

# ANNUAL REPORT 2001



ENAK DI MAKAN  
美味爽口 RANGUP  
BERKHASIAT 可口  
香脆 DELICIOUS



合成工業有限公司  
**HUP SENG INDUSTRIES BERHAD**  
(Company No: 226098-P)

# Contents



<b>Notice Of Annual General Meeting</b>	<b>2</b>
<b>Statement Accompanying Notice of Annual General Meeting</b>	<b>4</b>
<b>Corporate Structure</b>	<b>7</b>
<b>Corporate Information</b>	<b>8</b>
<b>Directors' Profile</b>	<b>9</b>
<b>Statement on Corporate Governance</b>	<b>11</b>
<b>Statement of Directors' Responsibilities in Relation to Financial Statement</b>	<b>14</b>
<b>Chairman's Statement</b>	<b>15</b>
<b>Audit Committee Report</b>	<b>17</b>
<b>Financial Highlights</b>	<b>20</b>
<b>Financial Statements</b>	<b>21</b>
<b>List Of Properties</b>	<b>48</b>
<b>Statement Of Shareholdings</b>	<b>51</b>
<b>Form Of Proxy</b>	<b>55</b>



# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Tenth Annual General Meeting of the Company will be held at Mezzanine Floor, The Katerina Hotel, 8 Jalan Zabedah, 83000 Batu Pahat, Johor Darul Takzim on Friday, 17 May 2002 at 10:30 a.m for the following purposes:-

## AGENDA

1. To receive and adopt the Audited Financial Statement for the year ended 31 December 2001 together with the Reports of the Directors and Auditors thereon. **Resolution 1**
2. To approve the payment of final dividend comprising 2.5% less 28% tax and 2.5% Tax Exempt for the year ended 31 December 2001. **Resolution 2**
3. To approve the payment of Directors' fees. **Resolution 3**
4. To re-elect the following Directors who retire during the year in accordance with Article 76 of the Company's Articles of Association and being eligible, offer themselves for re-election:-
  - Kuo Choo Song **Resolution 4**
  - Kerk Chiew Siong **Resolution 5**
  - Keh (Kerk) Chu Koh **Resolution 6**
5. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 7**
6. As Special Business to consider and if thought fit, to pass the following Ordinary Resolutions:-

### Authority To Allot Shares

"THAT subject to Companies Act, 1965, Articles of Association of the Company and approvals from Kuala Lumpur Stock Exchange and other governmental or regulatory bodies where such approval is necessary, full authority be and is hereby given to the Directors pursuant to Section 132D of Companies Act, 1965 to issue shares in the capital of the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may in their discretion, deem fit provided always that the aggregate number of shares to be issued pursuant to this resolution, does not exceed 10% of the issued share capital of the Company for the time being."

**Resolution 8**

### Authority To Deal With Substantial Property Transactions Involving Directors

"THAT in accordance with Section 132E of the Companies Act, 1965, authority be and is hereby given to the Company or its related corporations to enter into arrangements or transactions with the Directors of the Company or any person connected with such Directors (within the meaning of Section 122A, Companies Act, 1965) whereby the Company or its related corporations may acquire from or dispose to such Directors or connected persons non-cash assets including but not limited to capital equipment and related machineries and/or any other assets or products of the Company or its related corporations provided that such acquisitions or disposals are on commercial terms and in the ordinary course of business, such authority will continue to be in force until the conclusion of the next Annual General Meeting."

**Resolution 9**

7. To transact any other business for which due notice shall have been given.

By Order of the Board

**LEONG OI WAH (f)**

MAICSA NO. 7023802

**LEONG SIEW FOONG (f)**

MAICSA NO. 7007572

Secretaries

Johor Bahru

Dated: 24 April 2002

### NOTES

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and if the proxy is not a member of the Company, the proxy shall be an advocate or an approved company auditor or a person approved by the Registrar of Companies.
2. A member shall be entitled to appoint more than one proxy (subject always to a maximum of two (2) proxies at each meeting) to attend and vote at the same meeting.
3. Where a member appoints more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. If the appointer is a corporation, the proxy form must be executed under its Seal or under the hand of the attorney.
5. The instrument appointing a proxy must be deposited at the office of the Registered Office of the Company, Signet & Co Sdn. Bhd. at Suite 633, 6th Floor, PanGlobal Plaza, Jalan Wong Ah Fook, 80000 Johor Bahru, Johor not less than forty-eight (48) hours before the time appointed for holding the Meeting.
6. Explanatory notes on Special Businesses
  - (a) The proposed resolution No. 8 if passed is primarily to give flexibility to the Board of Directors to issue and allot shares at any time in their absolute discretion without convening a general meeting. This authority will expire at the next Annual General Meeting of the Company.
  - (b) The proposed resolution No. 9 in respect of the Section 132E of the Companies Act, 1965, prohibits a company or its subsidiaries from entering into any arrangement or transaction with its directors or persons connected with such directors or connected persons any non-cash asset of the "requisite value" without prior approval of the Company in General Meeting. According to the Act, a non-cash assets, is considered to be of the "requisite value" if, at the time of arrangement or transaction, its value is greater than two hundred and fifty thousand ringgit or 10% of the Company's net assets, subject to minimum of ten thousand ringgit.

## STATEMENT ON BOARD MEETINGS

### a. Location, date and hour of Board meetings

The Board held five (5) Board meetings in the financial year ended 31 December, 2001. The location, date and time of the Board meetings held were stated below:-

Date & Time	Venue	Attended by
21 February, 2001 11:30 AM	34-2, Jalan 24/70A Desa Sri Hartamas 50480 Kuala Lumpur	Kuo Choo Song Ke (Kek) Kim Soon @ Kerk Choo Soon Keh (Kerk) Chu Koh Kerk Chiew Siong Kerk Chian Tung Teo Lee Teck Raja Khairul Anuar bin Raja Mokhtar Norita binti Ja'afar Wee Hoe Soon @ Gooi Hoe Soon Mazrina binti Arifin
12 March, 2001 10:30 AM	14, Jalan Kilang Kawasan Perindustrian Tongkang Pecah 83010 Batu Pahat Johor	Kuo Choo Song Ke (Kek) Kim Soon @ Kerk Choo Soon Keh (Kerk) Chu Koh Kerk Chiew Siong Kerk Chian Tung Teo Lee Teck Raja Khairul Anuar bin Raja Mokhtar Norita binti Ja'afar
16 May, 2001 3:30 PM	14, Jalan Kilang, Kawasan Perindustrian Tongkang Pecah 83010 Batu Pahat Johor	Kuo Choo Song Ke (Kek) Kim Soon @ Kerk Choo Soon Keh (Kerk) Chu Koh Kerk Chiew Siong, Kerk Chian Tung Teo Lee Teck Raja Khairul Anuar bin Raja Mokhtar Norita binti Ja'afar Wee Hoe Soon @ Gooi Hoe Soon Mazrina binti Arifin
28 August, 2001 11:00AM	34-2, Jalan 24/70A, Desa Sri Hartamas 50480 Kuala Lumpur	Ke (Kek) Kim Soon @ Kerk Choo Soon Keh (Kerk) Chu Koh Kerk Chiew Siong Kerk Chian Tung Teo Lee Teck Raja Khairul Anuar bin Raja Mokhtar Norita binti Ja'afar Wee Hoe Soon @ Gooi Hoe Soon Mazrina binti Arifin
28 November, 2001 11:00AM	34-2, Jalan 24/70A Desa Sri Hartamas 50480 Kuala Lumpur	Kuo Choo Song Ke (Kek) Kim Soon @ Kerk Choo Soon Keh (Kerk) Chu Koh Kerk Chiew Siong Kerk Chian Tung Teo Lee Teck Raja Khairul Anuar bin Raja Mokhtar Norita binti Ja'afar Wee Hoe Soon @ Gooi Hoe Soon Mazrina binti Arifin

## Statement Accompanying Notice of Annual General Meeting (Cont'd)

**b. Directors standing for re-election at the Tenth Annual General Meeting pursuant to Article 76 of the Company's Articles of Association are as follows:-**

Name of directors	Date of Appointment	Age	No. of meetings attended
1. Kuo Choo Song	4 October, 1991	70	4/5
2. Kerk Chiew Siong	4 October, 1991	49	5/5
3. Keh (Kerk) Chu Koh	4 October, 1991	59	5/5

Please refer to page 9 for the personal profiles of the above directors.

**c. Further details of Directors who are standing for re-election as directors:-**

i. Name:	Kuo Choo Song		
Age:	70		
Nationality:	Malaysian		
Qualification:	Nil		
Position in the Company:	Executive Chairman		
Working experience & Occupation:	He became a member of the Board of Directors on 4 October, 1991 and was appointed as the Executive Chairman of the Company on 3 August, 2000. He was appointed as the Managing Director of Hup Seng Perusahaan Makanan (M) Sdn. Bhd. ("HSPM") on 13 October, 1974 and as the Chairman of HSPM on 1 April, 1977 and the Chairman of Hup Seng Hoon Yong Brothers Sdn. Bhd. ("HSHY") on 21 April, 1977. He is one of the founders of Hup Seng Co. which was established in 1958 and was subsequently converted to HSPM in 1974.		
Other directorship in public listed company:	Nil		
Securities holding in the Company (as at 31 December, 2001):	<u>No. of securities</u>	<u>%</u>	
	33,000,000 shares (indirect)	55.00	
Family relationship with any director and/or major shareholder of the Company:	He is the elder brother of Ke (Kek) Kim Soon @ Kerk Choo Soon, Keh (Kerk) Chu Koh and Kerk Chiew Siong. He is the uncle of Kerk Chian Tung and Teo Lee Teck.		
Conflict of interest:	No, except for certain recurrent related party transactions of revenue or trading nature which are necessary for day-to-day operations of the Group.		
List of convictions for offences within the past 10 years other than traffic offences, if any:	None		

c. Further details of Directors who are standing for re-election as directors (Cont'd):-

ii. Name:	Kerk Chiew Siong		
Age:	49		
Nationality:	Malaysian		
Qualification:	Nil		
Position in the Company:	Executive Director		
Working experience & Occupation:	He became a member of the Board of Directors on 4 October, 1991 and was appointed as the Executive Director on 3 August, 2000. He was appointed as a Director of HSPM on 12 March, 1981 and then as an Executive Director on 1 January, 1990. He was a Director of HSHY on 15 February, 1988 and then became the Deputy Managing Director of the same on 1 January, 1990.		
Other directorship in public listed company:	Nil		
Securities holding in the Company (as at 31 December, 2001):	<u>No. of securities</u>		<u>%</u>
	33,000,000 shares (indirect)		55.00
Family relationship with any director and/or major shareholder of the Company:	He is the brother of Kuo Choo Song, Ke (Kek) Kim Soon @ Kerk Choo Soon and Keh (Kerk) Chu Koh. He is the uncle of Kerk Chian Tung and Teo Lee Teck.		
Conflict of interest:	No.		
List of convictions for offices within the past 10 years other than traffic offences, if any:	None		

iii. Name:	Keh (Kerk) Chu Koh		
Age:	59		
Nationality:	Malaysian		
Qualification:	Nil		
Position in the Company:	Managing Director		
Working experience & Occupation:	He became a member of the Board of Directors on 4 October, 1991 and was appointed as the Managing Director on 3 August, 2000. He was the Deputy Managing Director of HSPM on 13 October, 1974 and then the Managing Director of the same on 1 April, 1977. He was appointed as the Deputy Managing Director on 21 April, 1977 and subsequently the Vice Chairman of HSHY on 1 January, 1990.		
Other directorship in public listed company:	Nil		
Securities holding in the Company (as at 31 December, 2001):	<u>No. of securities</u>		<u>%</u>
	213,000 shares (direct)		0.36
	33,000,000 shares (indirect)		55.00
Family relationship with any director and/or major shareholder of the Company:	He is the brother of Kuo Choo Song, Ke (Kek) Kim Soon @ Kerk Choo Soon and Kerk Chiew Siong. He is the uncle of Kerk Chian Tung and Teo Lee Teck.		
Conflict of interest:	No, except for certain recurrent related party transactions of revenue or trading nature which are necessary for day-to-day operations of the Group.		
List of convictions for offices within the past 10 years other than traffic offences, if any:	None		



**HUP SENG INDUSTRIES BERHAD**

(Company No: 226098-P)



100%

**HUP SENG PERUSAHAAN  
MAKANAN (M) SDN BHD**

(Company No: 19770-K)



100%

**HUP SENG HOON YONG  
BROTHERS SDN BHD**

(Company No: 31372-V)



## DIRECTORS

Kuo Choo Song  
*(Executive Chairman)*

Ke (Kek) Kim Soon @ Kerk Choo Soon  
*(Executive Vice Chairman)*

Keh (Kerk) Chu Koh  
*(Managing Director)*

Kerk Chiew Siong  
*(Executive Director)*

Kerk Chian Tung  
*(Executive Director)*

Teo Lee Teck  
*(Non Executive Director)*

Norita Binti Ja'afar  
*(Independent Non-Executive Director)*

Wee Hoe Soon @ Gooi Hoe Soon  
*(Independent Non-Executive Director)*

Mazrina Binti Arifin  
*(Independent Non-Executive Director)*

Raja Khairul Anuar Bin Raja Mokhtar  
*(Non Executive Director)*

## SECRETARIES

Leong Oi Wah  
Leong Siew Foong

## REGISTERED OFFICE

Suite 633, 6th Floor  
PanGlobal Plaza  
Jalan Wong Ah Fook  
80000 Johor Bahru  
Johor Darul Ta'zim  
Tel : (07) - 222 3536

## PRINCIPAL PLACE OF BUSINESS

14 Jalan Kilang  
Kawasan Perindustrian Tongkang Pecah  
83010 Batu Pahat, Johor Darul Ta'zim

## SHARE REGISTRAR

Signet Share Registration Services Sdn. Bhd.  
11th Floor Tower Block  
Kompleks Antarabangsa  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
Tel : (03) - 2142 1341

## PRINCIPAL BANKERS

RHB Bank Berhad  
Malayan Banking Berhad  
Public Bank Berhad

## AUDITORS

Ernst & Young  
Chartered Accountants  
Suite 628, 6th Floor  
PanGlobal Plaza  
Jalan Wong Ah Fook  
80000 Johor Bahru  
Johor Darul Ta'zim  
Tel : (07) - 223 4741

## STOCK EXCHANGE LISTING

The Kuala Lumpur Stock Exchange Main Board



**KUO CHOO SONG**

Kuo Choo Song, Malaysian aged 70, is the Executive Chairman of the Company. He became a member of the Board of Directors on 4 October, 1991 and was appointed as the Executive Chairman of the Company on 3 August, 2000. He was appointed as the Managing Director of Hup Seng Perusahaan Makanan (M) Sdn. Bhd. ("HSPM") on 13 October, 1974 and as the Chairman of HSPM on 1 April, 1977 and the Chairman of Hup Seng Hoon Yong Brothers Sdn. Bhd. ("HSHY") on 21 April, 1977. He has over 43 years of experience in the biscuits industry at management and board levels. He is one of the founders of Hup Seng Co. which was established in 1958 and was subsequently converted to HSPM in 1974. He is the elder brother of Ke (Kek) Kim Soon @ Kerk Choo Soon, Keh (Kerk) Chu Koh and Kerk Chiew Siong, and uncle of Kerk Chian Tung and Teo Lee Teck. He does not have any conflict of interest with the Company except for certain recurrent related party transactions of revenue or trading nature which are necessary for day-to-day operations of the Group. He has no convictions for any offences over the past 10 years. His job responsibilities include planning the Hup Seng Group's business development programs and representing the Group at various external functions.

**KE (KEK) KIM SOON @ KERK CHOO SOON**

Ke (Kek) Kim Soon, Malaysian aged 62, became a member of the Board of Directors on 4 October, 1991 and was appointed as the Executive Vice-Chairman on 3 August, 2000. He was appointed as the General Manager of HSPM on 1 April, 1977 and then the Vice-Chairman of the same on 1 January, 1990. He was the Managing Director of HSHY on 21 April, 1977 and holds the same position until now. He is the brother of Kuo Choo Song, Keh (Kerk) Chu Koh and Kerk Chiew Siong, and uncle of Kerk Chian Tung and Teo Lee Teck. He graduated from Chung Hwa Correspondence School in 1992 majoring in Business Administration, Marketing, Banking and International Trade. He does not have any conflict of interest with the Company except for certain recurrent related party transactions of revenue or trading nature which are necessary for day-to-day operations of the Group. He has no convictions for any offences over the past 10 years. As one of the founder of Hup Seng Co., he has over 43 years of experience in the biscuits industry specialising in the marketing of biscuits in both the domestic and international markets

**KEH (KERK) CHU KOH**

Keh (Kerk) Chu Koh, Malaysian aged 59, became a member of the Board of Directors on 4 October, 1991 and was appointed as the Managing Director on 3 August, 2000. He was the Deputy Managing Director of HSPM on 13 October, 1974 and then the Managing Director of the same on 1 April, 1977. He was appointed as the Deputy Managing Director on 21 April, 1977 and subsequently the Vice Chairman of HSHY on 1 January, 1990. He is the brother of Kuo Choo Song, Ke (Kek) Kim Soon @ Kerk Choo Soon and Kerk Chiew Siong, and uncle of Kerk Chian Tung and Teo Lee Teck. He does not have any conflict of interest with the Company except for certain recurrent related party transactions of revenue or trading nature which are necessary for day-to-day operations of the Group. He has no convictions for any offences over the past 10 years. As one of the founders of Hup Seng Co., he has approximately 43 years of experience in the biscuits industry. He plans the Group's strategic business development, production development which includes the installation of various production facilities in the Group's factory and heads the research and development team which researches new varieties of biscuits. He travels abroad extensively to keep abreast with the latest development in the biscuits manufacturing industry and to assess new market prospects for the Group.

**KERK CHIEW SIONG**

Kerk Chiew Siong, Malaysian aged 49, became a member of the Board of Directors on 4 October, 1991 and was appointed as an Executive Director on 3 August, 2000. He was appointed as the Director of HSPM on 12 March, 1981 and then as an Executive Director on 1 January, 1990. He was a Director of HSHY on 15 February, 1988 and then became the Deputy Managing Director of the same on 1 January, 1990. He is the brother of Kuo Choo Song, Ke (Kek) Kim Soon @ Kerk Choo Soon and Keh (Kerk) Chu Koh, and uncle of Kerk Chian Tung and Teo Lee Teck. He does not have any conflict of interest with the Company nor convict any offences over the past 10 years. He has more than 26 years of experience in the manufacturing and marketing of biscuits. As head of the Quality Assurance and Business Development and researches the potentials of the Group's products in existing as well as new markets. He also ensures the Group's biscuits manufacturing quality control system meets the ISO 9002 requirements.

**KERK CHIAN TUNG**

Kerk Chian Tung, Malaysian aged 31, became a member of the Board of Directors of the Company on 15 November, 1999 and was appointed as an Executive Director of the same on 17 August, 2000. She is the niece of Kuo Choo Song, Ke (Kek) Kim Soon @ Kerk Choo Soon, Keh (Kerk) Chu Koh and Kerk Chiew Siong, and cousin of Teo Lee Teck. She does not have any conflict of interest with the Company nor convict any offences over the past 10 years.

She graduated with a degree in Accounting from the University of Southern Queensland, Australia in 1991 and a degree in Manufacturing Management from the University of Monash, Australia in 1994. She joined an audit firm, Messrs. S.F. Yap & Co. as an auditor in 1992 and subsequently joined Arthur Andersen HRM (Tax Service) Sdn. Bhd., a public accounting firm as a Tax Consultant in 1995. In 1997, she was employed as an Assistant Business Development Manager in Jaya Tiasa Holdings Berhad, a public listed company which involves in investment holding and provision of management services, extraction and sale of logs. She joined GKT Enterprise Sdn. Bhd. as the Finance Manager in 1998 and then resigned in 1999 to become an investment analyst in SBB Securities Sdn. Bhd., a company involved in stockbroking activities.

### TEO LEE TECK

Teo Lee Teck, Malaysian aged 42, was appointed as a Non-Executive Director of the Company on 10 August, 2000. He was a Director of HSPM on 20 March, 1984 and then an Executive Director of the same on 1 January, 1990. He started his career with HSPM in 1977 as a Chocolate Wafer Section supervisor and was promoted through various positions before assuming the position of Project Manager since 1994. He is the nephew of Kuo Choo Song, Ke (Kek) Kim Soon @ Kerk Choo Soon, Keh (Kerk) Chu Koh and Kerk Chiew Siong, and cousin of Kerk Chian Tung. He does not have any conflict of interest with the Company. He has no convictions for any offences over the past 10 years.

### WEE HOE SOON @ GOOI HOE SOON

Wee Hoe Soon @ Gooi Hoe Soon, Malaysian aged 42, was appointed as an Independent Non-Executive Director of the Company on 27 June, 2000. He does not have any family relationship with any director and/or major shareholder, nor any conflict of interest with the Company. He has no convictions for any offences over the past 10 years.

He is a member of the Malaysian Association of Certified Public Accountants and the Malaysian Institute of Accountants. He has more than 15 years of experience in the fields of accounting and corporate finance and was a Finance Director of several private and public listed companies on the KLSE. He has been instrumental in the successful implementation of several corporate exercises which include merger and acquisition and corporate debt restructuring exercises undertaken by public listed companies. He was appointed to the board of directors of Avenue Assets Berhad as a Non-Executive Director in 1999 and was subsequently appointed as the Group Managing Director in 2001. He is also the Chief Executive Officer of a stockbroking company, member firm of KLSE. In addition, he also sits on the board of Phileo Allied Bhd. and several private limited companies in Malaysia.

### MAZRINA BTE ARIFIN

Mazrina bte Arifin, Malaysian aged 34, was appointed as an Independent Non-Executive Director of the Company on 27 June, 2000. She does not have any family relationship with any director and/or major shareholders, nor any conflict of interest with the Company. She has no convictions for any offences over the past 10 years.

She obtained a Bachelor of Science majoring in Accounting from the University of Hull, United Kingdom in 1991. She is qualified as a Certified Chartered Accountant from the Chartered Association of Certified Accountants in England since 1993. She was attached with Arthur Andersen HRM (Tax Services) Sdn. Bhd. from 1995 to 1998 and was a Senior Tax Consultant prior to her leaving the firm. Currently, she is the Managing Director of Under6'ers, a Child Enrichment Centre.

### NORITA BTE JA'AFAR

Norita bte Ja'afar, Malaysian aged 30, was appointed as an Independent Non-Executive Director of the Company on 11 August, 2000. She does not have any family relationship with any director and/or major shareholders, nor any conflict of interest with the Company. She has no convictions for any offences over the past 10 years.

She obtained a Bachelor of Arts (Hons.) majoring in Economics from the University of Nottingham, United Kingdom in 1994. She obtained a Master of Science majoring in Fiscal Policy in Economics from the University of Bath, United Kingdom in 1995. She joined Arthur Andersen HRM (Tax Services) Sdn. Bhd. as a Tax Consultant from 1996 to 1997. Subsequently, she joined KAF Group of Companies as a Financial Analyst from 1997 to 1999. She went on to join FIMA Securities Sdn. Bhd. as a Senior Investment Analyst and Assistant Vice-President of Research from 1999 to 2000. Currently, she is the Managing Director of Sal's Food Industries Sdn. Bhd.

### RAJA KHAIRUL ANUAR BIN RAJA MOKHTAR

Raja Khairul Anuar bin Raja Mokhtar, Malaysian aged 27, was appointed as a Non-Executive Director of the Company on 14 December, 2000. He is the nephew of Datin Noorhayati Binti Kamaluddin, a major shareholder of the Company. He does not have any conflict of interest with the Company nor convictions for any offences over the past 10 years.

He is currently completing his Master of Business Administration majoring in Finance at Multimedia University, Cyberjaya. He holds a Bachelor of Commerce and a Diploma of Commerce from Curtin University of Technology, Perth Western Australia in 1998. He started his career as an Executive at L&M Corporate (M) Bhd. from 1998 to 2000. Presently, he is attached with a Multimedia IT company Hewlett-Packard Sales (M) Sdn. Bhd. as a Business Analyst.



## STATEMENT ON CORPORATE GOVERNANCE

Since the release of the Malaysian Code on Corporate Governance ("MCCG") in 2000 and the subsequent revamped of Kuala Lumpur Stock Exchange ("KLSE") Listing Requirements in 2001, the Board of Directors ("the Board") is in support and committed to the principles in MCCG by ensuring that Hup Seng Industries Berhad adopts and maintains a sound governance framework in its business operations.

In principle, the Board recognises its role in looking after the best interest of the shareholders as well as protecting and enhancing the financial performance of the Group. The Board believes that through good corporate governance that the corporate accountability be enhanced and thus long term shareholders values be realised.

The Group has applied the principles of MCCG and best practices of Corporate Governance and the extent of the application is shown as follows:-

## BOARD OF DIRECTORS

### Composition and Attendance

The Board has scheduled five (5) regular meetings per year, discussing and reviewing corporate matters such as quarterly and annual financial results, dividend recommendations, related party transactions, and corporate strategy. The composition of the Board and the attendance of the individual directors during the financial year ended 31 December, 2001 are as follows:-

Name of Director	Designation	No. of meetings attended (out of the total 5 meetings held)
Kuo Choo Song	Executive Chairman	4
Ke (Kek) Kim Soon @ Kerk Choo Soon	Executive Vice Chairman	5
Keh (Kerk) Chu Koh	Managing Director	5
Kerk Chiew Siong	Executive Director	5
Kerk Chian Tung	Executive Director	5
Teo Lee Teck	Non Executive Director	5
Wee Hoe Soon @ Gooi Hoe Soon	Independent Non Executive Director	4
Mazrina binti Arifin	Independent Non Executive Director	4
Norita binti Ja'afar	Independent Non Executive Director	5
Raja Khairul Anuar Bin Raja Mokhtar	Non Executive Director	5

The Board meets the requirements imposed by the KLSE of having one-thirds of its Board members being Independent Non-Executive Directors.

### Duties and Responsibilities

The Board takes on the responsibilities of optimising the operations of the Company and its subsidiaries in order to maximise shareholders' values. The Board members possess various fields of professional expertise, industrial knowledge and working experience that contribute effectively to formulating as well as achieving the corporate goals and strategic plans of the Group.

The Independent Non-Executive Directors on the Board were elected with the objective of ensuring the minority shareholders' interests whilst contributing impartial judgment to the Board.

### Appointment (Nominating Committee)

Nominating Committee was formed on 28 November, 2001 during the eighth Board of Directors meeting and all of the Committee members appointed are Independent Non-Executive Directors. The Committee members are namely:-

- Puan Mazrina binti Arifin  
(Chairperson, Independent Non-Executive Director)
- Puan Norita binti Ja'afar  
(Member, Independent Non-Executive Director)
- Mr. Wee Hoe Soon @ Gooi Hoe Soon  
(Member, Independent Non-Executive Director)

### **Appointment (Nominating Committee) (Cont'd)**

The quorum of the Committee for each meeting shall be a majority of members present.

The Nominating Committee serves to ensure that the Directors of the Board bring character to the Board whilst providing a required mix of responsibilities, skills and experience. The Nominating Committee will also assist the Board in reviewing on an annual basis the appropriate balance and size of Non-Executive participation and in establishing procedures and processes towards an annual assessment of the effectiveness of the Board as a whole, the Committees of the Board and contribution of each individual Director.

Where a vacancy exists or when it is considered that the Board would benefit from the services of a new Executive Director with particular skills, the Nominating Committee will select and nominate one or more candidates with the appropriate expertise and experience. The Committee may use the services of professional recruitment companies to source for the appropriate candidates for directorship of the sought independent professional advice.

In carrying out its duties and responsibilities, the Nominating Committee will in principle have full, free and unrestricted access to the Company's records, properties and personnel.

When needs arise, the Committee will recommend suitable orientation, educational and training programmes to continuously train and equip the existing and new Directors.

The Nominating Committee has yet to hold a meeting since the date it was formed as the Committee and the Board are working towards establishing an effective means of assessment process to evaluate the performance, suitability and effectiveness of directors.

### **Re-election**

Article 76 of the Articles of Association of the Company provides that all the Directors of the Company shall retire from office once at least in every three (3) years but shall be eligible for re-election. The Articles of Association also provide that at the Annual General Meeting in every subsequent year, one-third (1/3) of the existing Directors or if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3) shall retire from office and be eligible for re-election.

A retiring director shall retain office until the close of the meeting at which he/she retires.

The details of directors who are retiring and eligible for re-election pursuant to Article 76 of the Company's Articles of Association are listed in the Statement Accompanying Notice of Annual General Meeting on page 5 herein.

### **Supply and Access to Information**

The Board of Directors is given the discretion to seek external professional advice, should the need arise, at the expense of the Company to perform their duties and responsibilities. Directors may also seek advice and services of the Company Secretary, who is responsible for assuring that Board procedures are followed and that relevant rules and regulations are complied with.

Prior to Board meetings, the Company Secretary and management would provide the Board reports and papers as well as supporting information to the Board members.

### **Directors' Training**

In compliance with the Listing Requirements of KLSE, all the existing directors of the Company have attended the Mandatory Accreditation Programme arranged by Research Institute of Investment Analysts Malaysia ("RIIAM") within the stipulated timeframe. The Board members are aware of the importance of knowing the various provisions, rules and regulations in the securities industry of Malaysia and thus will undertake the necessary training programmes to further enhance their knowledge therein.



## DIRECTORS REMUNERATION

### Remuneration Committee

Remuneration Committee was set up on 28 November, 2001 during the eighth Board of Directors meeting and all of the Committee members appointed are Non-Executive Directors. The Committee members are namely:-

- Mr. Wee Hoe Soon @ Gooi Hoe Soon  
(Chairman, Independent Non-Executive Director)
- Encik Raja Khairul Anuar bin Raja Mokhtar  
(Member, Non-Executive Director)
- Mr. Teo Lee Teck  
(Member, Non-Executive Director)

The quorum of the Committee for each meeting shall be a majority of members present.

The Remuneration Committee assumes the duty and responsibility for assessing the performance and commitment of the Directors and ensuring the remuneration reflects the level of performance and responsibility undertaken by the Board members. The Committee then recommends to the Board on the appropriate remuneration package of the Executive and Non-Executive Directors.

In carrying out its duties and responsibilities, the Remuneration Committee will in principle have full, free and unrestricted access to the Company's records, properties and personnel. The Remuneration Committee may obtain the advice of external consultants on the appropriateness of remuneration package.

The Remuneration Committee has yet to hold a meeting since the date it was formed as the Committee and the Board are working towards establishing an effective means of assessment process to evaluate the performance, suitability and effectiveness of directors.

### Directors' Remuneration

Listed below is a summary of the aggregate remuneration package of the Directors received/receivable from the Company and its subsidiaries, categorised into appropriate components.

	Salary (RM)	Fees (RM)	Bonus & allowance (RM)	Benefits-in-kind (RM)
Executive	2,259,960	330,000	1,420,350	86,876
Non-Executive	124,200	260,000	74,490	9,400

The number of Directors whose remuneration falls into each successive band of RM50,000 for the financial year ended 31 December, 2001 is disclosed as follows:-

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
RM50,000 or below		4
RM200,001 to RM250,000	1	
RM250,001 to RM300,000		1
RM600,001 to RM650,000	1	
RM1,050,001 to RM1,100,000	3	

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

The Board of Directors acknowledges its responsibility for presenting a fair and reasonable assessment of the financial position of the Group in the forms of the annual and quarterly financial statements to its shareholders. Upon recommendations given by the Audit Committee of the financial statements, the Board will engage in discussions and reviews before approving them and subsequently releasing them to the public and KLSE.

The Directors' Responsibility Statement in relations to the Audited Financial Statements pursuant to Paragraph 15.27 (a) of the Listing Requirements of KLSE is provided below.

## Statement on Corporate Governance (Cont'd)

### **Internal Control**

The Board are aware of the importance of maintaining a sound internal control system in the Company and its subsidiaries to achieve the corporate objective within an acceptable risk environment. The Board continuously reviews and examines the effectiveness and efficiency of the internal control system on financial, operational and compliance risk and will suggest alternative ways for improvement should any weakness be detected and identified. The system can only provide reasonable assurance against misstatement, loss or fraud as certain threats and risks are externally driven, unforeseen and beyond the control of the Group.

The Board has appointed Monteiro & Heng as the internal auditor to assist the Company in establishing an effective framework of corporate governance and enhancing the risk management system while assisting the Directors in assessing the risk exposure and the impact of which to the business operations and the Company and its subsidiaries.

### **Relationship with Auditors**

Relationship between the Board and the Auditors, Messrs. Ernst & Young, is established on a formal basis. The external auditors would highlight the relevant matters that need to be attended during the Audit Committee meetings and Board meetings, and provide advices in solving such matters.

The re-appointment and the remuneration of the external auditors have been recommended by the Audit Committee and are subject to approval of shareholders in the general meeting and of the Board of Directors respectively.

The role of the internal auditors is outlined in the Audit Committee Report.

## **SHAREHOLDERS AND INVESTORS**

Shareholders meet with the Board of Directors at least once a year in the Annual General Meeting and other general meetings. The Chairman and the Board members ensure that adequate time is allocated for question and answer session so that shareholders can clarify matters in relations to resolution being proposed at the meeting as well operational and corporate affair in concern. Upon request, the Directors also meet up with the investors, press and investment analysts, and disseminate information adhering to the disclosure requirements of KLSE.

## Statement of Directors' Responsibilities in Relation to Financial Statement

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of the income statement and cash flows of the Company and the Group for the financial year.

The Directors are of the view that, in preparing the financial statements of the Company and the Group for the year ended 31 December, 2001, the Company has adopted appropriate accounting policies that are consistently applied and supported by reasonable and prudent judgments and estimates. The Directors have also considered that all applicable accounting standards have been followed during the preparation of the financial statements.

The Directors are responsible for ensuring that the Company keeps adequate accounting records which disclose with reasonable accuracy the financial position of the Company and the Group to enable them to ensure that the financial statements comply with the requirements of the Companies Act, 1965.

The Directors have also general responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group, and to detect and prevent fraud and other irregularities.



*On behalf of the Board of Directors, I am pleased to present the Annual Reports and Audited Financial Statements of Hup Seng Industries Berhad Group for the financial year ended 31 December 2001.*

## RESULTS

Although the year 2001 has been a challenging year for Hup Seng, the Group still continues to achieve the steady earnings.

The Group registered a pre-tax profit of RM18,948,723.00 representing a 4% increase from the previous corresponding period despite a lower turnover. The turnover had decreased by approximately 12% to RM161,739,664.00 from RM183,846,232.00 recorded in previous corresponding period. Such decline was affected by the fragile domestic consumer sentiments as a result of continuing weak commodity prices, generally weak domestic economic conditions and the continued weakness of currencies of neighbouring countries.

At the Company level, the cash position is healthy whilst the shareholders funds of the Company increased by 4.9% to RM79,352,236.00 from RM75,675,770.00 in the previous corresponding year.



### DIVIDEND

The Board of Directors is pleased to recommend a final dividend comprising 2.5% less 28% tax and 2.5% tax exempt for the financial year ended 31 December 2001 for the approval of shareholders at the forthcoming Annual General Meeting.

### PROSPECTS

As part of its continuous efforts to achieve satisfactory results in the coming years, the Group will be expanding its business aggressively, in both local and international markets. It will strive to penetrate potential and maintain existing overseas markets whilst increase its local market share.

The focused and diligent management are committed towards achieving its objective.

### ACKNOWLEDGEMENT

On behalf of the Board, I would like to extend our gratitude and appreciation to all employees at all levels for their dedicated services, commitment, perseverance and teamwork during the year. To our shareholders, customers, selling agents, suppliers, business associates and relevant authorities, I would like to convey our sincere thanks for their continued support and confidence in the Group.

KUO CHOO SONG  
Executive Chairman



## COMPOSITION

In compliance with 'Part C – Audit Committee' of the Kuala Lumpur Stock Exchange ("KLSE") Listing Requirements on Corporate Governance, the Committee was appointed from amongst the directors and no alternate director is a member of the Committee. The Committee comprises three (3) members and the majority of whom are Independent Non-Executive Directors. One (1) member of the Committee is a member of the Malaysian Institute of Accountants ("MIA"). The current member of the Committee and their respective designations are as follow:-

- Mr. Wee Hoe Soon @ Gooi Hoe Soon  
(Chairman, Independent Non-Executive Director; member of the Malaysian Institute of Accountants ("MIA"))  
Appointed on 3 August, 2000
- Puan Mazrina Bte. Arifin  
(Independent Non-Executive Director)  
Appointed on 3 August, 2000
- Mr. Keh (Kerk) Chu Koh  
(Managing Director)  
Appointed on 3 August, 2000

There was no member resigned from the Committee during the financial year ended 31 December, 2001.

On 28 November, 2001, the Board approved the proposed amendments to the Terms of Reference of the Committee, in compliance with the Listing Requirements of the KLSE. The following is the amended Terms of Reference of the Committee:-

## TERMS OF REFERENCE FOR AUDIT COMMITTEE

### Constitution

The Committee shall be appointed by the Board from amongst their number (pursuant to a resolution of the Board of Directors) excluding alternate director and shall consist of not fewer than three (3) members of whom a majority must be independent directors as defined in the Listing Requirements.

The Audit Committee shall ensure:

- At least one member of the Audit Committee:-
  - i) must be a member of the Malaysian Institute of Accountants; or
  - ii) If he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:-
    - (aa) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
    - (bb) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.

The members of the Committee shall select a Chairman from amongst their number who shall be an independent director.

If a member of the Committee resigns, dies or for any other reason ceases to be member with the result that the number of members is reduced below three (3), the Board of Directors shall, within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

The Board shall review the terms of office and performance of the Committee and each of its members at least once every three (3) years.

## **Authority**

The Committee shall, in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company:-

- a) have authority to investigate any matter within its terms of reference;
- b) have the resources which are required to perform its duties;
- c) have full and unrestricted access to any information pertaining to the Company;
- d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
- e) be able to obtain independent professional or other advice;
- f) be able to convene meeting with the external auditors, excluding the attendance of executive members of the Committee, whenever deemed necessary; and
- g) have authority to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

## **Functions**

### **Duties and Responsibilities**

- a) to review and report the following to the Board:
  - 1) with the external auditor, the audit plan;
  - 2) with the external auditor, his evaluation of the system of internal control;
  - 3) with the external auditor, his audit report;
  - 4) the assistance given by the Company's officers to the external auditor;
  - 5) the adequacy of the scope, functions and resources of internal audit functions and that it has the necessary authority to carry out its work including but not limited to:
    - a) any appraisal or assessment of the performance of members of the internal audit function;
    - b) any appointment or termination of senior staff members of the internal audit function and approving it;
    - c) the resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;
  - 6) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
  - 7) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:-
    - i) changes in or implementation of major accounting policy changes;
    - ii) significant and unusual events; and
    - iii) compliance with accounting standards and other legal requirements;
  - 8) the external auditor's management letter and management's response;
  - 9) any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
  - 10) any letter of resignation from the external auditors of the Company; and
  - 11) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment; and
- b) to recommend or consider the nomination of a person or persons as external auditors together with such other functions as may be agreed to by the Audit Committee and the Board of Directors.



### **Meeting and Reporting Procedure**

- a) The Committee shall meet as the Chairman deems necessary but not less than four (4) times a year.
- b) The external auditors may request a meeting if they consider that one is necessary and shall have the right to appear and be heard at any meeting of the Committee.
- c) The Chairman shall convene a meeting whenever any member of the Committee requests of the meeting.
- d) Written notice of the meeting together with the agenda shall be given to the members of the Committee and external auditor where applicable.
- e) The Financial Controller, the Head of Internal Audit (where such a function exists) and a representative of the external auditors shall normally attend meetings.
- f) At least once a year the Committee shall meet with the external auditors without executive Board members present.
- g) The Chairman shall be entitled, where deemed appropriate, to invite other Board members, employees, professionals and/or any person(s) with the relevant experience and expertise to attend meetings of the Committee.

The Committee meeting minutes are to be extended to the Chairman of Hup Seng Industries Berhad who will report to the Board of Directors.

### **Secretary**

The Company Secretary shall be the Secretary of the Committee.

The Secretary is responsible for:-

- 1) sending out notices of meetings; and
- 2) preparing and keeping minutes of meetings

### **Quorum**

Two members of the Committee present at the meeting shall constitute a quorum and the majority of members present must be independent directors.

## **ACTIVITIES DURING THE YEAR**

### **Meetings**

There were four (4) meetings held during the financial year ended 31 December, 2001 and all the members attended all meetings.

In the Audit Committee meetings, the member reviewed the quarterly and annual financial reports before recommending them to the Board of Directors and subsequently making announcement to the KLSE. In addition to the routine review of accounts, the Committee also paid attention to the key aspects of business operations that would affect the profitability and growth of the Company and its subsidiaries.

Matters relating to Related Party Transactions ("RPT") and Recurring Related Party Transactions ("RRPT") were reviewed and discussed among the members of the Committee, the Group Financial Controller, the external auditors and the Company Secretary. The accounting practices and standards issued by the Malaysian Accounting Standards Board, International Accounting Standard Body and KLSE Listing Requirement were taken into consideration while discussing the RPTs and RRPTs.

The Group Financial Controller as well as the external auditors were invited to these meetings to advise and clarify the accounting issues and company matters.

Duties and responsibilities of the committee were discharged according to its Terms of Reference.

### **Internal Audit**

On 22 December, 2001, the Company engaged Monteiro & Heng as the internal auditor for the Group. The internal auditor would carry out the following functions:-

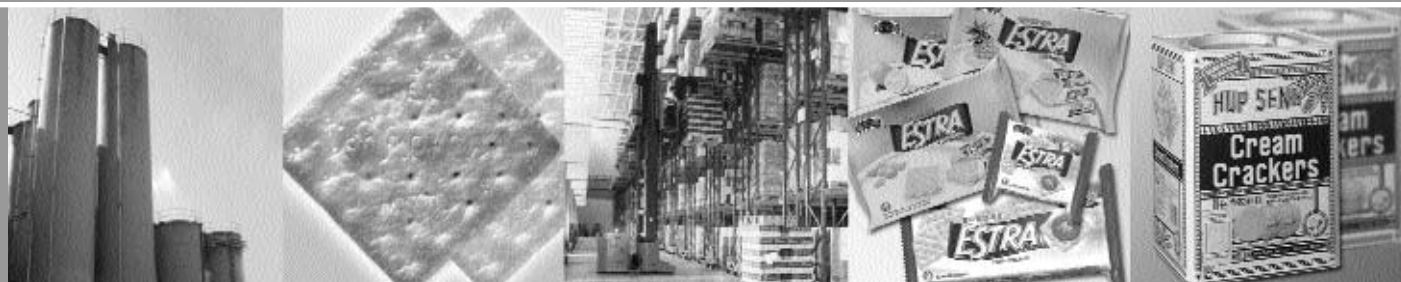
- evaluate the effectiveness of the internal control systems of the Company and its subsidiaries;
- assess the implementation of corporate governance and transparency in the decision making process;
- conduct risk analysis and provide consultation to the management and Audit Committee; and
- produce quarterly and annual audit report for the review of Audit Committee and management.

The internal auditor is expected to commence their engagement in the coming financial year.

# Five Year Group Financial Highlights



# Financial Statements



<b>Directors' Report</b>	<b>22</b>
<b>Statement By Directors</b>	<b>26</b>
<b>Statutory Declaration</b>	<b>26</b>
<b>Auditors' Report to the Members</b>	<b>27</b>
<b>Balance Sheets</b>	<b>28</b>
<b>Income Statements</b>	<b>29</b>
<b>Statements of Changes in Equity</b>	<b>30</b>
<b>Statements of Cash Flows</b>	<b>32</b>
<b>Notes to the Financial Statements</b>	<b>34</b>



## DIRECTORS' REPORT

The Directors have pleasure in presenting their annual report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2001.

## PRINCIPAL ACTIVITY

The principal activity of the Company is investment holding.

The principal activities of the subsidiary companies are as disclosed under Note 4 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

## RESULTS

	Group RM	Company RM
Profit after taxation	14,710,811	8,848,594
Retained profits brought forward	19,198,184	1,330,509
Profits available for appropriation	33,908,995	10,179,103
Dividend	(5,160,000)	(5,160,000)
Retained profits carried forward	28,748,995	5,019,103

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

## DIVIDEND

During the financial year, the Company paid a final dividend of 3% less 28% tax and 5% tax exempt, amounting to RM1,296,000 and RM3,000,000 respectively in respect of the previous financial year as proposed in the Directors' Report for that financial year.

The Company also paid an interim dividend comprising 2.5% less 28% tax and 2.5% tax exempt, amounting to RM1,080,000 and RM1,500,000 respectively for the current financial year.

The Directors recommend a final dividend comprising 2.5% less 28% tax and 2.5% tax exempt amounting to RM1,080,000 and RM1,500,000 respectively in respect of the current financial year.

## DIRECTORS

The Directors in office since the date of the last report and at the date of this report are :

Kuo Choo Song	(Executive Chairman)
Ke (Kek) Kim Soon @ Kerk Choo Soon	(Executive Vice Chairman)
Keh (Kerk) Chu Koh	(Managing Director)
Kerk Chiew Siong	(Executive Director)
Kerk Chian Tung	(Executive Director)
Teo Lee Teck	(Non Executive Director)
Norita Binti Ja'afar	(Independent Director)
Wee Hoe Soon @ Gooi Hoe Soon	(Independent Director)
Mazrina Binti Arifin	(Independent Director)
Raja Khairul Anuar Bin Raja Mokhtar	(Non Executive Director)

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement, to which the Company is a party, whereby Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

The following Directors who held office at the end of the financial year had, according to the register required to be kept under Section 134 of the Companies Act, 1965, interest in shares of the Company and its related corporations as stated below :

	<u>Number of Ordinary Shares of RM 1 each</u>			
	As at 1.1.2001	Bought	Sold	As at 31.12.2001
The Company				
<b><u>Direct interest</u></b>				
Ke (Kek) Kim Soon @ Kerk Choo Soon	-	113,000	-	113,000
Keh (Kerk) Chu Koh	25,000	188,000	-	213,000
Teo Lee Teck	-	82,000	-	82,000
Raja Khairul Anuar Bin Mokhtar	20,000	-	-	20,000

	<u>Number of Ordinary Shares of RM1 each</u>			
	As at 1.1.2001	Bought	Sold	As at 31.12.2001
<b><u>Deemed interest</u></b>				
Kuo Choo Song	33,000,000	-	-	33,000,000*
Ke (Kek) Kim Soon @ Kerk Choo Soon	33,000,000	-	-	33,000,000*
Keh (Kerk) Chu Koh	33,000,000	-	-	33,000,000*
Teo Lee Teck	33,000,000	-	-	33,000,000*

Holding company

HSB Group Sdn Bhd

<b><u>Direct Interest</u></b>				
Kuo Choo Song	1,099,272	1	-	1,099,273
Ke (Kek) Kim Soon @ Kerk Choo Soon	1,966,039	1	-	1,966,040
Keh (Kerk) Chu Koh	3,030,344	1	-	3,030,345
Kerk Chiew Siong	3,756,074	-	-	3,756,074
Teo Lee Teck	1,378,069	-	-	1,378,069

<b><u>Indirect Interest</u></b>				
Kuo Choo Song	7,000	-	-	7,000#
Ke (Kek) Kim Soon @ Kerk Choo Soon	7,000	-	-	7,000#
Keh (Kerk) Chu Koh	7,000	-	-	7,000#

\* Deemed interested by virtue of his and/or his associates' interests in HSB Group Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

# Indirect interest held through Hup Seng Brothers Holdings Sdn. Bhd.

Kuo Choo Song, Ke (Kek) Kim Soon @ Kerk Choo Soon, Keh (Kerk) Chu Koh and Teo Lee Teck, by virtue of their interest in the Company, are deemed interested in the shares of the subsidiary companies to the extent that the Company has an interest.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefits (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors shown in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest required to be disclosed by Section 169(8) of the Companies Act, 1965.

### OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps :
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render :
- (i) the amount written off for bad debts or the amount of provision for doubtful debts inadequate to any substantial extent; and
  - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading or inappropriate.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements and consolidated financial statements misleading.
- (e) As at the date of this report, there does not exist :
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors :
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet its obligations as and when they fall due; and

- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

### **AUDITORS**

The auditors, Ernst & Young, have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board,

### **KUO CHOO SONG**

Executive Chairman

### **KEH (KERK) CHU KOH**

Managing Director

Batu Pahat

Dated : 10 April 2002

## Statement By Directors |

We, **KUO CHOO SONG** and **KEH (KERK) CHU KOH**, being two of the Directors of **HUP SENG INDUSTRIES BERHAD**, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 28 to 47 are drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of :

- (i) the financial position of the Group and of the Company as at 31 December 2001; and
- (ii) of the results and cash flows of the Group and of the Company for the year ended 31 December 2001.

On behalf of the Board,

**KUO CHOO SONG**  
Executive Chairman

**KEH (KERK) CHU KOH**  
Managing Director

Batu Pahat  
Dated : 10 April 2002

## Statutory Declaration

I, **KUO CHOO SONG**, being the Director primarily responsible for the financial management of **HUP SENG INDUSTRIES BERHAD**, do solemnly and sincerely declare that the financial statements set out on pages 28 to 47 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by )  
the abovenamed **KUO CHOO SONG** )  
at Batu Pahat in the State of Johor ) **KUO CHOO SONG**  
Darul Ta'zim on 10 April 2002

Before me,

# Auditors' Report

to the members of Hup Seng Industries Berhad

We have audited the financial statements set out on pages 28 to 47. These 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 audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit 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 Directors, as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion :

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of :
  - (i) the financial position of the Group and of the Company as at 31 December 2001 and of the results and cash flows of the Group and of the Company for the year then ended; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements and consolidated financial statements;
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and the subsidiary companies have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The Auditors' Reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment required to be made under Section 174 (3) of the Companies Act, 1965.

**Ernst & Young**  
AF : 0039  
Chartered Accountants

**Wun Mow Sang**  
1821/12/02(J)  
Partner

Johor Bahru  
Dated : 10 April 2002

# Balance Sheets

as at 31 December 2001

	Note	Group		Company	
		2001 RM	2000 RM	2001 RM	2000 RM
<b>PROPERTY, PLANT AND EQUIPMENT</b>	3	69,872,978	60,521,848	166,509	207,603
<b>SUBSIDIARY COMPANIES</b>	4	-	-	60,085,950	59,818,298
<b>CURRENT ASSETS</b>					
Inventories	5	12,526,466	12,915,943	-	-
Debtors	6	21,035,060	22,445,226	59,982	51,061
Tax recoverable		1,170,848	224,497	-	-
Cash and bank balances	7	36,614,010	41,764,651	22,355,570	20,539,432
		71,346,384	77,350,317	22,415,552	20,590,493
<b>CURRENT LIABILITIES</b>					
Creditors	8	31,141,494	36,366,879	703,035	630,744
Proposed dividend		2,580,000	4,296,000	2,580,000	4,296,000
Taxation		32,740	288,472	32,740	13,880
Bank borrowings	9	-	717,369	-	-
		33,754,234	41,668,720	3,315,775	4,940,624
<b>NET CURRENT ASSETS</b>		37,592,150	35,681,597	19,099,777	15,649,869
		107,465,128	96,203,445	79,352,236	75,675,770
<b>SHARE CAPITAL</b>	10	60,000,000	60,000,000	60,000,000	60,000,000
<b>RESERVES</b>	11	43,082,128	33,543,445	19,352,236	15,675,770
		103,082,128	93,543,445	79,352,236	75,675,770
<b>DEFERRED TAXATION</b>	12	4,383,000	2,660,000	-	-
		107,465,128	96,203,445	79,352,236	75,675,770

The notes on pages 34 to 47 form an integral part of these financial statements.

# Income Statements

for the year ended 31 December 2001

		Group		Company	
		2001 RM	2000 RM	2001 RM	2000 RM
Turnover	15	161,739,664	183,846,232	12,452,001	7,110,476
Cost of goods sold		(119,467,946)	(140,717,384)	-	-
Gross profit		42,271,718	43,128,848	12,452,001	7,110,476
Other operating income		1,395,160	1,450,054	-	-
Selling expenses		(14,184,470)	(15,407,282)	-	-
Administrative expenses		(10,525,999)	(10,740,210)	(1,543,407)	(908,967)
Revaluation deficits		-	(68,303)	-	-
Profit from operations		18,956,409	18,363,107	10,908,594	6,201,509
Finance cost		(7,686)	(162,239)	-	-
Profit before taxation	16	18,948,723	18,200,868	10,908,594	6,201,509
Taxation	17	(4,237,912)	(3,812,758)	(2,060,000)	(575,000)
Profit after taxation		14,710,811	14,388,110	8,848,594	5,626,509
Dividend per share (sen)		9	7		
Earnings per share (sen)	18				
- Basic		25	31		
- Diluted		25	31		

The notes on pages 34 to 47 form an integral part of these financial statements.

# Statements of Changes in Equity

for the year ended 31 December 2001

	Note	Share Capital RM	Share Premium RM	Revaluation Reserve RM	Retained Profits RM	Total RM
<b>GROUP</b>						
At 1 January 1999		10,000	-	7,978	36,303,930	36,321,908
Acquisition of subsidiary companies		43,941,000	-	-	-	43,941,000
Merger deficit	19	-	-	(7,978)	(36,979,022)	(36,987,000)
Proforma balance as at 1 January 1999		43,951,000	-	-	(675,092)	43,275,908
Net profit for the year		-	-	-	16,706,023	16,706,023
Dividend :						
Interim-152.63% tax exempt		-	-	-	(4,546,198)	(4,546,198)
Final -356.12% tax exempt		-	-	-	(10,606,738)	(10,606,738)
Proforma balance as at 31 December 1999		43,951,000	-	-	877,995	44,828,995
Merger deficit	19	-	-	-	8,228,079	8,228,079
		43,951,000	-	-	9,106,074	53,057,074
Surplus on revaluation	19	-	-	8,228,079	-	8,228,079
Merger deficit	19	-	-	(8,228,079)	-	(8,228,079)
Net gains or losses not recognised in the income statement		-	-	-	-	-
Public issue of shares		16,049,000	16,049,000	-	-	32,098,000
Share listing expenses		-	(1,703,739)	-	-	(1,703,739)
Net profit for the year		-	-	-	14,388,110	14,388,110
Dividend :						
Final - 3% less 28% tax		-	-	-	(1,296,000)	(1,296,000)
- 5% tax exempt		-	-	-	(3,000,000)	(3,000,000)
At 31 December 2000		60,000,000	14,345,261	-	19,198,184	93,543,445
Share listing expenses		-	(12,128)	-	-	(12,128)
Net profit for the year		-	-	-	14,710,811	14,710,811
Dividend :						
Interim - 2.5% less 28% tax		-	-	-	(1,080,000)	(1,080,000)
- 2.5% tax exempt		-	-	-	(1,500,000)	(1,500,000)
Final - 2.5% less 28% tax		-	-	-	(1,080,000)	(1,080,000)
- 2.5% tax exempt		-	-	-	(1,500,000)	(1,500,000)
At 31 December 2001		60,000,000	14,333,133	-	28,748,995	103,082,128

The notes on pages 34 to 47 form an integral part of these financial statements.

# Statements of Changes in Equity (Cont'd)

for the year ended 31 December 2001

	Note	Share Capital RM	Share Premium RM	Retained Profits RM	Total RM
<b>COMPANY</b>					
At 1 January 2000		10,000	-	-	10,000
Acquisition of subsidiary companies		43,941,000	-	-	43,941,000
Public issue of shares		16,049,000	16,049,000	-	32,098,000
Share listing expenses		-	(1,703,739)	-	(1,703,739)
Net profit for the year		-	-	5,626,509	5,626,509
Dividend :					
Final - 3% less 28% tax		-	-	(1,296,000)	(1,296,000)
- 5% tax exempt		-	-	(3,000,000)	(3,000,000)
At 31 December 2000		60,000,000	14,345,261	1,330,509	75,675,770
Share listing expenses		-	(12,128)	-	(12,128)
Net profit for the year		-	-	8,848,594	8,848,594
Dividend :					
Interim - 2.5% less 28% tax		-	-	(1,080,000)	(1,080,000)
- 2.5% tax exempt		-	-	(1,500,000)	(1,500,000)
Final - 2.5% less 28% tax		-	-	(1,080,000)	(1,080,000)
- 2.5% tax exempt		-	-	(1,500,000)	(1,500,000)
At 31 December 2001		60,000,000	14,333,133	5,019,103	79,352,236

The notes on pages 34 to 47 form an integral part of these financial statements.

# Statements of Cash Flows

for the year ended 31 December 2001

	Group		Company	
	2001 RM	2000 RM	2001 RM	2000 RM
<b>Cash flows from operating activities</b>				
<b>Profit before taxation</b>	18,948,723	18,200,868	10,908,594	6,201,509
Adjustments for :				
Bad debts written off	278,180	241,692	-	-
Deferred expenditure	-	33,086	-	33,086
Depreciation	3,827,207	3,272,667	41,846	5,783
Property, plant and equipment written off	25,389	27,063	-	-
Gain on disposal of property, plant and equipment	(37,422)	(185,862)	-	-
Interest expense	7,686	162,239	-	-
Interest income	(1,126,976)	(758,556)	(548,001)	(156,476)
Loss on disposal of property, plant and equipment	3,085	4,707	-	-
Provision for doubtful debts	311,922	585,621	-	-
Provision for obsolete inventories	-	1,406,302	-	-
Revaluation deficits	-	68,303	-	-
Write back of provision for obsolete inventories	(175,909)	-	-	-
<b>Operating profit before working capital changes</b>	22,061,885	23,058,130	10,402,439	6,083,902
Decrease/(increase) in inventories	565,386	(1,884,509)	-	-
Decrease/(increase) in trade and other receivables	820,064	1,168,415	(276,574)	(16,489,479)
(Decrease)/increase in trade and other payables	(5,225,385)	(3,614,519)	72,291	609,306
Cash generated from /(used in) operations	18,221,950	18,727,517	10,198,156	(9,796,271)
Payment of deferred expenditure	-	(1,648)	-	(1,648)
Interest paid	(7,686)	(162,239)	-	-
Taxes paid	(3,716,995)	(3,748,784)	(2,041,139)	-
Taxes refunded	-	613,543	-	-
<b>Net cash from/(used in) operating activities</b>	14,497,269	15,428,389	8,157,017	(9,797,919)

The notes on pages 34 to 47 form an integral part of these financial statements.

# Statements of Cash Flows (Cont'd)

for the year ended 31 December 2001

	Group		Company	
	2001 RM	2000 RM	2001 RM	2000 RM
<b>Cash flows from investing activities</b>				
Interest received	1,126,976	758,556	548,001	156,476
Withdrawal / (deposit) of pledged fixed deposits	1,185,956	(41,199)	-	-
Proceeds from disposal of property, plant and equipment	79,971	462,894	-	-
Purchase of property, plant and equipment	(13,249,360)	(13,622,746)	(752)	(213,386)
<i>Net cash (used in)/from investing activities</i>	(10,856,457)	(12,442,495)	547,249	(56,910)
<b>Cash flows from financing activities</b>				
Proceeds from issuance of shares	-	32,098,000	-	32,098,000
Payment for share listing expenses	(12,128)	(1,703,739)	(12,128)	(1,703,739)
Repayment of bank borrowings	(717,369)	(419,534)	-	-
Dividend paid	(6,876,000)	-	(6,876,000)	-
Dividend paid to ex-shareholders of subsidiary companies	-	(15,152,936)	-	-
<i>Net cash (used in)/from financing activities</i>	(7,605,497)	14,821,791	(6,888,128)	30,394,261
Net (decrease)/increase in cash and cash equivalents	(3,964,685)	17,807,685	1,816,138	20,539,432
Cash and cash equivalents at beginning of the year	40,578,695	22,771,010	20,539,432	-
Cash and cash equivalents at end of the year (Note 20)	36,614,010	40,578,695	22,355,570	20,539,432

The notes on pages 34 to 47 form an integral part of these financial statements.

# Notes to the Financial Statements

31 December 2001

## 1. GENERAL

The Company is a public limited company incorporated in Malaysia under the Companies Act, 1965 and quoted on the Kuala Lumpur Stock Exchange, Main Board.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention, except as otherwise indicated in the accounting policies below, and comply with applicable approved accounting standards issued by the Malaysian Accounting Standards Board.

### (b) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its wholly owned subsidiary companies made up to the end of the financial year.

All the subsidiary companies are consolidated using the merger method of accounting. Under the merger method of accounting, the results of subsidiary companies qualifying for the merger of consolidation are presented as if the companies have been combined throughout the current and previous years. The difference between the cost of acquisition and the nominal value of the share capital of the subsidiary companies is taken to reserves.

### (c) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation. Land of leasehold tenure with an unexpired period of fifty years or more are classified as long leasehold land and those with an unexpired period of less than fifty years are classified as short leasehold land.

Freehold land and capital work-in-progress are not amortised. Leasehold land is amortised over the lease term of 60 and 99 years on the straight line method. Depreciation on other assets are calculated to write off the cost or valuation of property, plant and equipment on the reducing balance method over the expected useful lives of the property, plant and equipment at the following annual rates :

Freehold and leasehold buildings	2%
Plant and equipment	10% - 20%
Motor vehicles	20%
Other assets	8% - 33%

The Company appraises its property periodically at regular intervals of five years.

Subsequent restoration costs relating to an item of property, plant and equipment that has been recognised, are capitalised only if such costs improve the condition of the property, plant and equipment beyond its originally assessed standard of performance. All other subsequent expenditure are recognised as an expense in the year in which it is incurred.

### (d) Product Development Expenditure

Development and pre-production expenses incurred on new products are charged to the income statement as and when they are incurred.

### (e) Investments

Investments in subsidiary companies are stated at cost, unless in the opinion of the Directors, there has been a permanent diminution in values, in which case provision is made for the diminution.

**(f) Inventories**

Inventories are stated at the lower of cost and net realisable value.

Cost of raw materials are determined on a first-in-first-out basis and include incidentals in bringing them into store. Cost of finished goods include direct materials, charges and appropriate production overheads.

**(g) Bad and Doubtful Debts**

Known bad debts are written off and provision is made for any debts which are doubtful of collection.

**(h) Foreign Currencies**

Foreign currency transactions are recorded in Ringgit Malaysia at rates of exchange ruling at the transaction dates and where settlements have not taken place at 31 December, at the approximate rates ruling at that date. All profits and losses on exchange are dealt with through the income statements.

**(i) Deferred Taxation**

Deferred taxation is provided on material timing differences using the liability method except where it can be demonstrated with reasonable probability that the tax deferrals will continue in the foreseeable future. Deferred tax benefits are not recognised unless there is a reasonable expectation of realisation.

**(j) Cash and Cash Equivalents**

Cash and cash equivalents include cash and bank balances (net of bank overdrafts) and unpledged deposits.

**(k) Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

**Sales of Goods**

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

**Interest Income**

Interest income is recognised on the accrual basis.

**Dividends**

Dividends from subsidiary companies are recognised as and when they are declared or proposed.

# Notes to the Financial Statements (Cont'd)

31 December 2001

## 3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Land and Buildings RM	Long Leasehold land and Buildings RM	Short Leasehold land and Buildings RM
At beginning of the year	18,031,069	1,204,456	11,173,561
Addition	16,237	710,000	55,621
Disposals/write off	-	-	-
Reclassification	190,505	-	2,306,307
At end of the year	<u>18,237,811</u>	<u>1,914,456</u>	<u>13,535,489</u>
Accumulated Depreciation			
At beginning of the year	208,639	13,770	208,677
Charge for the year	208,707	13,716	231,772
Disposals/write off	-	-	-
Reclassification	-	-	-
At end of the year	<u>417,346</u>	<u>27,486</u>	<u>440,449</u>
Net Book Value			
At 31.12.2001	<u>17,820,465</u>	<u>1,886,970</u>	<u>13,095,040</u>
At 31.12.2000	<u>17,822,430</u>	<u>1,190,686</u>	<u>10,964,884</u>
Analysis of cost and valuation :			
At 31.12.2001			
Cost	385,262	718,613	2,603,881
Valuation - 1.1.2000	17,852,549	1,195,843	10,931,608
	<u>18,237,811</u>	<u>1,914,456</u>	<u>13,535,489</u>
At 31.12.2000			
Cost	178,520	8,613	241,953
Valuation - 1.1.2000	17,852,549	1,195,843	10,931,608
	<u>18,031,069</u>	<u>1,204,456</u>	<u>11,173,561</u>

# Notes to the Financial Statements (Cont'd)

31 December 2001

Plant and equipment RM	Motor vehicles RM	Other assets RM	Total RM
25,051,955	10,668,227	12,437,895	78,567,163
626,843	163,110	11,677,549	13,249,360
(44,292)	(243,479)	(66,285)	(354,056)
18,568,650	-	(21,065,462)	-
<b>44,203,156</b>	<b>10,587,858</b>	<b>2,983,697</b>	<b>91,462,467</b>
10,403,696	5,796,055	1,414,478	18,045,315
2,220,053	994,319	158,640	3,827,207
(21,299)	(225,499)	(36,235)	(283,033)
2,751	-	(2,751)	-
<b>12,605,201</b>	<b>6,564,875</b>	<b>1,534,132</b>	<b>21,589,489</b>
31,597,955	4,022,983	1,449,565	69,872,978
<b>14,648,259</b>	<b>4,872,172</b>	<b>11,023,417</b>	<b>60,521,848</b>
44,203,156	10,587,858	2,983,697	61,482,467
-	-	-	29,980,000
<b>44,203,156</b>	<b>10,587,858</b>	<b>2,983,697</b>	<b>91,462,467</b>
25,051,955	10,668,227	12,437,895	48,587,163
-	-	-	29,980,000
<b>25,051,955</b>	<b>10,668,227</b>	<b>12,437,895</b>	<b>78,567,163</b>

# Notes to the Financial Statements (Cont'd)

31 December 2001

Company	Office equipment RM	Furniture & Fittings RM	Motor Vehicles RM	Total RM
Cost and Valuation				
At beginning of the year	31,014	7,048	175,324	213,386
Additions	-	752	-	752
At end of the year	31,014	7,800	175,324	214,138
Accumulated Depreciation				
At beginning of the year	1,673	4,110	-	5,783
Charge for the year	5,742	1,039	35,065	41,846
At end of the year	7,415	5,149	35,065	47,629
Net Book Value				
At 31.12.2001	23,599	2,651	140,259	166,509
At 31.12.2000	29,341	2,938	175,324	207,603

Freehold land and buildings of the Group amounting to RM1,298,870 (2000 : RM1,311,308) are charged as securities for bank facilities as stated in Note 9 to the financial statements.

The valuations of freehold and leasehold properties were adopted by the Directors based on valuations by external professional valuers using the fair or open market value basis and as for those in year 2000, as approved by the Securities Commission.

The tax effect in connection with the surplus arising on the revaluation of the freehold and leasehold properties is not disclosed as there is no foreseeable intention to dispose of these properties.

The carrying amount of land and buildings that would have been included in the financial statements had the land and buildings been carried at cost less accumulated depreciation amounts to RM23,779,512 (2000 : RM20,843,148).

Other assets include capital work-in-progress which comprises expenditure incurred for factory building in the course of construction amounting to RM526,590 (2000 : RM1,893,200) and machinery under installation amounting to RMNil (2000 : RM8,133,808). The balance of the amounts yet to be incurred and not provided for is disclosed as capital commitments in Note 22 to the financial statements.

## 4. SUBSIDIARY COMPANIES

	Company	
	2001 RM	2000 RM
Unquoted shares at cost	43,941,000	43,941,000
Amounts owing by subsidiary companies	16,144,950	15,877,298
	60,085,950	59,818,298

The amounts owing by the subsidiary companies, which arose mainly from advances, are unsecured and have no fixed terms of repayment.

**4. SUBSIDIARY COMPANIES (Cont'd)**

The subsidiary companies, which are incorporated in Malaysia, are :

Name	Principal Activities	Effective Equity Interest	
		2001	2000
Hup Seng Perusahaan Makanan (M) Sdn Bhd	Manufacture and sale of biscuits	100%	100%
Hup Seng Hoon Yong Brothers Sdn Bhd	Sale and distribution of biscuits, confectionery and foodstuff	100%	100%

**5. INVENTORIES**

	Group		Company	
	2001 RM	2000 RM	2001 RM	2000 RM
<b>At cost</b>				
Raw materials	4,687,084	3,564,412	-	-
Finished goods	5,025,542	6,706,541	-	-
Spares and fuel	1,189,501	1,148,200	-	-
Work-in-progress	205,017	274,322	-	-
Third party resaleable stocks	15,287	15,517	-	-
Promotional inventories	-	5,700	-	-
	11,122,431	11,714,692	-	-
<b>At net realisable value</b>				
Finished goods	174,289	172,231	-	-
Containers	1,229,746	1,029,020	-	-
	12,526,466	12,915,943	-	-

Inventories of containers are stated at estimated net realisable value based on the estimated quantity of tin containers in circulation at balance sheet date.

**6. DEBTORS**

	Group		Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Trade debtors	24,102,188	25,451,576	-	-
Other debtors	1,615,075	1,363,931	59,982	51,061
	25,717,263	26,815,507	59,982	51,061
Provision for doubtful debts	(4,682,203)	(4,370,281)	-	-
	21,035,060	22,445,226	59,982	51,061

# Notes to the Financial Statements (Cont'd)

31 December 2001

## 7. CASH AND BANK BALANCES

	Group		Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Deposits with licensed bank	25,485,191	20,818,543	21,324,880	15,500,000
Repurchase agreements	5,500,000	14,000,000	100,000	5,000,000
Cash and bank balances	5,628,819	6,946,108	930,690	39,432
	<u>36,614,010</u>	<u>41,764,651</u>	<u>22,355,570</u>	<u>20,539,432</u>

Fixed deposits with licensed bank amounting to RMNil (2000 : RM1,185,956) are pledged as security for overdraft facility of the Group as stated in Note 9 to the financial statements.

## 8. CREDITORS

	Group		Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Trade creditors	17,800,209	21,011,610	-	-
Payroll liabilities	5,150,924	5,603,738	87,381	17,260
Duties and other taxes payable	518,150	539,360	-	-
Amount payable to suppliers of property, plant and equipment	925,293	164,220	-	-
Sundry suppliers	932,203	1,112,526	-	26,551
Accrued expenses	3,088,510	3,746,384	615,654	586,933
Containers refundable deposits	2,726,205	4,189,041	-	-
	<u>31,141,494</u>	<u>36,366,879</u>	<u>703,035</u>	<u>630,744</u>

## 9. BANK BORROWINGS

	Group		Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Secured : Term loan	-	717,369	-	-

The bank borrowings are jointly and severally guaranteed by certain executive Directors and secured by a negative pledge over fixed and other assets of the Group and certain fixed deposits of the Group.

The bank overdraft facility of RM2,190,000 (2000 : RM3,190,000) is repayable upon demand and bears interest at 1.5% (2000 : rates ranging from 1.5% to 2.5%) above the bank's base lending rate per annum. The overdraft facility was not utilised as at balance sheet date.

The term loan was fully settled during the year.

**10. SHARE CAPITAL**

	Group		Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Authorised :				
100,000,000 (2000 : 25,000) ordinary shares of RM1 each at beginning of the year	100,000,000	100,000,000	100,000,000	25,000
Nil (2000 : 99,975,000) ordinary shares RM1 each created during the year	-	-	-	99,975,000
	<hr/>			
100,000,000 (2000 : 100,000,000) ordinary shares of RM1 each at end of the year	100,000,000	100,000,000	100,000,000	100,000,000
	<hr/>			
Issued and fully paid :				
60,000,000 (2000 : 10,000) ordinary shares of RM1 at beginning of the year	60,000,000	43,951,000	60,000,000	10,000
Nil (2000: 43,941,000) ordinary shares of RM1 issued as consideration for acquisition of subsidiary companies	-	-	-	43,941,000
Nil (2000 : 16,049,000) ordinary shares of RM1 issued via public offer	-	16,049,000	-	16,049,000
	<hr/>			
60,000,000 (2000 : 60,000,000) ordinary shares of RM1 at end of the year	60,000,000	60,000,000	60,000,000	60,000,000
	<hr/>			

The share capital of the Group for the year ended 31 December 2000 has been restated for the issuance of shares for acquisition of the subsidiary companies as if the subsidiary companies have been owned throughout the preceding accounting period.

# Notes to the Financial Statements (Cont'd)

31 December 2001

## 11. RESERVES

	Group		Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Non-Distributable :				
Share premium	14,333,133	14,345,261	14,333,133	14,345,261
Distributable :				
Retained profits	28,748,995	19,198,184	5,019,103	1,330,509
	<u>43,082,128</u>	<u>33,543,445</u>	<u>19,352,236</u>	<u>15,675,770</u>

The movements in the reserves are shown in the statements of changes in equity.

Share premium of the Group and of the Company represents the premium arising from the issue of shares.

Based on estimated Section 108 balance available and the balance in the tax exempt account as at 31 December 2001 and subject to agreement with the Inland Revenue Board, the entire retained profits of the Company are available for distribution by way of dividend without incurring additional tax liability.

## 12. DEFERRED TAXATION

	Group		Company	
	2001 RM	2000 RM	2001 RM	2000 RM
At beginning of the year	2,660,000	2,660,000	-	-
Movement during the year (Note 17)	1,723,000	-	-	-
At end of the year	<u>4,383,000</u>	<u>2,660,000</u>	<u>-</u>	<u>-</u>

## 13. HOLDING COMPANY

The holding company is HSB Group Sdn. Bhd., a company incorporated in Malaysia.

## 14. DEFERRED EXPENDITURE

	Group		Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Preliminary expenses	-	3,000	-	3,000
Pre-operating expenses	-	30,086	-	30,086
	-	33,086	-	33,086
Amount written off	-	(33,086)	-	(33,086)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**15. TURNOVER**

Turnover of the Group represents the invoiced value of goods sold less returns and trade discounts. Intra-group transactions are excluded from the Group's turnover.

Turnover of the Company represents interest and dividend income.

**16. PROFIT BEFORE TAXATION**

	Group		Company	
	2001 RM	2000 RM	2001 RM	2000 RM
This is arrived at after charging :				
Auditors' remuneration				
- current year	43,000	31,500	10,000	3,500
- prior year	4,500	-	4,500	-
Bad debts written off	278,180	241,692	-	-
Emoluments of the Directors of				
- the Company				
- fee - current year	590,000	570,066	500,000	469,266
- fee - prior year	(61,079)	-	(50,279)	-
- other emoluments	3,879,000	2,979,899	728,410	224,137
- the subsidiary companies				
- fee - current year	80,000	89,600	-	-
- fee - prior year	(9,600)	-	-	-
- other emoluments	912,292	765,861	-	-
Depreciation of property, plant and equipment	3,827,207	3,272,667	41,846	5,783
Deferred expenditure written off	-	33,086	-	33,086
Realised exchange losses	97,736	149,328	-	-
Property, plant and equipment written off	25,389	27,063	-	-
Interest expense	7,686	162,239	-	-
Loss on disposal of property, plant and equipment	3,085	4,707	-	-
Provision for obsolete inventories	-	1,406,302	-	-
Provision for doubtful debts	311,922	585,621	-	-
Rental expenses	221,550	137,050	21,600	4,500
Revaluation deficits	-	68,303	-	-
and crediting :				
Bad debts recovered	8,419	8,686	-	-
Gain on disposal of property, plant and equipment	37,422	185,862	-	-
Dividend income	-	-	11,904,000	6,954,000
Rental income	65,370	14,630	-	-
Interest income	1,126,976	758,556	548,001	156,476
Write back of provision for obsolete inventories	175,909	-	-	-

The estimated monetary value of benefits provided to Directors during the financial year by way of usage of the Group and Company's assets and provision of other benefits amounted to RM139,275 (2000 : RM124,550).

# Notes to the Financial Statements (Cont'd)

31 December 2001

## 17. TAXATION

	Group		Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Malaysian taxation based on profit for the year :				
Current tax	2,514,912	3,806,768	2,060,000	575,000
Deferred tax (Note 12)	1,723,000	-	-	-
	<u>4,237,912</u>	<u>3,806,768</u>	<u>2,060,000</u>	<u>575,000</u>
Real property gains tax	-	5,990	-	-
	<u>4,237,912</u>	<u>3,812,758</u>	<u>2,060,000</u>	<u>575,000</u>

The disproportionate tax charge of the Group for the year is principally due to a subsidiary company is eligible for certain tax incentive. Provision for taxation for the Company is in respect of dividends from subsidiary company and interest income.

## 18. EARNINGS PER SHARE

The basic and diluted earnings per share are calculated based on the consolidated profit after taxation of RM14,710,811 (2000 : RM14,388,110) over the weighted average number of 60,000,000 (2000 : 47,160,800) ordinary shares in issue during the year.

## 19. MERGER ACCOUNTING

The retained profits brought forward are that of the subsidiary companies. The difference between the nominal value of shares of the Company issued as consideration and the nominal value of the shares acquired has been classified as a merger deficit and set off against the retained profits and revaluation reserve of the subsidiary companies as at 1 January 1999, and also against the further revaluation surplus that arose from the revaluation of the certain property of the subsidiary companies in the year ended 31 December 2000.

## 20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flows statement comprise the following balance sheet amounts :

	Group		Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Cash and bank balances	5,628,819	6,946,108	930,690	39,432
Repurchase agreements	5,500,000	14,000,000	100,000	5,000,000
Deposits with licensed banks (Unpledged)	25,485,191	19,632,587	21,324,880	15,500,000
	<u>36,614,010</u>	<u>40,578,695</u>	<u>22,355,570</u>	<u>20,539,432</u>

**21. SIGNIFICANT RELATED PARTY TRANSACTIONS**

	Group		Company	
	2001 RM	2000 RM	2001 RM	2000 RM
From subsidiary companies :				
Dividend receivable	-	-	11,904,000	6,954,000
Rental of premises payable to :				
- Hup Seng Brothers Holdings Sdn. Bhd. ("HSBH") Note (a)	70,200	54,000	-	-
- Tiong Bee Industries Sdn. Bhd. ("TBI") Note (b)	48,000	48,000	-	-
Purchase of raw materials and finished goods from Tongpau Food Industry (M) Sdn. Bhd. ("TPF") Note (c)	41,055	48,267	-	-
Sales of raw materials to TPF	5,720	10,605	-	-

The above transactions have been entered into in the normal course of business and have been established under mutually agreed terms.

Related party is an enterprise whereby significant influence can be exercised over the party through common directors and shareholders.

Note :

- (a) Certain Directors of the Company, namely Kuo Choo Song, Ke (Kek) Kim Soon @ Kerk Choo Soon, Keh (Kerk) Chu Koh, Kerk Chiew Siong, Teo Lee Teck and certain directors of the subsidiary companies, namely Kuo Liong Yok, Kuo Chee Ching, Kuo Chee Joo, Teo Lay Gak, Kerk Kar Han, Kuo Chee Yong are also the shareholders of HSBH.

Certain Directors of the Company, namely Kuo Choo Song, Ke (Kek) Kim Soon @ Kerk Choo Soon, Keh (Kerk) Chu Koh, Kerk Chiew Siong, Kerk Chian Tung, Teo Lee Teck and a director of the subsidiary companies, namely Kuo Liong Yok are also the directors of HSBH.

- (b) Certain Directors of the Company, namely Kuo Choo Song, Ke (Kek) Kim Soon @ Kerk Choo Soon and Keh (Kerk) Chu Koh are also the directors of TBI.
- (c) The brother in law and nephews of certain Directors of the Company, namely Kuo Choo Song, Ke (Kek) Kim Soon @ Kerk Choo Soon, Keh (Kerk) Chu Koh and Kerk Chiew Siong, are the directors of TPF.

# Notes to the Financial Statements (Cont'd)

31 December 2001

## 22. CAPITAL COMMITMENTS

	Group		Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Contracted but not provided for	1,756,600	9,537,100	-	-

## 23. UTILISATION OF PROCEEDS

The proceeds from the listing exercise of RM32,098,000 have been utilised in the following manner :

	Utilisation of proceeds as approved by Securities Commission RM	Amount utilised as at 31.12.2001 RM	Balance not utilised as at 31.12.2001 RM
Purchase of new oven, mixers and packaging units	18,117,000	17,144,935	972,065
Factory expansion and increase warehouse capacity at branches	2,243,000	2,210,000	33,000
Purchase of lorries and motor vehicles	848,000	41,389	806,611
Working capital	9,090,000	2,018,982	7,071,018
Listing expenses	1,800,000	1,715,867	84,133
	32,098,000	23,131,173	8,966,827

## 24. SEGMENTAL REPORTING

As the Group operates within one industry and one country, no segmental information is provided.

## 25. EMPLOYEE INFORMATION

	Group		Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Staff cost	25,306,718	24,973,320	994,665	504,137

The number of employees of the Group and of the Company at the end of the year was 1,355 and 7 (2000 : 1,338 and 5) respectively.

**26. COMPARATIVE FIGURES**

The following comparative figures have been reclassified to conform with current year's presentation :

	Group		Company	
	As restated 2000 RM	As previously stated 2000 RM	As restated 2000 RM	As previously stated 2000 RM
<b>INCOME STATEMENTS</b>				
Other operating income	1,450,054	1,606,530	-	7,110,476
Turnover	183,846,232	183,689,756	7,110,476	-

The change was due to the reclassification of dividend and interest income from other operating income to turnover.

	Group		Company	
	As restated 2000 RM	As previously stated 2000 RM	As restated 2000 RM	As previously stated 2000 RM
<b>NOTES TO THE FINANCIAL STATEMENTS</b>				
<b>8. CREDITORS</b>				
Other creditors	-	12,227,589	-	630,744
Payroll liabilities	5,603,738	-	17,260	-
Duties and other taxes payable	539,360	-	-	-
Amount payable to suppliers of property, plant and equipment	164,220	-	-	-
Sundry suppliers	1,112,526	-	26,551	-
Accrued expenses	3,746,384	-	586,933	-
Containers refundable deposits	4,189,041	3,127,680	-	-

The changes were due to the sub-classification of other creditors.

# List Of Group Properties

as at 31 December 2001

Location of Property	Description	Tenure of Land	Existing Use	Land Area / Build-up Area	Approximate Age of Building	Net Book Value as at 31.12.01 RM
<b>Hup Seng Perusahaan Makanan (M) Sdn Bhd</b> Lot No. 7009 (Formerly PTD 2650) No. 15, Jalan Kolek Taman Kapal Layar Tongkang Pecah 83010 Batu Pahat Johor Darul Takzim	Single-storey terrace house	Freehold	Rented out (expiring 30.04.2003)	143.0 sq. m/ 94.1 sq. m	8 years	83,614
Lot 1336 No. 14-A, Jalan Kilang Kawasan Perindustrian Tongkang Pecah 83010 Batu Pahat Johor Darul Takzim	Single-storey Detached Factory an annex with 3-storey office building incorporating a basement area	Freehold	Warehouse/ office	9,940 sq. m/ 13,284.8 sq. m	2 years	11,406,924
PTD 1858 No. 14, Jalan Kilang Kawasan Perindustrian Tongkang Pecah 83010 Batu Pahat Johor Darul Takzim	Single-storey Detached Factory an annex with 2-storey office building and other ancillary buildings	60 years leasehold (Expiring 24.05.2040)	Factory/ office	20,234.11 sq. m/ 14,631.70 sq. m	19 years	13,095,040
PTD 3727 No. 14, Jalan Kilang Kawasan Perindustrian Tongkang Pecah 83010 Batu Pahat Johor Darul Takzim	Fully covered with concrete driveway and underground drainage & piping system	60 years leasehold (Expiring 12.07.2055)	Driveway	1,416.38 sq. m	-	189,369
Lot 6770 11 Jalan Kesturi 3 Taman Bunga Raya Tongkang Pecah 83010 Batu Pahat Johor Darul Takzim	Double-storey semi-detached house	Freehold	Foreign workers' hostel	275 sq. m/ 169.1 sq. m	11 years	116,087
Lot 6726 (Formerly GM766) 6 Jalan Kesturi 6 Taman Bunga Raya Tongkang Pecah 83010 Batu Pahat Johor Darul Takzim	Double-storey semi-detached house	Freehold	Foreign workers' hostel	282 sq. m/ 256.7 sq. m	11 years	133,567
Lot 6457 No. 22 & 22A Jalan Timun Taman Anggerik Tongkang Pecah 83010 Batu Pahat Johor Darul Takzim	Double-storey shophouse	Freehold	Foreign workers' hostel	163.5 sq. m/ 281.3 sq. m	22 years	181,352
Lot 6456 No. 21 & 21A Jalan Timun Taman Anggerik Tongkang Pecah 83010 Batu Pahat Johor Darul Takzim	Double-storey shophouse	Freehold	Foreign workers' hostel	163.5 sq. m/ 281.3 sq. m	22 years	190,124

## List Of Group Properties (Cont'd)

as at 31 December 2001

Location of Property	Description	Tenure of Land	Existing Use	Land Area / Build-up Area	Approximate Age of Building	Net Book Value as at 31.12.01 RM
<b>Hup Seng Hoon Yong Brothers Sdn Bhd</b>						
P.T. No. 1820 No. 54, Jalan 7, Taman Maju Jalan Semenyih 43000 Kajang Selangor Darul Ehsan	Single-storey Link House	Freehold	Vacant	3,138 sq. ft./ 760 sq. ft.	11 years	98,416
Lot 63763, 63775&63776 No.4&4A,28&28A, and 30&30A, Jln Harilela, Taman Harilela, 31350 Ipoh, Perak	Double storey shophouses	Freehold	4-Rented out (expiring 31.03.2003)  4A –Rented out ( expiring 30.09.2003)  28&28A – Vacant  30-Vacant  30A –Staff hostel	5,226 sq. ft./ 10,078 sq. ft.	12 years	533,516
P.T. Nos. 46611 and 45689 Nos. A495 and A 497 Taman Seri Pelindung Satu Jalan Berserah 25300 Kuantan Pahang Darul Makmur	2 continuous units of Double-storey shophouses	Freehold	Branch office/ store	413 sq. m/ 483.7 sq. m	6 years	510,456
P.T. No. 50277 No. 1, Jalan Jaya Gading 2, Kawasan MIEL Jaya Gading , 25050 Kuantan Pahang Darul Makmur	1 1/2 storey semi-detached factory building	66 years leasehold (expiring 18.05.2063)	Vacant	1,613.09sq. m/ 729.5 sq. m	4 years	710,000
Lot Nos. 4107 & 4109 No. 1323 & 1325, Jalan Bukit Tengah Taman Indah 14000 Bukit Mertajam Pulau Pinang	Double-storey shophouses	Freehold	Branch office/ store	371.7 sq. m/ 744.8 sq. m	12 years	559,794
Plot Nos. 128, 130 & 131, No. 128, 130, 131 Jalan Sagaria 2, Taman Saga Alor Mengkudu 05400 Alor Setar Kedah Darul Aman	Double-storey shophouses	Freehold	Store	362.4 sq. m/ 640.5 sq. m	11 years	379,886
Plot Nos. 132 & 133, No. 132 & 133 Jalan Sagaria 2, Taman Saga Alor Mengkudu 05400 Alor Setar Kedah Darul Aman	Double-storey shophouses	Freehold	Branch office/ store	241.55 sq. m/ 481.9 sq. m	3 years	254,898

# List Of Group Properties (Cont'd)

as at 31 December 2001

Location of Property	Description	Tenure of Land	Existing Use	Land Area / Build-up Area	Approximate Age of Building	Net Book Value as at 31.12.01 RM
Lot No. 6444 (Formerly PTD 693) No. 9 & 9A, Jalan Timun Taman Anggerik Tongkang Pecah 83010 Batu Pahat Johor Darul Takzim	Double-storey shophouse	Freehold	9-Vacant 9 A-Staff hostel	163.5 sq. m/ 281.3 sq. m	22 years	166,832
Lot No.305884, PN149251 (Formerly PT 149442) 12 Hala Rapat Baru 18 Taman Perusahaan Ringan Kinta Jaya Ipoh, Perak Darul Ridzuan	1 1/2 Storey-detached factory	99 years leasehold (expiring 25.06.2096)	Branch office/ warehouse	1,586 sq. m/ 8,450 sq. ft.	3 years	987,600
Lot 11067 15 Jalan Pala 10 Kawasan Industries Ringan PMTG Tinggi 14000 Bukit Mertajam Pulau Pinang	1 1/2 Storey-detached Light Industrial Building	Freehold	Vacant	1,770 sq. m/ 577.5 sq. m	3 years	820,000
Lot 11068 11-A Jalan Pala 10 Kawasan Industries Ringan PMTG Tinggi 14000 Bukit Mertajam Pulau Pinang	1 1/2 Storey-detached Light Industrial Building	Freehold	Vacant	1,208 sq. m/ 577.5 sq. m	3 years	685,000
Lot 6574 Mukim of Linau District of Batu Pahat Johor Darul Takzim	Vacant industrial land	Freehold	Vacant	9,704.38 sq. m	-	1,700,000

# Statement of Shareholdings

as at 18 March 2002

Authorised capital	:	RM100,000,000.00
Issued and fully paid-up capital	:	RM60,000,000.00
Class of shares	:	Ordinary share of RM1.00 each
Voting rights	:	One vote per RM1.00 share

## ANALYSIS OF SHAREHOLDINGS

No. of Holders	Holdings	Total Holdings	Percentage of Shares
0	Less than 1,000	0	0.00
2,625	1,000 to 10,000	4,676,150	7.79
97	10,001 to 100,000	3,196,000	5.33
26	100,001 to less than 5% of issued shares	16,127,850	26.88
2	5% and above of issued shares	36,000,000	60.00
<u>2,750</u>		<u>60,000,000</u>	<u>100.00</u>

## TOP THIRTY LARGEST SHAREHOLDERS

Name of shareholder	No. of shares held	Percentage of Shares
1. HSB Group Sdn. Bhd.	33,000,000	55.00
2. Noorhayati binti Kamaluddin	4,777,000	7.96
3. HLB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Leong Pai Nyok	3,000,000	5.00
4. Lembaga Tabung Haji	2,581,850	4.30
5. Lembaga Tabung Angkatan Tentera	2,000,000	3.33
6. HLB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Yeong Yoke Lan	1,330,000	2.22
7. Chang Kwee Lan	875,000	1.46
8. Lew Mew Choi	550,000	0.92
9. Ma Kim Eng	436,000	0.73
10. Chong Swee Ngun	366,000	0.61
11. Ong Bee Eng	361,000	0.60
12. Choy Sook Eng	358,000	0.60
13. Ker Poh Chu	239,000	0.40
14. Ng Leh Ha	233,000	0.39
15. Keh (Kerk) Chu Koh	213,000	0.36
16. Yeow Ah Seng @ Yow Ah Seng	203,000	0.34
17. Lim Beng Geok	200,000	0.33
18. Ong Kee Sem	194,000	0.32
19. Siow Kiam Hock	170,000	0.28
20. TA Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ee Chee Beng	160,000	0.27
21. Chong Swee Ching	155,000	0.26
22. Apollo Food Holdings Berhad	150,000	0.25
23. Kuo Liong Yok	130,000	0.22
24. Kuo Chee Ching	129,000	0.22
25. Kerk Kar Han	124,000	0.21
26. Ke (Kek) Kim Soon @ Kerk Choo Soon	113,000	0.19
27. Teo Chuan Keng Sdn. Bhd.	110,000	0.18
28. Chai Wooi Kok	100,000	0.17
29. John Hancock Life Insurance (Malaysia) Berhad	100,000	0.17
30. Catherine Low	100,000	0.17

# Statement of Shareholdings (Cont'd)

as at 18 March 2002

## Substantial Shareholders

According to the Register required to be kept under Section 69L of the Companies Act, 1965, the following are the substantial shareholders of the Company:-

No.	Name of shareholder	Direct Interest		Deemed Interest	
		No. of Shares	Percentage (%)	No. of Shares	Percentage (%)
1.	HSB Group Sdn. Bhd.	33,000,000	55.00	-	-
2.	Kuo Choo Song	-	-	33,000,000 <sup>#</sup>	55.00
3.	Tan Siew Kee	-	-	33,000,000 <sup>#</sup>	55.00
4.	Kuo Chee Ching	129,000	0.22	33,000,000 <sup>#</sup>	55.00
5.	Kuo Chee Hau	-	-	33,000,000 <sup>#</sup>	55.00
6.	Kuo Chee Joo	-	-	33,000,000 <sup>#</sup>	55.00
7.	Kuo Chee Kian	-	-	33,000,000 <sup>#</sup>	55.00
8.	Kuo Chee Koon	-	-	33,000,000 <sup>#</sup>	55.00
9.	Kuo Chee Yoong	-	-	33,000,000 <sup>#</sup>	55.00
10.	Kuo Liong Yok	130,000	0.22	33,000,000 <sup>#</sup>	55.00
11.	Ke (Kek) Kim Soon @ Kerk Choo Soon	113,000	0.19	33,000,000 <sup>#</sup>	55.00
12.	Sim Guat Keow @ Sim Han Che	-	-	33,000,000 <sup>#</sup>	55.00
13.	Kerk Han Meng	35,000	0.06	33,000,000 <sup>#</sup>	55.00
14.	Kerk Kar Han	124,000	0.21	33,000,000 <sup>#</sup>	55.00
15.	Lau Ah Chik @ Yap Swee Keow	-	-	33,000,000 <sup>#</sup>	55.00
16.	Teo Lay Gak	30,000	0.05	33,000,000 <sup>#</sup>	55.00
17.	Teo Lee Teck	82,000	0.14	33,000,000 <sup>#</sup>	55.00
18.	Teo Lee Tong	80,000	0.13	33,000,000 <sup>#</sup>	55.00
19.	Keh (Kerk) Chu Koh	213,000	0.36	33,000,000 <sup>#</sup>	55.00
20.	Lem Leh Lee @ Lim Mok Lee	-	-	33,000,000 <sup>#</sup>	55.00
21.	Dato' Ker (Kerk) Kim Tim @ Kerk Choo Ting	-	-	33,000,000 <sup>#</sup>	55.00
22.	Chang Yang @ Chen Yong	-	-	33,000,000 <sup>#</sup>	55.00
23.	Kerk Gau Yang	-	-	33,000,000 <sup>#</sup>	55.00
24.	Kerk Chong Yong	-	-	33,000,000 <sup>#</sup>	55.00
25.	Kerk Shiang Yih	-	-	33,000,000 <sup>#</sup>	55.00
26.	Datin Noorhayati Binti Kamaluddin	4,777,000	7.96	-	-
27.	Lembaga Tabung Haji	2,581,850	4.30	-	-
28.	Lembaga Tabung Angkatan Tentera	2,000,000	3.33	-	-

Note:

<sup>#</sup> Deemed interested by virtue of his/her and /or his/her associates' interests in HSB Group Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965.

# Statement of Shareholdings (Cont'd)

as at 18 March 2002

## DIRECTORS INTERESTS

Name of Director	Direct Interests		Deemed Interests	
	No. of Shares held	%	No. of Shares held	%
Kuo Choo Song	-	-	33,000,000	55.00*
Ke (Kek) Kim Soon @ Kerk Choo Soon	113,000	0.19	33,000,000	55.00*
Kek (Kerk) Chu Koh	213,000	0.36	33,000,000	55.00*
Kerk Chiew Siong	-	-	-	-
Wee Hoe Soon @ Gooi Hoe Soon	-	-	-	-
Mazrina binti Arifin	-	-	-	-
Norita binti Ja'afar	-	-	-	-
Kerk Chian Tung	-	-	-	-
Raja Khairul Anuar bin Raja Mokhtar	20,000	0.03	-	-
Teo Lee Teck	82,000	0.14	33,000,000	55.00*

Note:

\* Deemed interested by virtue of his interests in HSB Group Sdn. Bhd pursuant to Section 6A of the Companies Act, 1965.





I/We \_\_\_\_\_ of \_\_\_\_\_

being a member/members of Hup Seng Industries Berhad, hereby appoint \_\_\_\_\_

\_\_\_\_\_ of \_\_\_\_\_

\_\_\_\_\_ or failing whom, \_\_\_\_\_

\_\_\_\_\_ of \_\_\_\_\_

\_\_\_\_\_ as my/our proxy to vote for \*me/us and on \*my/our behalf at the **Tenth Annual General Meeting** of the Company to be held at **Mezzanine Floor, The Katerina Hotel, 8 Jalan Zabedah, 83000 Batu Pahat, Johor Darul Takzim** on **Friday, 17 May 2002** at **10:30 a.m.** and, at every adjournment thereof \*for/against the resolutions to be proposed thereat.

\*My/Our proxy is to vote as indicated below:-

No.	RESOLUTIONS	FOR	AGAINST
1.	Adoption of Audited Financial Statements for the year ended 31 December 2001 together with the Reports of the Directors and Auditors.		
2.	Declaration of Final Dividend of 2.5% (Tax Exempt) and 2.5% (less 28% income tax) for the year ended 31 December 2001.		
3.	Approval of the payment of Directors' fees.		
4.	Re-election of Directors Retiring according to the Company's Articles of Association: - Kuo Choo Song - Kerk Chiew Siong - Keh (Kerk) Chu Koh		
5.			
6.			
7.	Re-appointment of Messrs Ernst & Young as Auditors.		
8.	Authority to allot shares.		
9.	Authority to deal with substantial property transactions involving directors.		

Please indicate with a cross (X) in the space whether you wish your votes to be cast for or against the resolution. In the absence of such specific directions, your proxy will vote or abstain as he thinks fit

As witness my hand this \_\_\_\_\_ day of \_\_\_\_\_ 2002

<b>NO. OF SHARES HELD</b>

\_\_\_\_\_  
 Signature of Member(s)

Note:

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and if the proxy is not a member of the Company, the proxy shall be an advocate or an approved company auditor or a person approved by the Registrar of Companies.
2. A member shall be entitled to appoint more than one proxy (subject always to a maximum of two (2) proxies at each meeting to attend and vote at the same meeting.
3. Where a member appoints more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. If the appointer is a corporation, the proxy form must be executed under its Seal or under the hand of the attorney.
5. The instrument appointing a proxy must be deposited at the office of the Registered Office of the Company, Signet & Co Sdn. Bhd. at Suite 633, 6th Floor, PanGlobal Plaza, Jalan Wong Ah Fook, 80000 Johor Bahru, Johor not less than forty-eight (48) hours before the time appointed for holding the Meeting.

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Stamp

The Secretary  
**HUP SENG INDUSTRIES BERHAD**  
(Company No: 226098-P)

Suite 633, 6th Floor PanGlobal Plaza  
Jalan Wong Ah Fook, 80000 Johor Bahru  
Johor Darul Ta'zim, Malaysia

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