

THE APPROVAL OF THE SECURITIES COMMISSION ("SC") SHALL NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE PUBLIC ISSUE OF 16,049,000 NEW ORDINARY SHARES AND OFFER FOR SALE OF 10,948,000 ORDINARY SHARES OF RM1.00 EACH IN HUP SENG INDUSTRIES BERHAD ("HUP SENG") AT AN ISSUE/OFFER PRICE OF RM2.00 PER ORDINARY SHARE IN CONJUNCTION WITH THE LISTING OF AND QUOTATION FOR THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF HUP SENG ON THE MAIN BOARD OF THE KUALA LUMPUR STOCK EXCHANGE ("KLSE"). INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF ANY INVESTMENT.

THE ISSUE/OFFER PRICE OF RM2.00 PER ORDINARY SHARE WAS ENTIRELY DETERMINED AND AGREED UPON BY HUP SENG, THE OFFERORS AND RHB SAKURA MERCHANT BANKERS BERHAD, AS THE ADVISER AND MANAGING UNDERWRITER, BASED ON VARIOUS FACTORS. INVESTORS SHOULD FORM THEIR OWN VIEWS ON THE VALUATION OF THE SECURITIES AND THE REASONABLENESS OF THE BASES USED. THE REPORTING ACCOUNTANTS' RESPONSIBILITY WITH REGARDS TO THIS PROSPECTUS DOES NOT EXTEND BEYOND THE ACCOUNTANTS' REPORT, PROFIT FORECAST AND PROFORMA BALANCE SHEETS, AND THAT, APART FROM THE AFORESAID, THE REPORTING ACCOUNTANTS HAVE HAD NO INVOLVEMENT IN THE PREPARATION OF THIS PROSPECTUS.

THE VALUATION OF THE PROPERTIES APPROVED BY THE SC SHALL ONLY BE UTILISED FOR THE PURPOSE OF THE FLOTATION EXERCISE AND SHALL NOT BE CONSTRUED AS AN ENDORSEMENT BY THE SC ON THE VALUE OF THE SUBJECT PROPERTIES FOR ANY OTHER PURPOSES.

A COPY OF THIS PROSPECTUS HAS BEEN REGISTERED BY THE SC AND LODGED WITH THE REGISTRAR OF COMPANIES, MALAYSIA, BOTH OF WHOM DO NOT TAKE ANY RESPONSIBILITY FOR ITS CONTENTS.

THE KLSE ASSUMES NO RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENTS MADE OR OPINIONS OR REPORTS EXPRESSED IN THIS PROSPECTUS. THE ADMISSION TO THE OFFICIAL LIST OF THE MAIN BOARD OF THE KLSE IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF HUP SENG OR ITS ORDINARY SHARES.

THIS PROSPECTUS HAS BEEN SEEN AND APPROVED BY THE DIRECTORS OF HUP SENG AND THE OFFERORS AND THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION GIVEN AND CONFIRM THAT THERE ARE NO OTHER FACTS THE OMISSION OF WHICH WOULD MAKE ANY STATEMENT HEREIN MISLEADING.

DEFINITIONS (Cont'd)

Except where the context otherwise requires, the following definitions shall apply throughout this Prospectus:

Acquisitions	- The Acquisition of HSHY and Acquisition of HSPM, collectively
Acquisition of HSHY	- The acquisition by Hup Seng of 2,004,000 ordinary shares of RM1.00 each representing 100% of the issued and paid-up share capital of HSHY for RM16,087,611 satisfied by the issuance of 14,625,500 new Shares at an issue price of approximately RM1.10 per Share which was completed on 9 August 2000
Acquisition of HSPM	- The acquisition by Hup Seng of 4,950,000 ordinary shares of RM1.00 each representing 100% of the issued and paid-up share capital of HSPM for RM32,247,159 satisfied by the issuance of 29,315,500 new Shares at an issue price of approximately RM1.10 per Share which was completed on 9 August 2000
ADA	- Authorised Depository Agent
ADA Code	- ADA (Broker) Code
CDS	- Central Depository System
EPS	- Earnings per Share
FIC	- Foreign Investment Committee
Flotation Scheme / Scheme	- The scheme for the flotation of Hup Seng on the Main Board of the KLSE as described in Section 7.2 of this Prospectus
Government	- Federal Government of Malaysia
Hup Seng or Company	- Hup Seng Industries Berhad (226098-P)
Hup Seng Group or Group	- Hup Seng and its subsidiary companies
HSBG	- HSB Group Sdn Bhd (451685-P)
HSBH	- Hup Seng Brothers Holdings Sdn Bhd (223880A)
HSHY	- Hup Seng Hoon Yong Brothers Sdn Bhd (31372-V)
HSHY Conditional Sale and Purchase Agreement	- Sale and Purchase Agreement dated 7 December 1999 between Hup Seng and the vendors of HSHY for the acquisition by Hup Seng of 2,004,000 ordinary shares of RM1.00 each in HSHY representing the entire issued and paid-up share capital for RM16,087,611 satisfied by the issuance of 14,625,500 new Shares at an issue price of approximately RM1.10 per Share in favour of the vendors of HSHY and their nominee, HSBG
HSHY Consolidated Restated and Amended Sale and Purchase Agreement	- HSHY Consolidated Restated and Amended Sale and Purchase Agreement dated 30 June 2000 between Hup Seng and the vendors of HSHY which was entered into in order to amend certain terms as stipulated in the HSHY Conditional Sale and Purchase Agreement

DEFINITIONS (Cont'd)

HSPM	- Hup Seng Perusahaan Makanan (M) Sdn Bhd (19770-K)
HSPM Conditional Sale and Purchase Agreement	- Sale and Purchase Agreement dated 7 December 1999 between Hup Seng and the vendors of HSPM for the acquisition by Hup Seng of 4,950,000 ordinary shares of RM1.00 each in HSPM representing the entire issued and paid-up share capital for RM32,247,159 satisfied by the issuance of 29,315,500 new Shares at an issue price of approximately RM1.10 per Share in favour of the vendors of HSPM and their nominee, HSBG
HSPM Consolidated Restated and Amended Sale and Purchase Agreement	- HSPM Consolidated Restated and Amended Sale and Purchase Agreement dated 30 June 2000 between Hup Seng and the vendors of HSPM which was entered into in order to amend certain terms as stipulated in the HSPM Conditional Sale and Purchase Agreement
Initial Public Offering / IPO	- Public Issue and Offer for Sale, collectively
IPO Shares	- Shares which are the subject of the Public Issue and Offer for Sale
KLSE	- Kuala Lumpur Stock Exchange
LTAT	- Lembaga Tabung Angkatan Tentera
LTH	- Lembaga Tabung Haji
MCD	- Malaysian Central Depository Sdn Bhd (165570-W), a subsidiary of the KLSE
MIDFCCS	- MIDF Consultancy and Corporate Services Sendirian Berhad (11324-H)
MITI	- Ministry of International Trade and Industry
NTA	- Net tangible assets
Offer for Sale / Offer	- The offer for sale by the Offerors of 10,948,000 Shares at an offer price of RM2.00 per Share representing approximately 18.25% of the enlarged issued and paid-up share capital of Hup Seng to a Bumiputera investor approved by the MITI, subject to the terms and conditions of this Prospectus
Offer Shares	- The 10,948,000 Shares to be offered pursuant to the Offer for Sale

DEFINITIONS (Cont'd)

Offerors	-	The following shareholders of Hup Seng who are making the Offer																																																				
		<table> <thead> <tr> <th style="text-align: left;">Offerors</th> <th style="text-align: right;">No. of Shares offered</th> </tr> </thead> <tbody> <tr> <td>Kuo Choo Song</td> <td style="text-align: right;">364,775</td> </tr> <tr> <td>Tan Siew Kee</td> <td style="text-align: right;">283,283</td> </tr> <tr> <td>Kuo Chee Ching</td> <td style="text-align: right;">481,056</td> </tr> <tr> <td>Kuo Chee Hau</td> <td style="text-align: right;">139,802</td> </tr> <tr> <td>Kuo Chee Joo</td> <td style="text-align: right;">237,962</td> </tr> <tr> <td>Kuo Chee Kian</td> <td style="text-align: right;">139,802</td> </tr> <tr> <td>Kuo Chee Koon</td> <td style="text-align: right;">104,479</td> </tr> <tr> <td>Kuo Chee Yoong</td> <td style="text-align: right;">154,394</td> </tr> <tr> <td>Kuo Liong Yok</td> <td style="text-align: right;">389,555</td> </tr> <tr> <td>Ke (Kek) Kim Soon @ Kerk Choo Soon</td> <td style="text-align: right;">652,386</td> </tr> <tr> <td>Sim Guat Keow @ Sim Han Che</td> <td style="text-align: right;">307,275</td> </tr> <tr> <td>Kerk Han Meng</td> <td style="text-align: right;">502,425</td> </tr> <tr> <td>Kerk Kar Han</td> <td style="text-align: right;">508,967</td> </tr> <tr> <td>Lau Ah Chik @ Yap Swee Keow</td> <td style="text-align: right;">768,078</td> </tr> <tr> <td>Teo Lee Teck</td> <td style="text-align: right;">457,285</td> </tr> <tr> <td>Teo Lay Gak</td> <td style="text-align: right;">208,666</td> </tr> <tr> <td>Teo Lee Tong</td> <td style="text-align: right;">464,726</td> </tr> <tr> <td>Keh (Kerk) Chu Koh</td> <td style="text-align: right;">1,005,627</td> </tr> <tr> <td>Lem Leh Lee @ Lim Mok Lee</td> <td style="text-align: right;">606,341</td> </tr> <tr> <td>Kerk Gau Yang</td> <td style="text-align: right;">109,172</td> </tr> <tr> <td>Kerk Chong Yong</td> <td style="text-align: right;">109,172</td> </tr> <tr> <td>Dato' Ker (Kerk) Kim Tim @ Kerk Choo Ting</td> <td style="text-align: right;">1,359,298</td> </tr> <tr> <td>Chang Yang @ Chen Yong</td> <td style="text-align: right;">347,069</td> </tr> <tr> <td>Kerk Chiew Siong</td> <td style="text-align: right;">1,246,405</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>10,948,000</u></td> </tr> </tbody> </table>	Offerors	No. of Shares offered	Kuo Choo Song	364,775	Tan Siew Kee	283,283	Kuo Chee Ching	481,056	Kuo Chee Hau	139,802	Kuo Chee Joo	237,962	Kuo Chee Kian	139,802	Kuo Chee Koon	104,479	Kuo Chee Yoong	154,394	Kuo Liong Yok	389,555	Ke (Kek) Kim Soon @ Kerk Choo Soon	652,386	Sim Guat Keow @ Sim Han Che	307,275	Kerk Han Meng	502,425	Kerk Kar Han	508,967	Lau Ah Chik @ Yap Swee Keow	768,078	Teo Lee Teck	457,285	Teo Lay Gak	208,666	Teo Lee Tong	464,726	Keh (Kerk) Chu Koh	1,005,627	Lem Leh Lee @ Lim Mok Lee	606,341	Kerk Gau Yang	109,172	Kerk Chong Yong	109,172	Dato' Ker (Kerk) Kim Tim @ Kerk Choo Ting	1,359,298	Chang Yang @ Chen Yong	347,069	Kerk Chiew Siong	1,246,405		<u>10,948,000</u>
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PAT	-	Profit after taxation																																																				
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PE Multiple	-	Price earnings multiple																																																				
Public Issue	-	The public issue of 16,049,000 new Shares at an issue price of RM2.00 per Share representing approximately 26.75% of the enlarged issued and paid-up share capital of Hup Seng to Bumiputera investors approved by the MITI, eligible employees of the Group and to the Malaysian public, subject to the terms and conditions of this Prospectus																																																				

DEFINITIONS (Cont'd)

Public Issue Shares	-	The 16,049,000 new Shares to be issued pursuant to the Public Issue
Revaluation of Landed Properties	-	The revaluation of the Hup Seng Group's existing landed properties as at 31 December 1999 and the incorporation of the revaluation surplus of approximately RM8.16 million into the Group's accounts for the financial year ending 31 December 2000
RHB Sakura	-	RHB Sakura Merchant Bankers Berhad (19663-P)
RM and sen	-	Malaysian Ringgit and sen respectively
ROC	-	Registrar of Companies, Malaysia
SC	-	Securities Commission
SC Guidelines	-	Policies and Guidelines on Issue/Offer of Securities issued by the SC
Shares	-	Ordinary shares of RM1.00 each in Hup Seng
USA	-	United States of America
USD	-	United States Dollar

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1. SUMMARY INFORMATION

The summary information set out below is derived from, and should be read in conjunction with, the full text of this Prospectus.

1.1 HISTORY AND BUSINESS

Hup Seng was incorporated in Malaysia under the Companies Act, 1965 as a public limited company on 4 October 1991 and received its certificate of commencement of business on 23 April 1997.

Hup Seng was incorporated as the holding company of Hup Seng Group. The principal activities of its subsidiary companies, which are incorporated in Malaysia, are as follows:

Name	Date of Incorporation	Effective interest %	Issued and paid up share capital of RM1.00 each	Principal activity
HSPM	12.08.74	100	4,950,000	Manufacture and sale of biscuits
HSHY	31.01.77	100	2,004,000	Sales and distribution of biscuits, confectionery and foodstuff

The Hup Seng Group has grown to establish itself as one of the leading domestic biscuits manufacturer in the country based on an independent survey on the local branded biscuits market conducted in October 1999. (Source: *Independent Market Report by ACNielsen (M) Sdn Bhd dated October 1999*).

The Hup Seng Group has been honoured with 16 international gold medals, including the 1991 Taipei International Gourmet Appraisal Organisation and the 1994, 1995, 1996, 1997, 1998, 1999 and 2000 Monde Selection Awards from the International Institute for Quality Selections in Belgium. These awards exemplify the acceptance of Hup Seng's products in the biscuit market. HSPM was also awarded the ISO 9002 Quality Systems Award in 1995 and has since then maintained the ISO 9002 standard for quality assurance in production and this has enhanced customers' confidence in Hup Seng's products.

1.2 ISSUED AND PAID-UP SHARE CAPITAL

Authorised	RM
100,000,000 ordinary shares of RM1.00 each	100,000,000
Issued and fully paid-up	
43,951,000 ordinary shares of RM1.00 each	43,951,000
To be issued pursuant to the Public Issue	
16,049,000 new ordinary shares of RM1.00 each	16,049,000
Enlarged issued and paid-up share capital	<u>60,000,000</u>
To be offered pursuant to the Offer for Sale	
10,948,000 ordinary shares of RM1.00 each	10,948,000

1. SUMMARY INFORMATION *(Cont'd)*

1.3 PROFIT RECORD

The following has been extracted from the Accountants' Report set out in Section 12 of this Prospectus and should be read in conjunction with the notes and assumptions thereto. A summary of the proforma consolidated audited results of the Hup Seng Group for the five years ended 31 December 1999 and five months period ended 31 May 2000 prepared on the assumption that the current structure of the Group had been in existence throughout the period under review is set out below:

	<-----Year ended 31 December----->					5 months period ended
	1995	1996	1997	1998	1999	31 May 2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	87,845	105,380	126,574	151,884	175,697	74,586
PBT	7,440	12,373	14,920	15,738	17,108	7,040
Less : Taxation	1,964	3,143	3,843	4,489	402	2,087
PAT	5,476	9,230	11,077	11,249	16,706	4,953
No. of ordinary shares of RM1.00 each assumed in issue ('000)	43,951	43,951	43,951	43,951	43,951	43,951
Gross EPS (RM)	0.17	0.28	0.34	0.36	0.39	0.38*
Net EPS (RM)	0.12	0.21	0.25	0.26	0.38	0.27*
Gross dividend rate (%)	-	-	3	31	34	-

* *Annualised*

Notes:

i) *The summarised results set out above, which have been prepared based on the assumption that the Hup Seng Group had been in existence throughout the periods, are for illustrative purposes only. Inter-company transactions were eliminated.*

ii) *The effective tax rate for all the financial years, except for the financial year ended 31 December 1998 and financial period ended 31 May 2000, was lower than the statutory rate of taxation mainly due to the availability of tax incentives.*

There was no tax liability for the financial year ended 31 December 1999 because it constituted the basis period for the year of assessment 2000 (preceding year basis) wherein tax on chargeable income other than dividend income was waived. The tax charge for the year is in respect of deferred taxation on timing differences of fixed assets.

iii) *Net EPS was calculated based on the proforma PAT and the issued share capital of ordinary shares of RM1.00 each of Hup Seng after the Acquisitions.*

iv) *Gross dividend rate was calculated based on the total gross dividend of HSPM and HSHY and the issued share capital of ordinary shares of RM1.00 each of Hup Seng after the Acquisitions.*

1. SUMMARY INFORMATION (Cont'd)

(i) Commentary on Turnover

The Hup Seng Group has achieved an annual growth in turnover of between 15% - 20% per annum over the last 5 years. This was mainly due to higher selling prices and the increase in production and sales quantity arising from the increase in demand by consumers. Demand for biscuits is mainly dependent on two factors, namely increase in the population and the increase in per capita consumption. The introduction of a variety of premium biscuits for instance, Calcium Enriched Crackers by HSPM also contributed to rising sales revenue. The Group's manufacturing subsidiary, HSPM, has continually focused its efforts on improving the quality of its products and enhancing its production process while its trading subsidiary, HSHY, has expanded its distribution network and implemented a series of effective marketing plans and advertisement through television commercials in the domestic market.

(ii) Commentary on PBT

PBT increased over the last 5 years in tandem with the increased contribution from turnover. The increase in PBT for 1996 was mainly due to the upward revision on the selling prices of the Group's products to correspond with the increase in the price of flour, a major raw material. Further to this, the implementation of ISO 9002 effectively improved the efficiency of the production flow and improved quality control while reducing production wastage and costs. This contributed to the increase in the PBT margin from 8.5% in 1995 to 11.7% in 1996 and 11.8% in 1997. The reduction in PBT margin for 1998 was mainly due to the spill-over effects of the financial crisis which started during the last quarter of 1997. Major raw material prices of Refined Bleached Deodorised Palm Oil and Olein increased about 70% from an average of RM1.51 per kilogramme in 1997 to RM2.56 per kilogramme in 1998. Selling prices of the Group's products were subsequently revised in February 1998 but the increase in selling prices were comparatively lower than the increase in the cost of raw materials resulting in lower PBT margins in 1998 and 1999.

(iii) Extraordinary or Exceptional Items

There were no extraordinary or exceptional items in the years reviewed above.

1. SUMMARY INFORMATION (Cont'd)

1.4 PROFORMA CONSOLIDATED NTA

	RM'000
Proforma consolidated NTA based on the audited accounts as at 31 May 2000 <i>(after adjusting for the Scheme and deducting estimated listing expenses of RM1.8 million)</i>	88,206
Proforma consolidated NTA per Share	RM1.47*

* *Based on total number of 60,000,000 Shares in issue after the Public Issue*

The above proforma NTA was arrived at after incorporating the effects of the Revaluation of Landed Properties, the Acquisitions and the Initial Public Offering and is discussed in greater detail in the Proforma Consolidated Balance Sheets as set out in Section 10 of this Prospectus.

1.5 PROFIT FORECAST**Year ending 31 December 2000**

Consolidated PBT	(RM'000)	17,467
Consolidated PAT	(RM'000)	13,550
Gross EPS	(sen)	29.11 ⁽¹⁾
Net EPS	(sen)	22.58 ⁽¹⁾
Gross PE Multiple based on the issue/offer price of RM2.00 per Share	(times)	6.87
Net PE Multiple based on the issue/offer price of RM2.00 per Share	(times)	8.86

Note:

(1) Based on total number of 60,000,000 Shares in issue after the Public Issue

The bases and assumptions upon which the above consolidated profit forecast has been prepared are set out in Section 9.2 of this Prospectus.

1.6 DIVIDEND FORECAST**Year ending 31 December 2000**

Tax-exempt dividend per Share	(sen)	5.0
Tax-exempt dividend yield based on the issue/offer price of RM2.00 per Share	(%)	2.50
Net dividend cover	(times)	4.52 ⁽¹⁾

Note:

(1) Based on the consolidated PAT forecast for the financial year ending 31 December 2000

1. SUMMARY INFORMATION *(Cont'd)*

1.7 BASIS OF ARRIVING AT THE IPO PRICE

The IPO price of RM2.00 per Share was determined and agreed upon by Hup Seng, the Offerors and RHB Sakura as Adviser and Managing Underwriter after taking into consideration the following factors:

- a) The IPO price of RM2.00 per Share represents a premium of RM0.53 or 36.1% over the proforma consolidated NTA of Hup Seng as at 31 May 2000 of RM1.47 per Share;
- b) The forecast net PE Multiple of 8.86 times based on the consolidated forecast net EPS of Hup Seng of approximately 22.58 sen for the financial year ending 31 December 2000 and the IPO price of RM2.00 per Share;
- c) The forecast net dividend yield of 2.5%; and
- d) The qualitative and quantitative factors of the Hup Seng Group as outlined in Sections 1, 7, 8 and 9 herein.

RHB Sakura and the Directors of Hup Seng are of the opinion that the IPO price of RM2.00 per Share is fair and reasonable after careful consideration of the above mentioned factors. However, investors should also take note that the market price of the Shares upon listing on the KLSE are subject to the vagaries of market forces and other uncertainties which may affect the price of Shares being traded.

1.8 INVESTMENT CONSIDERATIONS

Applicants for the IPO Shares should carefully consider the following in addition to the other information contained elsewhere in the Prospectus before applying for the IPO Shares:

(i) Marketability of Shares

Prior to this IPO, there has been no public market for the Shares. There can be no assurance that an active market for the Shares will develop upon its listing on the Main Board of the KLSE or, if developed, that such market will be sustained. The IPO price of RM2.00 per Share has been determined after taking into consideration a number of factors, including but not limited to, the Group's financial and operating history and conditions, its prospects and the prospects for the industry in which the Group operates, the strength of the management team of the Group and the prevailing market conditions prior to the despatch of this Prospectus. There can be no assurance that the IPO price will correspond to the price at which the Shares will trade on the Main Board of the KLSE upon or subsequent to its listing or that an active market for the Shares will develop and continue upon or subsequent to its listing.

(ii) Business Risks

Similar to all companies involved in manufacturing, Hup Seng is subject to certain risks inherent in the biscuit manufacturing industry. Hup Seng is subject to potential fluctuations in the supply and cost of labour and raw materials, changes in the general economic, business and credit conditions, fluctuations in foreign exchange rates and changes in government policy.

1. SUMMARY INFORMATION *(Cont'd)*

Hup Seng seeks to limit these risks through, inter-alia, the following manner:

- emphasise its continuous research and development efforts in seeking new technology in its production process in order to increase the efficiency and quality of output; and
- retain its pool of suppliers and build up sustainable business relationships with them. In addition, Hup Seng also holds frequent meetings and discussions with its suppliers on the quality of the raw materials supplied and plans its raw material demand to meet its production schedule.

Although the Group seeks to minimise these risks, no assurance can be given that any changes in these factors will not have a material adverse effect on the Group's business.

(iii) Fluctuations in Raw Material Costs

The biscuit industry is subject to potential fluctuations in the cost and supply of raw materials. The main raw materials used to manufacture biscuits are flour, sugar, Refined Bleached Deodorised ("RBD") palm olein, RBD palm oil, biscuit tins, biscuit wrappers and cartons. Flour and sugar prices are controlled by the Ministry of Domestic Trade and Consumer Affairs and these raw materials are not expected to fluctuate significantly. On the other hand, raw material costs such as RBD palm oil, paper cartons and biscuit wrappers are subject to fluctuations.

In an effort to mitigate these price fluctuations, the Hup Seng Group strives to establish good and long term relationships with suppliers of raw materials.

However, there can be no assurance that the Company will not be adversely affected by any increase in the prices of flour, sugar, RBD palm oil and olein, and packaging materials. Notwithstanding, these risks are not unique to Hup Seng but is prevalent throughout the biscuit manufacturing industry.

(iv) Competition

The Hup Seng Group competes with a number of biscuit manufacturing companies in both domestic and foreign markets. No assurance is given that the Group will be able to maintain its existing market share in the future.

The Directors of Hup Seng believe that the Group is in a position to compete with these players based on its competitive strengths including, its long standing relationships with its suppliers, commitment to quality and the constant effort to establish a variety of products to cater for various market segments. Furthermore, in view of the Group's established business track record and experience, the Group should be well equipped to maintain its competitive edge.

However, no assurance can be given that the Company will be able to maintain its existing market share in the future.

1. SUMMARY INFORMATION (Cont'd)

(v) Controlling Shareholder

After the IPO and upon listing of Hup Seng on the Main Board of the KLSE, 55% of Hup Seng's equity will be controlled by HSBG ("Controlling Shareholder"). HSBG represents the interest of the existing substantial shareholders of the Hup Seng Group and their immediate families.

The Controlling Shareholder will be able to exercise the voting rights attached to its Shares in respect of matters requiring shareholders' approval including the election of Directors. Depending on how it chooses to vote and because of the size of its shareholding, the Controlling Shareholder will have a significant influence over matters that require ordinary resolution from Hup Seng's shareholders.

(vi) Dependency on Key Personnel

The Group believes that its continuous success will depend to a significant extent upon the abilities and continuous efforts of its existing Directors and Senior Management. Ongoing effort is made to groom the younger members of the management to progressively take over managerial responsibility from the senior members to ensure a smooth transition in the management team. The Company's future success will also depend upon its ability to attract and retain skilled personnel.

Details on the Directors, Senior Management and employees of Hup Seng are disclosed in Section 8 of this Prospectus.

(vii) Forecast

This Prospectus contains a profit forecast in relation to the Hup Seng Group that is based on reasonable assumptions that are nevertheless subject to uncertainties and contingencies. Due to the subjective judgements and inherent uncertainties of the forecast, and because events and circumstances frequently do not occur as expected, there can be no assurance that the profit forecast contained herein will be realised and actual results may be materially different from those shown. Investors will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the forecast that is contained herein.

(viii) Holding Company

In its role as a holding company, the Company is entirely dependent on its subsidiary companies for its activities and for revenue. In particular, with respect to revenue, the Company is dependent upon receiving a revenue stream from its subsidiary companies in the form of dividends. The declaration of such dividends will be dependent upon the financial condition of the subsidiary companies and the dividend policy of these subsidiary companies at that relevant time.

2. INTRODUCTION

This Prospectus is dated 25 September 2000.

A copy of this Prospectus has been registered by the SC and lodged with the ROC and neither the SC nor the ROC takes any responsibility for its contents.

The SC has granted the Company a waiver from the requirements of the SC's new guidelines regulating the form and contents of a prospectus which was issued pursuant to the Securities Commission Act 1993 (as amended by the Securities Commission (Amendment) Act 2000) and permitted the issuance by the Company of a prospectus which complies with the provisions of the Companies Act, 1965 regarding the form and contents of a prospectus prior to the amendments introduced by the Companies (Amendment) Act 2000. Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991 and Section 39(1)(j) of the Companies Act, 1965 (which was relevant prior to the amendments introduced by the Companies (Amendment) Act 2000), the KLSE has prescribed the ordinary shares of Hup Seng as a prescribed security. In consequence thereof, the shares issued pursuant to this Prospectus will be deposited directly with MCD and any dealings in these shares will be carried out in accordance with the aforesaid Acts and the Rules of MCD.

An application has been made to the KLSE for the admission to the Official List of the Main Board of the KLSE and for permission to deal in and quotation for the entire issued and paid-up ordinary shares of RM1.00 each in Hup Seng, including the IPO Shares which are the subject of this Prospectus. The IPO Shares will be admitted to the Official List of the Main Board of the KLSE and official quotation will commence after receipt of confirmation from MCD that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants. Admission to listing is not being sought on any other stock exchange.

The KLSE assumes no responsibility for the correctness of any of the statements made or opinions or reports expressed in this Prospectus. Admission to the Official List of the Main Board of the KLSE is not to be taken as an indication of the merits of the Company or of its Shares.

The IPO was approved by the SC on 3 July 2000. The approval of the SC shall not be taken to indicate that the SC recommends the IPO. Investors should rely on their own evaluation to assess the merits and risks of their investment.

An applicant should state his CDS Account number in the space provided in the Application Form if he presently has such an account. Where an applicant does not presently have a CDS Account, he should state in the Application Form his preferred ADA Code.

No person is authorised to give any information or to make any representation not contained herein in connection with the IPO and if given or made, such information or representation must not be relied upon as having been authorised by Hup Seng or the Offerors. Neither the delivery of this Prospectus nor any IPO made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of Hup Seng or the Group since the date hereof.

The distribution of this Prospectus and the sale of the IPO Shares in certain other jurisdictions may be restricted by Malaysian law. Persons in possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an offer to sell or invitation of an offer to buy any IPO Shares in any jurisdiction in which such invitation is not authorised or lawful or to any person to whom it is unlawful to make such an invitation.

If you are in doubt about this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.

3. CORPORATE INFORMATION

HUP SENG INDUSTRIES BERHAD

(Incorporated in Malaysia under the Companies Act, 1965)

BOARD OF DIRECTORS

Name	Address	Occupation	Nationality
Kuo Choo Song <i>(Executive Chairman)</i>	18, Jalan Tenggiri Taman Banang 83000 Batu Pahat Johor Darul Takzim	Company Director	Malaysian
Ke (Kek) Kim Soon @ Kerk Choo Soon <i>(Executive Vice Chairman)</i>	20, Jalan Senangin Taman Banang 83000 Batu Pahat Johor Darul Takzim	Company Director	Malaysian
Keh (Kerk) Chu Koh <i>(Managing Director)</i>	18, Jalan Senangin Taman Banang 83000 Batu Pahat Johor Darul Takzim	Company Director	Malaysian
Kerk Chiew Siong <i>(Executive Director)</i>	22, Jalan Terubok Taman Banang 83000 Batu Pahat Johor Darul Takzim	Company Director	Malaysian
Kerk Chian Tung <i>(Executive Director)</i>	25, Jalan Durian 5 Taman Cheras 56100 Kuala Lumpur	Company Director	Malaysian
Datin Noorhayati bte Kamaluddin <i>(Non-executive Director)</i>	271, Jalan Damansara 50490 Kuala Lumpur	Company Director	Malaysian
Teo Lee Teck <i>(Non-executive Director)</i>	20, Jalan Tenggiri Taman Banang 83000 Batu Pahat Johor Darul Takzim	Company Director	Malaysian
Norita bte Ja'afar <i>(Independent Non-executive Director)</i>	12, Jalan Keruing, Bukit Bandaraya 59100 Kuala Lumpur	Company Director	Malaysian
Wee Hoe Soon @ Gooi Hoe Soon <i>(Independent Non-executive Director)</i>	No. 40, Jalan BU 10 / 8 Bandar Utama 47800 Petaling Jaya Selangor Darul Ehsan	Company Director	Malaysian
Mazrina bte Arifin <i>(Independent Non-executive Director)</i>	A – 13A – 4, Vista Kiara Condominium Desa Sri Hartamas 50480 Kuala Lumpur	Company Director	Malaysian

3. CORPORATE INFORMATION (Cont'd)

AUDIT COMMITTEE

Name	Designation	Directorship
Wee Hoe Soon @ Gooi Hoe Soon	Chairman	Independent Non-executive Director
Mazrina bte Arifin	Member	Independent Non-executive Director
Keh (Kerk) Chu Koh	Member	Managing Director

COMPANY SECRETARIES :

Leong Oi Wah (MAICSA No. 7023802)
 21 Jalan 4/54
 46050 Petaling Jaya
 Selangor Darul Ehsan

Leong Siew Foong (MAICSA No. 7007572)
 3, Jalan Bayam
 Taman Kota Besar
 81900 Kota Tinggi
 Johor Darul Takzim

REGISTERED OFFICE :

Suite 633, 6th Floor
 PanGlobal Plaza
 Jalan Wong Ah Fook
 80000 Johor Bahru
 Johor Darul Takzim

PRINCIPAL BANKERS :

Malayan Banking Berhad (3813-K)
 No. 32-4, Jalan Rahmat
 83000 Batu Pahat
 Johor Darul Takzim

Public Bank Berhad (6463-H)
 No. 116-118, Jalan Chengal
 Taman Makmur
 83000 Batu Pahat
 Johor Darul Takzim

RHB Bank Berhad (6171-M)
 No. 89, Jalan Rahmat
 83000 Batu Pahat
 Johor Darul Takzim

AUDITORS & REPORTING ACCOUNTANTS :

Messrs Ernst & Young
 Public Accountants
 Suite 628, 6th Floor
 PanGlobal Plaza
 Jalan Wong Ah Fook
 80000 Johor Bahru
 Johor Darul Takzim

3. CORPORATE INFORMATION (Cont'd)

SOLICITORS FOR THE IPO	:	Messrs Lee, Perara & Tan Advocates & Solicitors No. 55, Jalan Thambapillai Off Jalan Tun Sambanthan Brickfields 50470 Kuala Lumpur
VALUER	:	Colliers, Jordan Lee & Jaafar (JH) Sdn Bhd (136779-K) Suite 326, 3rd Floor PanGlobal Plaza Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim
REGISTRAR	:	Signet Share Registration Services Sdn Bhd (506293-D) 11th Floor Tower Block Kompleks Antarabangsa Jalan Sultan Ismail 50250 Kuala Lumpur
ISSUING HOUSE	:	MIDF Consultancy and Corporate Services Sendirian Berhad (11324-H) 12th Floor, Bangunan MIDF 195A Jalan Tun Razak 50400 Kuala Lumpur
ADVISER AND MANAGING UNDERWRITER	:	RHB Sakura Merchant Bankers Berhad (19663-P) Level 8, Tower 3 RHB Centre Jalan Tun Razak 50400 Kuala Lumpur
UNDERWRITERS	:	RHB Sakura Merchant Bankers Berhad (19663-P) Level 8, Tower 3 RHB Centre Jalan Tun Razak 50400 Kuala Lumpur
	:	South Johor Securities Sdn Bhd (53647-D) 3rd Floor, Penggaram Complex 1, Jalan Abdul Rahman 83000 Batu Pahat Johor Darul Takzim
LISTING SOUGHT	:	Main Board of the Kuala Lumpur Stock Exchange

4. SHARE CAPITAL

	RM
Authorised	
100,000,000 ordinary shares of RM1.00 each	100,000,000
Issued and fully paid-up	
43,951,000 ordinary shares of RM1.00 each	43,951,000
To be issued pursuant to the Public Issue	
16,049,000 new ordinary shares of RM1.00 each	16,049,000
Enlarged issued and paid-up share capital	<u>60,000,000</u>
To be offered pursuant to the Offer for Sale	
10,948,000 ordinary shares of RM1.00 each	10,948,000

The Issue/Offer Price of RM2.00 per Share is payable in full on application.

There is only one class of shares in the Company, being ordinary shares of RM1.00 each. The IPO Shares will rank *pari passu* in all respects with other existing issued and fully paid-up shares of the Company including voting rights and rights to all dividends that may be declared subsequent to the date of this Prospectus.

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of ordinary shares in the Company shall, in proportion to the amount paid-up on the shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and in respect of the whole of any surplus in the event of liquidation of the Company, in accordance with its Articles of Association.

At every general meeting of Hup Seng, each shareholder shall be entitled to vote in person or by proxy or by attorney, and on a show of hands, every person who is present who is a shareholder or representative or proxy or attorney of a shareholder shall have one vote, and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each ordinary share held. A proxy may but need not be a member of the Company.

5. PARTICULARS OF THE INITIAL PUBLIC OFFERING

5.1 OPENING AND CLOSING OF APPLICATION LISTS

The Application Lists for the IPO will open at 10.00 a.m. on 10 October 2000 and will remain open until 8.00 p.m. on the same day or for such further period or periods as the Directors of the Company in their absolute discretion may decide.

5.2 PURPOSES OF THE IPO

The purposes of the IPO are as follows:

- i) To provide an opportunity for the Malaysian investors, institutions and the eligible employees of the Group to participate in the equity of Hup Seng and the continuing growth of the Hup Seng Group;
- ii) To enable Hup Seng to gain access to the capital market in order to tap external sources of equity funds and non-bank borrowings for its future expansion and continued growth; and
- iii) To obtain a listing of and quotation for Hup Seng's entire issued and paid-up share capital of 60,000,000 ordinary shares of RM1.00 each on the Main Board of the KLSE.

5.3 DETAILS OF THE IPO

The IPO is subject to the terms and conditions of this Prospectus and upon acceptance, the IPO Shares will be allocated in the following manner:

i) **Allocation by MITI**

7,049,000 Public Issue Shares and all of the 10,948,000 Offer Shares have been reserved for Bumiputera investors approved by the MITI;

ii) **Eligible employees**

3,000,000 Public Issue Shares have been reserved for eligible employees of the Hup Seng Group; and

iii) **Public**

6,000,000 Public Issue Shares will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

The IPO Shares in respect of paragraph (iii) above have been fully underwritten. The IPO Shares in respect of paragraph (i) above are not underwritten.

Any Public Issue Shares in respect of paragraph (ii) above not subscribed for by the eligible employees of the Hup Seng Group will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions. The Managing Underwriter has arranged for the underwriting of these Shares, if any, at an underwriting commission of 1.75% of the issue price of RM2.00 per Share.

5. PARTICULARS OF THE INITIAL PUBLIC OFFERING *(Cont'd)*

5.4 BROKERAGE AND UNDERWRITING COMMISSION

Brokerage relating to the Public Issue Shares is payable by the Company at the rate of 1.0% of the issue price of RM2.00 per Share in respect of successful applications which bear the stamps of RHB Sakura, member companies of the KLSE, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIDFCCS.

The Managing Underwriter and the Underwriters as mentioned earlier in this Prospectus have agreed to underwrite the 6,000,000 Public Issue Shares which are available for application by the Malaysian public, as set out in paragraph 5.3 (iii) above at an underwriting commission of 1.75% of the issue price of RM2.00 per Share.

6. UTILISATION OF PROCEEDS

The Offer for Sale will raise total gross proceeds of RM21,896,000. This amount shall accrue to the Offerors and no part of the proceeds is receivable by the Company.

The total gross proceeds of approximately RM32.1 million from the Public Issue accruing to the Company will be utilised in the following manner:

	RM'000
Purchase of new oven, mixers and packaging units (Note a)	18,117
Factory expansion and to increase warehouse capacity at branches (Note b)	2,243
Purchase of lorries and motor vehicles (Note c)	848
Working capital	9,090
Listing expenses	1,800
TOTAL	<u>32,098</u>

Notes:

(a) Purchase of new oven, mixers and packaging units

Hup Seng proposes to purchase an oven, two mixers and nine units of packaging machines for its factory in Kawasan Perindustrian Tongkang Pecah, Johor Darul Takzim for a total sum of approximately RM18.1 million. These machines are to be sourced from Europe and Japan with additional details set out below:

<u>Type</u>	<u>Date of order</u>	<u>Expected date of installation and commissioning</u>
Oven (1 unit)	January 2000	June 2001
Mixers (2 units)	February 2000	June 2001
Packaging Machines (4 units)	July 2000	June 2001
	<u>Date of order is expected to be during the</u>	<u>Expected date of installation and commissioning</u>
Related ancillary equipment	4th Quarter of 2000	June 2001
Packaging Machines (5 units)	4th Quarter of 2000	June 2001

For the financial year ended 31 December 1999, Hup Seng's existing ovens were operating on average at approximately 33,821 metric tonnes out of a total production capacity of 38,081 metric tonnes. During the year 2000, with the expected increase in customer demand, Hup Seng plans to purchase a new oven for a sum of RM12.38 million, two mixers for approximately RM0.99 million and other ancillary equipment at an approximate sum of RM1.45 million excluding installation costs.

The new oven together with the mixers are expected to increase production capacity by approximately 10,000 metric tonnes for four months of commercial production in year 2001 representing an increase of over 20% from its existing production capacity for the year 1999. The new oven would also improve the flexibility and efficiency in Hup Seng's manufacturing processes.

For the financial year ended 31 December 1999, Hup Seng's existing total capacity of its packaging machines is 26,989 metric tonnes. Hup Seng plans to purchase new packaging machines for a total sum of approximately RM3.1 million. These machines are expected to increase packaging capacity and allow for a variety of packaging sizes to cater for different customer segments and demand.

The total estimated purchase consideration for the new oven, mixers and packaging units of approximately RM18.1 million includes a total carriage, installation, renovation and testing fees of RM200,000.

6. UTILISATION OF PROCEEDS (Cont'd)

(b) Factory Expansion and Increase Warehouse Capacity at Branches

Hup Seng Group plans to expand its existing factory built-up area of 114,537 square feet in year 2000 by another three stories (approximately 34,400 square feet) to a total built-up area of 148,937 square feet. The expanded area is expected to provide additional space for the new packaging machines. The expansion plan is expected to cost approximately RM1.5 million.

The Group also plans to construct a new warehouse in Kuantan, Pahang Darul Makmur to provide additional storage space for its stocks. This is to ensure timely distribution of products to its customers and to reduce the likelihood of stock-outs. The planned built-up area of the new warehouse is approximately 20,000 square feet estimated to cost approximately RM695,000.

Further details on the construction of the factory and the warehouse are as set out below:

	<u>Commencement date</u>	<u>Completion date</u>
Factory expansion	January 2000	December 2000
Kuantan warehouse	May 2001	October 2001

In addition, the purchase of new office facilities and equipment amounting to RM48,000 is expected to be made in September 2001 and in August 2002.

(c) Purchase of lorries and motor vehicles

Hup Seng intends to use RM848,000 of the gross proceeds to purchase seven cars and five lorries for the Group's sales department. This is consistent with the expected increase in sales through its wide distribution network in the country.

<u>Type</u>	<u>Total units</u>	<u>-----Expected period of purchase during the year-----</u>			
		<u>-----2001-----</u>		<u>-----2002-----</u>	
		<u>1st half</u>	<u>2nd half</u>	<u>1st half</u>	<u>2nd half</u>
car	7	1	1	2	3
lorry	5	-	1	1	3

All expenses incidental to the listing of and quotation for the entire enlarged issued and paid-up share capital of Hup Seng on the Main Board of the KLSE estimated at RM1.8 million shall be borne by the Company.