TO 30 JUNE 2003 (Continued)

(Amounts expressed in Singapore dollars)

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

A. Cash and cash equivalents

Cash and cash equivalents comprise the following balance sheet amounts:

	30 June 2003 $'000	30 June 2002 $'000
Cash and bank balances	6,743	9,214
Fixed deposits	66	452
Bank overdrafts (secured)	(445)	(860)
Cash and cash equivalents	6,364	8,806

B. Purchase of fixed assets

During the period, the Group acquired fixed assets with an aggregate cost of approximately $18,026,000 (30 June 2002: $4,548,000) of which approximately $6,184,000 (30 June 2002: $524,000) was acquired by means of hire purchase. Payments of approximately $11,842,000 (30 June 2002: $4,024,000) were or will be made with cash.

D.5 SELECTED NOTE DISCLOSURES

(Amounts expressed in Singapore dollars, unless otherwise stated)

1. Accounting policies

The same accounting policies and methods of computation have been adopted in the preparation of the unaudited financial statements for the period ended 30 June 2003 as compared to the audited financial statements for the financial year ended 31 December 2002.

2. Other operating income

	1 January 2003 to 30 June 2003 $'000	1 January 2002 to 30 June 2002 $'000
Gain on disposal of fixed assets	452	12
Gain on sale of raw materials	378	–
Sale of scrap materials	151	122
Rental income	51	–
Write-back of provision for value-added tax	–	349
Refund of value-added tax	–	88
Tax refund on capital investment	–	310
Others	43	61
	1,075	942

3. Profit from operations

This is determined after charging (crediting) items as shown in Note D.5.2 and the following:

	1 January 2003 to 30 June 2003 $'000	1 January 2002 to 30 June 2002 $'000
Depreciation of fixed assets	6,191	4,497
Fixed assets impairment loss	103	–
Provision for diminution in value of club membership	–	24
Directors' remuneration		
- directors of the Company	812	337
- director of a subsidiary company	155	155
Provision for doubtful trade debts	353	240
Provision for inventory obsolescence	408	–
Write back of provision for inventory obsolescence	–	(204)
Inventories written off	449	–
Operating lease expense	1,731	1,496
Travelling expenses	980	344
Personnel expenses*	16,022	8,741

* This includes the amount shown as directors' remuneration

D.5 SELECTED NOTE DISCLOSURES (Continued)

4. Financial (expenses)/ income

	1 January 2003 to 30 June 2003 $'000	1 January 2002 to 30 June 2002 $'000
Interest expense		
- bank term loans	(633)	(556)
- lease obligations	(244)	(95)
- bank overdrafts	(64)	–
	(941)	(651)
Interest income		
- bank balances	23	19
- fixed deposits	6	8
	29	27

5. Tax

	1 January 2003 to 30 June 2003 $'000	1 January 2002 to 30 June 2002 $'000
Current tax		
- current year	1,236	1,046
Deferred tax		
- current year	–	(366)
- over provision in respect of prior years	–	(4)
Share of tax of associated companies	52	102
	1,288	778

The reconciliation of the tax expense and that of accounting profit multiplied by the applicable tax rate is as follows:

Profit before tax and share of results of associated companies	15,091	5,238
Tax on profit before tax at statutory rate of 22%	3,320	1,152
Tax effect of lower tax rates in the People's Republic of China	(569)	(667)
Tax effect of profits entitled to full tax exemption in the People's Republic of China	(2,162)	(213)
Tax effect of losses not available for offset against taxable profits	447	573
Tax effect of expenses that are not deductible in determining taxable profit	124	222
Tax effect of income that is not taxable in determining taxable profit	–	(196)
Impact on deferred tax liability resulting from reduction in tax rate	–	(281)
Over provision in respect of prior years	–	(4)
Tax rebate and exemption	–	(12)
Share of tax of associated companies	52	102
Others	76	102
Tax expense	1,288	778

D.5 SELECTED NOTE DISCLOSURES (Continued)

5. Tax (Continued)

In accordance with the "Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises", the subsidiary companies in the PRC are entitled to full exemption from Enterprise Income Tax ("EIT") for the first two years and a 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous five years. Accordingly, the profits of these subsidiary companies are taxed at the following tax rates:

	1 January 2003 to 30 June 2003	**1 January 2002 to 30 June 2002**
	%	**%**
Hi-P Shanghai Electronics Co., Ltd.	15	15
Hi-P Camera Products Co., Ltd.	7.5	7.5
Hi-P Precision Plastic Manufacturing (Shanghai) Co., Ltd.	Tax exempt	Tax exempt
Hi-P (Chengdu) Precision Plastic Manufacturing Co., Ltd.	7.5	7.5
Hi-P (Chengdu) Mold Base Manufacturing Co., Ltd.	Tax exempt	Tax exempt
Hi-P (Xiamen) Precision Plastic Manufacturing Co., Ltd.	7.5	Tax exempt
Qingdao Haier Hi-P Science Technology Co., Ltd.	Tax exempt	Tax exempt
Hi-P Tianjin Electronics Co., Ltd.	Tax exempt	Tax exempt
Hidec (Shanghai) Industries Co., Ltd.	Tax exempt	Tax exempt

Hi-P (Shanghai) Housing Appliance Co., Ltd. has elected the financial year ending 31 December 2003 as the first profitable year for the purpose of determining the tax holiday period as the subsidiary company has commenced operations for less than 6 months in the financial year ended 31 December 2002.

High Precision Moulding and Tools, S.A. de C.V. is subject to the following types of income tax:

Asset tax: the 1.8% asset tax (which is a minimum income tax) is computed on the average value of most assets net of certain liabilities. Since asset tax may be credited against income tax, the former is actually payable only to the extent that it exceeds income tax and any amount actually paid may be recovered in any of the succeeding ten years in which income tax exceeds asset tax.

Income tax rate: the corporate income tax applicable was 35%. Thereafter, a gradual decrease of 1% shall start in 2003, until a rate of 32% is reached in 2005.

D.5 SELECTED NOTE DISCLOSURES (Continued)

6. Fixed assets

	Factory buildings and leasehold improvements $'000	Construction-in-progress $'000	Renovation $'000	Plant and machinery $'000	Motor vehicles $'000	Office equipment, furniture and fittings $'000	Total $'000
Cost							
As at 1.1.2003	25,558	50	10,239	82,909	1,165	10,628	130,549
Additions	152	556	52	15,840	–	1,426	18,026
Reclassifications	–	(35)	(117)	(485)	–	637	–
Disposals	(719)	–	–	(229)	–	(110)	(1,058)
Translation difference	104	3	128	842	4	109	1,190
As at 30.6.2003	25,095	574	10,302	98,877	1,169	12,690	148,707
Accumulated depreciation and impairment loss							
As at 1.1.2003	4,822	–	1,517	23,487	701	4,737	35,264
Charge for the period	334	–	665	4,277	58	857	6,191
Reclassifications	–	–	(282)	(8)	–	290	–
Disposals	(228)	–	–	(16)	–	(12)	(256)
Impairment loss	–	–	–	103	–	–	103
Translation difference	35	–	21	165	3	49	273
As at 30.6.2003	4,963	–	1,921	28,008	762	5,921	41,575
Net book value							
As at 30.6.2003	20,132	574	8,381	70,869	407	6,769	107,132
As at 31.12.2002	20,736	50	8,722	59,422	464	5,891	95,285

As at 30 June 2003, the Group had plant and machinery, motor vehicles and office equipment under lease with net book values of approximately $15,073,000 (31 December 2002: $10,669,000), $259,000 (31 December 2002: $296,000) and $122,000 (31 December 2002: $36,000) respectively.

Factory building and certain machinery of the Group are pledged as security for bank loan and bank overdraft facilities as disclosed in Notes D.5.13 and D.5.14.

7. Investment in associated companies

(a) Associated companies comprise:

	30 June 2003 $'000	31 December 2002 $'000
Unquoted equity shares at cost	903	503
Share of post-acquisition profits of associated companies	788	634
Share of translation reserve	(4)	(10)
	1,687	1,127

(b) Details of the associated companies are as follows:

Name	Principal activities	Country of incorporation and place of business	Percentage of equity held by the Group		Cost of investment by the Company	
			30 June 2003 %	31 December 2002 %	30 June 2003	31 December 2002
Express Tech Mfg Pte Ltd and its subsidiary	Manufacture and sale of plastic products and engineering parts	Singapore	30	30	503	503
Hi-Tec Precision Mould Pte Ltd	Manufacturing and repair of machinery, machine tools and machine tool accessories and die-casting	Singapore	40	–	400	–
					903	503

D.5 SELECTED NOTE DISCLOSURES (Continued)

8. Inventories

	30 June 2003 $'000	31 December 2002 $'000
Work-in-progress		
Cost incurred in excess of progress billings	4,978	1,704
At net realisable value	70	327
Raw Materials		
At cost	9,814	7,248
At net realisable value	–	546
Finished goods at cost	3,824	4,465
Total inventories at lower of cost and net realisable value	18,686	14,290
Work-in-progress, raw materials and finished goods are stated after deducting provision for obsolescence	588	277

Movements in provision for inventory obsolescence during the period/year are as follows:

	30 June 2003 $'000	31 December 2002 $'000
At beginning of period/year	277	1,340
Provision for the period/year	408	207
Written off against provision	(97)	(753)
Write back of provision	–	(497)
Translation difference	–	(20)
At end of period/year	588	277

9. Trade receivables

	30 June 2003 $'000	31 December 2002 $'000
Trade receivables	39,765	36,409
Less provision for doubtful trade debts	(955)	(787)
	38,810	35,622

Movements in provision for doubtful trade debts during the period/year are as follows:

	30 June 2003 $'000	31 December 2002 $'000
At beginning of period/year	787	1,140
Provision for the period/year	353	127
Written off against provision	(193)	–
Write back of provision	–	(400)
Translation difference	8	(80)
At end of period/year	955	787

D.5 SELECTED NOTE DISCLOSURES (Continued)

10. Other receivables, deposits and prepayments

	30 June 2003 $'000	31 December 2002 $'000
Other receivables	1,994	2,510
Deposits	1,066	316
Prepayments	5,091	2,965
	8,151	5,791

11. Other payables and accruals

	30 June 2003 $'000	31 December 2002 $'000
Other payables	10,181	11,661
Accrued operating expenses	4,627	2,979
	14,808	14,640

12. Lease obligations

	Total minimum lease payments $'000	Present value of payments $'000
30 June 2003		
Within one year	5,170	4,551
After one year but not more than five years	4,796	4,462
Total minimum lease payments	9,966	9,013
Less amounts representing finance charges	(953)	–
Present value of minimum lease payments	9,013	9,013
31 December 2002		
Within one year	3,691	3,342
After one year but not more than five years	2,848	2,576
Total minimum lease payments	6,539	5,918
Less amounts representing finance charges	(621)	–
Present value of minimum lease payments	5,918	5,918

Lease terms range from 1 year to 7 years with options to purchase at the end of the lease term. Lease terms do not contain restrictions concerning dividends, additional debt or further leasing.

The average discount rate implicit in the leases is 2.6% to 4.25% (31 December 2002: 2.6% to 4.25%) per annum. The outstanding amounts of lease obligation are secured by way of legal mortgages over the respective assets and personal guarantees by certain directors of the Company.

D.5 SELECTED NOTE DISCLOSURES (Continued)

13. Bank term loans (secured)

		30 June 2003 $'000	31 December 2002 $'000
(a)	Bank term loan bearing interest at SWAP offer rate (6 months) plus 1.25% per annum and is repayable over 17 equal half yearly instalments commencing 30 June 1998	4,161	4,855
(b)	Bank term loan bearing interest at SWAP rate plus 1.5% per annum and is repayable in full in December 2005	5,000	–
(c)	Bank term loan bearing interest at 4.7% per annum (fixed for 7 years) and is repayable over 84 equal monthly instalments commencing 25 July 2002	5,143	5,571
(d)	Bank term loan bearing interest at SIBOR plus 1.75% (31 December 2002: SIBOR plus 2%) per annum and is repayable over 11 equal quarterly instalments commencing May 2003	272	295
(e)	Bank term loan bearing interest at SIBOR plus 1.75% (31 December 2002: SIBOR plus 2%) per annum and is repayable over 11 equal quarterly instalments commencing September 2003	477	471
		15,053	11,192
	Less repayable within 1 year	(2,523)	(2,410)
	Repayable between 1 and 5 years	12,530	8,782

The bank term loans are secured by way of a legal mortgage over the factory building of the Company, a personal guarantee of a director of the Company and corporate guarantee by the corporate shareholder.

14. Short-term bank loans/bank overdrafts

		30 June 2003 $'000	31 December 2002 $'000
(a)	Loan bearing interest at the following rates per annum: - 30 June 2003: 2.17%, maturing in November 2003 - 31 December 2002: 2.88%, maturing in May 2003	1,100	1,100
(b)	Loan bearing interest at the following rates per annum: - 30 June 2003: 2.12%, maturing in November 2003 - 31 December 2002: 2.4%, maturing in May 2003	1,100	1,100
(c)	Loan bearing interest at the following rates per annum: - 30 June 2002: 2.44%, maturing in December 2003 - 31 December 2002: 2.33%, maturing in June 2003	400	5,400
(d)	Loan bearing interest at the rate of 1.61% per annum and maturing in December 2003	400	–
(e)	Loan bearing interest at the rate of 2.44% per annum and maturing in September 2003	658	–
(f)	Loan bearing interest at the rate of 2.38% per annum and maturing in August 2003	1,973	–

D.5 SELECTED NOTE DISCLOSURES (Continued)

14. Short-term bank loans/bank overdrafts (Continued)

		30 June 2003 $'000	31 December 2002 $'000
(g)	Loan bearing interest at the rate of 4.54% per annum and maturing in November 2003	3,000	–
(h)	Loan bearing interest at the rate of 1.62% (31 December 2002: 2.42%) per annum and maturing in December 2003 (31 December 2002: June 2003)	550	550
(i)	Loan bearing interest at the rate of 5.04% (31 December 2002: 5.04%) per annum and maturing in December 2003 (31 December 2002: December 2003)	2,122	2,096
(j)	Loan bearing interest at the rate of 2.4% (31 December 2002: 2.4%) per annum and maturing in October 2003 (31 December 2002: October 2003)	500	500
(k)	Loan bearing interest at the rate of 1.87% per annum and matured in May 2003.	–	300
(l)	Loan bearing interest at the rate of 5.04% per annum and matured in April 2003.	–	2,096
(m)	Loan bearing interest at the rate of 5.04% per annum and matured in April 2003.	–	2,096
(n)	Loan bearing interest at the rate of 5.04% (31 December 2002: 5.04%) per annum and maturing in November 2003 (31 December 2002: May 2003)	2,122	2,096
(o)	Loan bearing interest at the rate of 5.31% (31 December 2002: 5.31%) per annum and maturing in July 2003 (31 December 2002: July 2003)	1,273	1,258
(p)	Loan bearing interest at the rate of 5.31% (31 December 2002: 5.31%) per annum and maturing in September 2003	2,122	2,096
		17,320	20,688

Short-term bank loans (a), (b), and (c) are secured by a personal guarantee of a director of the Company.

Short-term bank loans (e), (f) and (g) are secured by a corporate guarantee by the Company.

Short-term bank loans (d), (h), (j) and (k) are secured by way of a legal mortgage over the factory building of the Company and a personal guarantee of a director of the Company.

Short-term bank loans (l), (m) and (n) are secured by a corporate guarantee by the Company and a personal guarantee of a director of the Company.

Short-term bank loan (o) is secured by a charge over certain machinery of the Group with a net book value of approximately $2,460,000 (31 December 2002: $2,596,000).

Short-term bank loan (i) is secured by a corporate guarantee by a subsidiary company.

Short-term bank loan (p) is unsecured.

Bank overdrafts are secured by way of a legal mortgage over the factory building of the Company, a personal guarantee of a director of the Company and a corporate guarantee by the Company.

15. Contingent liabilities and commitments

(a) Financial derivatives

As at 30 June 2003, the Group has an interest rate swap contract to exchange a floating rate obligation for a fixed rate obligation. The notional amount of the interest rate swap contract is approximately $4,161,000 (31 December 2002: $4,855,000). The swap contract was entered into to hedge the Group's interest rate exposures on bank term loan (a) as disclosed in Note D.5.13. Unrealised exchange loss of approximately $213,000 as of 30 June 2003 (31 December 2002: $249,000) has not been recognised in the profit and loss account.

(b) Capital expenditure commitments

	30 June 2003 $'000	31 December 2002 $'000
Commitments in respect of purchase of fixed assets	12,976	1,814

(c) Operating lease commitments

The Group has various operating lease agreements for factory sites, offices, staff accommodation and equipment. Most leases contain renewable options. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

Future minimum rentals under non-cancellable leases as at 30 June 2003 and 31 December 2002 are as follows:

	30 June 2003 $'000	31 December 2002 $'000
Future minimum lease payments		
- not later than 1 year	4,345	3,061
- 1 year through 5 years	6,940	6,983
- later than 5 years	18,936	19,081
	30,221	29,125

(d) Litigation

(i) There is a claim from Hytech Builders Pte Ltd in relation to the construction of the Company's leasehold property at 11 International Business Park (the "Project") amounting to approximately $1.0 million for the balance construction sum. Hytech was the Main Contractor for the Project and Mr Charles Ho from the architectural firm of Design International Architects was the Project Architect. The dispute relates to defects in the Project, delay in the completion of the Project and valuation of work done and costs overruns.

The directors are of the view that the claim has no merit and accordingly, no provision for the claim has been made in the financial statements as of 30 June 2003.

(ii) There is a letter of demand from an ex-employee which alleged that he is entitled to (a) be issued 10,500 shares in the Company pursuant to an alleged term in his employment contract (which is disputed by the Company), or (b) $175,000, being the alleged monetary equivalent of such shares.

The directors are of the view that the claim has no merit and accordingly, no provision for the claim has been made in the financial statements as of 30 June 2003.

16. Dividends

During the financial period ended 30 June 2003, a final dividend of 1.63 cents per share (period ended 30 June 2002: 1.63 cents per share) less tax at 22% amounting to $234,000 (period ended 30 June 2002: $234,000) is proposed and paid in respect of the previous financial year.

17. Segment information

(a) Business segments

The Group is organised on a regional basis into three main operating activities, namely:

- Precision plastic injection molding ("PPIM")
- Mold design and fabrication ("MDF")
- Provision of sub-product assembly and full-product assembly services ("Assembly")

Segment assets and liabilities cannot be directly attributable to individual business segments and it is impractical to allocate them to the business segments. Accordingly, it is not meaningful to disclose assets, liabilities and capital expenditure by business segments.

	PPIM $'000	MDF $'000	Assembly $'000	Consolidated $'000
Period ended 30 June 2003				
Revenue	54,098	11,981	36,647	102,726
Profit from operations	11,345	1,379	3,390	16,114
Financial expenses				(941)
Financial income				29
Foreign exchange loss, net				(111)
Share of results of associated companies				206
Tax				(1,288)
Minority interests				(557)
Net profit attributable to shareholders of the Company				13,452
Depreciation	4,359	530	1,302	6,191
Other non-cash expenses	924	112	276	1,312
Period ended 30 June 2002				
Revenue	34,854	6,879	9,460	51,193
Profit from operations	5,400	798	522	6,720
Financial expenses				(651)
Financial income				27
Foreign exchange loss, net				(858)
Share of results of associated companies				444
Tax				(778)
Minority interests				139
Net profit attributable to shareholders of the Company				5,043
Depreciation	3,614	534	349	4,497
Other non-cash expenses	211	31	21	263

17. Segment information (Continued)

(b) Geographical segments

Revenue is based on the location of customers. Assets and additions to property, plant and equipment are based on the location of those assets.

	Revenue		Assets		Capital expenditure	
	1 January 2003 to 30 June 2003 $'000	1 January 2002 to 30 June 2002 $'000	As at 30 June 2003 $'000	As at 31 December 2002 $'000	1 January 2003 to 30 June 2003 $'000	1 January 2002 to 30 June 2002 $'000
Asia						
People's Republic of China	56,707	34,065	140,186	122,642	16,293	3,839
Singapore	14,681	6,253	36,451	35,071	1,596	708
Malaysia	2,674	1,933	–	–	–	–
Others	3,446	1,470	–		–	–
	77,508	43,721	176,637	157,713	17,889	4,547
Europe	16,281	2,130	19	–	13	–
United States and other parts of the Americas	8,937	5,342	6,959	6,378	124	1
	102,726	51,193	183,615	164,091	18,026	4,548

18. Subsequent events

Subsequent to 30 June 2003:

(1) The Company incorporated the following wholly-owned subsidiary companies:

i. Hi-P (Shanghai) Precision Mold & Die Co., Ltd with a paid-up capital of US$2,500,000;

ii. Hi-P (Tianjin) Precision Mold & Die Co., Ltd. with a paid-up capital of US$210,000;

iii. Hi-P (Suzhou) Technology Co., Ltd. with a paid-up capital of US$900,085;

iv. Hi-P Mauritius Ltd with nil paid-up capital; and

v. Hi-P Resources Ltd with nil paid-up capital.

(2) At an extraordinary general meeting held on 7 October 2003, the shareholders of the Company approved, inter alia, the following:

(i) the conversion of the Company into a public limited company; and

(ii) the change of name of the Company to "Hi-P International Limited".

(iii) the increase in the Company's authorised share capital from $25 million divided into 25 million ordinary shares of $1 each to $100 million divided into 100 million ordinary shares of $1 each, by the creation of an additional 75 million ordinary shares of $1 each;

(iv) the capitalisation of an amount of $18,400,000 from the Company's revenue reserve by way of a 1-for-1 bonus issue of 18,400,000 ordinary shares of $1 each credited as fully-paid to the then existing shareholders of the Company (the "Bonus Issue");

(v) the sub-division of each ordinary share of $1 each in the Company's authorised and issued and paid-up share capital into 20 ordinary shares of $0.05 each (the "Stock Split");

(vi) the adoption of a new set of Articles of Association for the Company;

(vii) the issue of 151,000,000 New Shares, which are the subject of the Invitation. The New Shares, when issued and fully-paid, will rank, pari passu, in all respects with the existing issued and fully-paid Shares;

(viii) the adoption of the Share Option Scheme; and

18. Subsequent events (Continued)

(ix) that authority be given pursuant to Section 161 of the Act to the Directors to issue shares (other than the New Shares) and/or convertible securities at any time (whether by way of rights, bonus or otherwise) and upon such terms and conditions whether in cash or otherwise and for such purposes and to such persons as the Directors shall in their absolute discretion deem fit, provided that the aggregate number of shares and/or convertible securities to be issued pursuant to such authority shall not exceed 50% of the post-Invitation issued share capital and the aggregate number of shares and/or convertible securities to be issued other than on a pro-rata basis to the then existing shareholders of the Company does not exceed 20% of the post-Invitation issued share capital.

For this purpose and pursuant to Rule 806(3) and Rule 806(4) of the SGX-ST Listing Manual, the post-Invitation issued share capital of the Company shall mean the enlarged issued and paid-up share capital after the Invitation after adjusting for the conversion of any convertible securities and employee share options on issue as at the date of the passing of this resolution and any subsequent consolidation or sub-division of Shares. Unless revoked or varied by the Company in general meeting, such authority shall continue in full force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting is required by law or by the Articles of Association to be held, whichever is earlier.

LETTER FROM THE AUDITORS IN RELATION TO THE EXAMINATION OF PROSPECTIVE FINANCIAL INFORMATION FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2003

8 December 2003

The Board of Directors
Hi-P International Limited
11 International Business Park
Jurong East
Singapore 609926

Dear Sirs

This letter has been prepared for inclusion in the Prospectus to be dated 8 December 2003 (the "Prospectus") in connection with the Invitation by Hi-P International Limited (the "Company") in respect of 205,000,000 Shares of $0.05 each comprising 151,000,000 New Shares and 54,000,000 Vendor Shares.

We have examined the forecast of the Company and its subsidiaries (collectively, the "Group") for the financial year ending 31 December 2003 in accordance with the Singapore Standard on Auditing applicable to the examination of prospective financial information. The Directors are solely responsible for the forecast including the bases and assumptions set out under "Profit Forecast" on pages 81 to 82 of the Prospectus on which the forecast is based. The forecast includes results shown by the Group's unaudited consolidated financial statements for the financial period from 1 January 2003 to 30 June 2003.

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention to cause us to believe that these assumptions do not provide a reasonable basis for the forecast. Further, in our opinion, the forecast is properly prepared on the basis of the assumptions, is consistent with the accounting policies normally adopted by the Group, and is presented in accordance with Singapore Financial Reporting Standards.

Actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation may be material.

Yours faithfully

ERNST & YOUNG
Certified Public Accountants
Singapore

Max Loh Khum Whai
Partner-in-charge

TAXATION

The following is a discussion of certain tax matters arising under the current tax laws in Singapore and is not intended to be and does not constitute legal or tax advice. While this discussion is considered to be a correct interpretation of existing laws in force as at the date of this Prospectus, no assurance can be given that courts or fiscal authorities responsible for the administration of such laws will agree with this interpretation or that changes in such laws will not occur. The discussion is limited to a general description of certain tax consequences in Singapore with respect to ownership of our Shares by Singapore investors, and does not purport to be a comprehensive nor exhaustive description of all of the tax considerations that may be relevant to a decision to purchase our Shares. Prospective investors should consult their tax advisors regarding Singapore tax and other tax consequences of owning and disposing our Shares. It is emphasised that neither our Company, our Directors nor any other persons involved in the Invitation accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of our Shares.

SINGAPORE INCOME TAX

General

Singapore tax residents are subject to Singapore income tax on income that is accrued in or derived from Singapore and on foreign income received in Singapore, subject to certain exceptions.

Non-resident corporate taxpayers are subject to income tax on income that is accrued in or derived from Singapore, and on foreign income received in Singapore, subject to certain exceptions. Non-resident individuals, subject to certain exceptions, are subject to income tax on the income accrued in or derived from Singapore.

A company is tax resident in Singapore if the control and management of its business is exercised in Singapore. An individual is tax resident in Singapore in a year of assessment if, in the preceding year, he was physically present in Singapore or exercised an employment in Singapore (other than as a director of a company) for 183 days or more, or if he resides in Singapore.

The corporate tax rate in Singapore is 22% with effect from the year of assessment 2003 i.e. the financial year ended in 2002. In addition, three-quarters of up to the first $10,000 of a company's chargeable income, and one-half of up to the next $90,000 will be exempt from corporate tax with effect from the year of assessment 2002. The remaining chargeable income (after the tax exemption) will be taxed at 22%. The above tax exemption will not apply to Singapore dividends received by companies. In the Budget Statement 2003 announced on 28 February 2003 , the Finance Minister has reaffirmed the Government's intention to reduce the corporate tax rate to 20% by the year of assessment 2005.

For a Singapore tax resident individual, the rate of tax will vary according to the individual's circumstances but is subject to a maximum rate of 22% with effect from the year of assessment 2003 ie. calendar year 2002. In the Budget Statement 2003 announced on 28 February 2003, the Finance Minister also reaffirmed the Government's intention to reduce the top individual tax rate to 20% by the year of assessment 2005.

Dividend Distributions

Dividend Distributions – Imputation Tax System

Singapore adopted the imputation tax system up to 31 December 2002. Under the imputation tax system, the tax we pay at the prevailing corporate tax rate is deemed to be paid by our shareholders. Our shareholders receive dividends net of such tax. Our shareholders are taxed on the gross amount of dividends (that is, on the amount of net dividends plus an amount equal to the amount of gross dividends multiplied by the prevailing corporate tax rate). The tax we pay effectively becomes available to our shareholders as a tax credit to offset their Singapore income tax liability on the gross amount of dividends paid by us.

Dividends on our Shares received by a Singapore resident individual will be liable to tax in Singapore. The rate of tax will vary according to the individual's circumstances. The tax we pay can be set off as a tax credit against the individual's income tax liabilities where the individual's income tax liabilities on the dividends are lower (or, as the case may be, higher) than the tax credit, such individual may receive a refund from (or, as the case may be, have to pay further tax to) the Inland Revenue Authority of Singapore.

Dividends on our Shares received by a Singapore resident company will be liable to tax in Singapore at the corporate income tax rate. In the absence of any expenses which may be deductible against the dividends, the Singapore resident company will not receive any tax refund from the Inland Revenue Authority of Singapore, nor be required to pay a further tax, since tax has been deducted at the prevailing corporate tax rate.

A non-resident shareholder is effectively taxed on dividends on our Shares at the corporate income tax rate. Thus, no further Singapore income tax will be imposed on the net dividends received by a non-resident holder of our Shares. Further, the non-resident shareholder which does not have a permanent establishment in Singapore and deductible expenses attributable to such dividend income will normally not receive any tax refund from the Inland Revenue Authority of Singapore.

Dividend Distributions – One-Tier Corporate Tax System

Singapore adopts the "one-tier" corporate tax system with effect from 1 January 2003. Under this new system, the tax collected from corporate profits is final and Singapore dividends are tax exempt in the hands of the shareholder, regardless of whether this is a corporate or individual shareholder and whether the shareholder is a Singapore tax resident. To enable companies to make use of the unutilised dividend franking credits as at 31 December 2002, a 5-year transition period from 1 January 2003 to 31 December 2007 has been introduced for such companies to pay franked dividends out of its unutilised dividend franking credits. During this period, the shareholders will continue to receive these dividends with credits attached as mentioned above under the current tax system.

We will move to the one-tier corporate tax system when our franking credits are fully utilised or on 1 January 2008, whichever is earlier.

Gains on Disposal of our Shares

Singapore does not impose tax on capital gains. However, there are no specific laws or regulations which deal with the characterisation of capital gains, and hence, gains may be construed to be of an income nature and subject to tax especially if they arise from activities which the Inland Revenue Authority of Singapore regards as the carrying on of a trade in Singapore.

Any profits from the disposal of our Shares are not taxable in Singapore unless the seller is regarded as having derived gains of an income nature, in which case, the disposal profits would be taxable.

Stamp Duty

There is no stamp duty payable on the subscription of our Shares.

Stamp duty is payable on the instrument of transfer of our Shares at the rate of $2.00 for every $1,000 market value of our Shares registered in Singapore.

The purchaser is liable for stamp duty, unless there is an agreement to the contrary. No stamp duty is payable if no instrument of transfer is executed or the instrument of transfer is executed outside Singapore. However, stamp duty may be payable if the instrument of transfer which is executed outside Singapore is received in Singapore.

The above stamp duty is not applicable to electronic transfers of our Shares through the CDP.

Estate Duty

Singapore estate duty is imposed on the value of immovable property situated in Singapore owned by individuals who are not domiciled in Singapore, subject to specific exemption limits. Movable assets of non-domiciles will be exempt from estate duty with respect to deaths occurring on or after 1 January 2002. Singapore estate duty is imposed on the value of most immovable property situated in Singapore and on most movable property, wherever it may be, owned by individuals who are domiciled in Singapore, subject to specific exemption limits. Our Shares are considered to be movable property situated in Singapore as we are a company incorporated in Singapore.

Accordingly, our Shares held by an individual domiciled in Singapore are subject to Singapore estate duty upon such individual's death. Singapore estate duty is payable to the extent that the value of our Shares aggregated with any other assets subject to Singapore estate duty exceeds $600,000. Unless other exemptions apply to the other assets, for example, the separate exemption limit for residential properties, any excess beyond $600,000 will be taxed at 5% on the first $12,000,000 of the individual's Singapore chargeable assets and thereafter at 10%. Individuals should consult their own tax advisors regarding the Singapore estate duty consequences of their ownership of our Shares.

GOVERNMENT REGULATIONS

As at the Latest Practicable Date, our business operations in Singapore, the PRC and Mexico are not subjected to any special legislation or regulatory controls other than those generally applicable to companies and businesses operating in those jurisdictions.

PRC

1. PRC Legal System

The socialist system is the basic system of the People's Republic of China (the "PRC"). All power in the PRC belongs to the people. The legal system is made up of written law, regulations and directives.

The National People's Congress of the PRC is the highest organ of state power. Its permanent body is the Standing Committee of the National People's Congress. The National People's Congress and its Standing Committee exercise the legislative power of the state. The functions and powers of the National People's Congress include amending the Constitution, supervising the enforcement of the Constitution, enacting and amending basic laws governing criminal offences, civil affairs, the state organs and other matter. The functions and powers of the Standing Committee include interpreting the Constitution and supervising its enforcement, enacting and amending laws, with the exception of those which should be enacted by the National People's Congress and interpreting laws.

Local people's congresses at various levels are local organs of state power. The people's congresses of provinces and municipalities directly under the Central Government and their standing committees may adopt local regulations, which must not contravene the Constitution and the law and administrative rules and regulations, and they shall report such local regulations to the Standing Committee of the National People's Congress for record.

The organs of self-government of autonomous regions, autonomous prefectures and autonomous counties exercise the power of autonomy within the limits of their authority as prescribed by the Constitution, the law of the PRC on Regional National Autonomy and other laws and implement the laws and policies of the state in the light of the existing local situation.

The State Council is the executive body of the highest organ of state power, it is the highest organ of state administration. The State Council has the power to adopt administrative measures, enact administrative rules and regulations and issue decisions and orders in accordance with the Constitution and the law. The ministries and commissions under the State Council of the PRC are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments, provided that these administrative rules and regulations are not in conflict with the PRC Constitution or the national laws.

2. Judicial System

The People's Courts of the PRC

The People's Courts of the PRC are the judicial organs of the state. The People's Courts comprise the Supreme People's Court and the people's courts at various local levels, military courts and other special people's courts. Except in special circumstances as specified by law, all cases in the people's courts are heard in public. The accused has the right to defence.

The people's courts exercise judicial power independently, in accordance with the provisions of the law, and are not subject to interference by any administrative organ, public organisation or individual.

The local people's courts are divided into three levels, namely, the basic people's courts, intermediate people's courts and higher people's courts. The Supreme People's Court is the highest judicial organ. The Supreme People's Court supervises the administration of justice by the people's courts at various local levels and by the special people's courts. People's courts at higher levels supervise the administration of justice by those at lower levels.

The Supreme People's Court is responsible to the National People's Congress and its Standing Committee. Local people's courts at various levels are responsible to the organs of state power which created them.

The people's courts adopt a two-tier final appeal system. A party may before the taking effect of a judgment or order appeal against the judgment or order of the first instance of a local people's court to the people's court at the next higher level. Judgments or orders of the second instance of the same level and at the next higher level are final and binding. Judgments or orders of the first instance of the Supreme People's Court are also final and binding. If, however, the Supreme People's Court or a people's court at a higher level finds an error in a final and binding judgment which has taken effect in any people's court at a lower level, or the president of a people's court finds an error in a final and binding judgment which has taken effect in the court over which he presides, a retrial of the case may be conducted according to the judicial supervision procedures.

The People's Procuratorates of the PRC

The people's procuratorates of the PRC are state organs for legal supervision. The PRC establishes the Supreme People's Procuratorate and the people's procuratorates at various local levels, military procuratorates and other special people's procuratorates.

The Supreme People's Procuratorate is the highest procuratorial organ.

Civil Procedure

The PRC civil procedures are governed by the Civil Procedure Law of the PRC (the "Civil Procedure Law") adopted on 9 April, 1991. The Civil Procedure Law contains regulations on the institution of a civil action, the jurisdiction of the people's courts, the procedures in conducting a civil action, trial procedures and procedures for the enforcement of a civil judgment or order.

(a) Territorial Jurisdiction

A civil lawsuit shall be under the jurisdiction of the people's court in the place where the defendant has his domicile; if the defendant's domicile is different from his residence, the lawsuit shall be under the jurisdiction of the people's court in the place of his residence. A civil lawsuit against an enterprise, institution, state organ or public organisation shall be under the jurisdiction of the people's court in the place where the defendant unit is located.

Where the domiciles or residences of several defendants in one lawsuit fall under the jurisdiction of two or more people's courts, all of those people's courts shall have jurisdiction over the lawsuit.

When two or more people's courts have jurisdiction over a lawsuit, the plaintiff may bring by choice his lawsuit in one of the people's courts that have jurisdiction over the lawsuit and the lawsuit shall be handled by the people's court that accepted the case first.

(b) Conciliation

If a civil case which has been accepted by a people's court can be resolved by conciliation, the people's court shall, on the basis of ascertaining the facts and distinguishing between right and wrong, conduct conciliation and urge the parties to reach mutual understanding and compromise. Once the conciliation agreement is served, it shall become legally effective. If no agreement is reached through conciliation or if one party retracts his consent before the conciliation statement is served, the people's court shall proceed with a trial and not prolong the case with further conciliation efforts.

(c) Execution

Legally effective judgments, orders and conciliation agreements in civil cases, as well as the parts of the judgments or orders that relate to property in criminal cases shall be executed by the people's court that tried the case in the first instance.

(d) Civil Procedures involving Foreign Interests

Foreign nationals and stateless persons who institute or respond to prosecutions in the people's courts shall have the same litigation rights and obligations as citizens of the PRC. Foreign enterprises and organisations that institute or respond to prosecutions in the people's courts shall have litigation rights and obligations in accordance with the provisions of the Civil Procedure Law.

If an international treaty concluded or acceded to by the PRC contains provisions differing from those found in the Civil Procedure Law, the provisions of the international treaty shall apply, unless the provisions are those which the PRC has expressed reservations.

(e) Arbitration

When a dispute arises from the foreign economic, trade, transport or maritime activities of the PRC, if the parties have reached a written agreement to submit the dispute for arbitration to the foreign affairs arbitration agency of the PRC, they shall not bring a suit in a people's court. If they have not reached such written agreement before or after the dispute, they may bring a suit in a people's court.

3. Taxation

Enterprise Income Tax

Under the Income Tax Law of the PRC on Foreign Investment Enterprises and Foreign Enterprises adopted by the National People's Congress on 9 April 1991, foreign investment enterprises are required to pay a national income tax on their taxable income.

(a) Taxpayer

The taxpayer of the income tax on Foreign Investment Enterprise and Foreign Enterprise refers to Chinese-foreign equity joint ventures, Chinese-foreign contractual joint ventures and foreign-capital enterprises that are established in the PRC.

(b) Rate of Tax

The income tax on enterprises with foreign investment and the income tax which shall be paid by foreign enterprises on the income of their establishments or places set up in China to engage in production or business operations shall be computed on the taxable income at the rate of thirty per cent. (30%), and local income tax shall be computed on the taxable income at the rate of three per cent. (3%).

(c) Preferential Treatment

The income tax on enterprises with foreign investment established in Special Economic Zones, foreign enterprises which have establishments or places in Special Economic Zones engaged in production or business operations, and on enterprises with foreign investment of a production nature in Economic and Technological Development Zones, shall be levied at the reduced rate of fifteen per cent.(15%).

The income tax on enterprises with foreign investment of a production nature established in coastal economic open zones or in the old urban districts of cities where the Special Economic Zones or the Economic and Technological Development Zones are located, shall be levied at the reduced rate of twenty-four per cent. (24%).

The income tax on enterprises with foreign investment in coastal economic open zones, in the old urban districts of cities where the Special Economic Zones or the Economic and Technological Development Zones are located or in other regions defined by the State Council, within the scope of energy, communications, harbour, wharf or other projects encouraged by the State, may be levied at the reduced rate of fifteen per cent. (15%).

Any enterprise with foreign investment of a production nature scheduled to operate for a period of not less than ten years shall, from the year beginning to make profit, be exempted from income tax in the first and second years and allowed a fifty per cent. (50%) reduction in the third to fifth years.

However, the exemption from or reduction of income tax on enterprises with foreign investment engaged in the exploitation of resources such as petroleum, nature gas, rare metals, and precious metals shall be regulated separately by the State Council. Enterprises with foreign investment which have actually operated for a period of less than ten years shall repay the amount of income tax exempted or reduced already.

Any enterprise with foreign investment which is engaged in agriculture, forestry or animal husbandry and any other enterprise with foreign investment which is established in remote underdeveloped areas may, upon approval by the competent department for tax affairs under the State Council of an application filed by the enterprise, be allowed a fifteen to thirty per cent. (15%-30%) reduction of the amount of income tax payable for a period of another ten years following the expiration of the period for tax exemption or reduction as provided for in the preceding two paragraphs.

Losses incurred in a tax year by any enterprise with foreign investment and by an establishment or a place set up in the PRC by a foreign enterprise to engage in production or business operations may be made up by the income of the following tax years. Should the income of the following tax year be insufficient to make up for the said losses, the balance may be made up by its income of the further subsequent year, and so on, over a period not exceeding five years.

Any enterprise with foreign investment shall be allowed, when filing a consolidated income tax return, to deduct from the amount of tax payable the foreign income tax already paid abroad in respect of the income derived from sources outside the PRC. The deductible amount shall, however, not exceed the amount of income tax otherwise payable under this Law in respect of the income derived from sources outside the PRC.

Value Added Tax

The Provisional Regulations of the PRC Concerning Value Added Tax promulgated by the State Council came into effect on 1 January 1994. Under these regulations and the Implementing Rules of the Provisional Regulations of the PRC Concerning Value Added Tax, value added tax is imposed on goods sold in or imported into the PRC and on processing, repair and replacement services provided within the PRC.

The value-added tax rates shall be as follows:-

1. The tax rate for goods sold or imported by taxpayers other than the goods set forth in Items 2 and 3 below shall be 17%.

2. The tax rate for sale or import of the following goods by taxpayers shall be 13%:-

    (a) grain, edible vegetable oil;

    (b) tap water, central heating, air-conditioning, hot water, coal, gas, liquid petroleum gas, natural gas, methane, and coal products for use by residents;

    (c) books, newspapers, magazines;

    (d) feed, chemical fertilizer, agrochemicals, agricultural machinery, agricultural film; and

    (e) other goods specified by the State Council.

3. The tax rate for goods exported by taxpayers shall be zero, except where otherwise determined by the State Council.

4. The tax rate for processing and repair and replacement services provided by taxpayers shall be 17%.

Business Tax

With effect from 1st January 1994, businesses that provide services (including entertainment business), assign intangible assets or sell immovable property become liable to business tax at a rate ranging from three to twenty per cent. (3%-20%), of the charges of the services provided, intangible assets assigned or immovable property sold, as the case may be.

The formula for calculation of the amount of tax payable is set forth below:-

Amount of tax payable = amount of business × tax rate

The amount of tax payable shall be calculated in RMB. Taxpayers that settle their amounts of business in foreign exchange shall convert the amounts into RMB at the foreign exchange market rate.

PRC Customs Duties

According to the Customs Law of the PRC, the consignee of the imports, the consignor of exports and the owner of the imports and the exports are the persons obligated to pay customs duties (generally speaking, exports are not subject to customs duties). The Customs is the authority in charge of the collection of customs duties.

The customs duties in the PRC mainly fall under ad valorem duties, i.e. the price of import/export commodities is the basis for the calculation of the duties. When calculating the customs duties, import/export commodities shall be classified under appropriate tax items in accordance with the category provisions of the Customs Import and Export Tariff and shall be subject to tax levies pursuant to relevant tax rates.

Under the laws of the PRC, raw materials, supplementary materials, parts, components, accessories and packing materials imported for processing and assembling finished products for foreign parties or for manufacturing products for export shall be exempt from import duties pursuant to the actual amount of goods processed for export; or import duties may be levied up-front on import materials and parts and subsequently refunded pursuant to the actual amount of goods processed for export.

To encourage the introduction of foreign investment, as of 1992, the PRC exercised exemption and reduction of customs duties on the import of machinery, equipment, parts and other materials within the total investment of foreign investment companies. But after the adjustment of policies as of 1 April 1996, such exemption and reduction has been terminated albeit the foreign investment companies incorporated before then can still continue to enjoy such preferential treatment within the grace period.

As from 1 January 1998, according to the Notice of the State Council regarding the Adjustment of Taxation Policy of Import Equipment, in respect of the foreign investment projects that fall under Encouraged Category and Restricted Category of the Industrial Guidance Catalogue of Foreign Investment and which also involve the transfer of technology, the equipment imported for its own use within the total investment can be exempt from the customs duties, except for the commodities listed in the Catalogue of the Non-tax-exemption Import Commodity of Foreign Investment Projects.

Environmental Protection

In order to protect and improve the people's environment and the ecological environment and to prevent and control pollution and other public hazards, the Administration Supervisory Department of Environmental Protection of the State Council sets the national guidelines for the discharge of pollutants. The provincial and municipal governments of provinces, autonomous regions and municipalities may also set their own guidelines for the discharge of pollutants within their own provinces or districts in the event that the national guidelines are inadequate.

Evaluation System on the Environmental Impact

China is now implementing the Evaluation System on the Environmental Impact for all projects including foreign investment companies. According to the different levels of the evaluation, such evaluation can be set in three forms:-

Evaluation Statement of the Environmental Impact

For those projects which may cause significant impact on the environment, the Evaluation Statement on the Environmental Impact shall be compiled for analyzing or evaluating the pollution and the impact on the environment.

Environmental Impact Report Form

For those projects which may cause minor impact on the environment, the Environmental Impact Report Form shall be compiled for analyzing or evaluating the pollution and the impact on the environment.

Environmental Impact Registration

For those projects which may cause very light impact on the environment and there is no need for the environmental impact evaluation, then environmental impact registration shall be applied.

A System of "Three Simultaneously"

The system of "Three Simultaneously" provides that the environmental protection facilities shall be designed, constructed and operated simultaneously with the construction of the respective projects.

Registration of Discharging the Pollutants

The system of the Registration of Discharging the Pollutants provides that any company or enterprise which discharges environmental pollutants should report and register the situation of such discharge with the competent administration department of environmental protection.

License for the Environmental Protection

According to the Licensing System for the Environmental Protection, before carrying out those activities which endanger or may endanger the environment, it is a legal requirement to apply to the competent authorities for the approval of the license for carrying out such activities. Currently, such licensing system is applicable in the field of discharging wastewater.

The salient features of the Licensing System for the Environmental Protection are as follows:-

(a) the discharging of the polluted water shall be registered with the local environmental protection agencies;

(b) the amount of pollutants discharged by companies are regulated;

(c) the issue of a License of Discharging the Pollutants; and

(d) after issuing of the license, the issuing authority shall conduct strict supervision and administration on the licensee.

The Collection of the Drainage Fee

The Drainage Fee Collection System refers to the collection of the drainage fee for the discharge of wastewater, waste gas, noise, solid waste and radioactive materials. Such fee will be collected by the competent administration department of environmental protection monthly or quarterly.

The Remedy of the Environmental Pollution

A company that has caused severe pollution to the environment shall be required to restore the environment or remedy the effects of the pollution within a prescribed time limit not exceeding 3 years.

Legal Liability

A company or institution which violates the regulations of the Laws of Environmental Protection, thereby causing an environmental pollution accident, shall be fined by the competent department of environmental protection administration, taking into consideration the consequent damage.

In a serious case, the persons responsible shall be investigated for criminal responsibility according to the law. A company that has caused an environmental pollution hazard shall have the obligation to eliminate such hazard and make compensation to the unit or individual which suffered a direct loss.

General Reserve Fund, Welfare Fund and Development Fund

According to the "Detailed Regulations for Implementing Law of the PRC on Enterprises Operated Exclusively with Foreign Capital", a wholly-owned foreign enterprise ("WFOE") should be responsible for the contribution towards a General Reserve Fund and a Welfare Fund.

(a) General Reserve Fund

The main purpose of the Reserve Fund is to set off against losses incurred by a WFOE. Subject to the approval by the PRC government, the Reserve Fund may also be used to increase the registered capital of a WFOE for the purpose of expansion of its production facilities.

The amount of contribution towards the Reserve Fund shall not be less than 10% of the profit after enterprise income tax until the accumulated allocation for the Reserve Fund reaches 50% of the registered capital, at which time no further allocation needs to be made.

(b) Welfare Fund

The Welfare Fund is maintained for the welfare of all workers and staff, and cannot be utilised for any other purposes. The rate of contribution towards the Welfare Fund is determined by the board of directors of a WFOE.

(c) Development Fund

In addition, pursuant to the "Regulations for the Implementation of the Law of the PRC on Joint Ventures Using Chinese and Foreign Investment", a joint venture company is required to contribute towards a Development Fund, in addition to the General Reserve Fund and the Welfare Fund. The purpose of the Development Fund is mainly to increase the registered capital of the joint venture company for the expansion of its production facilities and investment in fixed assets. Unlike the General Reserve Fund, it is not necessary to obtain the PRC government's approval for such usage of the Development Fund.

Unlike WFOE, the board of directors of a joint venture company in the PRC is entitled to decide on the rate of contribution towards the 3 funds, namely, the General Reserve Fund, the Development Fund and the Welfare Fund.

The Company's policy on the rates of contribution to each of the General Reserve Fund was 10% of the profits of the respective group of companies in the PRC for the past three financial years. For FY2002, the rates of contribution for the General Reserve Fund remain unchanged. However, the Company does not have a fixed policy of determining the rates of contribution to the Welfare Fund and the Development Fund. The board of directors of the Company decides on the rates of contribution towards the Welfare Fund and the Development Fund on an annual basis. For the past three financial years, the rates of contribution to each of the Welfare Fund and the Development Fund were determined on the basis of the level of profit of the respective group companies in the PRC. Going forward, this policy of determining the rates of contribution towards the 3 reserves will remain unchanged.

RULES OF THE HI-P EMPLOYEE SHARE OPTION SCHEME

1. NAME OF THE ESOS

The ESOS shall be called the "Hi-P Employee Share Option Scheme".

2. DEFINITIONS

2.1 In the ESOS, unless the context otherwise requires, the following words and expressions shall have the following meanings:-

"Act"	The Companies Act, Chapter 50 of Singapore.
"Adoption Date"	The date on which the ESOS is adopted by the Company in general meeting.
"Aggregate Subscription Cost"	The total amount payable for Shares which may be acquired on the exercise of an Option.
"Articles"	The Articles of Association of the Company, as amended from time to time.
"Auditors"	The auditors of the Company for the time being.
"Board"	The board of directors of the Company.
"CDP"	The Central Depository (Pte) Limited.
"CPF"	Central Provident Fund.
"Committee"	The Remuneration Committee of the Company for the time being comprising Directors who are duly authorised and appointed by the Board to administer the ESOS
"Company" or "Hi-P"	Hi-P International Limited
"control"	The capacity to dominate decision making, directly or indirectly, in relation to the financial and operating policies of the Company.
"Controlling Shareholder"	A shareholder exercising control over the Company and unless rebutted, a person who controls directly or indirectly a shareholding of fifteen (15) per cent. or more of the Company's issued share capital shall be presumed to be a Controlling Shareholder of the Company.
"Date of Grant"	In relation to an Option, the date on which the Option is granted pursuant to Rule 5.
"Director"	A person holding office as a director for the time being of the Company, its subsidiary or associated company, as the case may be.

"Employee"	An employee of the Group (including any Group Executive Director and any part-time employee) and its associated companies selected by the Committee to participate in the ESOS in accordance with Rule 4.1.
"ESOS"	The Hi-P Employee Share Option Scheme, as the same may be modified or altered from time to time.
"Exercise Period"	The period for the exercise of an Option, being a period commencing:- (1) in the case of a Market Price Option, 50% after the first anniversary of the Date of Grant, 50% after the second anniversary of the Date of the Grant and expiring on the tenth anniversary of such Date of Grant; and (2) in the case of an Incentive Option, 50% after the second anniversary of the Date of Grant, 50% after the third anniversary of the Date of Grant and expiring on the tenth anniversary of such Date of Grant.
"Exercise Price"	The price at which a Participant shall subscribe for each Share upon the exercise of an Option which shall be the price as determined in accordance with Rule 6.1, as adjusted in accordance with Rule 11.
"Grantee"	The person to whom an offer of an Option is made.
"Group"	The Company, its subsidiaries and its associated companies.
"Group Executive Director"	A director of the Company, its subsidiaries and/or its associated companies, as the case may be, who performs an executive function within the Company, the relevant subsidiary or associated company, as the case may be.
"Incentive Option"	An Option granted with the Exercise Price set at a discount to the Market Price.
"Market Day"	A day on which the Stock Exchange is open for trading in securities.
"Market Price"	A price equal to the average of the last dealt prices for the Shares on the Stock Exchange over the five consecutive Trading Days immediately preceding the Date of Grant of that Option, as determined by the Committee by reference to the daily official list or any other publication published by the Stock Exchange, rounded to the nearest whole cent in the event of fractional prices.
"Market Price Option"	An Option granted with the Exercise Price set at the Market Price.
"Option"	The right to subscribe for Shares granted or to be granted to a Employee pursuant to the ESOS and for the time being subsisting.

"Participant"	The holder of an Option.
"Rules"	Rules of the Hi-P Employee Share Option Scheme.
"Securities Account"	The securities account maintained by a Depositor with CDP.
"SGX-ST"	The Singapore Exchange Securities Trading Limited
"Shares"	Ordinary shares of par value S$0.05 each in the capital of the Company.
"Stock Exchange"	The SGX-ST and any other stock exchange on which the Shares are quoted or listed.
"Trading Day"	A day on which the Shares are traded on the Stock Exchange.
"S$"	Singapore dollar.

2.2 The terms "Depository Agent" and "Depositor" shall have the meaning ascribed to it by Section 130A of the Act and the term "associate" shall have the meaning ascribed to it by the SGX-ST Listing Manual or any other publication prescribing rules or regulations for corporations admitted to the Official List of the SGX-ST (as modified, supplemented or amended from time to time).

2.3 Words importing the singular number shall, where applicable, include the plural number and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter gender.

2.4 Any reference to a time of a day in the ESOS is a reference to Singapore time.

2.5 Any reference in the ESOS to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act or any statutory modification thereof and used in the ESOS shall have the meaning assigned to it under the Act.

3. OBJECTIVES OF THE ESOS

The ESOS is a share incentive plan. The ESOS is proposed on the basis that it is important to retain staff whose contributions are essential to the well-being and prosperity of the Group and to give recognition to outstanding Employees of the Group who have contributed to the growth of the Group. The ESOS will give Participants an opportunity to have a personal equity interest in the Company at no direct cost to its profitability and will help to achieve the following positive objectives:-

(a) the motivation of each Participant to optimise his performance standards and efficiency and to maintain a high level of contribution to the Group;

(b) the retention of key employees and executive directors of the Group whose contributions are essential to the long-term growth and profitability of the Group;

(c) to instill loyalty to, and a stronger identification by the Participants with the long-term prosperity of, the Company;

(d) to attract potential employees with relevant skills to contribute to the Group and to create value for the shareholders of the Company; and

(e) to align the interests of the Participants with the interests of the shareholders of the Company.

4. ELIGIBILITY OF PARTICIPANTS

4.1 A full-time or part-time confirmed Employee shall be eligible to participate in the ESOS, at the absolute discretion of the Committee if he has attained the age of 21 years on or before the relevant Date of Grant, Provided that undischarged bankrupts shall not be eligible to participate in the ESOS. For the avoidance of doubt, Controlling Shareholders and their associates who are employees shall be eligible to participate in the ESOS at the absolute discretion of the Committee. Participation in the ESOS by the Controlling Shareholders and their associates must be approved by the independent shareholders of the Company. A separate resolution must be passed for each Controlling Shareholder and their associates and to approve the actual number and terms of options to be granted to that Participant. When seeking shareholder approval, the basis for participation by, and the specific grant of option to, each of the controlling shareholders or their associates must be explained.

4.2 The selection of the Participants and the number of Shares in respect of which Options are to be offered to selected Participants shall be determined by the Committee, in its absolute discretion, taking into account criteria such as performance of the Participant.

4.3 Subject to the Act and any requirement of the Stock Exchange, the terms of eligibility for participation in the ESOS may be amended from time to time at the absolute discretion of the Committee, which would be exercised judiciously.

5. GRANT AND ACCEPTANCE OF OPTIONS

5.1 Subject as provided in Rule 10, the Committee may grant Options at any time during the period when the ESOS is in force, provided that in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is made, Options may only be granted on or after the second Market Day from the date on which such announcement is released.

5.2 The letter of offer to grant an Option shall be in, or substantially in, the form set out in Schedule A, subject to such modification as the Committee may from time to time determine.

5.3 An Option shall be personal to the person to whom it is granted and shall not be transferred (other than to a Participant's personal representative on the death of that Participant), charged, assigned, pledged or otherwise disposed of, in whole or in part, except with the prior approval of the Committee.

5.4 The grant of an Option under this Rule 5 shall be accepted by the Grantee within thirty (30) days from the Date of Grant of that Option and, in any event, not later than 5.00 p.m. on the 30th day from such Date of Grant by completing, signing and returning an acceptance form in or substantially in the form set out in Schedule B, subject to such modification as the Committee may from time to time determine, accompanied by payment of S$1.00 as consideration.

5.5 If a grant of an Option is not accepted in the manner as provided in Rule 5.4, such offer shall, upon the expiry of the thirty (30) day period, automatically lapse and become null, void and of no effect.

6. EXERCISE PRICE

6.1 Subject to any adjustment pursuant to Rule 11, the Exercise Price for each Share in respect of which an Option is exercisable shall be determined by the Committee, in its absolute discretion, on the Date of Grant, at:-

(a) a price equal to the Market Price; or

(b) a price which is set at a discount to the Market Price, provided that:-

(i) the maximum discount shall not exceed twenty (20) per cent. of the Market Price; and

(ii) the Company's shareholders in general meeting shall have authorised, in a separate resolution, the making of offers and grants of Options under the ESOS at a discount not exceeding the maximum discount as aforesaid.

6.2 The Exercise Price shall in no event be less than the nominal value of a Share.

7. RIGHTS TO EXERCISE OPTIONS

7.1 Subject as provided in Rules 7 and 8, an Option shall be exercisable, in whole or in part, during the Exercise Period applicable to that Option.

7.2 An Option shall, to the extent unexercised, immediately lapse without any claim whatsoever against the Company:-

(a) in the event of misconduct on the part of the Participant as determined by the Committee in its discretion;

(b) subject to Rule 7.3(b), where the Participant ceases at any time to be in the employment of any of the Group, for any reason whatsoever;

(c) the bankruptcy of the Participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of an Option; or

(d) the company by which he is employed ceasing to be a company within the Group, or the undertaking or part of the undertaking of such company being transferred otherwise than to another company within the Group.

For the purpose of Rule 7.2(b), the Participant shall be deemed to have ceased to be so employed as of the last day of his employment.

For avoidance of doubt, no Option shall lapse pursuant to Rule 7.2(b) in the event of any transfer of employment of a Participant between the Group.

7.3 In any of the following events, namely:-

(a) where the Participant ceases at any time to be in the employment of any of the Group by reason of:-

(i) ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee);

(ii) redundancy;

(iii) retirement at or after the legal retirement age;

(iv) retirement before the legal retirement age with the consent of the Committee; or

(b) any other event approved in writing by the Committee,

the Participant may exercise any Option:-

(aa) in the case where the cessation of employment or cessation to be a director, as the case may be, occurs after the first day of the Exercise Period in respect of such Option, within the period of eighteen (18) months after the date of such cessation of employment or such cessation to be a director, as the case may be, or before the expiry of the Exercise Period in respect of that Option, whichever is earlier, and upon expiry of such period the Option shall lapse; and

(bb) in the case where the cessation of employment or cessation to be a director, as the case may be, occurs before the first day of the Exercise Period in respect of such Option, within the period of eighteen (18) months after the first day of the Exercise Period in respect of that Option, and upon expiry of such period the Option shall lapse.

7.4 If a Participant dies, whether or not while still in the employment of any of the Group and at the date of his death holds any unexercised Option, such Option shall continue to be exercisable by the duly appointed personal representatives of the Participant:-

(a) in the case where death occurs after the first day of the Exercise Period in respect of such Option, within the period of eighteen (18) months after the date of such cessation of employment or before the expiry of the Exercise Period in respect of that Option, whichever is earlier, and upon expiry of such period the Option shall lapse; and

(b) in the case where the death occurs before the first day of the Exercise Period in respect of such Option, within the period of eighteen (18) months after the first day of the Exercise Period in respect of that Option, and upon expiry of such period, the Option shall lapse.

8. TAKE-OVER AND WINDING-UP OF THE COMPANY

8.1 Notwithstanding Rule 7 but subject to Rule 8.5, in the event of a take-over being made for the Shares, a Participant shall be entitled to exercise any Option held by him and as yet unexercised, in respect of such number of Shares comprised in that Option as may be determined by the Committee in its absolute discretion, in the period commencing on the date on which such offer is made or, if such offer is conditional, the date on which such offer becomes or is declared unconditional, as the case may be, and ending on the earlier of:-

(a) the expiry of six (6) months thereafter, unless prior to the expiry of such six-month period, at the recommendation of the officer and with the approvals of the Committee and the Stock Exchange, such expiry date is extended to a later date (in either case, being a date falling not later than the expiry of the Exercise Period relating thereto); or

(b) the date of expiry of the Exercise Period relating thereto,

whereupon the Option then remaining unexercised shall lapse.

Provided that if during such period, the offeror becomes entitled or bound to exercise rights of compulsory acquisition under the provisions of the Act and, being entitled to do so, gives notice to the Participants that it intends to exercise such rights on a specified date, the Option shall remain exercisable by the Participant until the expiry of such specified date or the expiry of the Exercise Period relating thereto, whichever is earlier. Any Option not so exercised shall lapse provided that the rights of acquisition or obligations to acquire shall have been exercised or performed, as the case may be. If such rights or obligations have not been exercised or performed, the Option shall, notwithstanding Rule 7, remain exercisable until the expiry of the Exercise Period relating thereto.

8.2 If under any applicable laws, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another company or companies, each Participant shall be entitled, notwithstanding Rule 7 but subject to Rule 8.5, to exercise any Option then held by him, in respect of such number of Shares comprised in that Option as may be determined by the Committee in its absolute discretion, during the period commencing on the date upon which the compromise or arrangement is sanctioned by the court and ending either on the expiry of sixty (60) days thereafter or the date upon which the compromise or arrangement becomes effective, whichever is later (but not after the expiry of the Exercise Period relating thereto), whereupon the Option shall lapse and become null and void.

8.3 If an order is made for the winding-up of the Company on the basis of its insolvency, all Options, to the extent unexercised, shall lapse and become null and void.

8.4 In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all Participants (together with a notice of the existence of the provision of this Rule 8.4) and thereupon, each Participant (or his personal representative) shall be entitled to exercise all or any of his Options at any time not later than two business days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the Aggregate Subscription Cost whereupon the

Company shall as soon as possible and in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Participant credited as fully paid.

8.5 If in connection with the making of a general offer referred to in Rule 8.1 or the scheme referred to in Rule 8.2 or the winding-up referred to in Rule 8.4, arrangements are made (which are confirmed in writing by the Auditors, acting only as experts and not as arbitrators, to be fair and reasonable) for the compensation of Participants, whether by the continuation of their Options or the payment of cash or the grant of other options or otherwise, a Participant holding an Option, as yet not exercised, may not, at the discretion of the Committee, be permitted to exercise that Option as provided for in this Rule 8.

8.6 To the extent that an Option is not exercised within the periods referred to in this Rule 8, it shall lapse and become null and void.

9. EXERCISE OF OPTIONS, ALLOTMENT AND LISTING OF SHARES

9.1 Subject to Rule 7.1, an Option may be exercised, in whole or in part, by a Participant giving notice in writing to the Company in or substantially in the form set out in Schedule C, subject to Rule 9.6 and such modification as the Committee may from time to time determine. Such notice must be accompanied by payment in cash for the Aggregate Subscription Cost in respect of the Shares for which that Option is exercised and any other documentation the Committee may require. An Option shall be deemed to be exercised upon receipt by the Company of the said notice, duly completed, and the Aggregate Subscription Cost. All payments shall be made by cheque, cashiers' order, banker's draft or postal order made out in favour of the Company or such other mode of payment as may be acceptable to the Company.

9.2 Subject to such consents or other required action of any competent authority under any regulations or enactment for the time being in force as may be necessary and subject to the compliance with the terms of the ESOS and the Memorandum and Articles of Association of the Company, the Company shall, within ten (10) Market Days after the exercise of an Option, allot the relevant Shares and despatch to CDP the relevant share certificates by ordinary post or such other mode as the Committee may deem fit.

The Company shall, as soon as practicable after such allotment, apply to the Stock Exchange for permission to deal in and for quotation of such Shares, if necessary.

9.3 Shares which are allotted on the exercise of an Option by a Participant shall be issued in the name of CDP to the credit of the securities account of that Participant maintained with CDP, the securities sub-account of that Participant maintained with a Depository Agent or the CPF investment account maintained with a CPF agent bank.

9.4 Shares allotted and issued on exercise of an Option shall:-

(a) be subject to all the provisions of the Memorandum and Articles of Association of the Company; and

(b) rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the Record Date for which is on or after the relevant date upon which such exercise occurred, and shall in all other respects rank *pari passu* with other existing Shares then in issue.

"Record Date" means the date fixed by the Company for the purposes of determining entitlements to dividends or other distributions to or rights of holders of Shares.

9.5 The Company shall keep available sufficient unissued Shares to satisfy the full exercise of all Options for the time being remaining capable of being exercised.

9.6 In the event that a Participant requires the Company to pay the Aggregate Subscription Cost for the exercise of an Option or part thereof, such Participant shall dispose of the Shares which are allotted on the exercise of the Option on the same Market Day as the exercise of the Option or part thereof. The relevant Participant shall give notice in writing to the Company in or substantially in the form set out in Schedule D.

10. LIMITATION ON THE SIZE OF THE ESOS

10.1 The aggregate nominal amount of new Shares over which the Committee may grant Options on any date, when added to the nominal amount of new Shares issued and issuable in respect of (a) all Options granted under the ESOS, and (b) all awards granted under any other share option, share incentive, performance share or restricted share plan implemented by the Company and for the time being in force, shall not exceed fifteen per cent. (15%) of the issued share capital of the Company on the day preceding that date.

10.2 The aggregate number of new Shares available to Controlling Shareholders and their associates must not exceed twenty-five per cent. (25%) of the Shares available under the ESOS. The number of new Shares available to each Controlling Shareholder or their associate shall not exceed ten per cent. (10%) of the new Shares available under the ESOS.

11. ADJUSTMENT EVENTS

11.1 If a variation in the issued ordinary share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation, distribution or otherwise) shall take place, then:-

(a) the Exercise Price of the Shares, the nominal amount, class and/or number of Shares comprised in an Option to the extent unexercised; and/or

(b) the nominal amount, class and/or number of Shares over which Options may be granted under the ESOS,

shall be adjusted in such manner as the Committee may determine to be appropriate.

11.2 Unless the Committee considers an adjustment to be appropriate, the issue of securities as consideration for an acquisition or a private placement of securities, or the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on the Stock Exchange during the period when a share purchase mandate granted by shareholders of the Company (including any renewal of such mandate) is in force, shall not normally be regarded as a circumstance requiring adjustment.

11.3 Notwithstanding the provisions of Rule 11.1:-

(a) no such adjustment shall be made if as a result:-

(i) the Exercise Price shall fall below the nominal amount of a Share and if such adjustment would, but for this paragraph (a), result in the Exercise Price being less than the nominal amount of a Share, the Exercise Price payable shall be the nominal amount of a Share; or

(ii) the Participant receives a benefit that a shareholder of the Company does not receive; and

(b) any adjustment (except in relation to a capitalisation issue) must be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.

11.4 Upon any adjustment required to be made pursuant to this Rule 11, the Company shall notify the Participant (or his duly appointed personal representatives where applicable) in writing and deliver to him (or his duly appointed personal representatives where applicable) a statement setting forth the Exercise Price thereafter in effect and the nominal value, class and/or number of Shares thereafter to be issued on the exercise of the Option. Any adjustment shall take effect upon such written notification being given.

12. ADMINISTRATION OF THE ESOS

12.1 The ESOS shall be administered by the Committee in its absolute discretion with such powers and duties as are conferred on it by the Board of Directors of the Company, provided that no member of the Committee shall participate in any deliberation or decision in respect of Options to be granted to him or held by him.

12.2 The Committee shall have the power, from time to time, to make and vary such regulations (not being inconsistent with the ESOS) for the implementation and administration of the ESOS as they think fit. Any matter pertaining or pursuant to the ESOS and any dispute and uncertainty as to the interpretation of the ESOS, any rule, regulation or procedure thereunder or any rights under the ESOS shall be determined by the Committee.

12.3 Neither the ESOS nor the grant of Options under the ESOS shall impose on the Company or the Committee any liability whatsoever in connection with:-

(a) the lapsing or early expiry of any Options pursuant to any provision of the ESOS;

(b) the failure or refusal by the Committee to exercise, or the exercise by the Committee of, any discretion under the ESOS; and/or

(c) any decision or determination of the Committee made pursuant to any provision of the ESOS.

12.4 Any decision or determination of the Committee made pursuant to any provision of the ESOS (other than a matter to be certified by the Auditors) shall be final, binding and conclusive.

13. NOTICES

13.1 Any notice required to be given by a Participant to the Company shall be sent or made to the registered office of the Company or such other addresses (including electronic mail addresses) or facsimile number, and marked for the attention of the Committee, as may be notified by the Company to him in writing.

13.2 Any notices or documents required to be given to a Participant or any correspondence to be made between the Company and the Participant shall be given or made by the Committee (or such person(s) as it may from time to time direct) on behalf of the Company and shall be delivered to him by hand or sent to him at his home address, electronic mail address or facsimile number according to the records of the Company or the last known address, electronic mail address or facsimile number of the Participant.

13.3 Any notice or other communication from a Participant to the Company shall be irrevocable, and shall not be effective until received by the Company. Any other notice or communication from the Company to a Participant shall be deemed to be received by that Participant, when left at the address specified in Rule 13.2 or, if sent by post, on the day following the date of posting or, if sent by electronic mail or facsimile transmission, on the day of despatch.

14. MODIFICATIONS TO THE ESOS

14.1 Any or all the provisions of the ESOS may be modified and/or altered at any time and from time to time by resolution of the Committee, except that:-

(a) no modification or alteration shall alter adversely the rights attaching to any Option granted prior to such modification or alteration except with the consent in writing of such number of Participants who, if they exercised their Options in full, would thereby become entitled to not less than three-quarters in nominal amount of all the Shares which would fall to be allotted upon exercise in full of all outstanding Options;

(b) any modification or alteration which would be to the advantage of Participants under the ESOS shall be subject to the prior approval of the Company's shareholders in general meeting; and

(c) any modification or alteration shall be subject to the prior approval of the Stock Exchange to the quotation and listing of Shares arising from the exercise of any options that may be granted pursuant to the ESOS (as modified or altered).

14.2 Notwithstanding anything to the contrary contained in Rule 14.1, the Committee may at any time by resolution (and without other formality, save for the prior approval of the Stock Exchange) amend or alter the ESOS in any way to the extent necessary to cause the ESOS to comply with any statutory provision or the provision or the regulations of any regulatory or other relevant authority or body (including the Stock Exchange).

14.3 Written notice of any modification or alteration made in accordance with this Rule 14 shall be given to all Participants.

15. TERMS OF EMPLOYMENT UNAFFECTED

The terms of employment of a Participant shall not be affected by his participation in the ESOS, which shall neither form part of such terms nor entitle him to take into account such participation in calculating any compensation or damages on the termination of his employment for any reason.

16. DURATION OF THE ESOS

16.1 The ESOS shall continue to be in force at the discretion of the Committee, subject to a maximum period of ten (10) years commencing on the Adoption Date, provided always that the ESOS may continue beyond the above stipulated period with the approval of the Company's shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

16.2 The ESOS may be terminated at any time by the Committee or, at the discretion of the Committee, by resolution of the Company in general meeting, subject to all relevant approvals which may be required and if the ESOS is so terminated, no further Options shall be offered by the Company hereunder.

16.3 The termination of the ESOS shall not affect Options which have been granted and accepted as provided in Rule 5.4, whether such Options have been exercised (whether fully or partially) or not.

17. TAXES

All taxes (including income tax) arising from the exercise of any Option granted to any Participant under the ESOS shall be borne by that Participant.

18. COSTS AND EXPENSES OF THE ESOS

18.1 Each Participant shall be responsible for all fees of CDP relating to or in connection with the issue and allotment of any Shares pursuant to the exercise of any Option in CDP's name, the deposit of share certificate(s) with CDP, the Participant's securities account with CDP, or the Participant's securities sub-account with a Depository Agent or CPF investment account with a CPF agent bank.

18.2 Save for the taxes referred to in Rule 17 and such other costs and expenses expressly provided in the ESOS to be payable by the Participants, all fees, costs and expenses incurred by the Company in relation to the ESOS including but not limited to the fees, costs and expenses relating to the allotment and issue of Shares pursuant to the exercise of any Option shall be borne by the Company.

19. DISCLAIMER OF LIABILITY

Notwithstanding any provisions herein contained, the Committee and the Company shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in any event, including but not limited to the Company's delay in issuing the Shares or applying for or procuring the listing of the Shares on the Stock Exchange in accordance with Rule 9.2.

20. DISCLOSURE IN ANNUAL REPORT

The following disclosures (as applicable) will be made by the Company in its annual report for so long as the ESOS continues in operation:-

(a) the names of the members of the Committee administering the ESOS;

(b) the information in respect of Options granted to the following Participants in the table set out below:-

(i) Directors of the Company;

(ii) Participants who are Controlling Shareholders and their associates of the Company; and

(iii) Participants, other than those in (i) and (ii) above, who receive five per cent. or more of the total number of Shares available under the ESOS.

Name of Participant	Number of Shares comprised in Options granted during financial year under review (including terms)	Aggregate number of Shares comprised in Options granted since commencement of ESOS to end of financial year under review	Aggregate number of Shares comprised in Options exercised since commencement of ESOS to end of financial year under review	Aggregate number of Shares comprised in Options outstanding as at end of financial year under review

(c) the number of Incentive Options granted during the financial year under review in the following bands:-

Discount to the Market Price %	Aggregate number of Incentive Options granted during the financial year under review	Proportion of Incentive Options to Market Price Options granted during the financial year under review
0 – 10		
11 – 20		

21. ABSTENTION FROM VOTING

Participants who are shareholders are to abstain from voting on any Shareholders' resolution relating to the ESOS.

22. DISPUTES

Any disputes or differences of any nature arising hereunder shall be referred to the Committee and its decision shall be final and binding in all respects.

23. GOVERNING LAW

The ESOS shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. The Participants, by accepting Options in accordance with the ESOS, and the Company submit to the exclusive jurisdiction of the courts of the Republic of Singapore.

Schedule A

HI-P EMPLOYEE SHARE OPTION SCHEME

LETTER OF OFFER

Serial No: ______________

Date: ________________

To: **[Name]**
[Designation]
[Address]

Private and Confidential

Dear Sir/Madam,

1. We have the pleasure of informing you that, pursuant to the Hi-P Employee Share Option Scheme (the "ESOS"), you have been nominated to participate in the ESOS by the Committee appointed by the Board of Directors of Hi-P International Limited (the "Company") to administer the ESOS. Terms as defined in the ESOS shall have the same meaning when used in this letter.

2. Accordingly, in consideration of the payment of a sum of S$1.00, an offer is hereby made to grant you an option (the "Option"), to subscribe for and be allotted ______________ Shares at the price of S$______________ for each Share.

3. The Option is personal to you and shall not be transferred, charged, pledged, assigned or otherwise disposed of by you, in whole or in part, except with the prior approval of the Committee.

4. The Option shall be subject to the terms of the ESOS, a copy of which is available for inspection at the business address of the Company.

5. If you wish to accept the offer of the Option on the terms of this letter, please sign and return the enclosed Acceptance Form with a sum of S$1.00 not later than 5.00 p.m. on ______________, failing which this offer will lapse.

Yours faithfully,
For and on behalf of
Hi-P International Limited

____

Name:
Designation:

Schedule B

HI-P EMPLOYEE SHARE OPTION SCHEME

ACCEPTANCE FORM

Serial No: ________________

Date: ____________________

To: The Committee
Hi-P Employee Share Option Scheme
Hi-P International Limited
11 International Business Park
Jurong East
Singapore 609926

Closing Date for Acceptance of Offer	: ____________________
Number of Shares Offered	: ____________________
Exercise Price for each Share	:S$____________________
Total Amount Payable	: S$____________________

I have read your Letter of Offer dated ____________________ and agree to be bound by the terms of the Letter of Offer and the ESOS referred to therein. Terms defined in your Letter of Offer shall have the same meanings when used in this Acceptance Form.

I hereby accept the Option to subscribe for ____________________ Shares at S$ ____________________for each Share. I enclose cash for S$1.00 in payment for the purchase of the Option/I authorise my employer to deduct the sum of S$1.00 from my salary in payment for the purchase of the Option.

I understand that I am not obliged to exercise the Option.

I confirm that my acceptance of the Option will not result in the contravention of any applicable law or regulation in relation to the ownership of shares in the Company or options to subscribe for such shares.

I agree to keep all information pertaining to the grant of the Option to me confidential.

I further acknowledge that you have not made any representation to induce me to accept the offer and that the terms of the Letter of Offer and this Acceptance Form constitute the entire agreement between us relating to the offer.

Please print in block letters

Name in full	: ____________________
Designation	: ____________________
Address	: ____________________
Nationality	: ____________________
*NRIC/Passport No.	: ____________________
Signature	: ____________________
Date	: ____________________

***Note*:-**

*** *Delete accordingly***

Schedule C

HI-P EMPLOYEE SHARE OPTION SCHEME

FORM OF EXERCISE OF OPTION

Total number of ordinary shares of S$0.05 each (the "Shares") offered at S$ ________ for each Share (the "Exercise Price") under the ESOS on ____________ (Date of Grant)	:	________________________
Number of Shares previously allotted thereunder	:	________________________
Outstanding balance of Shares to be allotted thereunder	:	________________________
Number of Shares now to be subscribed	:	________________________

To: The Committee,
Hi-P Employee Share Option Scheme,
Hi-P International Limited
11 International Business Park
Jurong East
Singapore 609926

1. Pursuant to your Letter of Offer dated ____________ and my acceptance thereof, I hereby exercise the Option to subscribe for ____________ Shares in Hi-P International Limited (the "Company") at S$____________ for each Share.

2. I enclose a *cheque/cashier's order/banker's draft/postal order no.____________ for US$____________ by way of subscription for the total number of the said Shares.

3. I agree to subscribe for the said Shares subject to the terms of the Letter of Offer, the Hi-P Employee Share Option Scheme and the Memorandum and Articles of Association of the Company.

4. I declare that I am subscribing for the said Shares for myself and not as a nominee for any other person.

5. I request the Company to allot and issue the Shares in the name of The Central Depository (Pte) Limited ("CDP") for credit of my *Securities Account with CDP/Sub-Account with the Depository Agent/CPF investment account with my Agent Bank or in the name of my nominee as specified below and I hereby agree to bear such fees or other charges as may be imposed

Please print in block letters

Name in full	:	____________________
Designation	:	____________________
Address	:	____________________
Nationality	:	____________________
*NRIC/Passport No.	:	____________________
*Direct Securities Account No.	:	____________________
Name of Depository Agent	:	____________________
OR		
*CPF Investment Account No.	:	____________________
Name of Agent Bank	:	____________________
Signature	:	____________________
Date	:	____________________

***Note*:-**

* ***Delete accordingly***

Schedule D

HI-P EMPLOYEE SHARE OPTION SCHEME

FORM OF EXERCISE OF OPTION

Total number of ordinary shares of S$0.05 each (the "Shares") offered at S$ ________ for each Share (the "Exercise Price") under the ESOS on __________ (Date of Grant)	:	________________________
Number of Shares previously allotted thereunder	:	________________________
Outstanding balance of Shares to be allotted thereunder	:	________________________
Number of Shares now to be subscribed	:	________________________

To: The Committee,
Hi-P Employee Share Option Scheme,
Hi-P International Limited
11 International Business Park
Jurong East
Singapore 609926

1. Pursuant to your Letter of Offer dated __________ and my acceptance thereof, I hereby exercise the Option to subscribe for __________ Shares in Hi-P International Limited (the "Company") at S$__________ for each Share.

2. I agree to subscribe for the said Shares subject to the terms of the Letter of Offer, the Hi-P Employee Share Option Scheme and the Memorandum and Articles of Association of the Company.

3. I declare that I am subscribing for the said Shares for myself and not as a nominee for any other person.

4. I request the Company to allot and issue the Shares in the name of The Central Depository (Pte) Limited ("CDP") for credit of my *Securities Account with CDP/Sub-Account with the Depository Agent/CPF investment account with my Agent Bank or in the name of my nominee as specified below and I hereby agree to bear such fees or other charges as may be imposed by CDP in respect thereof.

5. I request the Committee to dispose of or instruct on the disposal of the Shares, the selling price of which shall be determined at the sole discretion of the Committee or its representative, on my behalf on the date of this notice and hereby authorise the Committee to receive all sale proceeds (the "Sale Proceeds") from the disposal of the Shares on my behalf and to set-off the Sale Proceeds against the total subscription cost for the total number of the said Shares and all costs or other charges as may be incurred by such disposal (including but not limited to any charges which may be imposed by the Singapore Exchange Securities Trading Limited) (the "Aggregate Costs"). In the event that the Sale Proceeds is less than the Aggregate Costs, I shall pay the Company the difference between the Sale Proceeds and the Aggregate Costs within five Market Days from the date of the disposal.

Please print in block letters

Name in full : ______________________________

Designation : ______________________________

Address : ______________________________

Nationality : ______________________________

*NRIC/Passport No. : ______________________________

*Direct Securities
Account No. : ______________________________

OR

*Sub-Account No. : ______________________________

Name of Depository Agent : ______________________________

OR

*CPF Investment
Account No. : ______________________________

Name of Agent Bank : ______________________________

Signature : ______________________________

Date : ______________________________

***Note*:-**

* ***Delete accordingly***

SUMMARY OF THE CONSTITUTION OF THE COMPANY

The discussion below provides information about certain provisions of our Memorandum and Articles of Association and the laws of Singapore. This description is only a summary and is qualified by reference to Singapore law and our Memorandum and Articles of Association.

The instruments that constitute and define the Company are the Memorandum and Articles of Association of the Company.

1. Memorandum of Association and Registration Number

The registration number with which the Company was incorporated is 198004817H. Our Memorandum of Association states that the liability of shareholders of our Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that our Company is an exempted company as defined in the Companies Act. Our Memorandum of Association also sets out the objects for which our Company was formed, including acting as a holding and investment company, and the powers of our Company.

2. Directors

(a) Ability of interested directors to vote

A Director shall not vote in respect of any contract, proposed contract or arrangement or any other proposal in which he has any personal material interest and shall not be counted in the quorum present at the meeting.

(b) Remuneration

Fees payable to non-executive Directors shall be a fixed sum (not being a commission on or a percentage of profits or turnover of the Company) as shall from time to time be determined by the Company in general meeting. Fees payable to Directors shall not be increased except at a general meeting convened by a notice specifying the intention to propose such increase.

Any Director who holds any executive position, or who serves on any committee of the Directors, or who performs services outside the ordinary duties of a Director, may be paid extra remuneration by way of salary, commission or otherwise, as the Directors may determine.

The remuneration of a Managing Director shall be fixed by the Directors and may be by way of salary or commission or participation in profits or by any or all of these modes, but shall not be by a commission on or a percentage of turnover.

The Directors shall have power to pay pensions or other retirement, superannuation, death or disability benefits to (or to any person in respect of) any Director for the time being holding any executive office and for the purpose of providing any such pensions or other benefits to contribute to any scheme or fund or to pay premiums.

(c) Borrowing

Our Directors may exercise all the powers of our Company to raise or borrow money, to mortgage or charge its undertaking, property and uncalled capital and to secure any debt, liability or obligation of our Company.

(d) Retirement Age Limit

There is no retirement age limit for Directors under our Articles of Association. Section 153(1) of the Companies Act however, provides that no person of or over the age of 70 years shall be appointed a director of a public company, unless he is appointed or re-appointed as a director of the Company or authorised to continue in office as a director of the Company by way of an ordinary resolution passed at an annual general meeting of the Company.

(e) Shareholding Qualification

There is no shareholding qualification for Directors in the Memorandum and Articles of Association of the Company.

3. Share rights and restrictions

Our Company currently has one class of shares, namely, ordinary shares. Only persons who are registered on our register of shareholders and in cases in which the person so registered is CDP, the persons named as the depositors in the depository register maintained by CDP for the ordinary shares, are recognised as our shareholders.

(a) Dividends and distribution

We may, by ordinary resolution of our shareholders, declare dividends at a general meeting, but we may not pay dividends in excess of the amount recommended by our Board of Directors. We must pay all dividends out of our profits; however, we may capitalise our share premium account and apply it to pay dividends, if such dividends are satisfied by the issue of shares to our shareholders. All dividends are paid pro-rata amongst our shareholders in proportion to the amount paid up on each shareholder's ordinary shares, unless the rights attaching to an issue of any ordinary share provide otherwise. Unless otherwise directed, dividends are paid by cheque or warrant sent through the post to each shareholder at his registered address. Notwithstanding the foregoing, the payment by us to CDP of any dividend payable to a shareholder whose name is entered in the depository register shall, to the extent of payment made to CDP, discharge us from any liability to that shareholder in respect of that payment.

The payment by the Directors of any unclaimed dividends or other monies payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All dividends unclaimed after being declared may be invested or otherwise made use of by the Directors for the benefit of the Company. Any dividend unclaimed after a period of six (6) years after having been declared may be forfeited and shall revert to the Company but the Directors may thereafter at their discretion annul any such forfeiture and pay the dividend so forfeited to the person entitled thereto prior to the forfeiture.

The Directors may retain any dividend or other monies payable on or in respect of a share on which our Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

(b) Voting rights

A holder of our ordinary shares is entitled to attend, speak and vote at any general meeting, in person or by proxy. Proxies need not be a shareholder. A person who holds ordinary shares through the SGX-ST book-entry settlement system will only be entitled to vote at a general meeting as a shareholder if his name appears on the depository register maintained by CDP 48 hours before the general meeting. Except as otherwise provided in our Articles, two or more shareholders must be present in person or by proxy to constitute a quorum at any general meeting. Under our Articles, on a show of hands, every shareholder present in person and by proxy shall have one vote (provided that in the case of a shareholder who is represented by two proxies, only one of the two proxies as determined by that shareholder or, failing such determination, by the Chairman of the meeting in his sole discretion shall be entitled to vote on a show of hands), and on a poll, every shareholder present in person or by proxy shall have one vote for each ordinary share which he holds or represents. A poll may be demanded in certain circumstances, including by the Chairman of the meeting or by any shareholder present in person or by proxy and representing not less than 10 per cent. of the total voting rights of all shareholders having the right to attend and vote at the meeting or by any two shareholders present in person or by proxy and entitled to vote. In the case of a tie vote, whether on a show of hands or a poll, the Chairman of the meeting shall be entitled to a casting vote.

4. **Change in capital**

Changes in the capital structure of our Company (for example, an increase, consolidation, cancellation, sub-division or conversion of our share capital) require shareholders to pass an ordinary resolution. Ordinary resolutions generally require at least 14 days' notice in writing. The notice must be given to each of our shareholders who have supplied us with an address in Singapore for the giving of notices and must set forth the place, the day and the hour of the meeting. However, we are required to obtain our shareholders' approval by way of a special resolution for any reduction of our share capital, redemption reserve, fund or any share premium account or other undistributable reserve, subject to the conditions prescribed by law.

5. **Variation of rights of existing shares or classes of shares**

Subject to the Companies Act, whenever the share capital of the Company is divided into different classes of shares, the special rights attached to any class may be varied or abrogated either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class. To every such separate general meeting, all the provisions of these presents relating to general meetings of the Company and to the proceedings thereat shall mutatis mutandis apply, except that the necessary quorum shall be two persons at least holding or representing by proxy at least one-third in nominal value of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him, Provided always that where the necessary majority for such a special resolution is not obtained at such General Meeting, consent in writing if obtained from the holders of three-quarters in nominal value of the issued shares of the class concerned within two months of such General Meeting shall be as valid and effectual as a Special Resolution carried at such General Meeting. These provisions shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied.

The relevant Article does not impose more significant conditions than the Companies Act in this regard.

6. **Limitations on shareholders regarded as non-residents of Singapore**

There are no limitations imposed by Singapore law or by our Articles of Association on the rights of our shareholders who are regarded as non-residents of Singapore to hold or vote their shares.

TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

You are invited to apply for and/or purchase the Invitation Shares at the Issue Price subject to the following terms and conditions:-

1. **YOUR APPLICATION MUST BE MADE IN LOTS OF 1,000 INVITATION SHARES AND INTEGRAL MULTIPLES THEREOF. YOUR APPLICATION FOR ANY OTHER NUMBER OF SHARES WILL BE REJECTED.**

2. Your application for Offer Shares may be made by way of Offer Shares Application Forms or by way of Electronic Applications through ATMs belonging to the Participating Banks ("ATM Electronic Applications") or through Internet Banking ("IB") websites of the relevant Participating Banks ("Internet Electronic Applications", which together with ATM Electronic Applications, shall be referred to as "Electronic Applications"). Your application for Placement Shares (other than Reserved Shares) may only be made by way of Placement Shares Application Forms. Your application for Reserved Shares may only be made by way of Reserved Shares Application Forms. **YOU MAY NOT USE CPF FUNDS TO APPLY FOR THE INVITATION SHARES**.

3. **You are allowed to submit only one application in your own name for the Offer Shares or the Placement Shares (other than Reserved Shares). If you submit an application for Offer Shares by way of an Application Form, you MAY NOT submit another application for Offer Shares by way of an Electronic Application and *vice versa*. Such separate applications shall be deemed to be multiple applications and may be rejected at the discretion of our Company and the Vendors.**

   If you submit an application for Offer Shares by way of an ATM Electronic Application, you MAY NOT submit another application for Offer Shares by way of an Internet Electronic Application and *vice versa*. Such separate applications shall be deemed to be multiple applications and may be rejected at the discretion of our Company and the Vendors.

   If you (being other than an approved nominee company), have submitted an application for Offer Shares in your own name, you should not submit any other application for Offer Shares, whether by way of an Application Form or by way of an Electronic Application, for any other person. Such separate applications shall be deemed to be multiple applications and may be rejected at the discretion of our Company and the Vendors.

   If you have made an application for Placement Shares (other than Reserved Shares), you should not make any application for Offer Shares either by way of an Application Form or by way of an Electronic Application and *vice versa*. Such separate applications shall be deemed to be multiple applications and may be rejected at the discretion of our Company and the Vendors.

   Conversely, if you have made an application for Offer Shares either by way of an Electronic Application or by way of an Application Form, you may not make any application for Placement Shares (other than Reserved Shares). Such separate applications shall be deemed to be multiple applications and may be rejected at the discretion of our Company and the Vendors.

   If you have made an application for Reserved Shares, you may submit ONE separate application for the Offer Shares in your own name by way of an Application Form or by way of an Electronic Application, or submit one separate application for Placement Shares (other than Reserved Shares) by way of an Application Form, provided that you adhere to the terms and conditions of this Prospectus. Such separate applications shall NOT be treated as multiple applications.

Joint applications shall be rejected. Multiple applications for Invitation Shares will be liable to be rejected at the discretion of our Company and the Vendors. If you submit or procure submissions of multiple share applications (whether for Offer Shares, Placement Shares or both Offer Shares and Placement Shares), you may be deemed to have committed an offence under the Penal Code, Chapter 224 of Singapore and the Securities and Futures Act (Chapter 289) of Singapore, and your applications may be referred to the relevant authorities for investigation. Multiple applications or those appearing to be or suspected of being multiple applications may be rejected at the discretion of our Company and the Vendors.

4. We will not accept applications from any person under the age of 21 years, undischarged bankrupts, sole-proprietorships, partnerships or non-corporate bodies, joint Securities Account holders of CDP and from applicants whose addresses (furnished in their Application Forms or, in the case of Electronic Applications, contained in the records of the relevant Participating Banks) bear post office box numbers.

5. We will not recognise the existence of a trust. An application by a trustee or trustees must therefore be made in his/her/their own name(s) and without qualification or, where the application is made by way of an Application Form, in the name(s) of an approved nominee company or companies after complying with paragraph 6 below.

6. **WE WILL ONLY ACCEPT APPLICATIONS FROM APPROVED NOMINEE COMPANIES.** Approved nominee companies are defined as banks, merchant banks, finance companies, insurance companies, licensed securities dealers in Singapore and nominee companies controlled by them. Applications made by nominees other than approved nominee companies shall be rejected.

7. **IF YOU ARE NOT AN APPROVED NOMINEE COMPANY, YOU MUST MAINTAIN A SECURITIES ACCOUNT WITH CDP IN YOUR OWN NAME AT THE TIME OF YOUR APPLICATION.** If you do not have an existing Securities Account with CDP in your own name at the time of application, your application will be rejected (if you apply by way of an Application Form), or you will not be able to complete your Electronic Application (if you apply by way of an Electronic Application). If you have an existing Securities Account with CDP but fail to provide your Securities Account number or provide an incorrect Securities Account number in Section B of the Application Form or in your Electronic Application, as the case may be, your application is liable to be rejected. Subject to paragraph 8 below, your application shall be rejected if your particulars such as name, NRIC/passport number, nationality and permanent residence status provided in your Application Form or in the records of the relevant Participating Bank at the time of your Electronic Application, as the case may be, differ from those particulars in your Securities Account as maintained with CDP. If you possess more than one individual Securities Account with CDP, your application shall be rejected.

8. **If your address as stated in the Application Form or, in the case of an Electronic Application, contained in the records of the relevant Participating Bank, as the case may be, is different from the address registered with CDP, you must inform CDP of your updated address promptly, failing which the notification letter on successful allotment and other correspondence from CDP will be sent to your address last registered with CDP.**

9. **Our Company and the Vendors reserve the right to reject any application which does not conform strictly to the instructions set out in the Application Form and in this Prospectus or which does not comply with the instructions for Electronic Applications or with the terms and conditions of this Prospectus or, in the case of an application made by way of an Application Form, which is illegible, incomplete, incorrectly completed or which is accompanied by an improperly drawn remittance or improper form of remittance. Our Company and the Vendors further reserve the right to treat as valid any applications not completed or submitted or effected in all respects in accordance with the instructions set out in the Application Form or the instructions for Electronic Applications or the terms and conditions of this Prospectus and also to present for payment or other processes all remittances at any time after receipt and to have full access to all information relating to, or deriving from, such remittances or the processing thereof.**

10. Our Company and the Vendors reserve the right to reject or to accept, in whole or in part, or to scale down or to ballot any application, without assigning any reason therefor, and no enquiry and/or correspondence on the decision of our Company and the Vendors will be entertained. This right applies to applications made by way of Application Forms and by way of Electronic Applications. In deciding the basis of allotment and/or allocation which shall be at our discretion, due consideration will be given to the desirability of allotting and/or allocating the Invitation Shares to a reasonable number of applicants with a view to establishing an adequate market for the Shares.

11. Share certificates will be registered in the name of CDP and will be forwarded only to CDP. It is expected that CDP will send to you, at your own risk, within 15 Market Days after the close of the Application List, a statement of account stating that your Securities Account has been credited with the number of Invitation Shares allotted and/or allocated to you. This will be the only acknowledgement of application monies received and is not an acknowledgement by our Company and the Vendors. You irrevocably authorise CDP to complete and sign on your behalf as transferee or renouncee any instrument of transfer and/or other documents required for the issue or transfer of the Invitation Shares allotted and/or allocated to you. This authorisation applies to applications made by way of Application Forms and by way of Electronic Applications.

12. In the event that our Company lodges a supplementary or replacement prospectus ("relevant document") pursuant to the Securities and Futures Act or any application legislation in force from time to time prior to the close of the Invitation, and the Invitation Shares have not been issued and/or sold, we shall either:-

    (a) within seven days of the lodgement of the relevant document give you a copy of the relevant document and provide you with an option to withdraw your application; or

    (b) deem your application as withdrawn and cancelled and (as well as on behalf of the Vendors) refund your application monies (without interest or any share of revenue or other benefit arising therefrom) to you within seven days from the lodgement of the relevant document.

    In the event that at the time of the lodgement of the relevant document, the Invitation Shares have already been issued and/or sold, we shall either:-

    (a) within seven days of the lodgement give you a copy of the relevant document and provide you with an option to return the Invitation Shares; or

    (b) deem the issue and/or sale as void and (as well as on behalf of the Vendors) refund your application monies (without interest or any share of revenue or other benefit arising therefrom) to you within seven days from the lodgement of the relevant document.

    Where an applicant has notified us within 14 days from the date of lodgement of the supplementary or replacement prospectus of his wish to exercise his option under the Securities and Futures Act to withdraw his application, we shall (as well as on behalf of the Vendors) pay to him all monies paid by him on account of his application for the Invitation Shares without interest or any share of revenue or other benefit arising therefrom and at his own risk, within seven days from the receipt of such notification.

    Additional terms and instructions applicable upon the lodgement of the relevant document, including instructions on how you can exercise the option to withdraw your application or return the Invitation Shares allotted and/or allocated to you, may be found in such relevant document.

13. In the event of an under-subscription for Offer Shares as at the close of the Application List, that number of Offer Shares under-subscribed shall be made available to satisfy applications for Placement Shares to the extent that there is an over-subscription for the number of Placement Shares as at the close of the Application List.

Any of the Reserved Shares not taken up will be made available first to satisfy applications for the Placement Shares to the extent that there is an over-subscription for the Placement Shares and then to satisfy applications for Offer Shares to the extent that there is an over-subscription for Offer Shares as at the close of the Application List.

In the event of an under-subscription for Placement Shares (other than Reserved Shares) as at the close of the Application List, that number of Placement Shares (other than Reserved Shares) under-subscribed shall be made available to satisfy applications for Offer Shares to the extent that there is an over-subscription for Offer Shares as at the close of the Application List.

In the event of an over-subscription for Offer Shares as at the close of the Application List and Placement Shares are fully subscribed or over-subscribed as at the close of the Application List, the successful applications for Offer Shares will be determined by ballot or otherwise as determined by our Company and the Vendors and approved by the SGX-ST, if required.

In all the above instances, the basis of allotment and/or allocation of the Invitation Shares as may be decided by our Company and the Vendors in ensuring a reasonable spread of shareholders of our Company, shall be made public, as soon as practicable, via an announcement through the SGX-ST and by advertisement in a generally circulating daily press.

14. You irrevocably authorise CDP to disclose the outcome of your application, including the number of Invitation Shares allotted and/or allocated to you pursuant to your application, to authorised operators.

15. Any reference to the "you" or the "applicant" in this section shall include an individual, a corporation, an approved nominee and trustee applying for the Offer Shares by way of an Application Form or by way of an Electronic Application and a person applying for the Placement Shares through the Placement Agent or sub-placement agents.

16. By completing and delivering an Application Form or by making and completing an Electronic Application by (in the case of an ATM Electronic Application) pressing the "Enter" or "OK" or "Confirm" or "Yes" or any other relevant key on the ATM (as the case may be) or by (in the case of an Internet Electronic Application) clicking "Submit" or "Continue" or "Yes" or "Confirm" or any other relevant button on the IB website screen (as the case may be) in accordance with the provisions of this Prospectus, you:-

    (a) irrevocably offer, agree and undertake to subscribe for the number of Invitation Shares specified in your application (or such smaller number for which the application is accepted) at the Issue Price and agree that you will accept such Invitation Shares as may be allotted and/or allocated to you, in each case on the terms of, and subject to the conditions set out in this Prospectus and the Memorandum and Articles of Association of our Company;

    (b) agree that, in the event of any inconsistency between the terms and conditions for application set out in this Prospectus and those set out in the IB websites or ATMs of the Participating Banks, the terms and conditions set out in this Prospectus shall prevail;

    (c) agree that the aggregate Issue Price for the Invitation Shares applied for is due and payable to the Company and/or the Vendors forthwith;

    (d) warrant the truth and accuracy of the information contained, and representations and declarations made, in your application, and acknowledge and agree that such information, representations and declarations will be relied on by our Company in determining whether to accept your application and/or whether to allocate any Invitation Shares to you; and

    (e) agree and warrant that, if the laws of any jurisdictions outside Singapore are applicable to your application, you have complied with all such laws and none of our Company, UOB Asia, the Primary Sub-Underwriter and/or the Primary Sub-Placement Agent will infringe any such laws as a result of the acceptance of your application.

17. Our acceptance of applications will be conditional upon, *inter alia*, our Company and the Vendors being satisfied that:-

    (a) permission has been granted by the SGX-ST to deal in and for quotation for all our existing Shares and the Invitation Shares on the Official List of SGX-ST;

    (b) the Management and Underwriting Agreement and the Placement Agreement referred to on pages 160 to 163 of this Prospectus have become unconditional and have not been terminated; and

    (c) the Authority has not served a stop order which directs that no or no further Shares to which this Prospectus relates be allotted and/or allocated.

18. In the event that a stop order in respect of the Invitation Shares is served by the Authority or other competent authority; and

    (a) the Invitation Shares have not been issued and/or sold, we will (as required by law) deem all applications withdrawn and cancelled and our Company (as well as on behalf of the Vendors) shall refund the application monies (without interest or any share of revenue or other benefit arising therefrom) to you within 14 days of the date of the stop order; or

    (b) If the Invitation Shares have already been issued and/or sold but trading has not commenced, the issue and/or sale will (as required by law) be deemed void and

        (i) in the case where the Invitation Shares have been issued, we shall refund the application monies (without interest or any share of revenue or other benefit arising therefrom) to you within 14 days of the date of the stop order; or

        (ii) in the case where the Invitation Shares have been sold,

            (aa) our Company shall, (as well as on behalf of the Vendors), inform you to return such documents to our Company within 14 days from the date of the stop order; and

            (bb) we will, (as well as on behalf of the Vendors), refund the application monies (without interest or any share of revenue or other benefit arising therefrom) to you within 7 days from the date of receipt of those documents (if applicable) or the date of the stop order, whichever is later.

    This shall not apply where only an interim stop order has been served.

    In the event that an interim stop order in respect of the Invitation Shares is served by the Authority or other competent authority, no Invitation Shares shall be issued and/or sold to you until the Authority revokes the interim stop order.

19. The Authority is not able to serve a stop order in respect of the Invitation Shares if the Invitation Shares have been issued and listed on a securities exchange and trading in them has commenced.

20. We will not hold any application in reserve.

21. We will not allot and/or allocate shares on the basis of this Prospectus later than six months after the date of registration of this Prospectus.

22. Additional terms and conditions for applications by way of Application Forms are set out on pages J-6 to J-9 of this Prospectus.

23. Additional terms and conditions for applications by way of Electronic Applications are set out on pages J-9 to J-16 of this Prospectus.

ADDITIONAL TERMS AND CONDITIONS FOR APPLICATIONS USING APPLICATION FORMS

Applications by way of an Application Form shall be made on, and subject to, the terms and conditions of this Prospectus including but not limited to the terms and conditions appearing below as well as those set out under the section on "TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE" beginning on pages J-1 to J-5 of this Prospectus, as well as the Memorandum and Articles of Association of our Company.

1. Your application must be made using the **WHITE** Application Forms for Offer Shares and **WHITE** official envelopes "A" and "B", the **BLUE** Application Forms for Placement Shares (other than Reserved Shares) or **PINK** Application Forms for Reserved Shares accompanying and forming part of this Prospectus. We draw your attention to the detailed instructions contained in the respective Application Forms and this Prospectus for the completion of the Application Forms which must be carefully followed. **Our Company and the Vendors reserve the right to reject applications which do not conform strictly to the instructions set out in the Application Forms and this Prospectus or to the terms and conditions of this Prospectus or which are illegible, incomplete, incorrectly completed or which are accompanied by improperly drawn remittances or improper form of remittances.**

2. Your Application Forms must be completed in English. Please type or write clearly in ink using **BLOCK LETTERS.**

3. All spaces in the Application Forms except those under the heading "FOR OFFICIAL USE ONLY" must be completed and the words "NOT APPLICABLE" or "N.A." should be written in any space that is not applicable.

4. Individuals, corporations, approved nominee companies and trustees must give their names in full. If you are an individual, you must make your application using your full name as it appears in your identity cards (if you have such an identification document) or in your passports and, in the case of a corporation, in your full name as registered with a competent authority. If you are not an individual, you must complete the Application Form under the hand of an official who must state the name and capacity in which he signs the Application Form. If you are a corporation completing the Application Form, you are required to affix your Common Seal (if any) in accordance with your Memorandum and Articles of Association or equivalent constitutive documents of the corporation. If you are a corporate applicant and your application is successful, a copy of your Memorandum and Articles of Association or equivalent constitutive documents must be lodged with our Company's Share Registrar and Share Transfer Office. Our Company and the Vendors reserve the right to require you to produce documentary proof of identification for verification purposes.

5. (a) You must complete Sections A and B and sign on page 1 of the Application Form.

   (b) You are required to delete either paragraph 7(a) or 7(b) on page 1 of the Application Form. Where paragraph 7(a) is deleted, you must also complete Section C of the Application Forms with particulars of the beneficial owner(s).

   (c) If you fail to make the required declaration in paragraph 7(a) or 7(b), as the case may be, on page 1 of the Application Form, your application is liable to be rejected.

6. You (whether you are an individual or corporate applicant, whether incorporated or unincorporated and wherever incorporated or constituted), will be required to declare whether you are a citizen or permanent resident of Singapore or a corporation in which citizens or permanent residents of Singapore or any body corporate constituted under any statute of Singapore having an interest in the aggregate of more than 50 per cent. of the issued share capital of or interests in such corporations. If you are an approved nominee company, you are required to declare whether the beneficial owner of the Invitation Shares is a citizen or permanent resident of Singapore or a corporation, whether incorporated or unincorporated and wherever incorporated or constituted, in which citizens or permanent residents of Singapore or any body corporate whether incorporated or unincorporated and wherever incorporated or constituted under any statute of Singapore have an interest in the aggregate of more than 50 per cent. of the issued share capital of or interests in such corporation.

7. Your application must be accompanied by a remittance in Singapore currency for the full amount payable, in respect of the number of Invitation Shares applied for, in the form of a BANKER'S DRAFT or CASHIER'S ORDER drawn on a bank in Singapore, made out in favour of "**HI-P SHARE ISSUE ACCOUNT**" crossed "**A/C PAYEE ONLY**"", and with your name and address written clearly on the reverse side. Applications not accompanied by any payment or accompanied by ANY OTHER FORM OF PAYMENT WILL NOT BE ACCEPTED. We will reject remittances bearing "NOT TRANSFERABLE" or "NON TRANSFERABLE" crossings. No acknowledgement or receipt will be issued by our Company or the Vendors or the Manager for applications and application monies received.

8. Monies paid in respect of unsuccessful applications are expected to be returned (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post within 24 hours of balloting of applications at your own risk. Where your application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 days after the close of the Application List. In the event that the Invitation is cancelled by us following the termination of the Management and Underwriting Agreement and/or the Placement Agreement, the application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post or telegraphic transfer at your own risk within five Market Days of the termination of the Invitation. In the event that the Invitation is cancelled by us following the issuance of a stop order by the Authority, the application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post or telegraphic transfer at your own risk within 14 days from the date of the stop order.

9. Capitalised terms used in the Application Forms and defined in this Prospectus shall bear the meanings assigned to them in this Prospectus.

10. By completing and delivering the Application Form, you agree that:-

    (a) in consideration of our Company and the Vendors having distributed the Application Form to you and agreeing to close the Application List at 12.00 noon on 15 December 2003 or such other time or date as our Company and the Vendors may, in consultation with the Manager, decide and by completing and delivering the Application Form:-

        (i) your application is irrevocable; and

        (ii) your remittance will be honoured on first presentation and that any monies returnable may be held pending clearance of your payment without interest or any share of revenue or other benefit arising therefrom;

    (b) all applications, acceptances and contracts resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and that you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;

    (c) in respect of the Invitation Shares for which your application has been received and not rejected, acceptance of your application shall be constituted by written notification and not otherwise, notwithstanding any remittance being presented for payment by or on behalf of our Company and the Vendors;

    (d) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application;

    (e) in making your application, reliance is placed solely on the information contained in this Prospectus and that none of our Company, the Vendors, the Manager, the Underwriter and Placement Agent, the Primary Sub-Underwriters, the Primary Sub-Placement Agents or any other person involved in the Invitation shall have any liability for any information not so contained;

(f) you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, CDP Securities Account number, the share application amount to our Share Registrar, CDP, SCCS, SGX-ST, our Company, the Vendors, UOB Asia or other authorised operators; and

(g) you irrevocably agree to subscribe for the number of Invitation Shares applied for as stated in the Application Form or any smaller number of such Invitation Shares that may be allotted and/or allocated to you in respect of your application. In the event that we decide to allot and/or allocate a smaller number of Invitation Shares or not to allot and/or allocate any Invitation Shares to you, you agree to accept such decision as final.

Applications for Offer Shares

1. Your application for Offer Shares **MUST** be made using the **WHITE** Offer Shares Application Forms and **WHITE** official envelopes "A" and "B". **ONLY ONE APPLICATION** should be enclosed in each envelope.

2. You must:-

   (a) enclose the **WHITE** Offer Shares Application Form, duly completed and signed, together with the correct remittance in accordance with the terms and conditions of this Prospectus in the **WHITE** envelope "A" provided;

   (b) in the appropriate spaces on **WHITE** envelope "A":-

      (i) write your name and address;

      (ii) state the number of Offer Shares applied for; and

      (iii) affix adequate Singapore postage;

   (c) seal **WHITE** envelope "A";

   (d) write, in the appropriate box provided on the larger **WHITE** envelope "B" addressed to **UOB ASIA LIMITED, 1 RAFFLES PLACE #13-01, OUB CENTRE, SINGAPORE 048616**, the number of Offer Shares you have applied for; and

   (e) insert **WHITE** envelope "A" into **WHITE** envelope "B", seal **WHITE** envelope "B" and thereafter **DESPATCH BY ORDINARY POST OR DELIVER BY HAND at your own risk to UOB ASIA LIMITED, 1 RAFFLES PLACE #13-01, OUB CENTRE, SINGAPORE 048616**, to arrive by **12.00 noon on 15 December 2003 or such other time as our Company and the Vendors may, in consultation with UOB Asia, decide. Local Urgent Mail or Registered Post must NOT be used**. No acknowledgement of receipt will be issued for any application or remittance received.

3. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or improper form of remittances which are not honoured upon their first presentation are liable to be rejected.

Applications for Placement Shares (other than Reserved Shares)

1. Your application for Placement Shares (other than Reserved Shares) **MUST** be made using the **BLUE** Placement Shares Application Forms. **ONLY ONE APPLICATION** should be enclosed in each envelope.

2. The completed and signed **BLUE** Placement Shares Application Form and the correct remittance (in accordance with the terms and conditions of this Prospectus) with your name and address written clearly on the reverse side, must be enclosed and sealed in an envelope to be provided by you. The sealed envelope must be **DESPATCHED BY ORDINARY POST OR DELIVERED BY HAND at your own risk to UOB ASIA LIMITED, 1 RAFFLES PLACE #13-01, OUB CENTRE, SINGAPORE 048616**, to arrive by **12.00 noon on 15 December 2003 or such other time as our Company may, in consultation with UOB Asia, decide**. **Local Urgent Mail or Registered Post must NOT be used**. No acknowledgement of receipt will be issued for any application or remittance received.

3. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or improper form of remittances which are not honoured upon their first presentation are liable to be rejected.

Applications for Reserved Shares

1. Your application for Reserved Shares **MUST** be made using the **PINK** Reserved Shares Application Forms. **ONLY ONE APPLICATION** should be enclosed in each envelope.

2. The completed **PINK** Reserved Shares Application Form and the correct remittance (in accordance with the terms and conditions of this Prospectus) with your name and address written clearly on the reverse side, must be enclosed and sealed in an envelope to be provided by you. The sealed envelope must be **DESPATCHED BY ORDINARY POST OR DELIVERED BY HAND at your own risk to our Company's registered office at 11 International Business Park, Jurong East Singapore 609926** to arrive by **12.00 noon on 15 December 2003 or such other time as our Company may, in consultation with UOB Asia, decide**. **Local Urgent Mail or Registered Post must NOT be used**. No acknowledgement of receipt will be issued for any application or remittance received.

3. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or improper form of remittances of which are not honoured upon their first presentation are liable to be rejected.

ADDITIONAL TERMS AND CONDITIONS FOR ELECTRONIC APPLICATIONS

The procedures for Electronic Applications are set out on the ATM screens (in the case of ATM Electronic Applications) and the IB website screens (in the case of Internet Electronic Applications) of the relevant Participating Banks. Currently, UOB Group and DBS, are the only Participating Banks through which Internet Electronic Applications can be made. For illustration purposes, the procedures for Electronic Applications through ATMs and the IB website of UOB Group are set out respectively in the "Steps for Electronic Applications through ATMs of UOB Group and the "Steps for Internet Electronic Applications through the IB website of the UOB Group" (collectively, the "Steps") appearing on pages J-14 to J-16 of this Prospectus. The Steps set out the actions that you must take at an ATM or the IB website of UOB Group to complete an Electronic Application. Please read carefully the terms of this Prospectus, the Steps and the terms and conditions for Electronic Applications set out below before making an Electronic Application. Any reference to "you" in the additional terms and conditions for Electronic Applications and the Steps shall refer to you making an application for Offer Shares through an ATM or the IB website of a relevant Participating Bank.

You must have an existing bank account with and be an ATM cardholder of one of the Participating Banks before you can make an Electronic Application at the ATMs. An ATM card issued by one Participating Bank cannot be used to apply for Offer Shares at an ATM belonging to other Participating Banks. For an Internet Electronic Application, you must have an existing bank account with and an IB User Identification ("User ID") and a Personal Identification Number/Password ("PIN") given by the relevant Participating Bank. The Steps set out the actions that you must take at ATMs or the IB website of UOB Group to complete an Electronic Application. The actions that you must take at ATMs or the IB websites of other Participating Banks are set out on the ATM screens or the IB website screens of the relevant Participating Banks. Upon the completion of your ATM Electronic Application transaction, you will receive an ATM transaction slip ("Transaction Record"), confirming the details of your Electronic Application. Upon completion of your Internet Electronic Application through the IB website of UOB Group, there will be an on-screen confirmation ("Confirmation Screen") of the application which can be printed for your record. The Transaction Record or your printed record of the Confirmation Screen is for your retention and should not be submitted with any Application Form.

You must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. If you fail to use your own ATM card or if you do not key in your own Securities Account number, your application will be rejected. If you operate a joint bank account with any of the Participating Banks, you must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. Using your own Securities Account number with an ATM card which is not issued to you in your own name will render your Electronic Application liable to be rejected.

You must ensure, when making an Internet Electronic Application, that your mailing address for the account selected for the application is in Singapore and the application is being made in Singapore and you will be asked to declare accordingly. Otherwise your application is liable to be rejected.

You shall make an Electronic Application in accordance with and subject to the terms and conditions of this Prospectus including but not limited to the terms and conditions appearing below and those set out under the section on "TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE" beginning on pages J-1 to J-5 of this Prospectus as well as the Memorandum and Articles of Association of our Company.

1. In connection with your Electronic Application for Offer Shares, you are required to confirm statements to the following effect in the course of activating your Electronic Application:-

   (a) that you have received a copy of this Prospectus (in the case of an ATM Electronic Application only) and have read, understood and agreed to all the terms and conditions of application for Offer Shares and this Prospectus prior to effecting the Electronic Application and agree to be bound by the same;

   (b) that you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, share application amount, CPF Investment Account number (if applicable) and CDP Securities Account number and application details (the "Relevant Particulars") maintained with the relevant Participating Bank to the CDP, CPF, SCCS, SGX-ST, Share Registrar, our Company, the Vendors and the Manager (the "Relevant Parties"); and

   (c) that this is your only application for Offer Shares and it is made in your own name and at your own risk.

   Your application will not be successfully completed and cannot be recorded as a completed transaction in the ATM or on the IB website unless you press the "Enter" or "Confirm" or "Yes" or "OK" or any other relevant key in the ATM or click "Confirm", "OK", "Submit" or "Continue" or "Yes" or any other relevant button on the IB website screen. By doing so, you shall be treated as signifying your confirmation of each of the above three statements. In respect of statement 1(b) above, such confirmation, shall signify and shall be treated as your written permission, given in accordance with the relevant laws of Singapore including Section 47(2) of the Banking Act (Chapter 19) of Singapore to the disclosure by the relevant Participating Bank of the Relevant Particulars to the Relevant Parties.

2. **BY MAKING AN ELECTRONIC APPLICATION, YOU CONFIRM THAT YOU ARE NOT APPLYING FOR OFFER SHARES AS A NOMINEE OF ANY OTHER PERSON AND THAT ANY ELECTRONIC APPLICATION THAT YOU MAKE IS THE ONLY APPLICATION MADE BY YOU AS THE BENEFICIAL OWNER.**

   YOU SHOULD MAKE ONLY ONE ELECTRONIC APPLICATION FOR OFFER SHARES AND SHOULD NOT MAKE ANY OTHER APPLICATION FOR OFFER SHARES OR PLACEMENT SHARES (OTHER THAN RESERVED SHARES), WHETHER AT THE ATMS OR THE IB WEBSITES (IF ANY) OF ANY PARTICIPATING BANK OR ON THE APPLICATION FORMS. IF YOU HAVE MADE AN APPLICATION FOR OFFER SHARES OR PLACEMENT SHARES (OTHER THAN RESERVED SHARES) ON AN APPLICATION FORM, YOU SHALL NOT MAKE AN ELECTRONIC APPLICATION FOR OFFER SHARES AND VICE VERSA.

3. You must have sufficient funds in your bank account with your Participating Bank at the time you make your Electronic Application, failing which your Electronic Application will not be completed or accepted. **Any Electronic Application which does not conform strictly to the instructions set out in this Prospectus or on the screens of the ATM or the IB website of the relevant Participating Banks through which your Electronic Application is being made shall be rejected.**

You may make an ATM Electronic Application at the ATM of any Participating Bank or an Internet Electronic Application at the IB website of the relevant Participating Banks for Offer Shares using only cash by authorising such Participating Bank to deduct the full amount payable from your account with such Participating Bank.

4. You irrevocably agree and undertake to subscribe for and to accept the number of Offer Shares applied for as stated on the Transaction Record or the Confirmation Screen or any lesser number of Offer Shares that may be allotted and/or allocated to you in respect of your Electronic Application. In the event that our Company and the Vendors decide to allot and/or allocate any lesser number of such Offer Shares or not to allot and/or allocate any Offer Shares to you, you agree to accept such decision as final. If your Electronic Application is successful, your confirmation (by your action of pressing the "Enter" or "Confirm" or "Yes" or "OK" or any other relevant key on the ATM or clicking "Confirm" or "OK" or "Submit" or "Continue" or "Yes" or any other relevant button on the IB website screen) of the number of Offer Shares applied for shall signify and shall be treated as your acceptance of the number of Offer Shares that may be allotted and/or allocated to you and your agreement to be bound by the Memorandum and Articles of Association of our Company.

5. **We will not keep any applications in reserve.** Where your Electronic Application is unsuccessful, the full amount of the application monies will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank within 24 hours of balloting of the applications provided that the remittance in respect of such application which has been presented for payment or other processes has been honoured and the application monies have been received in the designated share issue account. **Trading on a "WHEN ISSUED" basis, if applicable, is expected to commence after such refund has been made.**

   Where your Electronic Application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your bank account with your Participating Bank within 14 days after the close of the Application List provided that the remittance in respect of such application which has been presented for payment or other processes has been honoured and the application monies have been received in the designated share issue account.

   Responsibility for timely refund of application monies from unsuccessful or partially successful Electronic Applications lies solely with the respective Participating Banks. Therefore, you are strongly advised to consult your Participating Bank as to the status of your Electronic Application and/or the refund of any monies to you from unsuccessful or partially successful Electronic Application, to determine the exact number of Offer Shares allotted and/or allocated to you, if any, before trading the Offer Shares on SGX-ST. Neither the SGX-ST, CDP, the SCCS, the Participating Banks, our Company, the Vendors nor the Manager assume any responsibility for any loss that may be incurred as a result of you having to cover any net sell positions or from buy-in procedures activated by the SGX-ST.

6. If your Electronic Application is unsuccessful, no notification will be sent by the Participating Banks.

If you make Electronic Applications through the ATMs or IB websites of the following Participating Banks, you may check the results of your Electronic Applications as follows:-

Bank	Telephone	Available at	Operating Hours	Service expected from
UOB Group	1800 222 2121	ATM (Other Transactions – "IPO Enquiry")[1] http://www.uobgroup.com[1][2]	ATM/Phone Banking – 24 hours a day Internet Banking 24 hours a day	Evening of the balloting day Evening of the balloting day
DBS	1800 339 6666 (for POSB Account holders) 1800 111 1111 (for DBS Account holders)	Internet Banking or Internet Kiosk http://www.dbs.com[2]	24 hours a day	Evening of the balloting day
OCBC	1800 363 3333	ATM	ATM / Phone Banking – 24 hours a day	Evening of the balloting day

Notes:-

(1) If you make your Electronic Applications through the ATMs or IB website of UOB Group, you may check the results of your application through UOB Personal Internet Banking, UOB Group ATMs or UOB PhoneBanking Services.

(2) If you make your Internet Electronic Application through the IB website of UOB Group or DBS, you may check the result of your application through the same channels listed in the table above in relation to ATM Electronic Applications made at ATMs of UOB Group or DBS.

7. You irrevocably agree and acknowledge that your Electronic Application is subject to risks of electrical, electronic, technical and computer-related faults and breakdowns, fires, acts of God and other events beyond the control of the Participating Banks, our Company, the Vendors and the Manager and if, in any such event, our Company, the Vendors, the Manager and/or the relevant Participating Bank do not receive your Electronic Application, or data relating to your Electronic Application or the tape or any other devices containing such data is lost, corrupted, destroyed or not otherwise accessible, whether wholly or partially for whatever reason, you shall be deemed not to have made an Electronic Application and you shall have no claim whatsoever against our Company, the Vendors, the Manager and/or the relevant Participating Bank for Offer Shares applied for or for any compensation, loss or damage.

8. Electronic Applications shall close at **12.00 noon on 15 December 2003** or such other time as our Company and the Vendors may, in consultation with the Manager, decide. Subject to the paragraph above, an Internet Electronic Application is deemed to be received only upon its completion, that is, when there is an on-screen confirmation of the application.

9. You are deemed to have irrevocably requested and authorised our Company and the Vendors to:-

   (a) register the Offer Shares allotted and/or allocated to you in the name of CDP for deposit into your Securities Account;

   (b) send the relevant Share certificate(s) to CDP;

   (c) return or refund (without interest or any share of revenue or other benefit arising therefrom) the application monies, should your Electronic Application be unsuccessful, by automatically crediting your bank account with your Participating Bank with the relevant amount within 24 hours of balloting of applications; and

(d) return or refund (without interest or any share of revenue or other benefit arising therefrom) the balance of the application monies, should your Electronic Application be accepted in part only, by automatically crediting your bank account with your Participating Bank with the relevant amount within 14 days after the close of the Application List.

10. We do not recognise the existence of a trust. Any Electronic Application by a trustee must be made in your own name and without qualification. Our Company and the Vendors will reject any application by any person acting as nominee except those made by approved nominee companies only.

11. All your particulars in the records of your Participating Bank at the time you make your Electronic Application shall be deemed to be true and correct and your relevant Participating Bank and the Relevant Parties shall be entitled to rely on the accuracy thereof. If there has been any change in your particulars after the time of the making of your Electronic Application, you shall promptly notify your relevant Participating Bank.

12. **You should ensure that your personal particulars as recorded by both CDP and the relevant Participating Bank are correct and identical, otherwise, your Electronic Application is liable to be rejected.** You should promptly inform CDP of any change in address, failing which the notification letter on successful allotment and/or allocation will be sent to your address last registered with CDP.

13. By making and completing an Electronic Application, you are deemed to have agreed that:-

(a) in consideration of our Company and the Vendors making available the Electronic Application facility, through the Participating Banks acting as the agents of our Company and the Vendors, at the ATMs and the IB websites (if any):-

(i) your Electronic Application is irrevocable; and

(ii) your Electronic Application, our acceptance and the contract resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;

(b) none of our Company, the Vendors, the Manager or the Participating Banks shall be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission or delivery of data relating to your Electronic Application to our Company or CDP due to breakdowns or failure of transmission, delivery or communication facilities or any risks referred to in paragraph 7 above or to any cause beyond their respective controls;

(c) in respect of Offer Shares for which your Electronic Application has been successfully completed and not rejected, acceptance of your Electronic Application shall be constituted by written notification by or on behalf of our Company and the Vendors and not otherwise, notwithstanding any payment received by or on behalf of our Company and the Vendors;

(d) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application; and

(e) in making your application, reliance is placed solely on the information contained in this Prospectus and that none of our Company, the Vendors, the Manager, the Underwriter and Placement Agent, the Primary Sub-Underwriters, the Primary Sub-Placement Agents or any other person involved in the Invitation shall have any liability for any information not so contained.

STEPS FOR ELECTRONIC APPLICATIONS THROUGH ATMS AND THE IB WEBSITE OF THE UOB GROUP

The instructions for Electronic Applications will appear on the ATM screens and the IB website screens of the respective Participating Banks. For illustration purposes, the steps for making an Electronic Application through the ATMs or IB website of UOB Group are shown below. Instructions for Electronic Applications appearing on the ATM screens and the IB website screens (if any) of the relevant Participating Banks (other than UOB Group) may differ from that represented below.

Owing to space constraints on UOB Group's ATM screens, the following terms will appear in abbreviated form:-

"&"	:	and
"A/C" and "A/CS"	:	ACCOUNT AND ACCOUNTS, respectively
"ADDR"	:	ADDRESS
"AMT"	:	AMOUNT
"APPLN"	:	APPLICATION
"CDP"	:	THE CENTRAL DEPOSITORY (PTE) LIMITED
"CPF"	:	CENTRAL PROVIDENT FUND BOARD
"CPFINVT A/C"	:	CPF INVESTMENT ACCOUNT
"ESA"	:	ELECTRONIC SHARE APPLICATION
"IC/PSSPT"	:	NRIC or PASSPORT NUMBER
"NO" or "NO."	:	NUMBER
"PERSONAL NO"	:	PERSONAL IDENTIFICATION NUMBER
"REGISTRARS"	:	SHARE REGISTRARS
"SCCS"	:	SECURITIES CLEARING & COMPUTER SERVICES (PTE) LTD
"YR"	:	YOUR

Steps for ATM Electronic Application through ATMs of UOB Group

Step 1 : Insert your personal Unicard, Uniplus card or UOB VISA/MASTER card and key in your personal identification number.

2 : Select "CASHCARD/OTHER TRANS".

3 : Select "SECURITIES APPLICATION".

4 : Select "ESA-FIXED".

5 : Select the share counter which you wish to apply for.

6 : Read and understand the following statements which will appear on the screen:-

– THIS OFFER OF SECURITIES (OR UNITS OF SECURITIES) WILL BE MADE IN, OR ACCOMPANIED BY, A COPY OF THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENT. ANYONE WISHING TO ACQUIRE THESE SECURITIES (OR UNITS OF SECURITIES) WILL NEED TO MAKE AN APPLICATION IN THE MANNER SET OUT IN THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENT
(Customer to press "ENTER" to continue)

– PLEASE CALL 1800-22-22-121 IF YOU WOULD LIKE TO FIND OUT WHERE YOU CAN OBTAIN A COPY OF THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENT

– WHERE APPLICABLE, A COPY OF THE PROSPECTUS/DOCUMENT HAS BEEN LODGED WITH AND REGISTERED BY THE MONETARY AUTHORITY OF SINGAPORE WHO ASSUMES NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENT
(Customer to press "ENTER" to confirm that you have read and understood the above statements.)

7 : Read and understand the following terms which will appear on the screen:-

– YOU HAVE READ, UNDERSTOOD & AGREED TO ALL THE TERMS OF THE PROSPECTUS/DOCUMENT/SUPPLEMENTARY DOCUMENT & THIS ELECTRONIC APPLICATION

– YOU CONSENT TO DISCLOSE YR NAME, IC/PSSPT, NATIONALITY, ADDR, APPLN AMT, CPFINVT A/C NO & CDP A/C NO FROM YR A/CS TO CDP, CPF, SCCS, REGISTRARS AND ISSUER/VENDOR(S)

– THIS IS YR ONLY FIXED PRICE APPLN & IS IN YR NAME AND AT YR RISK
(Customer to press "ENTER" to continue)

8 : Screen will display:-

NRIC/Passport No. XXXXXXXXXXX

IF YOUR NRIC NO/PASSPORT NO. IS INCORRECT, PLEASE CANCEL THE TRANSACTION AND NOTIFY THE BRANCH PERSONALLY.
(Customer to press "CANCEL" or "CONFIRM")

9 : Select mode of payment i.e. "CASH ONLY". You will be prompted to select Cash Account to debit (i.e., "CURRENT ACCOUNT/I- ACCOUNT", "CAMPUS" OR "SAVINGS ACCOUNT / TX ACCOUNT"). Should you have a few accounts linked to your ATM card, a list of linked account numbers will be displayed for you to select

10 : After you have selected the account, your CDP Securities Account Number will be displayed for you to confirm or change (This screen with your CDP Securities Account number will be shown if your CDP Securities Account number is already stored in the ATM system of UOB Group). If this is the first time you are using UOB Group's ATM to apply for Shares, your CDP Securities Account number will not be stored in the ATM system of UOB Group, and the following screen will be displayed for your input of your CDP Securities Account number

11: Read and understand the following terms which will appear on the screen:-

1. **PLEASE DO NOT APPLY FOR YOUR JOINT A/C HOLDER OR OTHER THIRD PARTIES**
2. **PLEASE USE YOUR OWN ATM CARD**
3. **DO NOT KEY IN THE CDP A/C NO. OF YOUR JOINT A/C HOLDER OR OTHER THIRD PARTIES**
4. **KEY IN YOUR CDP A/C NO. (12 DIGITS) 1681-XXXX-XXXX**
5. **PRESS ENTER KEY**

12 : Key in your CDP Securities Account number (12 digits) and press the "ENTER" key.

13 : Select your nationality status.

14: Key in the number of Shares you wish to apply for and press the "ENTER" key.

15 : Check the details of your Electronic Application on the screen and press "ENTER" key to confirm your Electronic Application.

16 : Select "NO" if you do not wish to make any further transactions and remove the Transaction Record. You should keep the Transaction Record for your own reference only.

Owing to space constraints on UOB Group's IB website screens, the following terms will appear in abbreviated form:-

"CDP"	:	The Central Depository (Pte) Limited
"CPF"	:	The Central Provident Fund
"NRIC" or "I/C"	:	National Registration Identity Card
"PR"	:	Permanent Resident
"SGD" or "S$"	:	Singapore Dollars
"SCCS"	:	Securities Clearing & Computer Services (Pte) Ltd
"SGX-ST"	:	Singapore Exchange Securities Trading Limited

Steps for an Internet Electronic Application through the IB website of UOB Group

Step 1 : Connect to UOB website at http://www.uobgroup.com

2 : Locate the Login icon at the top title bar of the Home Page

3. Click on Login > UOB Personal Internet Banking

4 : Enter your Username and Password and click "Submit"

5 : Select Investment Services (IPO Application should be the default transaction that appears, if not click IPO Application)

6 : Read the IMPORTANT notice and complete the declarations found on the bottom of the page by answering Yes/No to the questions

7 : Click "Continue"

8 : Select your country of residence (you must be residing in Singapore to apply, and click "Continue")

9 : Select the IPO counter from the drop list (if there are concurrent IPOs, and click "Continue")

10 : Check the share counter, select the mode of payment and account number to debit and click on "Continue"

11: Read the important instructions and click on "Continue" to confirm that:-

1. **You have read, understood and agreed to all terms and conditions of the application and Prospectus/Document or Supplementary Document;**

2. **You consent to disclose your name, I/C or passport number, address, nationality, CDP Securities Account number, CPF Investment Account number (if applicable), and application details to the share registrars, CDP, SGX-ST, SCCS, CPF, issuer/vendor(s).**

3. **This application is made in your own name and at your own risk.**

4. **For FIXED/MAX price share application, this is your only application. For TENDER price share application, this is your only application at the selected tender price.**

5. **For FOREIGN CURRENCY securities, subject to the terms of the issue, please note the following: The application monies will be debited from your bank account in S$, based on the Bank's prevailing board rates at the time of application. The different prevailing board rates at the time of application and at the time of refund of application monies may result in either a foreign exchange profit or loss, or application monies may be debited and refunds credited in S$ at the same exchange rate.**

6. **For 1ST-COME-1ST SERVE securities, the number of securities applied for may be reduced, subject to the availability at the point of application.**

12: Check your personal details, details of the share counter you wish to apply for and account to debit.

Enter (a) your CDP securities account number; and

(b) the number of shares applied for.

13: Check details of your application, your NRIC/Passport number, CDP securities account and the number of shares applied for, share counter, payment mode and account to debit.

14: Click "Confirm", "Edit" or "Cancel".

15. Print the Confirmation Screen (optional) for your own reference.