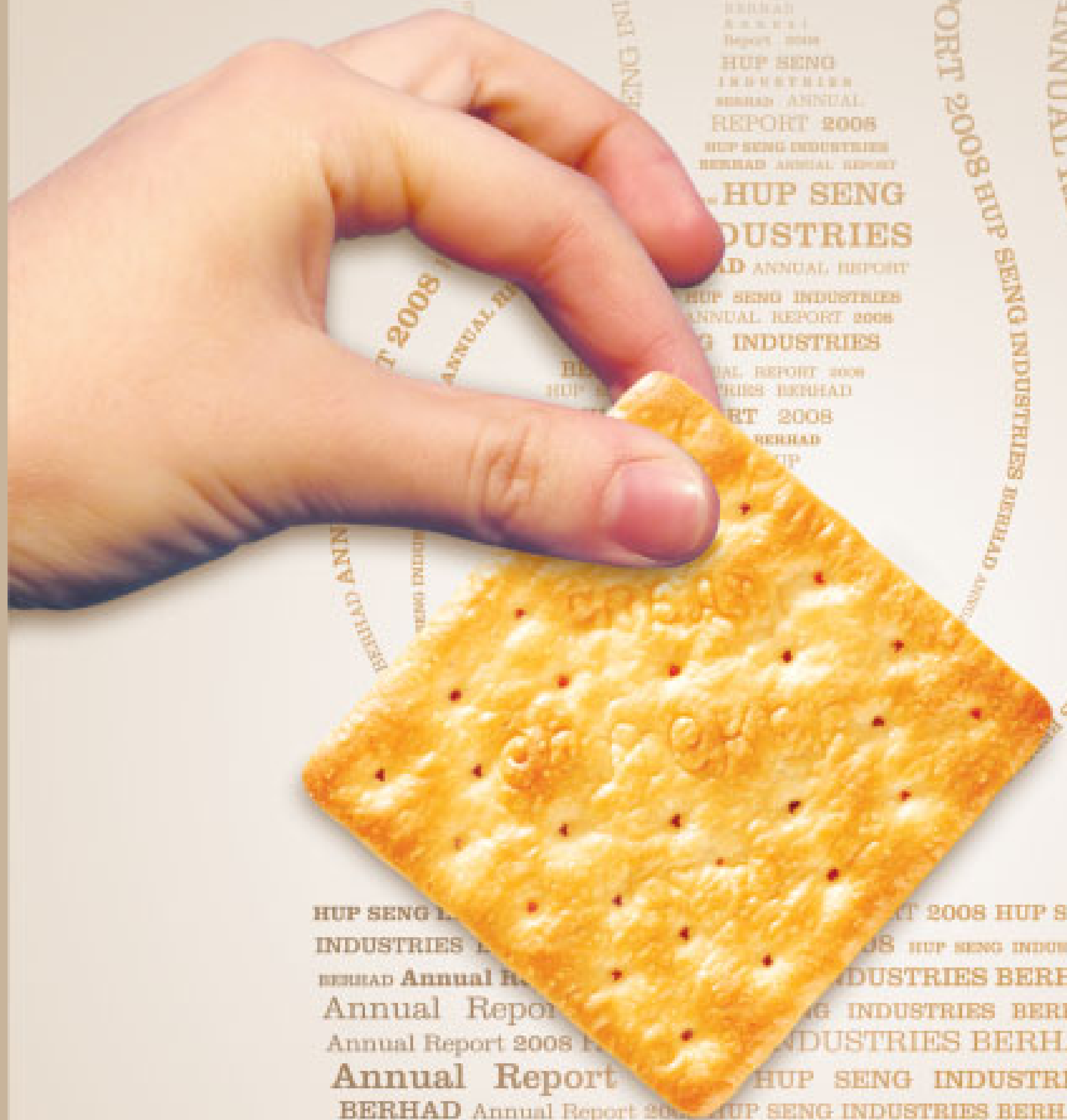
HUP SENG INDUSTRIES BERHAD (Company No: 226098-P)

Suite 6.1A, Level 6, Menara Pelangi
Jalan Kuning, Taman Pelangi
80400 Johor Bahru, Johor Darul Ta'zim
Tel (067) 332 3536

http://www.hupseng.com

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

ANNUAL REPORT 2008



ANNUAL REPORT 2008

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

CONTENTS

HUP SENG
Cream Crackers
Biskut Cap Ping Pong
Craquelins veloutés
428g(15.1oz)

CORPORATE INFORMATION

DIRECTORS

Keh (Kerk) Chu Koh
(Chairman)

Kerk Chiew Siong
(Vice Chairman)

Kuo Choo Song
(Managing Director)

Kerk Chian Tung
(Executive Director)

Teo Lee Teck
(Non-Executive Director)

Kerk Kar Han
(Non-Executive Director)

Woon Chin Chan
(Independent Non-Executive Director)

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

Mazrina Binti Arifin
(Independent Non-Executive Director)

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

Wee Hoe Soon @ Gooi Hoe Soon
(Alternate Director to Woon Chin Chan)

SECRETARY

Leong Siew Foong

REGISTERED OFFICE

Suite 6.1A, Level 6
Menara Pelangi
Jalan Kuning, Taman Pelangi
80400 Johor Bahru
Johor Darul Ta'zim
Tel : (07) - 332 3536
Fax : (07) - 332 4536

PRINCIPAL PLACE OF BUSINESS

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

SHARE REGISTRAR

Symphony Share Registrars
Sdn. Bhd. (378993-D)
Level 26, Menara Multi Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : (03) - 2721 2222
Faz : (03) - 2721 2530/1

PRINCIPAL BANKERS

RHB Bank Berhad
Malayan Banking Berhad
Public Bank Berhad
United Overseas Bank
(Malaysia) Berhad
HSBC Bank Malaysia Berhad

AUDITORS

Ernst & Young
Chartered Accountants

STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia
Securities Berhad

CORPORATE STRUCTURE

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

100%
HUP SENG PERUSAHAAN MAKANAN (M) SDN BHD
(Company No: 19770-K)

100%
HUP SENG HOON YONG BROTHERS SDN BHD
(Company No: 31372-V)

100%
IN-COMIX FOOD INDUSTRIES SDN BHD
(Company No: 180753-V)

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Hup Seng Industries Bhd. ("HSIB" or "the Company"), I have pleasure in presenting the Annual Reports and Audited Financial Statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December, 2008.

REVIEW OF THE FINANCIAL PERFORMANCE

I am very pleased to report that our Company has performed very strongly in our financial year ended 31 December, 2008. Not only the revenue has surpassed the RM200 million mark for the first time in HSIB's history, profit before tax hit a record high of RM21 million for the financial year ended 31 December, 2008 increased from preceding year corresponding period of RM6 million by a hefty RM15 million or 250%.

The Group's record profit is respectable indeed, considering a challenging operating environment in which high cost pressures are the order of the day in better part of the year. By keeping close momentum with volatile movement of major material prices, the Group has promptly reacted with cost recovery exercises in February 2008 and again in June 2008 to protect the margin. Nevertheless, prices for most of the key input materials were falling from historical high towards the end of third quarter impacted by fear of global recession as a result of credit crunch. The continued efforts to enhance operating efficiency within the Group have also contributed greatly towards the bottom line of the year, best ever achieved in the Group's history.

Revenue rose by 14% to RM220 million as compared with preceding year corresponding period of RM193 million amid a lower production volume. The increase was largely due to selected price adjustments necessitated by the steep increases in raw material costs.

The Group has no borrowings and has a cash balance of RM21 million as at the end of the financial year. Net asset per share stood at RM2.10 and earnings per share (EPS) improved significantly from 7.9 sen in 2007 to 26.8 sen.

CHAIRMAN'S STATEMENT (CONT'D)

ACHIEVEMENT

The subsidiary, Hup Seng Perusahaan Makanan (M) Sdn Bhd., was accredited with the Certification of HACCP (Hazard Analysis Critical Control Point) and BRC (British Retail Consortium) in Year 2008.

DIVIDEND

The Board of Directors has declared an interim dividend of 10% less 26% tax for the financial year ended 31 December, 2008. These dividends were paid on 22 October, 2008. However, there is no final dividend recommended for this financial year.

CORPORATE SOCIAL RESPONSIBILITY

The Group recognizes the importance of a corporate culture that emphasizes good corporate social responsibility. The Group is committed to play its role as a caring corporate citizen. In line with this, the Group has taken initiative in making contributions toward the local community, for instances donations to various schools and associations. In the workplace, the Group places high importance on safety, health and employees development. For example, a committee relating to workplace safety is set up to promote awareness of safety in workplace. Various sports activities were organized for healthy and balanced working lifestyle for employees besides encouraging networking and socializing between colleagues and peer.

OUTLOOK AND PROSPECTS

Malaysia economic expansion disappeared in fourth quarter 2008 and it barely remained above water with a negligible growth of 0.1 % that led a full year growth of 4.6% as compared to 6.3% of 2007. The slower growth was due to the worsening global economy that had caused a significant drop in the country's exports. The global economy is getting more critical and all signs indicate deeper and prolonged recession. Any improvement will hinge on the state of development in the US and other bigger economies in the world. The country's gross domestic product forecast for this year has been revised downwards to between -1% and 1%, from 3.5% earlier.

The management expects 2009 to be another very challenging year for the Group in view of growing global economic uncertainty. In this environment, the Group's strategy remains focused on product and service quality, flawless operation and cost control. At the same time, the Group will continue to look for ways to sustain its competitive position while remaining focused on operational efficiency so that satisfactory results are achieved in the coming year.

ACKNOWLEDGEMENT

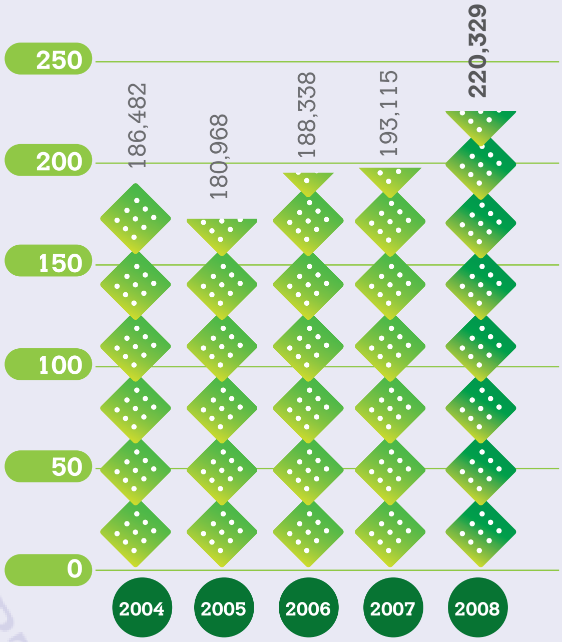
On a personal note, I would like to convey my sincere thanks to my fellow Directors for their invaluable contributions to the Board and for their endeavour in ensuring a high standard of corporate governance.

On behalf of the Board of Directors, I wish to thank our most invaluable assets - the management and all employees for their unwavering commitment and dedicated effort in ensuring the growth of the Group.

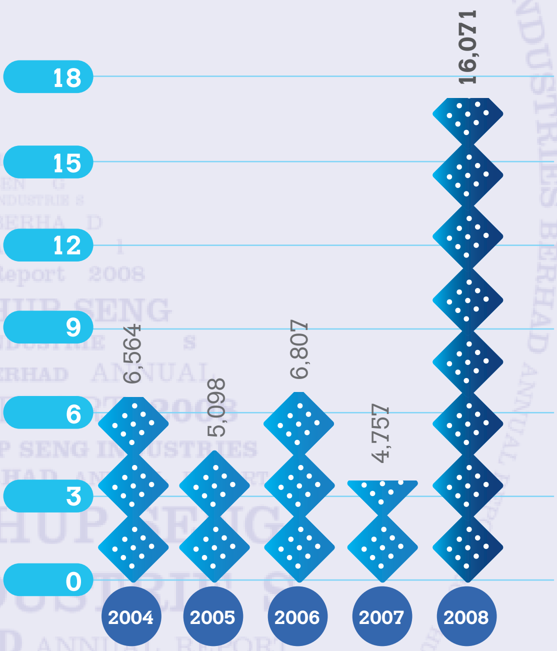
Lastly, I would like to extend my heartfelt gratitude to our shareholders, customers, selling agents, suppliers, business associates and relevant authorities for their continued support and confidence in the Group.

KEH (KERK) CHU KOH
Chairman

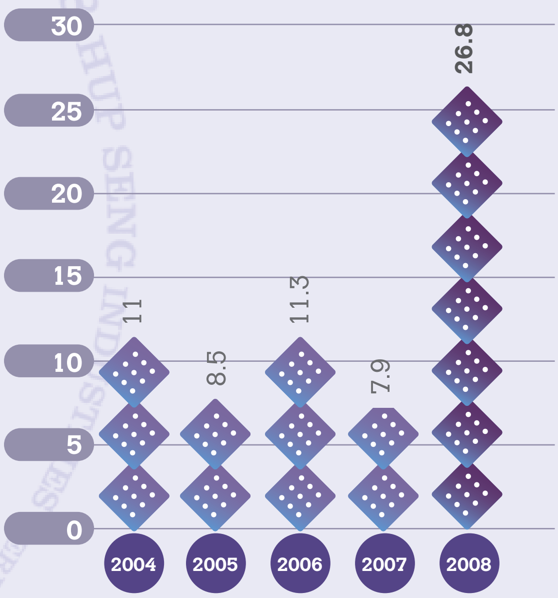
FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS



TURNOVER (RM'000)



PROFIT AFTER TAX (RM'000)



NET EARNINGS PER SHARE (SEN)

Financial year ended 31 December	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000
Turnover	186,482	180,968	188,338	193,115	220,329
Profit After Tax	6,564	5,098	6,807	4,757	16,071
Net Earnings Per Share	11 sen	8.5 sen	11.3 sen	7.9 sen	26.8 sen

DIRECTORS' PROFILE

Keh (Kerk) Chu Koh

Keh (Kerk) Chu Koh, Malaysian aged 66, is the Chairman of the Company. He became a member of the Board of Directors on 4 October, 1991 and was appointed as the Managing Director on 3 August, 2000. Subsequently, he is redesignated as Chairman on 1 February, 2003. He was the Deputy Managing Director of Hup Seng Perusahaan Makanan (M) Sdn. Bhd. ("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 Hup Seng Hoon Yong Brothers Sdn. Bhd. ("HSHY") on 1 January, 1990. He is the brother of Kuo Choo Song and Kerk Chiew Siong, and uncle of Kerk Chian Tung, Teo Lee Teck and Kerk Kar Han. His family relationship with shareholders of HSB Group Sdn. Bhd. (major shareholder of Hup Seng Industries Berhad ("HSIB")) is disclosed in page 12 of this Annual Report. He does not have any conflict of interest with the Company except for certain recurrent related party transactions of revenue or trading nature that is 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 50 years of experience in the biscuits industry. He plans the Group's strategic business development and 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 contributed in obtaining the Certification of HACCP (Hazard Analysis Critical Control Point) & BRC (British Retail Consortium) for HSPM in year 2008, to ensure that product safety and quality are in line with global standard. He travels abroad extensively to keep abreast with the latest developments in the biscuits manufacturing industry and to assess new market prospects for the Group.

Kerk Chiew Siong

Kerk Chiew Siong, Malaysian aged 56, became a member of the Board of Directors on 4 October, 1991 and was appointed as an Executive Director on 3 August, 2000. His position as Executive Director was redesignated to Non-Executive Director on 1 February, 2003. On 17 August, 2006, he then became the Non-Executive Vice Chairman of the Company. He was appointed as the Director of HSPM on 12 March, 1981 and then as an Executive Director on 1 January, 1990 before being redesignated as Vice Chairman on 1 February, 2003. He was a Director of HSHY on 15 February, 1988 and then became the Deputy Managing Director of the same on 1 January, 1990 before being redesignated as Executive Director on 1 February, 2003. He is the brother of Kuo Choo Song and Keh (Kerk) Chu Koh, and uncle of Kerk Chian Tung, Teo Lee Teck and Kerk Kar Han. His family relationship with shareholders of HSB Group Sdn. Bhd. (major shareholder of HSIB) is disclosed in page 12 of this Annual Report. He does not have any conflict of interest with the Company except for certain recurrent related party transactions of revenue or trading nature that is necessary for day-to-day operations of the Group. He has no convictions for any offences over the past 10 years. He has more than 33 years of experience in the manufacturing and marketing of biscuits. As head of the Quality Assurance and Business Development Department, he is responsible for devising strategies for market development and researching 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 MS ISO9001:2000 requirements.

DIRECTORS' PROFILE (CONT'D)

Kuo Choo Song

Kuo Choo Song, Malaysian aged 77, is the Managing Director 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. Subsequently, he is redesignated as Managing Director in HSIB on 1 February, 2003. He had been a member of the Audit Committee until 12 December, 2007. He was appointed as the Managing Director of HSPM on 13 October, 1974 and as the Chairman of the same since 1 April, 1977. He was subsequently redesignated as Vice Chairman of HSPM on 1 February, 2003. He has been the Chairman of HSHY since 21 April, 1977. He has over 50 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 subsequently became HSPM in 1974. He is the elder brother of Keh (Kerk) Chu Koh and Kerk Chiew Siong, and uncle of Kerk Chian Tung, Teo Lee Teck and Kerk Kar Han. His family relationship with shareholders of HSB Group Sdn. Bhd. (major shareholder of HSIB) is disclosed in page 12 of this Annual Report. He does not have any conflict of interest with the Company except for certain recurrent related party transactions of revenue or trading nature that is 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.

Kerk Chian Tung

Kerk Chian Tung, Malaysian aged 38, 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, Keh (Kerk) Chu Koh and Kerk Chiew Siong, and cousin of Teo Lee Teck and Kerk Kar Han. Her family relationship with shareholders of HSB Group Sdn. Bhd. (major shareholder of HSIB) is disclosed in page 12 of this Annual Report. She does not have any conflict of interest with the Company nor conviction for any offences over the past 10 years.

She graduated with a bachelor degree in Accounting from the University of Southern Queensland, Australia in 1991 and a bachelor degree in Manufacturing Management from the University of Monash, Australia in 1994. She joined an accounting firm as an auditor in 1992 and later joined Arthur Andersen HRM (Tax Services) 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 involved in investment holding and provision of management services, extraction and sale of logs. She joined a trading company as a 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 49, was appointed as a Non-Executive Director of the Company on 10 August, 2000. He is a member of the Remuneration Committee. 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 numerously before assuming the position of Production Manager in 1987. During that period, he was actively involved in developing new products under the direction of the Chairman whilst continuously modifying and improving facilities of the machinery in the factory to move towards automation. In 1994 he was promoted to Project Manager, responsible for construction of factory and installation of new machines. He has more than 30 years of experience in biscuit manufacturing. He has been appointed as HSPM's Quality Management Representative of MS ISO 9001:2000 since 2002 and assisted in completion of the infrastructure in order to obtain HACCP & BRC Certification in 2008. He is the nephew of Kuo Choo Song, Keh (Kerk) Chu Koh and Kerk Chiew Siong, and cousin of Kerk Chian Tung and Kerk Kar Han. His family relationship with shareholders of HSB Group Sdn. Bhd. (major shareholder of HSIB) is disclosed in page 12 of this Annual Report. He does not have any conflict of interest with the Company. He has no convictions for any offences over the past 10 years.

Kerk Kar Han

Kerk Kar Han, Malaysian aged 41, was appointed as a Non-Executive Director of the Company on 15 August, 2006. He joined HSHY on 20 September, 1995 as a Management Executive. He was promoted to Admin Senior Executive in July, 1997. On 10 March, 1998, he was appointed as the Executive Director of HSHY. Subsequently, he was redesignated as Director cum Admin Senior Executive on 24 January, 2003. On 1 January, 2004, he was promoted to Director cum Assistant Admin Manager. His responsibilities include maintaining and improving the organizational administration system, ensuring the compliance of company policies, overseeing branches performance and participating in sales and marketing strategic planning and decision making as well as supervising, overseeing and co-ordinating operations of sales and marketing. He reports directly to Business Development Executive Director. He has more than 13 years of experience in business administration and management. He is the nephew of Kuo Choo Song, Keh (Kerk) Chu Koh and Kerk Chiew Siong, and cousin of Kerk Chian Tung and Teo Lee Teck. His family relationship with shareholders of HSB Group Sdn. Bhd. (major shareholder of HSIB) is disclosed in page 12 of this Annual Report. He does not have any conflict of interest with the Company. He has no convictions for any offences over the past 10 years.

DIRECTORS' PROFILE (CONT'D)

Woon Chin Chan

Woon Chin Chan, Malaysian aged 50, was appointed as an Alternate Director to Wee Hoe Soon @ Gooi Hoe Soon (Independent Non-Executive Director) on 6 March, 2003. On 3 January, 2005, he became an Independent Non-Executive Director, Chairman of both the Audit Committee and Remuneration Committee whilst being a member of the Nominating Committee. 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 Malaysian Institute of Certified Public Accountant ("MICPA") and Malaysian Institute of Accountant ("MIA"). He acquired accounting qualification in the Malaysian Association of Certified Public Accountants in 1983. He is presently a consultant cum trainer in financial and related matters. Since 1990, he has been a project manager to various working groups that develop MASB Standard and conducts training for the professional staff of Bursa Malaysia Securities Berhad ("Bursa Securities") and Securities Commission. In addition, he provides consultancy services to SME on financial issues and reporting. From 1988 to 1990, he was a technical manager in MICPA developing various technical materials on accounting, taxation and company law. He also acted as secretary to technical committees and liaison bodies with the statutory bodies on accounting matters. He joined a major international accounting firm from 1980 to 1988, holding the position as an audit manager. While in the accounting firm, he was involved in various audit assignments and listing exercises, and engaged in due diligence and share valuation projects.

Mazrina Binti Arifin

Mazrina Binti Arifin, Malaysian aged 41, was appointed as an Independent Non-Executive Director of the Company on 27 June, 2000. She is the Chairman of the Nominating Committee as well as a member of the Audit Committee. She does not have any family relationship with any director and/or major shareholder, 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. She was the Founder and Managing Director of Under6'ers, Child Enrichment Centres, in Kuala Lumpur and Selangor from 1999 to 2006.

She was appointed Finance Director for Springboard4 Asia Sdn Bhd, a UK based IT Consulting and Training firm and Director for Paddy Schubert Consultants in 2005.

DIRECTORS' PROFILE (CONT'D)

Norita Binti Ja'afar

Norita Binti Ja'afar, Malaysian aged 37, was appointed as an Independent Non-Executive Director of the Company on 11 August, 2000. She is a member in both the Audit Committee and the Nominating Committee. She does not have any family relationship with any director and/or major shareholder, 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 Vice-President of Research from 1999 to 2000. Presently, 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 34, was appointed as a Non-Executive Director of the Company on 14 December, 2000. He was appointed as a member of the Audit Committee on 12 December, 2007 and is a member of the Remuneration Committee. He does not have any family relationship with any director and/or major shareholder. He does not have any conflict of interest with the Company nor convictions for any offences over the past 10 years.

He holds a Bachelor of Commerce (majoring in Finance and Marketing) 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 and subsequently joined a Multinational IT company, Hewlett-Packard Sales (M) Sdn. Bhd., as a Business Analyst from 2001 to 2002. He is currently attached to EMKAY (Paradigma Intan Sdn. Bhd.), a property development company and as Executive Director for Skirmish Paintball Asia Sdn. Bhd. since 2004.

Wee Hoe Soon @ Gooi Hoe Soon

Wee Hoe Soon @ Gooi Hoe Soon, Malaysian aged 49, was appointed as an Independent Non-Executive Director of the Company on 27 June, 2000. He was appointed as the Chairman of both the Audit Committee and Remuneration Committee whilst being a member of the Nominating Committee until year 2004. On 3 January, 2005, he resigned from being an Independent Non-Executive Director, Chairman of Audit Committee and Remuneration Committee as well as member of the Nominating Committee and became an Alternate Director to Woon Chin Chan. 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.

Mr. Gooi is a member of MICPA and MIA. He has more than 23 years of experience in the fields of accounting and corporate finance and was Finance Director of several private and public listed companies on Bursa Securities. 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 Capital Resources Bhd. (formerly known as Avenue Assets Berhad) as a Non-Executive Director in 1999 and was subsequently appointed as the Group Managing Director in 2001 and Deputy Chairman in 2004, holding this last position until 2006. He was also a CEO/ Executive Director Dealing of Avenue Securities Sdn. Bhd.. He now sits on the board of Pos Malaysia Berhad and several private limited companies in Malaysia.

DIRECTORS' PROFILE (CONT'D)

Family Relations between HSB Group Sdn. Bhd.'s shareholders and Hup Seng Industries Bhd.'s (HSIB) Directors are as follows:-

HSB Group's Shareholders		Kuo Choo Song (HSIB Director)	Ke (Kek) Kim Soon @ Kerk Choo Soon	Dato' Seri Ker (Kerk) Kim Tim @ Kerk Choo Ting	Keh (Kerk) Chu Koh (HSIB Director)	Kerk Chiew Siong (HSIB Director)
Wife	Lau Ah Chik @ Yap Swee Keow	Tan Siew Kee	Sim Guat Keow @Sim Han Che	Datin' Seri Chang Yang @ Chen Yong	Lem Leh Lee @ Lim Mok Lee	
Son	Teo Lee Tong Teo Lee Teck (HSIB Director) Teo Lay Gak	Kuo Liong Yok Kuo Chee Ching Kuo Chee Yoong Kuo Chee Joo Kuo Chee Hau Kuo Chee Kian Kuo Chee Koon	Kerk Kar Han (HSIB Director) Kerk Han Meng		Kerk Gau Yang Kerk Chong Yong	
Daughter				Kerk Chian Tung (HSIB Director)	Kerk Shiang Yih	

STATEMENT ON CORPORATE GOVERNANCE

The Board recognises its role in realising the best interests of the shareholders and enhancing the financial performance of the Group. The Board believes that through good corporate governance, will corporate accountability be enhanced and thus long term shareholders' values be realised.

The Group has applied majority of the Principles of Malaysian Code on Corporate Governance ("MCCG") and Best Practices in Corporate Governance and the extent of the application is shown as follows:-

BOARD OF DIRECTORS

Composition and Attendance

Five (5) regular meetings were conducted in the financial year 2008, discussing and reviewing quarterly and annual financial results, dividend proposals, 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, 2008 are as follows:-

Name of Director	Designation	No. of meetings attended (out of the total 5 meetings held)
Keh (Kerk) Chu Koh	Non-Executive Chairman	4/5
Kerk Chiew Siong	Non-Executive Vice Chairman	4/5
Kuo Choo Song	Managing Director	5/5
Kerk Chian Tung	Executive Director	5/5
Teo Lee Teck	Non-Executive Director	5/5
Kerk Kar Han	Non-Executive Director	5/5
Woon Chin Chan	Senior Independent Non-Executive Director	5/5
Mazrina Binti Arifin	Independent Non-Executive Director	5/5
Norita Binti Ja'afar	Independent Non-Executive Director	3/5
Raja Khairul Anuar Bin Raja Mokhtar	Non-Executive Director	4/5
Wee Hoe Soon @ Gooi Hoe Soon	Alternate Director to Woon Chin Chan	0/5

The Board meets the requirements imposed by Bursa Malaysia Securities Bhd. ("Bursa Securities") of having one-third of its Board members being Independent Non-Executive Directors. This board structure provides an effective balance of corporate accountability to the Group given that the Independent Directors can contribute their independent judgment and knowledge to the management in which the Executive Directors conduct their day-to-day duties.

Since 2005, Woon Chin Chan has been identified by the Board as the Senior Independent Non-Executive Director to whom any concerns may be conveyed.

Duties and Responsibilities

The Board recognises their roles and responsibilities of optimising the operations of the Company and its subsidiaries in order to maximise shareholders' values. The Board has practised several primary responsibilities as prescribed in MCCG and is in the process of formalisation in order to effectively lead and control the Group. The Board members possess professional expertise, industrial knowledge and working experience in various fields that contribute effectively to the formulating as well as the achieving of corporate goals and strategic plans of the Group. The terms of reference of the Board Committees clearly stated that all the committees have the authority to act on behalf of the Board or to examine a particular issue and report back to the Board with recommendation.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

BOARD OF DIRECTORS (cont'd)

Duties and Responsibilities (cont'd)

In line with the MCCG, the roles and responsibilities of Chairman and Managing Director are separated. The responsibility of Chairman is primarily to ensure that conduct and working of the Board is in an orderly and effective manner whilst the Managing Director manages the daily running of business and implementation of Board policies. The Managing Director is accountable for the profitable operation and strategic development of the Group, and obliged to refer major matters back to the Board.

The Independent Non-Executive Directors on the Board were elected with the objective of safeguarding the shareholders' interests whilst contributing impartial and objective judgment to the decision making process of the Board.

Supply and Access to Information

Prior to Board meetings, the Company Secretary and management would provide agenda and board papers to the Board members on a timely basis. The board papers include minutes of previous meeting, quarterly financial results, supporting management reports and copies of signed resolution for the months in concerned. In addition, the Board also receives qualitative information from relevant departments of the Group, as needs arise.

The Board members have full and unrestricted access to all information pertaining to the Group's business affairs. When necessary, the Board members may seek external professional advice, whether as a full Board or in their individual capacity, to enable them to discharge their duties with adequate knowledge at the expense of the Company. All directors may gain full access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed and that relevant rules and regulations are complied with. The Company Secretary attends all board meetings and all proceedings and conclusion from the Board meetings are minuted and signed by Chairman.

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 ("AGM") 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.

According to Article 83 of the Articles of Association of the Company, Directors who are appointed by the Board are subject to election by shareholders at the first opportunity after their appointment.

In accordance with Section 129(6) of the Companies Act, 1965, directors over seventy years of age are required to submit themselves for re-appointment annually. Kuo Choo Song, the Managing Director, is due for re-appointment pursuant to Section 129(6) of the Companies Act, 1965 at the forthcoming AGM.

Directors' Training

To date, all existing directors have attended sufficient Continuing Education Programme ("CEP") as required by Bursa Securities and the newly appointed non-executive director has attended the Mandatory Accreditation Programme ("MAP") organised by Bursatra Sdn. Bhd. The directors will continue to attend relevant seminars and programmes as a continuous process recommended by Bursa Securities.

The Board members are encouraged to attend continuous education programmes and seminars to keep themselves updated with developments in the marketplace. In 2008, the directors attended Enhancing Personal Development & Skill in Business organised by Silva Method (Malaysia) Sdn. Bhd. (attended by Norita Ja'afar) and termination of employment organised by The Exporters Club Sdn. Bhd. (attended by Norita Ja'afar and Kerk Chian Tung). Chairman of the Audit Committee, Woon Chin Chan, who is a seminar speaker by profession has conducted numerous seminars organised by Bursatra Sdn. Bhd. in 2008; to name a few, Deferred Taxation, Group Accounting, Financial Instrument and etc.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

DIRECTORS REMUNERATION

Directors' Remuneration

Listed below is a summary of the aggregate remuneration package of the Directors received/receivable from the Company and its subsidiaries for the financial year ended 31 December, 2008, categorised into appropriate components.

	Salary (RM)	Fees (RM)	Bonus & allowance (RM)	Benefits-in-kind (RM)
Executive	898,560	130,000	449,594	38,129
Non-Executive	1,713,360	490,000	874,384	99,380

The number of Directors whose remuneration falls into each successive band of RM50,000 for the financial year ended 31 December, 2008 is disclosed as follows:-

	Number of Directors	
Range of Remuneration	**Executive**	**Non-Executive**
RM50,001 to RM100,000	-	4
RM250,001 to RM300,000	-	1
RM350,001 to RM400,000	1	-
RM400,001 to RM450,000	-	1
RM1,100,001 to RM1,150,000	1	2

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board of Directors recognises its responsibilities in ensuring that financial statements are prepared in accordance with the applicable approved accounting standards in Malaysia and provisions of the Companies Act, 1965. The Board also acknowledges its responsibility for presenting a fair and reasonable assessment of the financial position of the Group in the forms of 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, Securities Commission ("SC") and Bursa Securities.

The Directors' Responsibility Statement in relations to the Audited Financial Statements pursuant to Paragraph 15.27 (a) of the Listing Requirements of Bursa Securities is provided on page 17 herein. In addition, the Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is included in this Annual Report.

Internal Control

The Board is aware of the importance of establishing and maintaining a sound internal control system in the Company and its subsidiaries to safeguard shareholders' interest and Group's assets. The Board continuously reviews and examines the effectiveness and efficiency of the internal control system on financial, operational and compliance risk and will seek 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 Statement of Internal Control is set out on page 24 of this report.

Relationship with Auditors

The Board maintains a formal relationship with the auditors in seeking their advice to ensure compliance with the applicable accounting standards. The external auditors regularly bring up relevant matters that need to be addressed during the Audit Committee meetings and Board meetings.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

ACCOUNTABILITY AND AUDIT (CONT'D)

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

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

SHAREHOLDERS AND INVESTORS

The Annual Report, press release as well as disclosures and announcements to Bursa Securities, such as quarterly and annual financial results are the primary means of communication between the Company and shareholders. The Board acknowledges the importance of disseminating information adhering to the disclosure requirements of the Bursa Securities to the shareholders on a timely basis and consequently ensures that the investors are well informed of any major developments of the Group. Notice of the AGM is issued to the shareholders at least 21 days prior to the date of AGM, in which separate resolutions to be proposed at the AGM for each distinct issue are provided.

The AGM serves as the primary forum to foster dialogue with shareholders. The Board ensures that adequate time is allocated for the question and answer session so that shareholders can clarify matters in relation to resolutions being proposed at the meeting as well as operational and corporate affairs. Upon request, the Directors will also meet up with the investors, press and investment analysts, and disseminate information adhering to the disclosure requirements of Bursa Securities.

While conducting presentations and interviews, the Board takes necessary precautions to ensure that price sensitive and information regarded as material undisclosed information about the Group is not revealed until after the prescribed announcement to the Bursa Securities has been made. With all the above means, the Company strives to ensure that an open and transparent channel of communication is maintained with its shareholders, institutional investors and the investing public at large.

CORPORATE SOCIAL RESPONSIBILITY

The Group recognises the need and responsibility to care for the community and strives to balance its social responsibility to the society with its business objectives and shareholders' expectations. In 2008, the Group has taken some initiatives such as donating monies to local schools and associations. In addition, the Group also sponsors company products to universities, colleges, secondary schools and primary schools as well as associations in Malaysia. Through these associations, products of the Group were donated to single parent families, handicapped associations and families under poverty. On charity front, the Group gave out products to blood donation society and/or bodies to promote such activities; sponsored products for fund raising activities in schools, religious bodies and charity organisations.

With regards to staff welfare, Occupational Safety and Health Programme had been installed providing a safe and healthy workplace for the employees, staff and visitors. Regular trainings at all levels are conducted in order to maintain safety awareness of the employees.

RECURRENT RELATED PARTY TRANSACTIONS ("RRPT")

Please refer to pages 65 to 66 of the audited accounts in this Annual Report and the attached Circular to the Shareholders.

STATEMENT OF DIRECTORS'

RESPONSIBILITIES IN RELATION TO FINANCIAL STATEMENT

The Directors are required 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 Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965 is stated on page 30 of the Annual Report.

The Directors are of the view that, in preparing the financial statements of the Company and the Group for the year ended 31 December, 2008, the Company has adopted appropriate accounting policies that are consistently applied and supported by reasonable and prudent judgements 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 that 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 ensured timely release of quarterly and annual financial results of the Company and Group to Bursa Securities so that the public and investors are informed of the Group's development.

The Directors also have 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.

OTHER COMPLIANCE INFORMATION

a) Share Buybacks

There were no share buybacks by the Company during the financial year.

b) Utilisation of Proceeds

No proceeds were raised by the Company from any corporate proposal during the financial year.

c) American Depository Receipts/Global Depository Receipts

The Company did not sponsor any American Depository Receipts or Global Depository Receipts programmes during the financial year.

d) Profit Estimate, Forecast or Projection

The Company did not release any profit estimate, forecast or projection for the financial year.

e) Profit Guarantee

There was no profit guarantee given by the Company during the financial year.

f) Options, warrants or convertible securities

There were no options, warrants or convertible securities issued during the financial year.

g) Contracts Relating to Loan

There were no contracts relating to a loan by the Company and its subsidiaries in respect of the preceding terms

h) Deviation in Financial Results

There was no material deviation between the results for the financial year and the unaudited results previously announced.

i) Non-Audit Fee

There were no non-audit fee paid to the external auditors and internal auditors for the financial year 31 December, 2008.

j) Sanctions and Penalties

There were no sanctions or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies during the financial year 31 December, 2008.

k) Material Contracts

None of the Directors and major shareholders has any material contract with the Company and/or its subsidiaries during the financial year.

l) Revaluation Policy

There were no revaluations performed on all properties of the Group during the financial year.

AUDIT COMMITTEE

COMPOSITION

The Committee comprises four (4) members and all of whom are Non-Executive Directors, with the majority of them being Independent Non-Executive Directors. One (1) member of the Committee is a member of the Malaysian Institute of Accountants ("MIA"). The current members of the Committee and their respective designations are as follows:-

- Woon Chin Chan
  (Senior Independent Non-Executive Director)
  Appointed on 3 January, 2005 as Chairman of Audit Committee
  Member of MIA

- Mazrina Binti Arifin
  (Independent Non-Executive Director)
  Appointed on 3 August, 2000

- Norita Binti Ja'afar
  (Independent Non-Executive Director)
  Appointed on 27 August, 2002

- Raja Khairul Anuar Bin Raja Mokhtar
  (Non-Executive Director)
  Appointed on 12 December, 2007

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:
- All members of the Audit Committee should be non-executive directors and financially literate; and
- 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.
  - iii) fulfils such other requirements as prescribed by the Bursa Malaysia Securities Berhad ("Bursa Securities").

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.

AUDIT COMMITTEE (CONT'D)

TERMS OF REFERENCE FOR AUDIT COMMITTEE (CONT'D)

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(s) with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, 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 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;
   6) the external auditor's management letter and management's response;
   7) 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;
   8) any letter of resignation including the written explanations of the resignation from the external auditors of the Company; and
   9) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment.

b) To do the following, in relation to the internal audit function:-
   - review the adequacy of the scope, functions, competency and resources of internal audit function, and that it has the necessary authority to carry out its work;
   - review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
   - review any appraisal or assessment of the performance of members of the internal audit function;
   - approve any appointment or termination of senior staff members of the internal audit function; and
   - take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

c) 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.

d) To verify the criteria for allocation of options pursuant to share scheme for employee.

AUDIT COMMITTEE (CONT'D)

TERMS OF REFERENCE FOR AUDIT COMMITTEE (CONT'D)

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 for a 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 twice 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

The Audit Committee meets regularly, with four (4) meetings held during the financial year ended 31 December, 2008. Prior to each Audit Committee meeting, a full set of Audit Committee papers and due notice of issues to be discussed are given on a timely basis. All meetings are attended with the presence of Company Secretary whereby all proceedings and conclusion from the Audit Committee meetings are minuted and signed by the Chairman. The Internal and External Auditors, Group Financial Controller and the Board were invited to attend these meetings to advise and clarify the accounting issues and company matters. Chairman of the Audit Committee maintained a constant flow of communication with the senior management, e.g. Chairman of the Board, Managing Director, Group Financial Controller, Head of External and Internal Auditors, to be kept informed and updated with matters affecting the Group. There was however no meeting held between the Audit Committee and the External Auditors without the presence of executive director(s) during calendar year 2008, as there was no crucial or significant matter that brought upon the need of such meeting.

AUDIT COMMITTEE (CONT'D)

ACTIVITIES DURING THE YEAR (CONT'D)

Meetings (Cont'd)

The dates and attendees of the meetings held are stated below:-

Attended by	Dates of Meeting				Total meetings attended
	20 Feb 2008	21 May 2008	13 Aug 2008	13 Nov 2008	
Woon Chin Chan	√	√	√	√	4/4
Mazrina Binti Arifin	√	√	√	√	4/4
Norita Binti Ja'afar	-	-	√	√	2/4
Raja Khairul Anuar Bin Raja Mokhtar	√	-	√	√	3/4

The Audit Committee carried out the following activities during the financial year:-

- Reviewed the quarterly unaudited financial reports before recommending them to the Board of Directors for subsequent consideration and approval.
- Reviewed the audited financial statements before submitting them to the Board, ensuring that the financial statements were prepared in accordance with the applicable approved accounting standards and provisions of the Companies Act, 1965.
- Evaluated the performance of the External Auditors and made recommendations on their appointment to the Board.
- Discussed and attended to the key aspects of business operations that would affect the profitability and growth of the Company and its subsidiaries.
- Reviewed the internal control systems of the Group for the year.
- Reviewed the quarterly management reports, which provided the detailed breakdown of income statements of the three subsidiaries, revenue analysis, principal markets of manufactured products, analysis of sales outlets, production output and capacity, etc;
- Reviewed and discussed Related Party Transactions ("RPT") and Recurrent Related Party Transactions ("RRPT") with the Group Financial Controller, the External Auditors and the Company Secretary, to ascertain if the transactions are conducted at arm's length and on normal commercial terms, and such transactions are not detrimental to the interest of minority shareholders.

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

Internal Audit

The Audit Committee reviewed through the findings of the external auditors to ensure that any major weaknesses are rectified on a timely basis. This was also done through discussion with relevant management during the Board meeting whereby other concerns are addressed. The Audit Committee after carefully reviewing the credentials of a few selected auditing firms, has also appointed an external firm to carry out the internal audit functions commencing 2009. The Committee expects to further strengthen the internal control activities in the coming year.

BOARD COMMITTEE

Nominating Committee

All the three (3) Nominating Committee members appointed are Independent Non-Executive Directors and they are namely:-

- Mazrina Binti Arifin
  (Chairperson, Independent Non-Executive Director)
- Norita Binti Ja'afar
  (Member, Independent Non-Executive Director)
- Woon Chin Chan
  (Member, Independent Non-Executive Director)

The Nominating Committee is responsible for:-

- Reviewing composition of the Board and making recommendation on the appointment of new Director and Board Committees member to the Board.
- Conducting annual review on the required mix of skills, experience and core competencies required on the Board, as well as the size of Board and Non-Executive participation.
- Reviewing on an annual basis the appropriate balance and size of the Board for determination of the number of Directors on the Board.
- Recommending suitable orientation, educational and training programmes to continuously train and equip the existing and new Directors.
- Assessing the effectiveness of the Board, the Board Committees and the contribution of each individual director.

The Committee may use the services of professional recruitment companies to source for the appropriate candidates for directorship. In carrying out its duties and responsibilities, the Nominating Committee will basically have full, free and unrestricted access to the Company's records, properties and personnel.

Nominating Committee is establishing the procedures and processes towards an annual assessment of the effectiveness of the Board as a whole, the Board Committees and the contribution of each individual director, including independent non-executive directors as well as the managing director. These assessments are properly documented.

During the financial year, the Committee convened one (1) meeting on 16 December, 2008, and all the committee members attended the meeting.

Remuneration Committee

All of the Committee members appointed are Non-Executive Directors. Members of the Remuneration Committee are namely:-

- Woon Chin Chan
  (Chairperson, Independent Non-Executive Director)
- Raja Khairul Anuar Bin Raja Mokhtar
  (Member, Non-Executive Director)
- Teo Lee Teck
  (Member, Non-Executive Director)

The Remuneration Committee is responsible for:-

- Assessing the performance and commitment of the Group's Directors and senior management officers and ensuring their remuneration package reflects their involvement, responsibility undertaken, contributions and level of performance for the year.
- Recommending to the Board on the appropriateness of the remuneration package of the Directors and senior management officers based on their assessment.

The individual directors, including Executive Directors and Non-Executive Directors (including the Non-Executive Chairman) should abstain from the deliberations and voting on decisions in respect of their own remuneration package and entitlement.

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.

One (1) meeting was held on 16 December, 2008 during the financial year ended 31 December, 2008 and all the remuneration committee members attended the meeting.

STATEMENT ON INTERNAL CONTROL

Board Responsibility

The Board of Directors of Hup Seng Industries Berhad acknowledges that it is responsible to establish an effective control environment and framework, as well as review the adequacy and integrity of the risk management in financial, operational and compliance functions. Because of the limitations that are inherent in any systems of internal control, such systems are designed to manage rather that eliminate the risk of failure to achieve business objectives. Accordingly these systems can only provide reasonable and not absolute assurances against material misstatement or loss.

Internal Audit Function

The Board, through Senior Management and Audit Committee, ensures that there is an on-going process for identifying, evaluating and managing significant risks faced by the Group. This includes examining principal business risks in critical areas and identifying measures to mitigate these risks. This process is regularly reviewed by the Audit Committee and the Board and accords with the Statement on Internal Control: Guidance For the Directors of Public Listed Companies. The process has been in place during the year under review and up to the date of approval of this annual report.

Since the implementation of mobile sales system and web reporting system in the sales division of Hup Seng Hoon Yong Brothers Sdn. Bhd. ("HSHY") in financial year 2007, HSHY has benefited from getting more timely information and reports that enable the sales managers and salesmen to identify market opportunities more precisely and manage customer accounts more effectively.

Key Elements of Internal Control System

The Group's internal control key processes include the following:

- An organization structure which formally defines lines of responsibility and delegation of authority.
- Policies and procedures of most operating units within the Group are documented in the Standard Practice Instructions.
- Key functions such as corporate affairs, finance, tax, treasury and human resources are controlled centrally.
- Incompatible responsibilities are properly segregated to ensure that no staff is in total control of the whole transactions.
- There is an annual budgeting and target setting process which includes forecasts for each operating units with detailed reviews at all levels of operations. The Board reviews and approves the annual budget.
- There is effective reporting system in place to ensure timely generation of financial information for management review.
- Operating units meetings are conducted regularly to review financial performance, business development and deliberate on management issues.
- Managing Director meets with senior management/all operating units to discuss and resolve key operational, financial and other key management issues regularly. Significant issues are highlighted and discussed at Board meetings.
- The Audit Committee has access to external auditors and their reports and meets with them to discuss on their findings and reports.
- The Group has a policy on financial limits and approving authority for its operating and capital expenditure.

Review of the Statement by External Auditors

The external auditors have reviewed this Statement on Internal Control for the inclusion in the annual report of the Company for the year ended 31 December, 2008.

The Statement is made in accordance with a resolution of the Board of Directors.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

Directors' report

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December, 2008.

Principal activity

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are manufacture and sales of biscuits and coffee mix, and dealers in biscuits, confectionery and other foodstuff.

There have been no significant changes in the nature of these activities during the financial year.

Results

	Group RM	Company RM
Profit for the year	16,070,801	7,912,206
Attributable to:		
Equity holders of the Company	16,070,801	7,912,206

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 were not substantially affected by any item, transaction or event of a material and unusual nature.

Dividends

The amount of dividends paid by the Company since 31 December, 2007 were as follows:

In respect of the financial year ended 31 December, 2008:

	RM
Interim dividend of 10% less 26% taxation, on 60,000,000 ordinary shares	4,440,000

The Directors do not propose any final dividend in respect of the current financial year.

Directors

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

Keh (Kerk) Chu Koh	(Chairman)
Kerk Chiew Siong	(Vice Chairman)
Kuo Choo Song	(Managing Director)
Kerk Chian Tung	(Executive Director)
Teo Lee Teck	(Non-Executive Director)
Kerk Kar Han	(Non-Executive Director)
Woon Chin Chan	(Independent Non-Executive Director)
Norita Binti Ja'afar	(Independent Non-Executive Director)
Mazrina Binti Arifin	(Independent Non-Executive Director)
Raja Khairul Anuar Bin Raja Mokhtar	(Non-Executive Director)
Wee Hoe Soon @ Gooi Hoe Soon	(Alternate Director to Woon Chin Chan)

DIRECTORS' REPORT (CONT'D)

Directors' benefits

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

Since the end of the previous financial year, no Director has received or become entitled to receive benefits (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 7 of 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 he/she is a member or with a company in which he/she has a substantial financial interest, except as disclosed in Note 25 to the financial statements.

Directors' interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of Ordinary Shares of RM 1 each				
The Company	**1 January, 2008**	**Bought**	**Sold**	**31 December, 2008**	
Direct interest					
Kuo Choo Song	90,000	128,000	-	218,000	
Keh (Kerk) Chu Koh	338,000	210,000	-	548,000	
Teo Lee Teck	238,000	149,000	-	387,000	
Kerk Chian Tung	200,000	750,000	-	950,000	
Kerk Kar Han	219,000	106,000	-	325,000	
Kerk Chiew Siong	-	100,000	-	100,000	
Deemed interest					
Kuo Choo Song	33,567,000	1,222,300	2,286,000	32,503,300	*
Keh (Kerk) Chu Koh	33,069,000	173,000	2,286,000	30,956,000	*
Teo Lee Teck	32,904,000	22,000	2,286,000	30,640,000	*
Kerk Kar Han	32,904,000	-	2,286,000	30,618,000	*
Kerk Chiew Siong	428,000	160,000	-	588,000	**
Holding company HSB Group Sdn Bhd					
Direct Interest					
Kuo Choo Song	1,099,506	-	-	1,099,506	
Keh (Kerk) Chu Koh	3,030,988	-	-	3,030,988	
Kerk Chiew Siong	3,756,871	-	-	3,756,871	
Teo Lee Teck	2,038,501	-	-	2,038,501	
Kerk Kar Han	1,534,192	-	-	1,534,192	
Deemed interest					
Kuo Choo Song	5,818,459	-	-	5,818,459	**
Keh (Kerk) Chu Koh	2,486,094	-	-	2,486,094	**

* 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 and Section 134 of the Companies (Amendment) Act, 2007.

** Deemed interested by virtue of his interests pursuant to Section 134 of the Companies (Amendment) Act, 2007.

DIRECTORS' REPORT (CONT'D)

Directors' interests (cont'd)

Kuo Choo Song, Keh (Kerk) Chu Koh, Teo Lee Teck and Kerk Kar Han, 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.

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 allowance for doubtful debts and satisfied themselves that all known bad debts have been written off and adequate allowance had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their values 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 not otherwise dealt with in this report or financial statements of the Group and of the Company which would render:

(i) the amount written off for bad debts or the amount of the allowance 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 and 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 under review which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

DIRECTORS' REPORT (CONT'D)

Other statutory information (cont'd)

(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 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 continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 24 March, 2009.

Keh (Kerk) Chu Koh

Kuo Choo Song

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Keh (Kerk) Chu Koh and Kuo Choo Song, being two of the Directors of Hup Seng Industries Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 32 to 70 are drawn up in accordance with applicable Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December, 2008 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 24 March, 2009.

Keh (Kerk) Chu Koh

Kuo Choo Song

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Quek Ah Kow, being the officer primarily responsible for the financial management of Hup Seng Industries Berhad, do solemnly and sincerely declare that the financial statements set out on pages 32 to 70 are in my opinion 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 Quek Ah Kow at Batu Pahat)
in the State of Johor Darul Ta'zim)
on 24 March, 2009)

Quek Ah Kow

Before me,

PESURUHJAYA SUMPAH
No. J004
Ng Swee Chiang
MALAYSIA
NO. 131A, JALAN SULTANAH
83000 BATU PAHAT, JOHOR

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HUP SENG INDUSTRIES BERHAD
(INCORPORATED IN MALAYSIA)

Report on the Financial Statements

We have audited the financial statements of Hup Seng Industries Berhad, which comprise the balance sheets as at 31 December, 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 32 to 70.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December, 2008 and of their financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirement of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company 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.

(c) The auditors' reports on the accounts of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF 0039
Chartered Accountants

Wun Mow Sang
1821/12/10(J)
Chartered Accountant

Johor Bahru, Malaysia
Date: 24 March, 2009

INCOME STATEMENT OF THE GROUP

FOR THE YEAR ENDED 31 DECEMBER, 2008

	Note	2008 RM	2007 RM
Revenue	3	220,329,264	193,115,141
Cost of sales	4	(160,833,820)	(149,053,165)
Gross profit		59,495,444	44,061,976
Other income	3	1,883,155	1,572,200
Administrative expenses		(15,526,004)	(15,483,201)
Selling and marketing expenses		(24,504,253)	(24,019,666)
Operating profit	5	21,348,342	6,131,309
Finance cost		(7,147)	(6,772)
Profit before tax		21,341,195	6,124,537
Income tax expense	8	(5,270,394)	(1,367,152)
Profit for the year		16,070,801	4,757,385
Attributable to : Equity holders of the Company		16,070,801	4,757,385
Earnings per share attributable to equity holders of the Company (sen):			
Basic, for profit for the year	9	26.8	7.9
Diluted, for profit for the year	9	26.8	7.9
Dividends per share (sen)	10	7.40	10.95

The accompanying notes form an integral part of the financial statements.

INCOME STATEMENT OF THE COMPANY

FOR THE YEAR ENDED 31 DECEMBER, 2008

	Note	2008 RM	2007 RM
Gross dividends from subsidiaries		12,966,000	10,962,000
Interest income		163,608	194,764
Revenue		13,129,608	11,156,764
Administrative expenses		(2,373,654)	(2,234,183)
Profit before tax	5	10,755,954	8,922,581
Income tax expense	8	(2,843,748)	(2,460,735)
Profit for the year		7,912,206	6,461,846
Dividends per share (sen)	10	7.40	10.95

The accompanying notes form an integral part of the financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER, 2008

	Note	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Assets					
Non-current assets					
Property, plant and equipment	11	70,653,265	70,283,151	443,235	328,902
Investment properties	12	1,882,526	1,899,726	-	-
Prepaid land lease payments	13	5,085,565	4,651,831	-	-
Investment in subsidiaries	14	-	-	65,327,211	65,327,211
Goodwill on consolidation	15	13,227,508	13,227,508	-	-
Deferred tax assets	21	610,170	1,050,966	9,516	9,000
		91,459,034	91,113,182	65,779,962	65,665,113
Current assets					
Amount owing by subsidiaries	14	-	-	4,500,000	4,500,000
Inventories	16	20,282,491	21,438,292	-	-
Trade and other receivables	17	33,504,972	26,970,184	34,862	65,075
Tax recoverable		1,688,218	1,342,882	1,586,455	1,062,005
Cash and bank balances	18	21,224,792	15,634,694	10,196,584	7,244,950
		76,700,473	65,386,052	16,317,901	12,872,030
Total assets		168,159,507	156,499,234	82,097,863	78,537,143
Equity and liabilities					
Equity attributable to equity holders of the Company					
Share capital	22	60,000,000	60,000,000	60,000,000	60,000,000
Share premium		14,333,133	14,333,133	14,333,133	14,333,133
Other reserves	23	741,468	796,374	-	-
Retained earnings	24	50,691,989	39,076,700	6,776,329	3,304,123
Total equity		125,766,590	114,206,207	81,109,462	77,637,256
Non-current liability					
Deferred tax liabilities	21	9,159,479	9,235,245	12,554	15,000
Current liabilities					
Trade and other payables	19	31,376,270	32,794,782	975,847	884,887
Taxation		1,857,168	263,000	-	-
		33,233,438	33,057,782	975,847	884,887
Total liabilities		42,392,917	42,293,027	988,401	899,887
Total equity and liabilities		168,159,507	156,499,234	82,097,863	78,537,143

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER, 2008

	Note	← Attributable to equity holders of the Company				→
			Non-distributable		Distributable	
		Share capital	Share premium	Revaluation reserve (Note 23)	Retained profits	Total
		RM	RM	RM	RM	RM
Group						
At 1 January, 2007		60,000,000	14,333,133	429,983	40,889,315	115,652,431
Amount recognised directly in equity relating to changes in tax rate	21	-	-	366,391	-	366,391
Net expense recognised directly in equity		-	-	366,391	-	366,391
Profit for the year, representing total recognised income and expenses for the year		-	-	-	4,757,385	4,757,385
Dividend paid:	10					
Interim for year 2007 - 10% less 27% tax		-	-	-	(4,380,000)	(4,380,000)
Special for year 2007 - 5% less 27% tax		-	-	-	(2,190,000)	(2,190,000)
At 31 December, 2007		60,000,000	14,333,133	796,374	39,076,700	114,206,207
At 1 January, 2008		60,000,000	14,333,133	796,374	39,076,700	114,206,207
Realised revaluation surplus on disposal of property		-	-	(78,379)	(15,512)	(93,891)
Deferred tax relating to disposal of property	21	-	-	23,473	-	23,473
Net expense recognised directly in equity		-	-	(54,906)	(15,512)	(70,418)
Profit for the year, representing total recognised income and expenses for the year		-	-	-	16,070,801	16,070,801
Dividend paid:	10					
Interim for year 2008 - 10% less 26% tax		-	-	-	(4,440,000)	(4,440,000)
At 31 December, 2008		60,000,000	14,333,133	741,468	50,691,989	125,766,590

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER, 2008 (CONT'D)

	Note	Share Capital	Non distributable Share Premium	Distributable Retained Profits (Note 24)	Total
		RM	RM	RM	RM
Company					
At 1 January, 2007		60,000,000	14,333,133	3,412,277	77,745,410
Profit for the year, representing total recognised income and expenses for the year		-	-	6,461,846	6,461,846
Dividend paid:	10				
Interim for year 2007 - 10% less 27% tax		-	-	(4,380,000)	(4,380,000)
Special for year 2007 - 5% less 27% tax		-	-	(2,190,000)	(2,190,000)
At 31 December, 2007		60,000,000	14,333,133	3,304,123	77,637,256
At 1 January, 2008		60,000,000	14,333,133	3,304,123	77,637,256
Profit for the year, representing total recognised income and expenses for the year		-	-	7,912,206	7,912,206
Dividend paid:	10				
Interim for year 2008 - 10% less 26% tax		-	-	(4,440,000)	(4,440,000)
At 31 December, 2008		60,000,000	14,333,133	6,776,329	81,109,462

The accompanying notes form an integral part of the financial statements.

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER, 2008

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Cash flows from operating activities				
Profit before taxation	21,341,195	6,124,537	10,755,954	8,922,581
Adjustments for :				
Allowance for doubtful debts	108,044	172,737	-	-
Amortisation of prepaid land lease payments	116,266	106,841	-	-
Bad debts written off	162,168	63,575	-	-
Depreciation of property, plant and equipment	4,882,812	4,917,071	74,812	80,587
Depreciation of investment property	17,200	16,082	-	-
Gain on disposal of property, plant and equipment	(316,767)	(32,010)	-	-
Interest expense	7,147	6,772	-	-
Interest income	(531,959)	(608,207)	(163,608)	(194,764)
Property, plant and equipment written off	22,688	33,425	1,015	-
Operating profit before working capital changes	25,808,794	10,800,823	10,668,173	8,808,404
Decrease/(increase) in inventories	1,155,801	(1,424,367)	-	-
(Increase)/decrease in trade and other receivables	(6,805,000)	4,766,455	30,213	4,777
(Decrease)/increase in trade and other payables	(1,418,512)	(3,424,490)	90,960	(78,839)
Cash generated from operations	18,741,083	10,718,421	10,789,346	8,734,342
Taxes paid	(3,633,060)	(3,343,623)	(3,371,160)	(2,959,740)
Net cash from operating activities	15,108,023	7,374,798	7,418,186	5,774,602
Cash flows from investing activities				
Repayment from subsidiaries	-	-	-	500,000
Interest received	531,959	608,207	163,608	194,764
Proceeds from disposal of property, plant and equipment	1,005,560	555,890	56,932	-
Purchase of property, plant and equipment	(6,058,297)	(6,594,374)	(247,092)	-
Prepayment of land lease	(550,000)	(955,411)	-	-
Net cash (used in)/generated from investing activities	(5,070,778)	(6,385,688)	(26,552)	694,764
Cash flows from financing activities				
Interest paid	(7,147)	(6,772)	-	-
Dividends paid	(4,440,000)	(6,570,000)	(4,440,000)	(6,570,000)
Net cash used in financing activities	(4,447,147)	(6,576,772)	(4,440,000)	(6,570,000)
Net increase/(decrease) in cash and cash equivalents	5,590,098	(5,587,662)	2,951,634	(100,634)
Cash and cash equivalents at beginning of financial year	15,634,694	21,222,356	7,244,950	7,345,584
Cash and cash equivalents at end of financial year (note 18)	21,224,792	15,634,694	10,196,584	7,244,950

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER, 2008

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Suite 6.1A, Level 6, Menara Pelangi, Jalan Kuning, Taman Pelangi, 80400, Johor Bahru, Johor. The principal place of business of the Company is located at 14, Jalan Kilang, Kawasan Perindustrian Tongkang Pecah, 83010 Batu Pahat, Johor.

The immediate and ultimate holding company of the Company is HSB Group Sdn. Bhd., which is incorporated and domiciled in Malaysia. Related companies are those companies within the HSB Group Sdn. Bhd. group.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are manufacture and sales of biscuits and coffee mix, and dealers in confectionery and other foodstuff. There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 24 March, 2009.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia.

The basis of preparation of the financial statements of the Group and of the Company included historical cost basis, revalued amounts and fair values.

The financial statements are presented in Ringgit Malaysia (RM) except when otherwise indicated.

2.2 Summary of significant accounting policies

(a) Subsidiaries and Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has a long term equity interest and where it has power directly or indirectly to exercise control over the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER, 2008 (CONT'D)

2. Significant accounting policies (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(a) Subsidiaries and Basis of consolidation

(ii) Basis of consolidation (cont'd)

Except for In-Comix Food Industries Sdn Bhd which is consolidated using the purchase method, the other subsidiaries are consolidated using the merger method under the then MASB Standard No. 21 - Business Combinations. Under the merger method, the results of the subsidiaries being merged are included as if the merger had been effected throughout the current and previous financial years. The difference between the cost of investment and the nominal value of the shares acquired has been classified as a merger deficit and are adjusted against any suitable reserve.

Under the purchase method of accounting, subsidiaries are consolidated from the date on which control is transferred to the Group. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

(b) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(c) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment except for land and buildings are stated at cost less accumulated depreciation and any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER, 2008 (CONT'D)

2. Significant accounting policies (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(c) Property, plant and equipment and depreciation (cont'd)

Land and buildings are stated at revalued amount, which is the fair value at the date of the revaluation less any accumulated impairment losses. Fair value is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers. Revaluations are performed at least once in every five years to ensure that the fair value of a revalued asset does not differ materially from that which would be determined using fair values at the balance sheet date. Any revaluation surplus is credited to the revaluation reserve included within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss to the extent of the decrease previously recognised. A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised in profit or loss. Upon disposal or retirement of an asset, any revaluation reserve relating to the particular asset is transferred directly to retained earnings.

Freehold land has an unlimited useful life and therefore is not depreciated. Capital work-inprogress are not depreciated as these assets are not available for use. Depreciation on other property, plant and equipment is 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:

Buildings	2%
Plant and equipment	10% - 20%
Motor vehicles	20%
Other assets	7.5% - 33.3%

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

(d) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at cost less accumulated depreciation and impairment losses.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or losses on retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

(e) Impairment of non-financial assets

The carrying amounts of assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

2. Significant accounting policies (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(e) Impairment of non-financial assets (cont'd)

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(f) Financial assets

Financial assets within the scope of FRS139 are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments or available-for-sale financial assets, as appropriate. Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER, 2008 (CONT'D)

2. Significant accounting policies (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(f) Financial assets (cont'd)

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivative financial instruments are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the income statement.

The Group does not designate any financial assets not held for trading as financial assets at fair value through profit and loss.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the assets to maturity. Financial assets intended to be held for an undefined period are not included in this classification. Long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the assets are derecognised or impaired, as well as through the amortisation process.

(iii) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets which are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised in the fair value adjustment reserve until the asset is derecognised or until the asset is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

The fair value of financial assets that are actively traded in organised financial markets is determined by reference to the relevant exchange's quoted market bid prices at the close of business on the balance sheet date. For financial assets where there is no active market, fair value is determined using valuation techniques.

Investments in equity instruments which do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment losses.

The Group does not have financial assets classified as fair value through profit and loss, held to maturity investments and available-for-sale financial assets during 2008 and 2007.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER, 2008 (CONT'D)

2. Significant accounting policies (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(g) Inventories

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

Cost is determined using the first in, first out method. The cost of raw materials comprises costs of purchase and incidentals incurred in bringing the inventories to their present location and condition. The costs of finished goods and work-in-progress comprise costs of raw materials, direct materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity.

Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at bank, demand deposits, and short-term, highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

Deposits with banks carried in the balance sheets are classified and accounted for as loans and receivables under FRS 139. The accounting policy for this category of financial assets is stated in Note 2.2(f).

(i) Trade and other receivables

Trade and other receivables, including amounts owing by subsidiaries are classified and accounted for as loans and receivables under FRS 139. The accounting policy for this category of financial assets is stated in Note 2.2(f).

An allowance is made for uncollectible amounts when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are stated in Note 2.2(k) below.

(j) Trade and other payables

Liabilities for trade and other payables, which are normally settled on 30 - 90 days terms, are initially recognised at the fair value and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

(k) Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(i) Assets carried at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER, 2008 (CONT'D)

2. Significant accounting policies (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(k) Impairment of financial assets (cont'd)

(i) Assets carried at amortised cost (cont'd)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Assets carried at cost

If there is objective evidence that an impairment loss on a financial asset carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(iii) Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the income statement. Reversals of impairment losses on debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

(l) Derecognition of financial assets and liabilities

(i) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The contractual rights to receive cash flows from the asset have expired; or

- The Group retains the contractual rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or

- The Group has transferred its rights to receive cash flows from the asset and has either (a) transferred substantially all the risks and rewards of the asset, or (b) neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the income statement.

2. Significant accounting policies (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(l) Derecognition of financial assets and liabilities (cont'd)

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognisation of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

(m) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases with the exception for land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

(ii) Operating Leases

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

(n) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER, 2008 (CONT'D)

2. Significant accounting policies (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(n) Income tax (cont'd)

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(o) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(p) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF").

(q) Foreign currencies

The individual financial statements of each entity in the Group are measured in Ringgit Malaysia, which is the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is also the Company's functional currency.

Transactions in foreign currencies are initially converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. Non-monetary items which are carried at historical cost are translated using the historical rate as of the date of acquisition and non monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

All exchange differences are taken to income statement.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER, 2008 (CONT'D)

2. Significant accounting policies (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(r) 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.

(i) Sale of goods
Revenue is recognised net of sales taxes and upon transfer of significant risks and rewards of ownership to the buyer.

(ii) Interest income
Interest is recognised on an accrual basis using the effective yield method.

(iii) Dividend income
Dividend income is recognised when the Group's right to receive payment is established.

(iv) Rental income
Rental income from investment property is recognised on a straight-line basis over the term of the lease.

2.3 Changes in accounting policies and effects arising from adoption of new and revised FRS

On 1 January, 2008, the Group and the Company adopted the following new and revised FRSs for financial periods beginning on or after 1 January, 2008:

(i) FRS 107: Cash Flow Statements
(ii) FRS 111: Construction Contracts
(iii) FRS 112: Income Taxes
(iv) FRS 118: Revenue
(v) FRS 120: Accounting for Government Grants and Disclosure of Government Assistance
(vi) FRS 134: Interim Financial Reporting
(vii) FRS 137: Provisions, Contingent Liabilities and Contingent Assets
(viii) Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
(ix) IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities
(x) IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments
(xi) IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
(xii) IC Interpretation 6: Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
(xiii) IC Interpretation 7: Applying the Restatement Approach under FRS 129_{2004} Financial Reporting in Hyperinflationary Economies
(xiv) IC Interpretation 8: Scope of FRS 2

The adoption of the above FRSs, amendments to FRS and Interpretations did not have any significant impact on the financial statements of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER, 2008 (CONT'D)

2. Significant accounting policies (cont'd)

2.4 Standards and intrepretations issued but not yet effective

At the date of authorisation of these financial statements, the following FRS and Interpretation were in issue but not yet effective and have not been applied by the Group and the Company:

FRS and Interpretations	Effective for financial periods beginning on or after
FRS 4: Insurance Contracts	1 January, 2010
FRS 7: Financial Instruments Disclosures	1 January, 2010
FRS 8: Operating Segments	1 July, 2009
IC Interpretation 9 : Reassessment of Embedded Derivatives	1 January, 2010
IC Interpretation 10 : Interim Financial Reporting and Impairment	1 January, 2010

The above FRSs and Interpretations are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application.

2.5 Changes in estimates

The revised FRS 116: Property, Plant and Equipment requires the review of the residual value and remaining useful life of an item of property, plant and equipment at least at each financial year end. The Group reviewed the residual values and remaining useful life of its property, plant and equipment and found that no revisions to the residual values and remaining useful life of the property, plant and equipment were necessary as it can be used or operated with regular maintenance except depreciation ceased for those motor vehicles which were already of the age and in the condition expected at the end of its useful life (more than 5 years) where its net book value are lower than market value .

2.6 Significant accounting estimates and judgements

(a) Critical judgements made in applying accounting policies

Classification between investment properties and property, plant and equipment.

The Group has developed certain criteria based on FRS 140 in making judgment whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER, 2008 (CONT'D)

2. Significant accounting policies (cont'd)

2.6 Significant accounting estimates and judgements (cont'd)

(b) Key sources of estimation uncertainty (cont'd)

(i) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill as at 31 December, 2008 was RM13,277,508 (2007 : RM13,277,508). Further details are disclosed in Note 15.

(ii) Impairment of property, plant and equipment

The Group carried out the impairment test based on a variety of estimation including the value-in-use of the CGU to which the property, plant and equipment are allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of property, plant and equipment of the Group as at 31 December, 2008 was RM70,653,265 (2007 : RM70,283,151). Further details are disclosed in Note 11.

(iii) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of recognised tax losses and capital allowances of the Group was RM283,676 and RMNil (2007 : RM515,385 and RM89,369) respectively.

3. Revenue

Revenue of the Group represents the invoiced value of goods sold less returns and trade discounts. Intragroup transactions are excluded from the Group's revenue.

Other operating revenue of the Group principally consists of interest income.

4. Cost of sales

Cost of sales represents cost of inventories sold.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER, 2008 (CONT'D)

5. Profit from operations

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
This is arrived at after charging:				
Auditors' remuneration				
Statutory audits	82,500	77,500	21,000	19,000
Other services	27,800	58,200	3,000	3,500
Allowance for doubtful debts	108,044	172,737	-	-
Amortisation of prepaid land lease payments (Note 13)	116,266	106,841	-	-
Bad debts written off	162,168	63,575	-	-
Employee benefits expenses excluding directors' remuneration (Note 6)	28,879,712	29,921,481	162,150	146,719
Directors' fees	785,000	778,333	500,000	500,000
Directors' other emoluments (Note 7)	7,683,896	7,100,679	1,365,654	1,269,766
Depreciation of property, plant and equipment (Note 11)	4,882,812	4,917,071	74,812	80,587
Depreciation of investment properties (Note 12)	17,200	16,082	-	-
Realised exchange (gain)/losses	(179,900)	516,384	-	-
Plant and equipment written off	21,673	33,425	-	-
Rental expenses	333,762	336,237	27,350	25,800
and crediting:				
Bad debts recovered	60,735	126,615	-	-
Gross dividend income	-	-	12,966,000	10,962,000
Gain on disposal of property, plant and equipment	316,767	32,010	-	-
Interest income	531,959	608,207	163,608	194,764
Provision for tax penalties written back	-	833,270	-	-
Rental income	70,640	105,980	-	-

6. Employee benefits expense

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Wages and salaries	25,796,207	26,767,292	143,877	130,166
Defined contribution plan	2,688,574	2,734,209	17,314	15,629
Social security costs	300,982	324,280	959	924
Other staff related expenses	93,949	95,700	-	-
	28,879,712	29,921,481	162,150	146,719

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER, 2008 (CONT'D)

7. Key management personnel compensation

The remuneration of key management during the year was as follows:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Directors of the Company				
Executive:				
Salaries and other emoluments	1,204,346	1,118,134	1,204,346	1,117,934
Defined contribution plan	143,808	133,332	143,808	133,332
Fees	130,000	130,000	100,000	100,000
Benefits-in-kind	38,129	35,753	35,589	33,984
	1,516,283	1,417,219	1,483,743	1,385,250
Non-Executive (but holding executive position in subsidiaries):				
Salaries and other emoluments	2,304,912	2,141,309	9,000	9,500
Defined contribution plan	274,332	254,352	-	-
Fees	290,000	290,000	200,000	200,000
Benefits-in-kind	99,380	87,175	-	-
	2,968,624	2,772,836	209,000	209,500
Non-Executive:				
Other emoluments	8,500	9,000	8,500	9,000
Fees	200,000	200,000	200,000	200,000
	208,500	209,000	208,500	209,000
Directors of Subsidiaries				
Executive:				
Salaries and other emoluments	3,382,094	3,107,800	-	-
Defined contribution plan	365,904	336,552	-	-
Fees	135,000	128,333	-	-
Benefits-in-kind	165,080	132,768	-	-
	4,048,078	3,705,453	-	-
Non-Executive:				
Other emoluments	-	200	-	-
Fees	30,000	30,000	-	-
	30,000	30,200	-	-
Total	8,771,485	8,134,708	1,901,243	1,803,750

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER, 2008 (CONT'D)

7. Key management personnel compensation (cont'd)

The remuneration of key management during the year was as follows: (cont'd)

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Directors' remuneration analysed by:				
Salaries and other emoluments	6,899,852	6,376,443	1,221,846	1,136,434
Defined contribution plan	784,044	724,236	143,808	133,332
Fees	785,000	778,333	500,000	500,000
Benefits-in-kind	302,589	255,696	35,589	33,984
	8,771,485	8,134,708	1,901,243	1,803,750

The number of directors of the Company whose total remuneration during the year fell within the following bands is analysed below:

	Number of Directors	
	2008	2007
Executive Directors:		
RM350,001 - RM400,000	1	1
RM1,050,001 - RM1,100,000	-	1
RM1,100,001 - RM1,150,000	1	-
Non-Executive Directors:		
RM50,001 - RM100,000	4	4
RM200,001 - RM250,000	-	1
RM250,001 - RM300,000	1	-
RM350,001 - RM400,000	-	1
RM400,001 - RM450,000	1	-
RM1,050,001 - RM1,100,000	-	2
RM1,100,001 - RM1,150,000	2	-

The remuneration of Non-Executive Directors is inclusive of 4 directors holding executive position in subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER, 2008 (CONT'D)

8. Income tax expense

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Tax expense for the year:				
Current tax	4,836,272	1,553,000	2,840,751	2,447,740
Under/(over)provision in prior years	45,619	(295,602)	5,959	4,995
	4,881,891	1,257,398	2,846,710	2,452,735
Deferred tax (Note 21):				
Relating to origination and reversal of temporary differences	368,899	16,375	(3,251)	1,000
Relating to changes in tax rates	(3,000)	(207,181)	-	-
Underprovision in prior years	22,604	300,560	289	7,000
	388,503	109,754	(2,962)	8,000
Total income tax expense	5,270,394	1,367,152	2,843,748	2,460,735

Domestic income tax is calculated at the Malaysian statutory tax rate of 26% (2007 : 27%) of the estimated assessable profit for the year. Certain subsidiaries of the Company being Malaysian resident companies with paid-up capital of RM2.5 million or less qualify for the preferential tax rates under Paragraph 2A, Schedule 1 of the Income Tax Act, 1967 as follows:

On the first RM500,000 of chargeable income : 20%
In excess of RM500,000 of chargeable income : Malaysian corporate statutory tax rate

The domestic statutory tax rate will be reduced to 25% from the current year's rate of 26% with effect from the year of assessment 2009. The computation of deferred tax as at 31 December, 2008 has reflected these changes.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

Group	2008 RM	2007 RM
Profit before taxation	21,341,195	6,124,537
Taxation at Malaysian statutory tax rate of 26% (2007 : 27%)	5,548,711	1,653,625
Effect of preferential tax rate of 20% (2007 : 20%)	(30,205)	(35,000)
Effect of changes in tax rates	(3,000)	(207,181)
Effect of other expenses not deductible for tax purposes	293,262	416,296
Effect of expenses with double deduction	(129,162)	(300,447)
Effect of utilisation of reinvestment allowances	(405,740)	(165,099)
Income not subject to tax	(71,695)	-
Under/(over)provision of income tax expense in prior years	45,619	(295,602)
Underprovision of deferred tax in prior years	22,604	300,560
Tax expense for the year	5,270,394	1,367,152

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER, 2008 (CONT'D)

8. Income tax expense (cont'd)

Company	2008 RM	2007 RM
Profit before taxation	10,755,954	8,922,581
Taxation at Malaysian statutory tax rate of 26% (2007 : 27%)	2,796,548	2,409,097
Effect of other expenses not deductible for tax purposes	40,952	39,643
Underprovision of income tax expense in prior years	5,959	4,995
Underprovision of deferred tax in prior years	289	7,000
Tax expense for the year	2,843,748	2,460,735

9. Earnings per share

Earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2008	2007
Profit attributable to ordinary equity holders of the Company (RM)	16,070,801	4,757,385
Weighted average number of ordinary shares in issue	60,000,000	60,000,000
Basic earnings per share (sen)	26.8	7.9
Diluted earnings per share (sen)	26.8	7.9

10. Dividends

	Amount		Dividends per Share	
	2008 RM	2007 RM	2008 Sen	2007 Sen
Interim dividend:				
10% less 26% taxation (2007 : 10% less 27% taxation)	4,440,000	4,380,000	7.40	7.30
Special dividend:				
Nil (2007 : 5% less 27% taxation)	-	2,190,000	-	3.65
	4,440,000	6,570,000	7.40	10.95

11. Property, plant and equipment

Group	Freehold land and buildings RM	Long term leasehold buildings RM	Short term leasehold buildings RM	Plant and equipment RM	Motor vehicles RM	Other assets RM	Total RM
At 31 December, 2008							
Cost or valuation							
At 1 January, 2008							
At cost	-	-	-	54,594,490	13,736,623	8,381,662	76,712,775
At valuation	19,455,933	911,286	19,425,751	-	-	-	39,792,970
	19,455,933	911,286	19,425,751	54,594,490	13,736,623	8,381,662	116,505,745
Additions	-	17,891	2,770,608	419,143	2,463,708	386,947	6,058,297
Disposals/written off	(419,969)	-	-	(47,568)	(1,939,954)	(351,028)	(2,758,519)
Reclassification	-	-	3,133	1,232,170	-	(1,235,303)	-
At end of the year	19,035,964	929,177	22,199,492	56,198,235	14,260,377	7,182,278	119,805,523
Representing:							
At cost	-	-	-	56,198,235	14,260,377	7,182,278	77,640,890
At valuation	19,035,964	929,177	22,199,492	-	-	-	42,164,633
At 31 December, 2008	19,035,964	929,177	22,199,492	56,198,235	14,260,377	7,182,278	119,805,523
Accumulated depreciation							
At 1 January, 2008	1,937,776	78,385	1,906,734	30,285,413	8,570,283	3,444,003	46,222,594
Charge for the year (Note 5)	339,951	16,718	389,486	2,600,805	941,050	594,802	4,882,812
Disposals/written off	(39,652)	-	-	(36,856)	(1,560,736)	(315,904)	(1,953,148)
At 31 December, 2008	2,238,075	95,103	2,296,220	32,849,362	7,950,597	3,722,901	49,152,258
Net carrying amount							
At cost	-	-	-	23,348,873	6,309,780	3,459,377	33,118,030
At valuation	16,797,889	834,074	19,903,272	-	-	-	37,535,235
At 31 December, 2008	16,797,889	834,074	19,903,272	23,348,873	6,309,780	3,459,377	70,653,265

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER, 2008 (CONT'D)

11. Property, plant and equipment (cont'd)

	Freehold land and buildings RM	Long term leasehold buildings RM	Short term leasehold buildings RM	Plant and equipment RM	Motor vehicles RM	Other assets RM	Total RM
Group							
At 31 December, 2007							
Cost or valuation							
At 1 January, 2007							
At cost	-	-	-	53,688,591	13,576,496	6,226,243	73,491,330
At valuation	19,272,845	911,286	18,061,381	-	-	-	38,245,512
	19,272,845	911,286	18,061,381	53,688,591	13,576,496	6,226,243	111,736,842
Additions	183,088	-	1,398,456	1,027,790	1,762,259	2,222,781	6,594,374
Disposals/written off	-	-	(34,086)	(121,891)	(1,603,522)	(65,972)	(1,825,471)
Reclassification	-	-	-	-	1,390	(1,390)	-
At end of the year	19,455,933	911,286	19,425,751	54,594,490	13,736,623	8,381,662	116,505,745
Representing:							
At cost	-	-	-	54,594,490	13,736,623	8,381,662	76,712,775
At valuation	19,455,933	911,286	19,425,751	-	-	-	39,792,970
At 31 December, 2007	19,455,933	911,286	19,425,751	54,594,490	13,736,623	8,381,662	116,505,745
Accumulated depreciation							
At 1 January, 2007	1,575,089	61,387	1,557,459	27,713,767	8,818,899	2,847,088	42,573,689
Charge for the year (Note 5)	362,687	16,998	356,808	2,669,928	867,313	643,337	4,917,071
Disposals/written off	-	-	(7,533)	(98,282)	(1,115,929)	(46,422)	(1,268,166)
At 31 December, 2007	1,937,776	78,385	1,906,734	30,285,413	8,570,283	3,444,003	46,222,594
Net carrying amount							
At cost	-	-	-	24,309,077	5,166,340	4,937,659	34,413,076
At valuation	17,518,157	832,901	17,519,017	-	-	-	35,870,075
At 31 December, 2007	17,518,157	832,901	17,519,017	24,309,077	5,166,340	4,937,659	70,283,151

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER, 2008 (CONT'D)

11. Property, plant and equipment (cont'd)

	Office equipment RM	Furniture and fittings RM	Motor vehicles RM	Total RM
Company				
Cost				
At 1 January, 2008	31,649	12,691	666,851	711,191
Addittions	6,605	-	240,487	247,092
Disposals	(1,485)	-	(98,190)	(99,675)
At 31 December, 2008	36,769	12,691	809,148	858,608
Accumulated depreciation				
At 1 January, 2008	22,829	8,169	351,291	382,289
Charge for the year (Note 5)	1,497	448	72,867	74,812
Disposal	(270)	-	(41,458)	(41,728)
At 31 December, 2008	24,056	8,617	382,700	415,373
Net carrying amount	12,713	4,074	426,448	443,235
Cost				
At 1 January,/31 December, 2007	31,649	12,691	666,851	711,191
Accumulated depreciation				
At 1 January, 2007	21,634	7,667	272,401	301,702
Charge for the year (Note 5)	1,195	502	78,890	80,587
At 31 December, 2007	22,829	8,169	351,291	382,289
Net carrying amount	8,820	4,522	315,560	328,902

(a) Freehold land and buildings and leasehold buildings were revalued on 20 December, 2004 by professional valuers Valuations were made on the basis of open market values.

At 31 December, 2008, had the revalued land and buildings of the Group been carried under the cost model, the carrying amount would have been RM29,763,942 (2007 : RM27,874,124).

(b) The management of Hup Seng Perusahaan Makanan (M) Sdn. Bhd., a subsidiary of the Group, carried out a review of the recoverable amount of its property, plant and equipment during the financial year. No impairment loss was recognised during the year. The recoverable amount was based on value-in-use and was determined at the cash-generating unit ("CGU"). In determining value-in-use for the CGU, the cash flows were discounted at a rate of 10% on a pre-tax basis.

(c) Other assets include capital work-in-progress which comprises machinery under installation amounting to RM98,500 (2007 : RM1,235,303).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER, 2008 (CONT'D)

12. Investment properties

	Group	
	2008	2007
	RM	RM
Cost Model		
At 1 January,	1,899,726	1,915,808
Less: Charge for the year (Note 5)	(17,200)	(16,082)
At 31 December,	1,882,526	1,899,726
Fair value of investment properties	2,208,341	2,225,541

13. Prepaid land lease payments

	Group	
	2008	2007
	RM	RM
At 1 January,	4,651,831	3,803,261
Additions	550,000	955,411
Amortisation for the year (Note 5)	(116,266)	(106,841)
At 31 December,	5,085,565	4,651,831
Analysed as:		
Long term leasehold land	869,556	882,167
Short term leasehold land	4,216,009	3,769,664
	5,085,565	4,651,831

Leasehold land were revalued on 20 December, 2004 by professional valuers. The Group retained the unamortised revalued amount as the surrogate carrying amounts of prepaid lease payments. Such prepaid lease payments are amortised over the lease term.

14. Investment in subsidiaries

	Company	
	2008	2007
	RM	RM
Unquoted shares at cost	65,327,211	65,327,211

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER, 2008 (CONT'D)

14. Investment in subsidiaries (cont'd)

The subsidiary companies are:

Name of subsidiaries	Country of incorporation	Effective equity interest 2008	Effective equity interest 2007	Principal activities
Hup Seng Perusahaan Makanan (M) Sdn. Bhd.	Malaysia	100%	100%	Manufacture and sales of biscuits
Hup Seng Hoon Yong Brothers Sdn. Bhd.	Malaysia	100%	100%	Sales and distribution of biscuits, confectionery and other foodstuff
In-Comix Food Industries Sdn. Bhd.	Malaysia	100%	100%	Manufacture and wholesale of coffee mix and all kinds of foodstuff

The amounts owing by the subsidiary companies, which arose mainly from advances, are unsecured, non-interest bearing and repayable on demand.

15. Goodwill on consolidation

	Group 2008 RM	Group 2007 RM
At 1 January,/At 31 December,	13,227,508	13,227,508

(a) Impairment test for goodwill

Goodwill arose from acquisition of a subsidiary, In-Comix Food Industries Sdn. Bhd. on 12 July, 2005. This subsidiary is considered as a CGU to which the goodwill was attached for the impairment test.

Key assumptions used in value-in-use calculations

The recoverable amount of the CGU is determined based on value-in-use calculations using cash flows projects based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are conservatively assumed to have a zero growth.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER, 2008 (CONT'D)

15. Goodwill on consolidation (cont'd)

(a) Impairment test for goodwill (cont'd)

(i) Budgeted gross margin

The basis used to determine the value assigned to the budgeted gross margin is the average gross margin achieved in the year immediately before the budgeted year increased for expected efficiency improvements.

(ii) Growth rate

The weighted average growth rates used are based on the Group's projection of future growth rate.

(iii) Discount rate

The discount rates used are pre-tax and reflect specific risks relating to the industry.

(iv) Raw materials price inflation

The basis used to determine the value assigned to the raw materials is based on the forward price contracted.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of goodwill to materially exceed the recoverable amount.

16. Inventories

	Group	
	2008	**2007**
	RM	**RM**
At cost:		
Raw materials	11,518,824	10,037,385
Finished goods	2,125,043	1,824,686
Spares and fuel	3,143,374	2,760,544
Trading inventories	2,372,466	5,291,582
Work-in-progress	106,760	379,102
	19,266,467	20,293,299
At net realisable value:		
Containers	1,016,024	1,144,993
	20,282,491	21,438,292

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER, 2008 (CONT'D)

17. Trade and other receivables

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Current				
Trade receivables				
Third parties	31,929,154	25,607,318	-	-
Less : Allowance for doubtful debts	(187,698)	(373,407)	-	-
	31,741,456	25,233,911	-	-
Other receivables				
Deposits	210,365	447,486	13,000	13,000
Interest receivable from fixed and short term deposits	45,022	142,227	12,265	41,809
Prepayments	377,646	462,102	9,597	10,266
Sundry receivables	1,130,483	684,458	-	-
	1,763,516	1,736,273	34,862	65,075
	33,504,972	26,970,184	34,862	65,075

Credit risk

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit. The credit term is generally for a period of 30 to 60 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. There is no significant concentration of credit risk. Trade receivables are non-interest bearing.

18. Cash and bank balances

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Deposits with licensed banks	14,300,000	10,554,348	6,500,000	3,554,348
Cash and bank balances	6,924,792	5,080,346	3,696,584	3,690,602
Cash and cash equivalents	21,224,792	15,634,694	10,196,584	7,244,950

The weighted average interest rates during the financial year and the average maturities as at balance sheet dates were as follows:

	Weighted average interest rates		Average maturities	
	2008	2007	2008	2007
	%	%	Days	Days
Deposits with licensed banks	3 - 3.5	3 - 3.6	105	253

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER, 2008 (CONT'D)

19. Trade and other payables

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Current				
Trade payables				
Third parties	15,615,843	18,317,411	-	-
Other payables				
Payroll liabilities	7,033,017	6,245,998	449,051	361,625
Duties and other taxes payable	788,750	742,744	-	-
Sundry suppliers	1,957,056	2,528,918	167	-
Accrued expenses	4,138,611	3,203,402	526,629	523,262
Containers refundable deposits	1,842,993	1,756,309	-	-
	15,760,427	14,477,371	975,847	884,887
	31,376,270	32,794,782	975,847	884,887

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 days.

20. Bank borrowings

The bank facilities granted to other subsidiaries are secured by way of corporate guarantee by the Company, which inclusive of bank overdraft facilities not utilised as at balance sheet date, amounted to RM2,290,000 (2007 : RM2,290,000), are repayable upon demand and bear interests ranging from 1%-1.5% (2007 : 1%-1.5%) above the bank's base lending rate per annum.

21. Deferred tax liabilities/(assets)

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
At 1 January	8,184,279	8,440,916	6,000	(2,000)
Recognised in income statement (Note 8)	388,503	109,754	(2,962)	8,000
Recognised in equity	(23,473)	(366,391)	-	-
At 31 December	8,549,309	8,184,279	3,038	6,000

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER, 2008 (CONT'D)

21. Deferred tax liability/(assets) (cont'd)

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Presented after appropriate offsetting as follows:				
Deferred tax assets	(610,170)	(1,050,966)	(9,516)	(9,000)
Deferred tax liabilities	9,159,479	9,235,245	12,554	15,000
	8,549,309	8,184,279	3,038	6,000

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	Property, Plant and Equipment RM	Revaluation of Property, Plant and Equipment RM	Total RM
At 1 January, 2008	7,206,678	2,028,567	9,235,245
Recognised in income statement	(46,547)	(5,746)	(52,293)
Recognised in equity	-	(23,473)	(23,473)
At 31 December, 2008	7,160,131	1,999,348	9,159,479
At 1 January, 2007	7,472,725	2,401,824	9,874,549
Recognised in income statement	(266,047)	(6,866)	(272,913)
Recognised in equity	-	(366,391)	(366,391)
At 31 December, 2007	7,206,678	2,028,567	9,235,245

Deferred Tax Assets of the Group:

	Unutilised Losses RM	Unabsorbed Capital Allowances RM	Others RM	Total RM
At 1 January, 2008	(515,385)	(89,369)	(446,212)	(1,050,966)
Recognised in income statement	231,709	89,369	119,718	440,796
At 31 December, 2008	(283,676)	-	(326,494)	(610,170)
At 1 January, 2007	(622,000)	(307,000)	(504,633)	(1,433,633)
Recognised in income statement	106,615	217,631	58,421	382,667
At 31 December, 2007	(515,385)	(89,369)	(446,212)	(1,050,966)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER, 2008 (CONT'D)

21. Deferred tax liability/(assets) (cont'd)

Deferred tax liability of the Company:

	Property, plant and equipment 2008 RM	2007 RM
At 1 January,	15,000	4,000
Recognised in income statement	(2,446)	11,000
At 31 December,	12,554	15,000

Deferred tax asset of the Company:

	Others 2008 RM	2007 RM
At 1 January,	(9,000)	(6,000)
Recognised in income statement	(516)	(3,000)
At 31 December	(9,516)	(9,000)

22. Share capital

	Number of Ordinary Shares of RM1 Each		Amount	
	2008	2007	2008 RM	2007 RM
Authorised	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid	60,000,000	60,000,000	60,000,000	60,000,000

23. Revaluation reserve

The revaluation reserve represents the unrealised surplus arising from the revaluation of leasehold land and building, net of deferred taxation.

24. Retained profits

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December, 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December, 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December, 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 31 December, 2008 and 2007 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 December, 2008 and 2007, the Company has sufficient credit in the 108 balance and tax exempt account to pay franked dividends out of its entire retained earnings.

The above are subject to agreement with the Inland Revenue Board.

25. Related party transactions

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	Note	2008 RM	2007 RM
Group			
Rental of premises payable to:			
- Hup Seng Brothers Holdings Sdn. Bhd.	(i)	145,200	145,200
- Tiong Bee Industries Sdn. Bhd.	(ii)	60,000	60,000
Purchase of packing materials:			
- Tomypak Holdings Berhad	(iii)	3,126,167	3,056,123
Company			
From subsidiary companies:			
Dividend received		12,966,000	10,962,000

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

Note:

(i) Certain directors of the Company and subsidiaries are also directors and shareholders of Hup Seng Brothers Holdings Sdn. Bhd.

(ii) Certain directors of the Company are also directors of Tiong Bee Industries Sdn. Bhd.

(iii) A director of a subsidiary is also a substantial shareholder of Tomypak Holdings Berhad and a shareholder of Hup Seng Industries Berhad.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER, 2008 (CONT'D)

25. Related party transactions (Cont'd)

(b) Compensation of key management during the year was as follows:

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Short-term employee benefits	7,202,441	6,632,139	1,257,435	1,170,418
Defined contribution plan	784,044	724,236	143,808	133,332
	7,986,485	7,356,375	1,401,243	1,303,750

26. Capital commitments

	Group	
	2008	2007
	RM	RM
Capital expenditure:		
Contracted but not provided for property, plant and equipment	87,670	2,365,915

27. Contingent liabilities (unsecured)

The Company has given corporate guarantee to banks for bank guarantee and banking facilities extended to subsidiaries. None of the banking facilities were utilised as at the balance sheet date and the outstanding bank guarantee as at balance sheet date is RM692,600 (2007 : RM707,350).

28. Segmental reporting

(i) Business segments

No segment is presented in respect of the Group's business segment, as the principal activities of the subsidiaries are manufacture and sales of biscuits and coffee mix, and dealers in confectionery and other foodstuff.

(ii) Geographical segments

The group operates principally in Malaysia. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

	Malaysia		Overseas		Consolidated	
	2008 RM	2007 RM	2008 RM	2007 RM	2008 RM	2007 RM
Revenue						
Revenue from external customers by location of customers	154,173,888	138,708,617	66,155,376	54,406,524	220,329,264	193,115,141
Results						
Segment results (external)	17,898,483	6,385,307	5,659,905	1,785,421	23,558,388	8,170,728
Other income					163,608	194,764
Unallocated expenses					(2,373,654)	(2,234,183)
Finance costs					(7,147)	(6,772)
Profit before tax					21,341,195	6,124,537
Income tax expense					(5,270,394)	(1,367,152)
Net profit for the year					16,070,801	4,757,385

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER, 2008 (CONT'D)

28. Segmental reporting (cont'd)

(ii) Geographical segments (cont'd)

	Malaysia		Overseas		Consolidated	
	2008 RM	**2007 RM**	**2008 RM**	**2007 RM**	**2008 RM**	**2007 RM**
Assets						
Segment assets	103,125,912	100,867,021	39,535,435	33,694,773	142,661,347	134,561,794
Unallocated assets					25,498,160	21,937,440
Total assets					168,159,507	156,499,234
Liabilities						
Segment liabilities	26,822,673	27,695,711	14,581,843	13,697,429	41,404,516	41,393,140
Unallocated liabilities					988,401	899,887
Total liabilities					42,392,917	42,293,027
Other segment information						
Depreciation	3,500,117	3,754,135	1,325,083	1,098,431	4,825,200	4,852,566
Unallocated expense					74,812	80,587
					4,900,012	4,933,153
Amortisation	77,002	71,399	39,264	35,442	116,266	106,841
Capital expenditure	4,239,192	5,036,362	1,572,013	1,558,012	5,811,205	6,594,374
Unallocated expense					247,092	-
					6,058,297	6,594,374
Prepaid land lease payments	377,611	565,448	172,389	389,963	550,000	955,411
Non cash expense other than depreciation	285,892	259,913	5,993	9,824	291,885	269,737
Unallocated expense					1,015	-
					292,900	269,737

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER, 2008 (CONT'D)

28. Segmental reporting (cont'd)

Overseas principal markets consist of Asia (excluding Malaysia), United States of America, Africa and Russia.

Segment results, assets and liabilities include directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly interest earning assets and revenue and corporate assets, liabilities and expenses.

30. Financial instruments

(a) Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. The Board reviews and agrees policies for managing each of these risks and they are summarised below. It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

(b) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in deposits with licensed banks.

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. The Group manages its interest rate exposure by maintaining a floating rate borrowings. The information on maturity dates and effective interest rates of financial assets is disclosed in their respective notes.

(c) Foreign exchange risk

The Group is exposed to transactional currency risk primarily through purchases that are denominated in a currency other than the functional currency of the operations to which they relate. Foreign exchange exposures in transactional currencies other than functional currency of the Group are kept to an acceptable level. The Group does not engage in any formal hedging activities.

(d) Liquidity risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER, 2008 (CONT'D)

30. Financial instruments (cont'd)

(e) Credit risk

The Group's credit risk is primarily attributable to trade receivables. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and marketable securities arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial assets.

(f) Fair values

The carrying amounts of cash and cash equivalents, trade and other receivables/payables approximate fair values due to the relatively short term maturity of these financial instruments.

LIST OF GROUP PROPERTIES

AS AT 31 DECEMBER, 2008

Location of Property	Description	Tenure of Land	Existing Use	Land Area/ Build-up Area	Approximate Age of Building	Net Book Value as at 31.12.08 RM
Hup Seng Perusahaan Makanan (M) Sdn. Bhd.						
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 30.04.2010)	143.0 sq. m/ 94.1 sq. m	15 years	52,707
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	9 years	12,704,305
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/ 14,841.90 sq. m	26 years	15,604,619
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	1,416.3 sq. m	-	165,600
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	18 years	125,341

LIST OF GROUP PROPERTIES
AS AT 31 DECEMBER, 2008 (CONT'D)

Location of Property	Description	Tenure of Land	Existing Use	Land Area/ Build-up Area	Approximate Age of Building	Net Book Value as at 31.12.08 RM
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/ 309.1 sq. m	18 years	143,790
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	29 years	190,684
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	29 years	190,684
PTD 1127 HS(D) 38435 (Formerly known as HS(D) 7577) No.4, Jalan Sampan, Kawasan Perindustrian Tongkang Pecah 83010 Batu Pahat Johor	Single Storey detached Factory	60 years Leasehold (expiring on 07.11.2037)	Vacant	4,046.90 sq. m	-	1,336,145
PTD 1853 HS(D) 10338 No.9, Jalan Jorak Estate Kawasan Perindustrian Tongkang Pecah 83010 Batu Pahat Johor	Single Storey detached Factory cum 2 storey office building	60 years Leasehold (expiring on 23.03.2040)	Vacant	6,647.03 sq. m/ 3,764.38 sq. m	20 years	1,864,001

LIST OF GROUP PROPERTIES
AS AT 31 DECEMBER, 2008 (CONT'D)

Location of Property	Description	Tenure of Land	Existing Use	Land Area/ Build-up Area	Approximate Age of Building	Net Book Value as at 31.12.08 RM
Hup Seng Hoon Yong Brothers Sdn. Bhd.						
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 30.09.2009) 4A-Rented out (expiring 30.09.2009) 28-Rented out (expiring 30.09.2010) 28A-Staff hostel 30-Vacant 30A -Staff hostel	5,226 sq. ft./ 10,078 sq. ft.	19 years	415,852
P.T. Nos. 46611 and 45689 Nos. A497 and A495 Taman Seri Pelindung Satu Jalan Berserah 25300 Kuantan Pahang Darul Makmur	2 continuous units of Double-storey shophouses	Freehold	Vacant	413 sq. m/ 483.7 sq. m	13 years	397,396
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)	Branch office/ warehouse	1,613.09 sq. m/ 1,001.9 sq. m	11 years	741,849

LIST OF GROUP PROPERTIES AS AT 31 DECEMBER, 2008 (CONT'D)

Location of Property	Description	Tenure of Land	Existing Use	Land Area/ Build-up Area	Approximate Age of Building	Net Book Value as at 31.12.08 RM
Lot Nos. 4107 & 4109 No. 1323 & 1325 Jalan Bukit Tengah Taman Indah 14000 Bukit Mertajam Pulau Pinang	Double-storey shophouses	Freehold	1323 - Branch office/store 1325 - Vacant	371.7 sq. m/ 743.4 sq. m	19 years	547,829
Plot Nos. 132 & 133 No. 132 & 133 Jalan Sagaria 2 Taman Saga Alor Mengkudu 05400 Alor Setar Kedah Darul Aman	Double-storey shophouses	Freehold	132 - Branch office/ store 133 - Store 133A - Staff hostel	241.55 sq. m/ 483.6 sq. m	10 years	253,743
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-Foreign worker's hostel 9 A-Staff hostel	163.5 sq. m/ 281.3 sq. m	29 years	183,481
Lot No. 305884, PN149251 (Formerly PT 149442) 12 Hala Rapat Baru 18 Taman Perusahaan Ringan Kinta Jaya 31350 Ipoh Perak Darul Ridzuan	1 1/2 Storey-detached factory	99 years leasehold (expiring 25.06.2096)	Branch office/ warehouse	1,586 sq. m/ 12,050 sq. ft.	10 years	961,781
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	10 years	671,929

LIST OF GROUP PROPERTIES AS AT 31 DECEMBER, 2008 (CONT'D)

Location of Property	Description	Tenure of Land	Existing Use	Land Area/ Build-up Area	Approximate Age of Building	Net Book Value as at 31.12.08 RM
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	10 years	536,492
Lot 6574 Mukim of Linau District of Batu Pahat Johor Darul Takzim	Industrial land	Freehold	Car park	9,704.38 sq. m	-	2,266,182
In-Comix Food Industries Sdn. Bhd.						
Plo No. 94 Kawasan Perindustrian Senai 3 Jalan Cyber 6 81400 Senai Johor Darul Takzim	Double-storey detached factory	60 years leasehold (expiring 08.06.2056)	Warehouse/ office/ factory	6,313.10 sq. m/ 5,246.80 sq. m	11 years	5,148,916

STATEMENT OF SHAREHOLDINGS

AS AT 2 APRIL, 2009

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
9	Less than 100	360	0.00
1,007	100 to 1,000	975,940	1.63
857	1,001 to 10,000	3,662,100	6.10
154	10,001 to 100,000	4,663,400	7.77
48	100,001 to less than 5% of issued shares	20,098,200	33.50
1	5% and above of issued shares	30,600,000	51.00
2,076		60,000,000	100.00

TOP THIRTY LARGEST SHAREHOLDERS

	Name of Shareholder	No. of Shares Held	Percentage of Shares
1.	HSB Group Sdn Bhd	30,600,000	51.00
2.	Chang Kwee Lan	2,820,000	4.70
3.	Goh Siew Kiew	1,921,000	3.20
4.	Cekap Kapital Sdn Bhd	1,546,000	2.58
5.	Kerk Chian Hui	1,300,000	2.17
6.	Kerk Chian Tung	950,000	1.58
7.	Chang Yang @ Chen Yong	856,000	1.43
8.	Ker (Kerk) Kim Tim @ Kerk Choo Ting	645,000	1.08
9.	Chong Swee Ching	588,000	0.98
10.	Keh (Kerk) Chu Koh	548,000	0.91
11.	Kuo Chee Ching	534,200	0.89
12.	Alliancegroup Nominees (Asing) Sdn Bhd Pledged Securities Account for Lim Hun Swee	407,800	0.68
13.	Kerk Han Meng	392,000	0.65
14.	Teo Lee Tong	388,000	0.65
15.	Teo Lee Teck	387,000	0.65
16.	Kerk Kar Han	354,000	0.59

STATEMENT OF SHAREHOLDINGS AS AT 2 APRIL, 2009 (CONT'D)

TOP THIRTY LARGEST SHAREHOLDERS (CONT'D)

	Name of Shareholder	No. of Shares Held	Percentage of Shares
17.	Mary Kerk Beng Ley	350,000	0.58
18.	Kuo Liong Yok	310,000	0.52
19.	Kuo Chee Kian	277,000	0.46
20.	Sim Guat Keow @ Sim Han Che	272,000	0.45
21.	Teo Lay Gak	270,000	0.45
22.	Toh Kam Choy	266,700	0.44
23.	Ke (Kek) Kim Soon @ Kerk Choo Soon	260,000	0.43
24.	Ng Ee Kim	259,000	0.43
25.	Kuo Lee Yong	258,000	0.43
26.	Kuo Chee Joo	255,000	0.43
27.	Kuo Lee Ai	238,000	0.40
28.	Kerk Chiew Siong	230,000	0.38
29.	Wan Lay Hoon	230,000	0.38
30.	Kuo Chee Hau	222,000	0.37

SUBSTANTIAL SHAREHOLDERS

According to the Register required to be kept under Section 69L of the Companies Act, 1965, the followings 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	30,600,000	51.00	-	-
2.	Kuo Choo Song	218,000	0.36	33,213,200*	55.36
3.	Tan Siew Kee	-	0.00	30,600,000#	51.00
4.	Kuo Chee Ching	534,200	0.89	30,600,000#	51.00
5.	Kuo Chee Hau	222,000	0.37	30,600,000#	51.00
6.	Kuo Chee Joo	255,000	0.43	30,600,000#	51.00
7.	Kuo Chee Kian	277,000	0.46	30,600,000#	51.00
8.	Kuo Chee Koon	151,000	0.25	30,600,000#	51.00
9.	Kuo Chee Yoong	200,000	0.33	30,600,000#	51.00
10	.Kuo Liong Yok	310,000	0.52	30,600,000#	51.00
11.	Ke (Kek) Kim Soon @ Kerk Choo Soon	260,000	0.43	30,600,000#	51.00

STATEMENT OF SHAREHOLDINGS AS AT 2 APRIL, 2009 (CONT'D)

SUBSTANTIAL SHAREHOLDERS (CONT'D)

No	Name of Shareholder	Direct Interest		Deemed Interest	
		No. of Shares	Percentage (%)	No. of Shares	Percentage (%)
12.	Sim Guat Keow @ Sim Han Che	272,000	0.45	30,600,000#	51.00
13.	Kerk Han Meng	392,000	0.65	30,600,000#	51.00
14.	Kerk Kar Han	354,000	0.59	30,618,000*	51.03
15.	Lau Ah Chik @ Yap Swee Keow	-	-	30,600,000#	51.00
16.	Teo Lay Gak	270,000	0.45	30,600,000#	51.00
17.	Teo Lee Teck	387,000	0.65	30,640,000*	51.07
18.	Teo Lee Tong	388,000	0.65	30,600,000#	51.00
19.	Keh (Kerk) Chu Koh	548,000	0.91	30,956,000*	51.59
20.	Lem Leh Lee @ Lim Mok Lee	213,000	0.36	30,600,000#	51.00
21.	Dato' Seri Ker (Kerk) Kim Tim @ Kerk Choo Ting	645,000	1.08	30,600,000#	51.00
22.	Datin Seri Chang Yang @ Chen Yong	856,000	1.43	30,600,000#	51.00
23.	Kerk Gau Yang	47,000	0.08	30,600,000#	51.00
24.	Kerk Chong Yong	47,000	0.08	30,600,000#	51.00
25.	Kerk Shiang Yih	49,000	0.08	30,600,000#	51.00

Note:

\# 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.

* Deemed interested by virtue of his interests in HSB Group Sdn Bhd pursuant to Section 6A of the Companies Act, 1965 and Section 134 of the Companies (Amendment) Act 2007.

STATEMENT OF SHAREHOLDINGS AS AT 2 APRIL, 2009 (CONT'D)

DIRECTORS' INTERESTS

Name of Director	Direct Interest		Deemed Interest	
	No. of Shares Held	(%)	No. of Shares Held	(%)
Keh (Kerk) Chu Koh	548,000	0.91	30,956,000	51.59*
Kerk Chiew Siong	230,000	0.38	588,000	0.98#
Kuo Choo Song	218,000	0.36	33,213,200	55.36*
Kerk Chian Tung	950,000	1.58	-	-
Teo Lee Teck	387,000	0.65	30,640,000	51.07*
Kerk Kar Han	354,000	0.59	30,618,000	51.03*
Woon Chin Chan	-	-	-	-
Mazrina binti Arifin	-	-		-
Norita binti Ja'afar	-	-	-	-
Raja Khairul Anuar bin Raja Mokhtar	-	-	-	-
Wee Hoe Soon @ Gooi Hoe Soon	-	-	-	-

Note:

* Deemed interested by virtue of his interests in HSB Group Sdn Bhd pursuant to Section 6A of the Companies Act, 1965 and Section 134 of the Companies (Amendment) Act 2007.

\# Deemed interested by virtue of his interest Section 134 of the Companies (Amendment) Act 2007.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Seventeenth Annual General Meeting of Hup Seng Industries Berhad will be held at Mezzanine Floor, The Katerina Hotel, 8, Jalan Zabedah, 83000 Batu Pahat, Johor Darul Takzim on Tuesday, 19 May, 2009 at 9.00 a.m. for the following purposes:-

AGENDA

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December, 2008 together with the Directors' and Auditors' Report thereon. **Resolution 1**

2. To approve the payment of Directors' Fees for the financial year ended 31 December, 2008. **Resolution 2**

3. To re-elect the following Directors who retire during the year in accordance with the Company's Articles of Association and being eligible, offer themselves for re-election: -

   - Mr Keh (Kerk) Chu Koh - Article 76 **Resolution 3**
   - Puan Mazrina Binti Arifin - Article 76 **Resolution 4**
   - Mr Teo Lee Teck - Article 76 **Resolution 5**

4. To consider, and if thought fit, to pass the following resolution:-

   "**THAT** pursuant to Section 129(6) of the Companies Act, 1965, Mr Kuo Choo Song be and is hereby re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting." **Resolution 6**

5. To re-appoint Messrs Ernst & Young who retire as Auditors of the Company and authorise the Directors to fix their remuneration. **Resolution 7**

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass the following Ordinary Resolution:-

   ORDINARY RESOLUTION 1
   PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("Proposed Renewal of Shareholders' Mandate")

   "**THAT**, subject always to the provisions of the Companies Act, 1965 ("the Act"), the Memorandum & Articles of Association of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad or any other regulatory authorities, approval be and is hereby given for the Company and its subsidiaries ("HSIB Group") to enter into recurrent related party transaction of a revenue or trading nature in the ordinary course of business which are necessary for the day-to-day operations of the HSIB Group as specified in section 2.1.2 of Company's Circular to Shareholders dated 28 April, 2009 ("Circular") on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders and that authority conferred by this resolution shall take effect immediately upon the passing of this resolution and the shareholders' mandate shall continue to be in force until:-

   (a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the AGM, at which the ordinary resolution for the Proposed Renewal of Shareholders' Mandate was passed, at which time it will lapse, unless by a resolution passed at a general meeting, the authority is renewed;

   (b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 143(1) of the Act, (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

(c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier;

AND THAT authority be and is hereby given to the Directors of the HSIB Group to complete and do all such acts and things (including executing such documents as may be required) to give effect to such transaction as authorised by this Ordinary Resolution.

AND THAT the estimates given on the recurrent related party transactions specified in section 2.1.2 of the Circular being provisional in nature, the Directors and/or any of them be and are hereby authorised to agree to the actual amount or amounts thereof provided always that such amount or amounts comply with the review procedures set out in section 2.1.4 of the Circular." **Resolution 8**

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

BY ORDER OF THE BOARD

LEONG SIEW FOONG (f)
MAICSA NO. 7007572
Company Secretary

Johor Bahru
Date: 28 April, 2009

Notes:-

1. *A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies 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. *Where a member is an authorised nominee as defined under The Securities Industry (Central Depositories) Act, 1991 it may appoint at least one proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.*
5. *The instrument appointing a proxy shall be in writing under the hand of the appointer or if such appointer is a corporation under its common seal or the hand of its attorney.*
6. *The instrument appointing a proxy must be deposited at the Registered Office of the Company, Symphony Corporatehouse Sdn. Bhd. at Suite 6.1A, Level 6, Menara Pelangi, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru, Johor not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.*

EXPLANATORY NOTES ON SPECIAL BUSINESS:

1. Resolution 8

The Proposed Renewal of Shareholders' Mandate for recurrent related party transaction is to facilitate transaction in the normal course of business of the Company and its subsidiaries ("the Group") which are transacted from time to time with the specified classes of related parties, provided that they are carried out on an arm's length basis and on the Group's normal commercial terms and are not prejudicial to the shareholders on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders.

By obtaining the shareholders' mandate on an annual basis, the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such recurrent related party transactions occur would not arise. This would reduce substantial administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group.

Further information on Proposed Renewal of Shareholders' Mandate are set out in the Circular to Shareholders of the Company which is despatched together with the Annual Report of the Company for the financial year ended 31 December, 2008.

NOTES

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

CDS ACCOUNT NO. ______________

FORM OF PROXY

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 **Seventeenth 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 **Tuesday, 19 May, 2009 at 9.00 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.	Receive the Audited Financial Statements for the year ended 31 December, 2008 together with the Reports of the Directors and Auditors.		
2.	Approve the payment of Directors' fees for the financial year ended 31 December, 2008.		
	Re-election of Directors retiring according to the Company's Articles of Association:		
3.	- Mr Keh (Kerk) Chu Koh (Article 76)		
4.	- Puan Mazrina Binti Arifin (Article 76)		
5.	- Mr Teo Lee Teck (Article 76)		
6.	Re-appointment of Mr Kuo Choo Song as Director pursuant to Section 129 (6) of the Companies Act, 1965.		
7.	Re-appointment of Messrs Ernst & Young as Auditors.		
8.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions ("Proposed Renewal of Shareholders' Mandate")		

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 ______________ 2009

NO. OF SHARES HELD ______________

____
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. Where a member is an authorised nominee as defined under The Securities Industry (Central Depositories) Act, 1991 it may appoint at least one proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation under its common seal or the hand of its attorney.
6. The instrument appointing a proxy must be deposited at the office of the Registered Office of the Company, Symphony Corporatehouse Sdn. Bhd. at Suite 6.1A, Level 6, Menara Pelangi, Jalan Kuning, 80400 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 6.1A, Level 6
Menara Pelangi, Jalan Kuning
Taman Pelangi
80400 Johor Darul Ta'zim
Malaysia

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