Hup Seng Industries Berhad

(Company No: 226098-P)

ANNUAL REPORT 2012

Contents

Corporate Information

Directors

Dato' Keh (Kerk) Chu Koh
(Chairman)

Kerk Chiew Siong
(Vice Chairman)

Kuo Choo Song
(Managing Director)

Kerk Chian Tung
(Executive Director)

Teo Lee Teck
(Non-Independent
Non-Executive Director)

Kerk Kar Han
(Non-Independent
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
(Independent
Non-Executive Director)

Y.Bhg.Dato' Wee Hoe Soon @
Gooi Hoe Soon
(Alternate Director to
Woon Chin Chan)

Secretary

Leong Siew Foong
(MAICSA 7007572)

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 Registrars

Symphony Share Registrars Sdn. Bhd. (378993-D)
Level 6, Symphony House,
Pusat Dagangan Dana 1,
Jalan PJU 1A/46,
47301 Petaling Jaya,
Selangor
Tel: (03) 7841 8000
Fax: (03) 7841 8151

Principal Bankers

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

Auditors

Ernst & Young (AF 0039)
Chartered Accountants

Stock Exchange Listing

Main Market of Bursa Malaysia Securities Berhad
Stock Code: 5024

Corporate Structure

合成工業有限公司

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

- 100% — HUP SENG PERUSAHAAN MAKANAN (M) SDN BHD (Company No. 19770-K)
- 100% — HUP SENG HOON YONG BROTHERS SDN BHD (Company No. 31372-V)
- 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 Report and Audited Financial Statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December, 2012.

REVIEW OF THE FINANCIAL PERFORMANCE

We are happy to report a new record in revenue and profits. Group achieved a 3.0% growth in revenue to RM248 million in the financial year ended 31 December, 2012 from RM240 million in the preceding year. The higher revenues were principally attributable to the higher average selling prices of the main products of the Group.

Profit before tax surged to RM44.3 million from RM27.6 million a year ago. Of note was the one off impairment of goodwill amounting to RM8,909,000 registered in the previous corresponding financial year. Excluding that, the underlying earning growth came from improved gross profit margin of 2.9% arising mainly from cumulative effects of lower material input costs and optimal utilization of existing new operational facilities. Net profit stood at RM32.5 million which was a new record in the history of the Group.

Net assets per share stood at RM1.28 as compared to the previous corresponding year of RM1.23. Earnings per share (EPS) increased significantly from 15.50sen in 2011 to 27.12sen.

DIVIDEND

The Board of Directors declared and paid an interim dividend of 12sen (single-tier). Due to the sterling performance for the year under review, the Board of Directors recommends a further interim dividend (single-tier) of 15sen and a special dividend (single-tier) of 3sen. With that, total dividend paid and payable for the year would amount to RM36.0 million.

CORPORATE SOCIAL RESPONSIBILITY

The Group recognizes the importance of a corporate culture that emphasizes good corporate social responsibility. The Group has made contributions and donations towards the local communities and various schools and associations. Committees were set up to promote awareness of safety in workplace, organizing sports activities for healthy and balanced working lifestyle for employees, encouraging networking to promote a caring culture and a sense of social responsibility among its employees.

OUTLOOK AND PROSPECTS

Growth of the world economy has weakened considerably during 2012 and is expected to remain subdued in the coming two years, according to the United Nations in its latest issue of the World Economic Situation and Prospects 2013. According to the report, the euro zone crisis continues to loom as the largest threat to global growth. Growth prospects from the US remains sluggish and the slowdown in a number of larger developing countries including China could well deteriorate further ending in a "hard landing".

The Malaysian gross domestic product grew 5.6% in 2012 compared with 5.1% in 2011, quite commendable when uncertainties plagued the global economy in the better part of the year. Malaysia's growth was driven by domestic demand, through public spending supported by private consumption and investment. The national economy is expected to remain resilient at above the five per cent mark due to the sustained domestic demand and strong investments from implementation of projects under the Economic Transformation Programme (ETP), supported by an accommodative monetary policy.

After having registered a record earning in 2012, the Group is committed to maintaining the level of performance by undertaking various initiatives that will accomplish our business objectives and strategies. We will continue to build the competitiveness of our products and address the needs of consumers to sustain the Group performance.

THANK YOU

On behalf of the Board of Directors, I wish to thank our committed management and employees who continue to work hard to overcome any setbacks and challenging situations to ensure the growth of our performance.

I would also like to thank our esteemed customers, suppliers, distributors, financiers, business associates and shareholders for their continuous supports and confidence in us and our business.

DATO' KEH (KERK) CHU KOH
Chairman

5-Year Group Financial Highlights

Financial Year Ended		31.12.2008	31.12.2009	31.12.2010	31.12.2011	31.12.2012
Key Result (RM)						
Revenue		220,329,264	213,405,132	219,070,516	240,231,011	247,818,145
Profit after Tax		16,070,801	26,880,497	23,338,845	18,603,729	32,540,686
Other Key Data (RM)						
Total Assets		168,159,507	187,764,912	194,113,084	203,813,804	204,947,578
Total Liabilities		42,392,917	45,406,116	47,615,443	56,712,434	51,705,522
Shareholders' Equity		125,766,590	142,358,796	146,497,641	147,101,370	153,242,056
Capital Expenditure		6,608,297	1,923,670	1,309,954	5,622,041	3,988,473
Financial Ratio (%)						
Revenue Growth		14.1	(3.1)	2.7	9.7	3.2
Net Profit Growth		237.8	67.3	(13.2)	(20.3)	74.9
Net Profit Margin		7.3	12.6	10.7	7.7	13.1
Return on Equity (ROE)		12.8	18.9	15.9	12.6	21.2
Share Information						
Earnings per Share	sen	13.4	22.4	19.4	15.5	27.1
Net Dividends per Share	sen	3.7	12.8	12.0	25.0	30.0
Payout Ratio	%	27.6	56.9	61.7	161.3	110.6
Net Assets per Share	RM	1.05	1.19	1.22	1.23	1.28

Directors' Profile

Dato' Keh (Kerk) Chu Koh

Dato' Keh (Kerk) Chu Koh, Malaysian aged 70, 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 was redesignated as Chairman on 1 February, 2003. He was appointed 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 54 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 and ISO 22000:2005 in year 2012 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 60, 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 appointed as 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 Dato' 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 37 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 was also responsible for overlooking the achievement of consolidated certification of ISO 9001:2008, HACCP Warranty and ISO 22000:2005 which were awarded in year 2012.

Kuo Choo Song

Kuo Choo Song, Malaysian aged 81, 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 was 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 54 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 Dato' 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 page12 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 42, 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, Dato' 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 53, was appointed as a Non-Independent 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 34 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 was fully responsible for leading the task force towards the achievement of consolidated certification of ISO 9001:2008, HACCP Warranty and ISO 22000:2005, awarded concurrently in year 2012. He has been appointed as a Director for In-Comix Food Industries Sdn. Bhd. since 7 July, 2009, fully responsible for the product manufacturing, quality and hygienic assurance of the company. He also provides full support to HACCP Management System; ensures the machineries & equipment of the factory is upgraded technologically in tandem with the business development; meets with the Head of Operational Unit to discuss and resolve key operational and other key management issues regularly; highlights and discusses significant issues at Board meetings. He is the nephew of Kuo Choo Song, Dato' 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 45, was appointed as a Non-Independent 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. On 1 January, 2011, he was promoted to Director cum Sales and Admin Manager, fully responsible for maintaining and improving the organizational administration system, sales and marketing performance, 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 17 years of experience in business administration and management. He has been appointed as a Director for In-Comix Food Industries Sdn. Bhd. since 7 July, 2009, fully responsible for administration, marketing & sales and material purchase of the company and provides full support to HACCP Management System. He meets with the Head of Operational Unit to discuss and resolve key operational, financial and other key management issues regularly, and highlights and discusses significant issues at Board meetings. He was appointed as Halal Committee Chairman for In-Comix Food Industries Sdn. Bhd. on 26 August, 2011. He is the nephew of Kuo Choo Song, Dato' 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.

Woon Chin Chan

Woon Chin Chan, Malaysian aged 54, was appointed as an Alternate Director to Y.Bhg. Dato' 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. On 22 February, 2011, he resigned as Chairman of the Remuneration Committee and remained as a member. 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 conducted 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. He sits on the board of directors of WinSun Technologies Berhad and Padini Berhad.

Mazrina Binti Arifin

Mazrina Binti Arifin, Malaysian aged 45, was appointed as an Independent Non-Executive Director of the Company on 27 June, 2000. She had been Chairperson of the Nominating Committee until 22 February, 2011 and now serves as a member of such 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 as Finance Director for Springboard4 MALAYSIA Sdn. Bhd., a UK based IT Consulting and Training firm and Director for Paddy Schubert Consultants Sdn. Bhd. since 2005.

Norita Binti Ja'afar

Norita Binti Ja'afar, Malaysian aged 41, was appointed as an Independent Non-Executive Director of the Company on 11 August, 2000. She is a member of the Audit Committee and has become Chairperson of the Nominating Committee on 22 February, 2011. 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. She was the Managing Director of Sal's Food Industries Sdn. Bhd. from 2001 to 2011. She has vast experience in the export market, particularly for Halal food. She was awarded Top 20 for Success Stories by Halal Development Corporation in 2010. She also has exposure with the country's Innovation Policy via her exposure with Agensi Inovasi Malaysia, under the Prime Minister's office.

Raja Khairul Anuar Bin Raja Mokhtar

Raja Khairul Anuar Bin Raja Mokhtar, Malaysian aged 38, was appointed as a Non-Executive Director of the Company on 14 December, 2000 and subsequently became Independent Non-Executive Director on 15 March, 2012. He was appointed as a member of the Audit Committee on 12 December, 2007. He became Chairman of the Remuneration Committee on 22 February, 2011. 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 was with EMKAY (Paradigma Intan Sdn. Bhd.) a property development company from 2004 to 2011. He now sits on the board of directors of several private companies while attached to Impian Arti Sdn. Bhd.

Y.Bhg.Dato' Wee Hoe Soon @ Gooi Hoe Soon

Y.Bhg.Dato' Wee Hoe Soon @ Gooi Hoe Soon, 52, a Malaysian, 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.

Y.Bhg.Dato' Gooi is a member of Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants. He has more than 30 years of experience in the fields of accounting and corporate finance and was Finance Director of several private and public listed companies.

He had been instrumental in the successful implementation of several corporate exercises, which included merger and acquisition and corporate debt restructuring exercises undertaken by public listed companies.

In 1999, Y.Bhg.Dato' Gooi was appointed to the Board of Avenue Capital Resources Berhad as a Non-Executive Director and subsequently appointed as Group Managing Director in 2001 and Deputy Chairman in 2004; holding this last post until 2006. He was also the CEO/Executive Director-Dealing of Avenue Securities Sdn Bhd.

Y.Bhg.Dato' Gooi does not have any family relationship with any director and/or substantial shareholder of the Company or any conflict of interest with the Company. He has not been convicted of any offence within the past 15 years. He now sits on the board of directors of several public companies such as Pos Malaysia Berhad, Hong Leong Investment Bank Berhad (formerly known as MIMB Investment Bank Berhad), EON Capital Berhad, Proton Holdings Berhad, American International Assurance Bhd, ING Insurance Berhad and Weida (M) Berhad.

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	Dato' Keh (Kerk) Chu Koh (HSIB Director)	Kerk Chiew Siong (HSIB Director)
Wife			Sim Guat Keow @ Sim Han Che	Datin Seri Chang Yang @ Chen Yong	Datin 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		Kuo Lee Ai Kuo Lee Yong Kuo Lee Hun		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 complied with majority of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Main Market Listing Requirements") and applied majority of the Principles of Malaysian Code on Corporate Governance 2012 ("MCCG"). 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 2012, discussing and reviewing quarterly and annual financial results, internal audit reports, 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, 2012 are as follows:-

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

The Board meetings are scheduled in advance, and are held at least once every quarter, to deliberate on business operations and developments, review performance and risk of business, financial performance of the Group, propose dividend and approve the release of the quarterly and full year results.

BOARD OF DIRECTORS (cont'd)

Composition and Attendance (cont'd)

The Board meets the requirements imposed by "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.

The Board concurs with MCCG which encourages the Chairman to be a Non-Executive Independent Director or failing which the majority of the Board should comprise of Independent Directors. Through years of experience on the Board, members of the Board considered that currently the effectiveness and independence of the Board not affected with a Non-Independent Chairman. Members of the Board are in the progress of evaluating the most is optimum alternative to keep the effectiveness of the Board while applying MCCG Recommendation 3.5. The Nominating Committee shall assess this matter annually.

The Company has embedded gender diversity in its corporate culture since the day it was listed. The Board has a healthy mix of both genders and will continue to upkeep such gender diversity.

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 assumed most of the recommendations as prescribed in MCCG to effectively lead 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.

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. The Board is aware of the importance of succession planning and is in the process of developing suitable programmes in place to ensure that operations at all levels are run smoothly.

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, internal audit reports, supporting management reports and copies of signed resolution for the months 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 advising and 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.

BOARD OF DIRECTORS (cont'd)

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. Dato' Keh (Kerk) Chu Koh, the Chairman and Kuo Choo Song, the Managing Director, are due for re-appointment pursuant to Section 129(6) of the Companies Act, 1965 at the forthcoming AGM.

Directors' Training

Directors are encouraged to attend any form of training to enhance their knowledge and expertise in relation to the industry, laws and regulations, business environment and etc. To date, all existing Directors have attended the Mandatory Accreditation Programme ("MAP") and sufficient Continuing Education Programme ("CEP") as required by Bursa Securities. The Directors continue to attend relevant seminars and programmes to keep their knowledge and expertise updated.

Chairman of the Audit Committee, Woon Chin Chan, is a seminar speaker by profession and has conducted numerous seminars organised by Bursatra Sdn. Bhd. in 2012. He therefore is deemed to be exempted from the CEP requirements. In 2012, training programmes attended by directors of the Company are as follows:-

1.	Kerk Chian Tung	»	Maximising PivotTable Excel 2007 (CPA)	22/02/2012
		»	MCCG 2012 Workshop: Update Requirements for 2012 Annual Report (MACD)	27/11/2012
2.	Teo Lee Teck	»	8D	21/07/2012
3.	Raja Khairul Anuar bin Raja Mokhtar	»	Letter of Credit – Operations	12/12/2012

In addition to the above, Directors would be updated on the recent developments in the areas of statutory and regulatory requirements from the briefings by the External Auditors, Company Secretary and the Internal Auditors during the Audit Committee and Board Meetings. Dato' Keh (Kerk) Chu Koh, Kerk Chiew Siong, Kuo Choo Song, Kerk Kar Han, Norita binti Ja'afar and Mazrina binti Arifin did not attend seminars in year 2012 for their own personal reasons.

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, 2012, categorised into appropriate components.

	Salary (RM)	Fees (RM)	Bonus & allowance (RM)	Benefits-in-kind (RM)
Executive	965,760	140,000	452,078	42,434
Non-Executive	1,841,280	530,000	1,004,687	129,883

The number of Directors whose remuneration falls into each successive band of RM50,000 for the financial year ended 31 December, 2012 is disclosed as follows:-

	Number of Directors	
Range of Remuneration	**Executive**	**Non-Executive**
RM50,001 to RM100,000	-	4
RM400,001 to RM450,000	-	1
RM500,001 to RM550,000	1	-
RM550,001 to RM600,000	-	1
RM1,050,001 to RM1,100,000	1	-
RM1,100,001 to RM1,150,000	-	1
RM1,150,001 to RM1,200,000	-	1

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board of Directors recognises its responsibilities in ensuring that the 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 relation to the Audited Financial Statements pursuant to Paragraph 15.27 (a) of the Listing Requirements of Bursa Securities is provided on page 19 herein. In addition, the Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is included in this Annual Report.

Risk Management and Internal Control

The Board is aware of the importance of establishing and maintaining a sound system in Risk Management and Internal Control in the Company and its subsidiaries to safeguard shareholders' interest and Group's assets. Management of the Group recognizes that it is accountable to the Board to implement and monitor the system of risk management and internal control, and provide assurance to the Board in due course of its efforts. The Board continuously reviews and examines the effectiveness and efficiency of the risk management and internal control system on financial, operational and compliance risk, and seeks alternative ways for improvement should any weakness be detected and identified.

ACCOUNTABILITY AND AUDIT (cont'd)

Risk Management and Internal Control (cont'd)

The Board makes sure that there is free flow of risk information throughout the Group and there is continuous monitoring of risk management processes in order to detect and minimize risks against corporate objectives on a timely basis. The engagement of internal auditors is one of the many ways of reviewing and assessing the effectiveness of the risk management and internal control system of the Group. Both the Board and Management will rectify the weaknesses detected by the internal auditors through either adopting the recommendations made by the internal auditors or developing its own alternatives to eliminate such weaknesses.

The risk management and internal control system can only provide reasonable but not absolute assurance against misstatement, loss or fraud as certain threats and risks are externally driven, unforeseen and beyond the control of the Group.

The Statement on Risk Management and Internal Control is set out on pages 29 to 30 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.

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

In line with MCCG, the Company is in the process of improving the corporate website with the purpose of providing information on board charter, corporate developments of the Group, rights of shareholders, quarterly results and annual reports through a more user friendly manner.

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. The Group has continued to take initiatives in reducing carbon footprints in all areas of its operations, e.g. improve on the efficiency of its manufacturing process in such a way that leads to reduction in diesel and gas usage as well as production wastages and streamline administrative processes to cut down on paper waste.

In 2012, the Group continued to donate monies to local schools and associations. In addition, the Group also sponsored Company's 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, the handicapped and families under poverty. On the charity front, the Group 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 page 81 of the audited accounts in this Annual Report.

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 36 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, 2012, 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) Depository Receipts Programme

The Company did not sponsor any Depository Receipts Programme 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 or Convertible Securities

There were no options 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 was no non-audit fee paid to the external auditors for the financial year 31 December, 2012.

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, 2012.

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, all of whom are Independent Non-Executive Directors. One (1) member of the Committee is a member of the Malaysian Institute of Accountants ("MIA"). The current 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
  (Independent 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").

TERMS OF REFERENCE FOR AUDIT COMMITTEE (cont'd)

Constitution (cont'd)

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

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

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

Authority

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

a) have authority to investigate any matter within its terms of reference;

b) have the resources which are required to perform its duties;

c) have full and unrestricted access to any information pertaining to the Company;

d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);

e) be able to obtain independent professional or other advice;

f) be able to convene meeting(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;

TERMS OF REFERENCE FOR AUDIT COMMITTEE (cont'd)

Functions (cont'd)

Duties and Responsibilities (cont'd)

a) To review and report the following to the Board: (cont'd)

   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.

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 rights 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, 2012. 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 and Group Financial Controller 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. At least two (2) meetings between the Audit Committee and the External Auditors without the presence of executive director(s) were held during calendar year 2012.

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
	15 Feb, 2012	16 May, 2012	14 Aug, 2012	21 Nov, 2012	
Woon Chin Chan	√	√	√	√	4/4
Mazrina binti Arifin	√	√	√	-	3/4
Norita binti Ja'afar	√	√	-	√	3/4
Raja Khairul Anuar bin Raja Mokhtar	√	√	√	√	4/4

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 Internal Audit reports by external Internal Auditors to ensure the effectiveness of internal controls.
- Met and discussed with External Auditors and the Financial Controller, without the presence of management to discuss financial issues and other related matters thereof.
- 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 ACTIVITIES DURING THE YEAR

Internal audit function was conducted by an outsourced professional firm with an objective that independent feedback and reviews will be provided to the Audit Committee and subsequently the Board of Directors. The Audit Committee reviewed through the findings of the internal auditors to ensure that any major weaknesses are recognized and rectified on a timely basis, and an effective and efficient internal control system is well maintained.

Three (3) internal audit reports were provided to the Audit Committee this year. The internal auditors reported on their findings, recommended corrective measures to be taken by the management and the management responses thereto. Subsequently, the internal auditors followed up on the extent of their recommendations being implemented by the management.

During the financial year, there was no material internal control weakness that would have resulted in any significant loss to the Group.

Further review on internal control system was also done by the Audit Committee through discussion with relevant management during the Board meeting whereby other concerns were addressed.

Board Committee

NOMINATING COMMITTEE

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

- Norita binti Ja'afar
  (Chairperson, Independent Non-Executive Director)

- Mazrina binti Arifin
  (Member, Independent Non-Executive Director)

- Woon Chin Chan
  (Member, Senior Independent Non-Executive Director)

The Nominating Committee is responsible for:-

o Reviewing composition of the Board and making recommendation on the appointment of new Director and Board Committees member to the Board.

o 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.

o Reviewing on an annual basis the appropriate balance and size of the Board for determination of the number of Directors on the Board.

o Recommending suitable orientation, educational and training programmes to continuously train and equip the existing and new Directors.

o Assessing the effectiveness of the Board, the Board Committees and the contribution of each individual director.

o Reviewing and assessing the gender diversity of the Board.

o Reviewing the succession plan of the Board.

o Assessing and recommending to the Board, the continuation of terms of office of Independent Directors while applying MCCG 2012.

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 conducts annual assessment on 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. The Board has been maintaining gender diversity since listed and has three female directors in the Board.

NOMINATING COMMITTEE (cont'd)

During the financial year, the Committee convened three (3) meetings on 15 February, 2012, 21 November, 2012 and 19 December, 2012, with full attendance except Puan Mazrina binti Arifin who was absent from the November 2012 meeting.

REMUNERATION COMMITTEE

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

- Raja Khairul Anuar bin Raja Mokhtar
  (Chairperson, Independent Non-Executive Director)

- Woon Chin Chan
  (Member, Senior Independent Non-Executive Director)

- Teo Lee Teck
  (Member, Non-Independent 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 7 December, 2012 and all the Remuneration Committee members attended the meeting.

Statement on Risk Management and Internal Control

INTRODUCTION

The Board of Directors ("the Board") of Hup Seng Industries Berhad is pleased to present its Statement on Risk Management and Internal Control for financial year ended 31 December, 2012. This Statement has been prepared pursuant to paragraph 15.26(b) of Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements, made reference to Malaysian Code on Corporate Governance 2012 ("the Code") and as guided by the Statement on Risk Management & Internal Control (Guidelines for Directors of Listed Issuers) ("the Guideline"). This statement outlines the nature and state of the risk management and internal controls of the Group.

BOARD RESPONSIBILITY

The Board acknowledges that it is responsible for the Group's internal controls and risk management systems to safeguard shareholders' investment and the Group's assets as well as reviewing the adequacy and effectiveness of such systems.

Because of the limitations that are inherent in any systems of internal control, such systems can only manage rather than 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.

RISK MANAGEMENT FRAMEWORK

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 Risk Management & Internal Control (Guidelines for Directors of Listed Issuers). The process has been in place during the year under review and up to the date of approval of this statement for inclusion in the annual report.

Within the Group, Executive Directors, Key Management Personnel and Heads of Department, are responsible for managing the risks of their respective sections and departments, and monthly management meetings are attended by all these personnel. During these monthly management meetings, significant risks are identified and corresponding internal controls implemented are discussed. These significant risks identified are also brought to the attention of Board members at their scheduled meetings.

The abovementioned process serves as the on-going process used to identify, evaluate and manage risks faced by the Group during the financial year under review and up to the date of approval of this statement. The Board shall continue to evaluate the Group's risk management process to ensure it remains relevant to the Group's requirements.

INTERNAL AUDIT FUNCTION

The responsibility for reviewing the adequacy and effectiveness of the internal control system has been delegated by the Board to the Audit Committee. In turn, the Audit Committee assesses the adequacy and effectiveness of the internal control system through independent reviews performed by the internal audit function, external auditors and Management.

INTERNAL AUDIT FUNCTION (cont'd)

The internal audit function is outsourced to a professional firm. During the financial year under review, the internal audit function conducted internal audit in accordance with the approved internal audit plan for the purposes of assessing the adequacy and effectiveness of the internal control systems. The results of the audit and recommendations for improvement co-developed with Management were presented at the Audit Committee Meetings. Although certain internal control weaknesses were identified, none of the weaknesses have resulted in any material losses or contingencies that would require separate disclosure in this annual report.

The cost incurred for the internal audit function in the financial year ended 31 December, 2012 amounted to RM66,000.

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.

» There is an annual budgeting and target setting process which includes forecasts for each operating unit with detailed reviews at all levels of operations.

» Monetary limits are set up at different levels of authorized positions so that unauthorized transactions can be minimized.

» 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. 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.

CONCLUSION

The Board recognises the necessity to closely monitor the adequacy and effectiveness of the Group's system of risk management and internal controls, taking into consideration the changing business environment. The Board shall continuously put in place appropriate action plans to further enhance the Group's system of risk management and internal controls when necessary.

The Board is of the view that the risk management and internal control systems of the Group are satisfactory and shall take the appropriate and necessary measures, where required to improve the Group's risk management and internal control systems in meeting the Group's business objectives.

The Board is the midst of defining the appropriate process and personnel to provide assurance to the Board on the effectiveness and adequacy of risk management and internal control system. The Board shall take into consideration that such personnel shall be at positions similar and/or equivalent to CEO and CFO.

This Statement on Risk Management & Internal Control has been reviewed by the External Auditors in relation to paragraph 15.23 of the Main Market Listing Requirements. Such review was conducted according to the Recommended Practice Guide 5 ("RPG 5") issued by the Malaysian Institute of Accountants. RPG 5 does not require the external auditor to form an opinion on the adequacy and effectiveness of the risk management and internal controls system of the Group.

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, 2012.

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 net of tax	32,540,686	43,507,927
Profit attributable to owners of the parent	32,540,686	43,507,927

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 other than the changes in accounting policy as disclosed in Note 2.2 to the financial statements.

Dividends

The amount of dividends paid by the Company since 31 December, 2011 were as follows:

	RM
In respect of the financial year ended 31 December, 2011 as reported in the directors' report of that year:	
Special tax exempt (single-tier) dividend of 10 sen on 120,000,000 ordinary shares, declared on 16 March, 2012 and paid on 24 April, 2012	12,000,000
In respect of the financial year ended 31 December, 2012:	
Interim tax exempt (single-tier) dividend of 12 sen on 120,000,000 ordinary shares, declared on 27 August, 2012 and paid on 3 October, 2012	14,400,000
	26,400,000

Dividends (cont'd)

The Directors recommend an interim tax exempt (single-tier) of 15 sen and a special tax exempt (single-tier) dividend of 3 sen in respect of the financial year ended 31 December, 2012 on 120,000,000 ordinary shares, amounting to a dividend payable of RM21,600,000. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, when approved, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December, 2013.

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:

Dato' 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	(Independent Non-Executive Director)
Dato' Wee Hoe Soon @ Gooi Hoe Soon	(Alternate Director to Woon Chin Chan)

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 8 to 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 22 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:

The Company	**<- Number of Ordinary Shares of RM0.50 Each ->**			
Direct interest	**1 January, 2012**	**Acquired**	**Sold**	**31 December, 2012**
Kuo Choo Song	436,000	-	-	436,000
Dato' Keh (Kerk) Chu Koh	1,096,000	-	-	1,096,000
Teo Lee Teck	774,000	-	-	774,000
Kerk Chian Tung	2,060,000	-	-	2,060,000
Kerk Kar Han	708,000	-	-	708,000
Kerk Chiew Siong	460,000	-	260,000#	200,000
Deemed interest				
Kuo Choo Song	66,426,400	-	-	66,426,400*
Dato' Keh (Kerk) Chu Koh	61,912,000	-	-	61,912,000*
Teo Lee Teck	61,280,000	-	-	61,280,000*
Kerk Kar Han	61,236,000	-	-	61,236,000*
Kerk Chiew Siong	1,446,000	500,000	240,000	1,706,000**

Holding company **HSB Group Sdn Bhd**	**<--- Number of Ordinary Shares of RM1 Each --->**			
Direct Interest	**1 January, 2012**	**Acquired**	**Sold**	**31 December, 2012**
Kuo Choo Song	1,099,506	-	-	1,099,506
Dato' Keh (Kerk) Chu Koh	3,030,988	-	-	3,030,988
Kerk Chiew Siong	3,756,871	-	-	3,756,871
Teo Lee Teck	2,150,103	-	-	2,150,103
Kerk Kar Han	1,534,192	-	-	1,534,192
Deemed interest				
Kuo Choo Song	5,818,459	-	-	5,818,459**
Dato' Keh (Kerk) Chu Koh	2,486,094	-	-	2,486,094**

Being shares transferred to his daughter, Kerk Ke Yee.

* 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.

Kuo Choo Song, Dato' 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. The other Directors in office at the end of the financial year had no interest in shares in the Company and its related corporations during the financial year.

Other statutory information

(a) Before the statements of comprehensive income and statements of financial position 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 which would render:

(i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

(ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(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 misleading.

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

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

(f) In the opinion of the Directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet its obligations 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 13 March, 2013.

Dato' Keh (Kerk) Chu Koh **Kuo Choo Song**

Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' 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 39 to 88 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of 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, 2012 and of their financial performance and cash flows for the year then ended.

The supplementary information set out in Note 30 on page 89 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 13 March, 2013.

Dato' 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 39 to 89 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 13 March, 2013)

Quek Ah Kow

Before me,

Rahini A/P Nagappan (J130)
Commissioner for Oaths

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 statements of financial position as at 31 December, 2012 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows 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 39 to 88.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 of financial statements that give a true and fair view 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 give a true and fair view of the financial position of the Group and of the Company as at 31 December, 2012 and of their financial performance and cash flows for year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Report on other legal and regulatory requirements

In accordance with the requirements 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 financial statements 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 financial statements 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 reporting responsibilities

The supplementary information set out in Note 30 on page 89 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

1. As stated in Note 2.1 to the financial statements, the Group adopted Malaysian Financial Reporting Standards on 1 January, 2012 with a transition date of 1 January, 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as at 31 December, 2011 and 1 January, 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended 31 December, 2011 and related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and the Company for the year ended 31 December, 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January, 2012 do not contain misstatements that materially affect the financial position as of 31 December, 2012 and financial performance and cash flows for the year then ended.

2. 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
1821/12/14(J)
Chartered Accountant

Johor Bahru, Malaysia
Date: 13 March, 2013

Statements of Comprehensive Income

For the financial year ended 31 December, 2012

	Note	Group 2012 RM	2011 RM
Revenue	4	247,818,145	240,231,011
Cost of sales	5	(159,924,152)	(162,048,326)
Gross profit		87,893,993	78,182,685
Other items of income			
Interest income	4	2,364,565	1,977,531
Other income	4	895,537	915,145
Other items of expense			
Administrative expenses		(17,435,317)	(26,058,722)
Selling and marketing expenses		(29,367,686)	(27,442,116)
Finance cost		(7)	(222)
Profit before tax	6	44,351,085	27,574,301
Income tax expense	9	(11,810,399)	(8,970,572)
Profit net of tax, representing total comprehensive income for the year		32,540,686	18,603,729
Profit attributable to:			
Owners of the parent		32,540,686	18,603,729
Total comprehensive income attributable to:			
Owners of the parent		32,540,686	18,603,729
Earnings per share attributable to owners of the parent (sen):			
Basic, for profit for the year	10	27.12	15.50
Diluted, for profit for the year	10	27.12	15.50

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Comprehensive Income (cont'd)

For the financial year ended 31 December, 2012

	Note	Company 2012 RM	Company 2011 RM
Gross dividends from subsidiaries		46,512,400	34,449,000
Interest income		696,381	471,957
Revenue		47,208,781	34,920,957
Other income		-	4,370
Administrative expenses		(2,755,750)	(11,609,521)
Profit before tax	6	44,453,031	23,315,806
Income tax expense	9	(945,104)	(6,217,513)
Profit net of tax, representing total comprehensive income for the year		43,507,927	17,098,293
Profit attributable to:			
Owners of the parent		43,507,927	17,098,293
Total comprehensive income attributable to:			
Owners of the parent		43,507,927	17,098,293

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Financial Position

As at 31 December, 2012

	Note	Group 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Assets				
Non-current assets				
Property, plant and equipment	11	66,889,803	68,491,837	68,574,323
Investment properties	12	218,255	271,020	1,849,153
Goodwill on consolidation	14	-	-	8,908,508
Deferred tax assets	19	37,000	198,000	172,000
		67,145,058	68,960,857	79,503,984
Current assets				
Inventories	15	20,586,831	22,392,687	25,405,811
Trade and other receivables	16	36,275,153	36,182,447	33,364,071
Prepayments		727,961	409,414	606,949
Tax recoverable		796,908	2,013,561	1,536,044
Cash and bank balances	17	79,415,667	73,854,838	53,696,225
		137,802,520	134,852,947	114,609,100
Total assets		204,947,578	203,813,804	194,113,084
Equity and liabilities				
Current liabilities				
Trade and other payables	18	39,346,211	39,223,543	35,818,355
Income tax payable		4,401,800	3,296,926	3,245,984
Dividends payable		-	6,000,000	-
		43,748,011	48,520,469	39,064,339
Non-current liability				
Deferred tax liabilities	19	7,957,511	8,191,965	8,551,104
Total liabilities		51,705,522	56,712,434	47,615,443
Equity attributable to owners of the parent				
Share capital	20	60,000,000	60,000,000	60,000,000
Share premium		14,333,133	14,333,133	14,333,133
Retained earnings	21	78,908,923	72,768,237	72,164,508
Total equity		153,242,056	147,101,370	146,497,641
Total equity and liabilities		204,947,578	203,813,804	194,113,084

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Financial Position (cont'd)

As at 31 December, 2012

		Company		
	Note	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Assets				
Non-current assets				
Property, plant and equipment	11	554,057	684,451	293,095
Investment in subsidiaries	13	54,686,703	54,686,703	63,595,211
		55,240,760	55,371,154	63,888,306
Current assets				
Trade and other receivables	16	59,813	73,252	26,942
Prepayments		15,097	9,692	12,575
Tax recoverable		796,908	2,013,561	1,536,044
Cash and bank balances	17	38,204,043	25,699,854	12,584,564
		39,075,861	27,796,359	14,160,125
Total assets		94,316,621	83,167,513	78,048,431
Equity and liabilities				
Current liabilities				
Trade and other payables	18	1,119,775	1,077,468	1,057,585
Dividends payable		-	6,000,000	-
		1,119,775	7,077,468	1,057,585
Non-current liability				
Deferred tax liabilities	19	503	1,629	723
Total liabilities		1,120,278	7,079,097	1,058,308
Equity attributable to owners of the parent				
Share capital	20	60,000,000	60,000,000	60,000,000
Share premium		14,333,133	14,333,133	14,333,133
Retained earnings	21	18,863,210	1,755,283	2,656,990
Total equity		93,196,343	76,088,416	76,990,123
Total equity and liabilities		94,316,621	83,167,513	78,048,431

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

For the financial year ended 31 December, 2012

Group	Note	Share capital RM	Share premium RM	Retained earnings RM	Total RM
		<------- Attributable to owners of the parent			------->
		<-- Non-distributable	-->	Distributable	
At 1 January, 2011		60,000,000	14,333,133	72,164,508	146,497,641
Total comprehensive income		-	-	18,603,729	18,603,729
Transaction with the owners					
Dividends on ordinary shares	28	-	-	(18,000,000)	(18,000,000)
Total transaction with the owners		-	-	(18,000,000)	(18,000,000)
At 31 December, 2011		60,000,000	14,333,133	72,768,237	147,101,370
At 1 January, 2012		60,000,000	14,333,133	72,768,237	147,101,370
Total comprehensive income		-	-	32,540,686	32,540,686
Transaction with the owners					
Dividends on ordinary shares	28	-	-	(26,400,000)	(26,400,000)
Total transaction with the owners		-	-	(26,400,000)	(26,400,000)
At 31 December, 2012		60,000,000	14,333,133	78,908,923	153,242,056

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity (cont'd)
For the financial year ended 31 December, 2012

Company	Note	<-- Non-distributable--> Share capital RM	Share premium RM	Distributable Retained earnings RM	Total RM
At 1 January, 2011		60,000,000	14,333,133	2,656,990	76,990,123
Total comprehensive income		-	-	17,098,293	17,098,293
Transaction with the owners					
Dividends on ordinary shares	28	-	-	(18,000,000)	(18,000,000)
Total transaction with the owners		-	-	(18,000,000)	(18,000,000)
At 31 December, 2011		60,000,000	14,333,133	1,755,283	76,088,416
At 1 January, 2012		60,000,000	14,333,133	1,755,283	76,088,416
Total comprehensive income		-	-	43,507,927	43,507,927
Transaction with the owners					
Dividends on ordinary shares	28	-	-	(26,400,000)	(26,400,000)
Total transaction with the owners		-	-	(26,400,000)	(26,400,000)
At 31 December, 2012		60,000,000	14,333,133	18,863,210	93,196,343

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Cash Flows

For the financial year ended 31 December, 2012

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Operating activities				
Profit before tax	44,351,085	27,574,301	44,453,031	23,315,806
Adjustments for:				
Allowance for doubtful debts	148,492	76,817	-	-
Bad debts written off	10,110	45,488	-	-
Depreciation of property, plant and equipment	4,221,948	4,243,711	130,394	116,732
Depreciation of investment property	1,394	2,741	-	-
(Gain)/loss on disposal of property, plant and equipment	(6,914)	277,835	-	(4,370)
Gain on disposal of investment property	-	(399,608)	-	-
Interest expense	7	222	-	-
Interest income	(2,364,565)	(1,977,531)	(696,381)	(471,957)
Impairment loss on cost of investment in subsidiary	-	-	-	8,908,508
Impairment loss on goodwill	-	8,908,508	-	-
Impairment loss/(reversal of Impairment loss) on property, plant and equipment	195,769	(94,845)	-	-
Reversal of inventories previously written down	-	(84,616)	-	-
Inventories written off	62,532	1,069,842	-	-
Property, plant and equipment written off	860,842	317,945	-	2,370
Operating cash flows before changes in working capital	47,480,700	39,960,810	43,887,044	31,867,089
Decrease in inventories	1,743,324	2,027,898	-	-
(Increase)/decrease in trade and other receivables	(251,308)	(2,940,681)	13,439	(46,310)
(Increase)/decrease in prepayments	(318,547)	197,535	(5,405)	2,883
Increase in trade and other payables	122,668	3,405,188	42,307	19,883
Cash flows from operations	48,776,837	42,650,750	43,937,385	31,843,545
Income taxes paid	(9,562,326)	(9,782,286)	270,423	(6,694,124)
Net cash flows from operating activities	39,214,511	32,868,464	44,207,808	25,149,421

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Investing activities				
Interest received	2,364,565	1,977,531	696,381	471,957
Proceeds from disposal of property, plant and equipment	370,233	959,881	-	139,184
Proceeds from disposal of investment property	-	1,975,000	-	-
Purchase of property, plant and equipment	(3,988,473)	(5,622,041)	-	(645,272)
Net cash flows (used in)/from investing activities	(1,253,675)	(709,629)	696,381	(34,131)
Financing activities				
Interest paid	(7)	(222)	-	-
Dividends paid on ordinary shares	(32,400,000)	(12,000,000)	(32,400,000)	(12,000,000)
Net cash flows used in financing activities	(32,400,007)	(12,000,222)	(32,400,000)	(12,000,000)
Net increase in cash and cash equivalents	5,560,829	20,158,613	12,504,189	13,115,290
Cash and cash equivalents at 1 January	73,854,838	53,696,225	25,699,854	12,584,564
Cash and cash equivalents at 31 December (Note 17)	79,415,667	73,854,838	38,204,043	25,699,854

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the Financial Statements

31 December, 2012

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market 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 Darul Ta'zim. The principal place of business of the Company is located at 14, Jalan Kilang, Kawasan Perindustrian Tongkang Pecah, 83010 Batu Pahat, Johor Darul Ta'zim.

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 biscuits, confectionery and other foodstuff. There have been no significant changes in the nature of the principal activities during the financial year.

2. Summary of significant accounting policies

2.1 Basis of preparation

These financial statements for the year ended 31 December, 2012 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

For all periods up to and including the year ended 31 December, 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards in Malaysia ("FRS"). These financial statements for the year ended 31 December, 2012 are the first that the Group has prepared in accordance with MFRS and MFRS 1: First-Time Adoption of Malaysian Financial Reporting Standards ("MFRS 1") has been applied.

In preparing its opening MFRS Statement of Financial Position as at 1 January, 2011 (which is also the date of transition), the Group has adjusted the amounts previously reported in financial statements prepared in accordance with FRS. An explanation of how the transition from FRS to MFRS affected the Group's financial position, financial performance and cash flows is set out in Note 2.2 below. These notes included reconciliations of equity and total comprehensive income for the comparative period and of equity at the date of transition under MFRS. The transition from FRS to MFRS has not had a material impact on the statements of cash flows.

The financial statements of the Group and of the Company have been prepared on the historical cost basis.

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

2. Summary of significant accounting policies (cont'd)

2.2 Application of MFRS 1

The audited financial statements of the Group for the year ended 31 December, 2011 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. MFRS 1 also provides certain prohibitions and exemptions when initially adopting Malaysian Financial Reporting Standards. The significant accounting policies adopted in preparing these consolidated financial statements are consistent with those of the audited financial statements for year ended 31 December, 2011 except as discussed below:

(a) Business combination

MFRS 1 provides the option to apply MFRS 3 Business Combinations, prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date of transition.

Acquisition before date of transition

The Group has elected to apply MFRS 3 prospectively from the date of transition. In respect of acquisitions prior to the date of transition,

(i) The classification of former business combinations under FRS is maintained;

(ii) There is no re-measurement of original fair values determined at the time of business combination (date of acquisition); and

(iii) The carrying amount of goodwill recognised under FRS is not adjusted.

(b) Property, plant and equipment

The Group has previously recorded its land and buildings at revalued amount, which is the fair value at the date of the revaluation less accumulated depreciation and 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 carrying amount does not differ materially from the fair value of the land and buildings at the reporting date.

Upon transition to MFRS, the Group has elected to measure all its property, plant and equipment using cost model under MFRS 116 Property, Plant and Equipment. At the date of transition to MFRS, the Group elected to regard the revalued amounts of land and buildings as at 21 December, 2009 as deemed cost at the date of the revaluation as these amounts were broadly comparable to fair value at that date. The revaluation surplus of RM4,395,766 (31 December, 2011 : RM4,371,900) was transferred to retained earnings on date of transition to MFRS.

The reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided below:

2. Summary of significant accounting policies (cont'd)

2.2 Application of MFRS 1 (cont'd)

(b) Property, plant and equipment (cont'd)

(i) Reconciliation of equity as at 1 January, 2011

	FRS as at 1.1.2011 RM	Note 2.2(b) Property, plant and equipment RM	MFRS as at 1.1.2011 RM
Equity			
Other reserve	4,395,766	(4,395,766)	-
Retained earnings	67,768,742	4,395,766	72,164,508

(ii) Reconciliation of equity as at 31 December, 2011

	FRS as at 31.12.2011 RM	Note 2.2(b) Property, plant and equipment RM	MFRS as at 31.12.2011 RM
Equity			
Other reserve	4,371,900	(4,371,900)	-
Retained earnings	68,396,337	4,371,900	72,768,237

(iii) Reconciliations of total comprehensive income for the year ended 31 December, 2011

	FRS as at 31.12.2011 RM	Note 2.2(b) Property, plant and equipment RM	MFRS as at 31.12.2011 RM
Other income	957,773	(42,628)	915,145
Profit before tax	27,616,929	(42,628)	27,574,301
Income tax expense	(8,989,334)	18,762	(8,970,572)
Profit net of tax	18,627,595		18,603,729
Other comprehensive income:			
Realised revaluation surplus on disposal of property, plant and equipment	(26,689)	26,689	-
Realised revaluation surplus on disposal of properties	(15,939)	15,939	-
Income tax relating to components of other comprehensive income	18,762	(18,762)	-
Other comprehensive income for the year, net of tax	(23,866)		-
Total comprehensive income for year	18,603,729		18,603,729

2. Summary of significant accounting policies (cont'd)

2.3 Standards and interpretations issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
MFRS 101 Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)	1 July, 2012
Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)	1 January, 2013
MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)	1 January, 2013
MFRS 10 Consolidated Financial Statements	1 January, 2013
MFRS 11 Joint Arrangements	1 January, 2013
MFRS 12 Disclosure of interests in Other Entities	1 January, 2013
MFRS 13 Fair Value Measurement	1 January, 2013
MFRS 119 Employee Benefits	1 January, 2013
MFRS 127 Separate Financial Statements	1 January, 2013
MFRS 128 Investment in Associate and Joint Ventures	1 January, 2013
MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)	1 January, 2013
Amendment to IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009-2011 Cycle)	1 January, 2013
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January, 2013
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January, 2013
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – Government Loans	1 January, 2013
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)	1 January, 2013
Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)	1 January, 2013
Amendments to MFRS 132: Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)	1 January, 2013
Amendments to MFRS 134: Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)	1 January, 2013
Amendments to MFRS 10: Consolidated Financial Statements: Transition Guidance	1 January, 2013
Amendments to MFRS 11: Joint Arrangements: Transition Guidance	1 January, 2013
Amendments to MFRS 12: Disclosure of Interests in Other Entities: Transition Guidance	1 January, 2013
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January, 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January, 2014
MFRS 9 Financial Instruments	1 January, 2015

The directors are of opinion that the standards and interpretations above will have no material impact on the financial statements in the year of initial adoption.

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Business combinations involving entities under common control are accounted for by applying the merger method under the then MASB Standard No. 21 - Business Combinations except for In-Comix Food Industries Sdn. Bhd. which is accounted for by applying the acquisition method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as merger reserve. The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities have always been combined since the date the entities had come under common control.

Under the acquisition method, identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether a non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. The accounting policy for goodwill is set out in Note 2.8. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2. Summary of significant accounting policies (cont'd)

2.5 Foreign currency

(a) Functional and presentation currency

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

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

All exchange differences are recognised in profit or loss

2.6 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, 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.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. Land and buildings are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Leasehold land is amortised over the lease term of 60 and 99 years on the straight line method. Capital work-in-progress are not depreciated as these assets are not available for use. Depreciation on other property, plant and equipment is computed on the reducing balance method over the estimated useful life of the assets, at the following annual rates:

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

2. Summary of significant accounting policies (cont'd)

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.7 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. Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is computed on the reducing balance method over the estimated useful life of the assets, at the following annual rates:

Buildings	2%

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 loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

2.8 Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

2.9 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

2. Summary of significant accounting policies (cont'd)

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

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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 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.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2.10 Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.11 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become 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 and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

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

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

2. Summary of significant accounting policies (cont'd)

2.11 Financial assets (cont'd)

(a) Financial assets at fair value through profit or loss (cont'd)

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that is held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(b) Loans and receivables

Financial assets include trade and other receivables with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(c) Held-to-maturity investments

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 investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

(d) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that 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. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group and the Company's right to receive payment is established.

2. Summary of significant accounting policies (cont'd)

2.11 Financial assets (cont'd)

(d) Available-for-sale financial assets (cont'd)

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

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 2012 and 2011.

2.12 Impairment of financial assets

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

(a) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment 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 impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account. Bad debts are written off when identified.

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 to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.12 Impairment of financial assets (cont'd)

(b) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets 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.

(c) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

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 profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a first-in first-out basis.

- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

2. Summary of significant accounting policies (cont'd)

2.15 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If 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. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.16 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities at fair value through profit or loss.

(b) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables and other payables.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When 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 derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2. Summary of significant accounting policies(cont'd)

2.17 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

2.18 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2.19 Employee benefits

(a) Defined contribution plans

The Group makes contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) 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. Employee entitlements to annual leave are recognised as liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the reporting date.

2. Summary of significant accounting policies (cont'd)

2.20 Leases

(a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

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

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.21(d).

2.21 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. Revenue is measured at the fair value of consideration received or receivable.

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer and measured net of sales taxes.

(b) Interest income

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

(c) Dividend income

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

(d) Rental income

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

2. Summary of significant accounting policies (cont'd)

2.22 Income tax

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax items in relation to the underlying transaction that do not affect profit or loss are recognised either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2. Summary of significant accounting policies (cont'd)

2.22 Income tax (cont'd)

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

2.23 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 27, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.24 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.25 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

3. Significant accounting estimates and judgements

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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.

(a) Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

During the current financial year, the Group has recognised an impairment loss in respect of a subsidiary's property, plant and equipment. The Group carried out the impairment test based on a variety of estimation including the value in use of the cash-generating units ("CGU") to which 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 amount of property, plant and equipment of the Group and the Company as at 31 December, 2012 were RM66,889,803 (2011 : RM68,491,837) and RM554,057 (2011 : RM684,451) respectively. Further details of the impairment losses for property, plant and equipment are disclosed in Note 11(a).

(b) Impairment of investment in subsidiaries, loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. Further details of the carrying value and impairment losses recognised for investment in subsidiaries are disclosed in Note 13. The carrying amount of the Group's loans and receivables at the reporting date is disclosed in Note 16.

(c) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences. The carrying value of recognised tax losses and capital allowances of the Group as at 31 December, 2012 was RM31,808 and RMNil (2011 :RM159,508 and RM57,273) respectively.

4. 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 income of the Group principally consists of interest income.

5. Cost of sales

Cost of sales represents cost of inventories sold.

6. Profit before tax

The following items have been included in arriving at profit before tax:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Auditors' remuneration				
Statutory audits	109,000	100,000	33,000	28,000
Overprovision in prior year	-	(1,500)	-	-
Other services	47,800	36,100	11,700	8,000
Allowance for doubtful debts (Note 16)	148,492	76,817	-	-
Bad debts written off	10,110	45,488	-	-
Employee benefits expenses excluding directors' remuneration (Note 7)	34,902,258	33,463,623	248,112	230,353
Directors' fees (Note 8)	835,000	835,000	550,000	550,000
Directors' other emoluments (Note 8)	8,128,643	7,891,826	1,441,138	1,436,195
Depreciation of property, plant and equipment (Note 11)	4,221,948	4,243,711	130,394	116,732
Depreciation of investment properties (Note 12)	1,394	2,741	-	-
Impairment loss on property, plant and equipment (Note 11)	195,769	-	-	-
Impairment loss on cost of investment in subsidiary	-	-	-	8,908,508
Impairment loss on goodwill (Note 14)	-	8,908,508	-	-
Inventories written off	62,532	1,069,842	-	-
Loss on disposal of property, plant and equipment	-	277,835	-	-
Property, plant and equipment written off	860,842	317,945	-	2,370
Realised exchange losses	329,984	298,177	-	-
Rental expenses	225,962	300,803	29,400	28,500

6. Profit before tax (cont'd)

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
and crediting:				
Gross dividend income	-	-	46,512,400	34,449,000
Gain on disposal of investment property	-	399,608	-	-
Gain on disposal of property, plant and equipment	6,914	-	-	4,370
Interest income	2,364,565	1,977,531	696,381	471,957
Reversal of impairment loss on trade receivables (Note 16)	39,093	19,593	-	-
Reversal of inventories previously written down	-	84,616	-	-
Reversal of impairment loss on property, plant and equipment (Note 11)	-	94,845	-	-
Rental income	19,080	17,347	-	-

7. Employee benefits expense

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Wages and salaries	31,085,850	30,006,346	219,195	204,533
Defined contribution plan	3,380,336	3,047,724	27,677	24,580
Social security costs	328,107	319,751	1,240	1,240
Other staff related expenses	107,965	89,802	-	-
	34,902,258	33,463,623	248,112	230,353

8. Key management personnel compensation

The details of remuneration for key management during the year are as follows:

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Directors of the Company				
Executive:				
Salaries and other emoluments	1,297,146	1,259,349	1,295,946	1,258,749
Defined contribution plan	120,692	150,146	120,692	150,146
Fees	140,000	140,000	110,000	110,000
Benefits-in-kind	42,434	62,492	40,767	39,559
	1,600,272	1,611,987	1,567,405	1,558,454
Non-Executive (but holding executive position in subsidiaries):				
Salaries and other emoluments	2,534,595	2,459,072	14,000	14,000
Defined contribution plan	300,872	291,731	-	-
Fees	310,000	310,000	220,000	220,000
Benefits-in-kind	129,883	134,199	1,683	3,866
	3,275,350	3,195,002	235,683	237,866
Non-Executive:				
Other emoluments	10,500	13,300	10,500	13,300
Fees	220,000	220,000	220,000	220,000
	230,500	233,300	230,500	233,300
Directors of Subsidiaries				
Executive:				
Salaries and other emoluments	3,452,155	3,321,274	-	-
Defined contribution plan	411,883	396,654	-	-
Fees	135,000	135,000	-	-
Benefits-in-kind	172,419	168,082	-	-
	4,171,457	4,021,010	-	-
Non-Executive				
Other emoluments	800	300	-	-
Fees	30,000	30,000	-	-
	30,800	30,300	-	-
Total	9,308,379	9,091,599	2,033,588	2,029,620

8. Key management personnel compensation (cont'd)

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Directors' remuneration analysed by:				
Salaries and other emoluments	7,295,196	7,053,295	1,320,446	1,286,049
Defined contribution plan	833,447	838,531	120,692	150,146
Total directors' remuneration (excluding benefits-in-kind) (Note 6)	8,128,643	7,891,826	1,441,138	1,436,195
Fees (Note 6)	835,000	835,000	550,000	550,000
Benefits-in-kind	344,736	364,773	42,450	43,425
Total directors' remuneration	9,308,379	9,091,599	2,033,588	2,029,620

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

	Number of Directors 2012	Number of Directors 2011
Executive Directors:		
RM450,001 - RM500,000	-	1
RM500,001 - RM550,000	1	-
RM1,050,001 - RM1,100,000	1	-
RM1,100,001 - RM1,150,000	-	1
Non-Executive Directors:		
RM50,001 - RM100,000	4	4
RM350,001 - RM400,000	-	1
RM400,001 - RM450,000	1	-
RM550,001 - RM600,000	1	1
RM1,100,001 - RM1,150,000	1	2
RM1,151,001 - RM1,200,000	1	-

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

9. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December, 2012 and 2011 are:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Statements of comprehensive income:				
Current income tax:				
- Malaysia income tax	11,763,329	9,528,614	810,000	6,212,000
- Under/(over)provision in prior years	120,524	(172,903)	136,230	4,607
	11,883,853	9,355,711	946,230	6,216,607
Deferred tax (Note 19):				
- Origination and reversal of temporary differences	(70,125)	(389,017)	(1,126)	906
- (Over)/underprovision in prior years	(3,329)	3,878	-	-
	(73,454)	(385,139)	(1,126)	906
Income tax expense recognised in profit or loss	11,810,399	8,970,572	945,104	6,217,513

Reconciliation between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December, 2012 and 2011 are as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Profit before tax	44,351,085	27,574,301	44,453,031	23,315,806
Taxation at Malaysian statutory tax rate of 25% (2011: 25%)	11,087,771	6,893,575	11,113,258	5,828,952
Adjustments:				
Income not subject to tax	-	-	(10,947,000)	(1,918,125)
Non-deductible expenses	902,599	2,564,688	642,616	2,302,079
Expenses with double deduction	(185,561)	(133,949)	-	-
Benefits from utilisation of tax incentive	(111,605)	(184,717)	-	-
Under/(over)provision of income tax expense in prior years	120,524	(172,903)	136,230	4,607
(Over)/underprovision of deferred tax in prior years	(3,329)	3,878	-	-
Income tax expense recognised in profit or loss	11,810,399	8,970,572	945,104	6,217,513

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2011:25%) of the estimated assessable profit for the year.

10. Earnings per share

Earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2012	**2011**
Profit net of tax attributable to owners of the parent (RM)	32,540,686	18,603,729
Weighted average number of ordinary shares in issue	120,000,000	120,000,000
Basic earnings per share (sen)	27.12	15.50
Diluted earnings per share (sen)	27.12	15.50

11. Property, plant and equipment

Group	Freehold land and buildings RM	Long term leasehold land and buildings RM	Short term leasehold land and buildings RM	Plant and equipment RM	Motor vehicles RM	Other assets RM	Total RM
Cost							
At 1 January, 2011	19,328,630	1,929,536	27,753,034	56,820,580	14,314,774	7,294,523	127,441,077
Additions	80,290	-	1,056,466	1,433,339	2,864,143	187,803	5,622,041
Disposals/written off	(223,443)	-	(10,980)	(1,788,996)	(2,329,051)	(134,891)	(4,487,361)
Reclassification	-	-	1,285	-	-	(1,285)	-
At 31 December, 2011 and 1 January, 2012	19,185,477	1,929,536	28,799,805	56,464,923	14,849,866	7,346,150	128,575,757
Additions	315,963	-	599,641	1,057,059	1,380,679	635,131	3,988,473
Disposals/written off	-	-	-	(8,179,322)	(1,068,367)	(60,458)	(9,308,147)
Reclassification from investment property	57,390	-	-	-	-	-	57,390
Reclassification	-	-	440	-	1,000	(1,440)	-
At 31 December, 2012	19,558,830	1,929,536	29,399,886	49,342,660	15,163,178	7,919,383	123,313,473

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

Group	Freehold land and buildings RM	Long term leasehold land and buildings RM	Short term leasehold land and buildings RM	Plant and equipment RM	Motor vehicles RM	Other assets RM	Total RM
Accumulated depreciation and impairment loss:							
At 1 January, 2011	2,879,678	249,706	4,029,440	38,402,695	8,852,942	4,452,293	58,866,754
Depreciation charge for the year (Note 6)	304,330	29,810	517,115	1,904,212	1,109,972	378,272	4,243,711
Disposals/written off	(26,362)	-	(5,033)	(1,201,212)	(1,597,179)	(101,914)	(2,931,700)
Reversal of impairment loss recognised in profit or loss (Note 6)	-	-	-	(94,845)	-	-	(94,845)
At 31 December, 2011 and 1 January, 2012	3,157,646	279,516	4,541,522	39,010,850	8,365,735	4,728,651	60,083,920
Depreciation charge for the year (Note 6)	298,814	29,457	543,517	1,833,426	1,130,719	386,015	4,221,948
Disposals/written off	-	-	-	(7,272,793)	(772,511)	(38,682)	(8,083,986)
Reclassification from investment property	6,019	-	-	-	-	-	6,019
Impairment loss recognised in profit or loss (Note 6)	-	-	-	195,769	-	-	195,769
At 31 December, 2012	3,462,479	308,973	5,085,039	33,767,252	8,723,943	5,075,984	56,423,670
Net carrying amount:							
At 31 December, 2011	16,027,831	1,650,020	24,258,283	17,454,073	6,484,131	2,617,499	68,491,837
At 31 December, 2012	16,096,351	1,620,563	24,314,847	15,575,408	6,439,235	2,843,399	66,889,803

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

	Office equipment RM	Furniture and fittings RM	Motor vehicles RM	Total RM
Company				
Cost				
At 1 January, 2011	37,083	12,691	809,148	858,922
Additions	1,720	-	643,552	645,272
Written off	(5,745)	-	(568,661)	(574,406)
At 31 December, 2011 and 1 January, 2012 and 31 December, 2012	33,058	12,691	884,039	929,788
Accumulated depreciation				
At 1 January, 2011	28,142	9,383	528,302	565,827
Charge for the year (Note 6)	1,354	328	115,050	116,732
Written off	(3,191)	-	(434,031)	(437,222)
At 31 December, 2011 and 1 January, 2012	26,305	9,711	209,321	245,337
Charge for the year (Note 6)	1,005	294	129,095	130,394
At 31 December, 2012	27,310	10,005	338,416	375,731
Net carrying amount:				
At 31 December, 2011	6,753	2,980	674,718	684,451
At 31 December, 2012	5,748	2,686	545,623	554,057

(a) 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. 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. An impairment loss of RM195,769 (2011 : Reversal of an impairment loss of RM94,845), representing the write-down of the assets to the recoverable amount is recognised in "Cost of Sales" line item of the statement of comprehensive income for the financial year ended 31 December, 2012.

(b) Other assets include computer, office equipment, electrical installation, renovation, furniture and fittings and capital work-in-progress which comprises machinery under installation amounting to RM214,150 (2011 : RM1,440).

12. Investment properties

	Group 2012 RM	Group 2011 RM
Cost Model		
At 1 January	271,020	1,849,153
Reclassification to property, plant and equipment	(51,371)	-
Depreciation charge for the year (Note 6)	(1,394)	(2,741)
Disposals	-	(1,575,392)
At 31 December	218,255	271,020
Fair value of investment properties	335,733	429,145

These properties are held to earn rentals or for capital appreciation or both.

The fair value of investment properties has been based on valuations performed by accredited independent valuers on the basis of open market values. The valuations are based on the depreciated replacement cost method that makes reference to the cost of replacing the buildings as new and allowing for depreciation for physical, functional and economic obsolescence.

13. Investment in subsidiaries

	Company 31.12.2012 RM	Company 31.12.2011 RM	Company 1.1.2011 RM
Unquoted shares, at cost	67,914,211	67,914,211	67,914,211
Less : Impairment loss	(13,227,508)	(13,227,508)	(4,319,000)
	54,686,703	54,686,703	63,595,211

The subsidiary companies are:

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2012	Proportion (%) of ownership interest 2011
Hup Seng Perusahaan Makanan (M) Sdn. Bhd.	Malaysia	Manufacture and sales of biscuits	100%	100%
Hup Seng Hoon Yong Brothers Sdn. Bhd.	Malaysia	Sales and distribution of biscuits, confectionery and other foodstuff	100%	100%
In-Comix Food Industries Sdn. Bhd.	Malaysia	Manufacture and wholesale of coffee mix and all kinds of foodstuff	100%	100%

14. Goodwill on consolidation

	Group	
	2012 RM	2011 RM
At 1 January	-	8,908,508
Less: Impairment loss (Note 6)	-	(8,908,508)
At 31 December	-	-

Impairment testing for goodwill

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

Impairment loss recognised

The impairment loss of RM8,908,508 had been recognised in the statement of comprehensive income under the line item "Administrative expenses" for the financial year ended 31 December, 2011.

15. Inventories

		Group	
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
At cost:			
Raw materials	9,250,893	9,659,819	13,338,651
Finished goods	4,175,590	3,091,118	2,647,529
Spares and fuel	4,642,735	4,174,841	3,880,748
Trading inventories	1,260,634	3,974,448	4,196,769
Work-in-progress	324,387	455,711	396,910
	19,654,239	21,355,937	24,460,607
At net realisable value:			
Containers	932,592	1,036,750	945,204
	20,586,831	22,392,687	25,405,811

Inventories of containers are stated at estimated net realisable value based on the estimated quantity of tin containers in circulation at the date of the statement of financial position.

16. Trade and other receivables

	Group		
	31.12.2012 RM	**31.12.2011 RM**	**1.1.2011 RM**
Current			
Trade receivables			
Third parties	35,059,460	34,995,854	33,004,568
Less : Allowance for doubtful debts	(324,317)	(240,778)	(336,913)
Trade receivables, net	34,735,143	34,755,076	32,667,655
Other receivables			
Deposits	138,346	114,889	130,138
Interest receivable from fixed and short term deposits	116,859	185,126	122,943
Sundry receivables	1,284,805	1,127,356	443,335
	1,540,010	1,427,371	696,416
Total trade and other receivables (current), represented loans and receivables	36,275,153	36,182,447	33,364,071

	Company		
	31.12.2012 RM	**31.12.2011 RM**	**1.1.2011 RM**
Current			
Other receivables			
Deposits	11,500	11,500	11,500
Interest receivable from fixed and short term deposits	48,313	61,752	15,442
Total trade and other receivables (current), represented loans and receivables	59,813	73,252	26,942

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 60 day (2011: 30 to 60 day) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

16. Trade and other receivables (cont'd)

Past due trade receivables

The Group's past due trade receivables are as follows:

	Group		
	31.12.2012 RM	**31.12.2011 RM**	**1.1.2011 RM**
1 to 30 days past due not impaired	6,351,071	6,108,995	6,004,162
31 to 60 days past due not impaired	2,059,900	2,328,875	2,903,859
61 to 90 days past due not impaired	223,831	191,903	362,671
91 to 120 days past due not impaired	395,160	37,902	121,622
More than 121 days past due not impaired	355,618	17,609	12,473
	9,385,580	8,685,284	9,404,787
Impaired	324,317	240,778	336,913

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM9,385,580 (2011 : RM8,685,284) that are past due at the reporting date but not impaired.

At the reporting date, trade receivables arising from export sales amounting to RM577,445 (2011 : RM512,171) have been arranged to be settled via letters of credit issued by reputable banks in countries where the customers are based. The remaining balance of receivables that are past due but not impaired are unsecured in nature.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

Movement in allowance accounts (individually impaired):

	Group	
	2012 RM	**2011 RM**
At 1 January	240,778	336,913
Charge for the year (Note 6)	148,492	76,817
Written off	(25,860)	(153,359)
Reversal of impairment losses (Note 6)	(39,093)	(19,593)
At 31 December	324,317	240,778

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

17. Cash and bank balances

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Deposits with licensed banks	69,979,561	66,915,250	44,593,498
Cash and bank balances	9,436,106	6,939,588	9,102,727
Cash and cash equivalents	79,415,667	73,854,838	53,696,225

	Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Deposits with licensed banks	35,000,000	25,520,250	12,512,500
Cash and bank balances	3,204,043	179,604	72,064
Cash and cash equivalents	38,204,043	25,699,854	12,584,564

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day to one year depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective short-term deposit rates.

The weighted average effective interest rates (per annum) for deposits with licensed banks as at the reporting date were as follows:

	Interest rate		
	31.12.2012 %	31.12.2011 %	1.1.2011 %
Group	1.68 to 3.24	2.19 to 3.70	2.05 to 3.40
Company	2.80	3.37	2.90 to 3.40

18. Trade and other payables

	Group		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
Current			
Trade payables			
Third parties	19,333,394	21,770,875	18,998,480
Other payables			
Payroll liabilities	8,001,056	7,951,493	7,449,296
Duties and other taxes payable	1,047,013	1,071,671	905,606
Sundry suppliers	2,040,311	2,117,599	1,684,335
Accrued expenses	6,460,389	4,337,377	5,014,675
Containers refundable deposits	2,464,048	1,974,528	1,765,963
	20,012,817	17,452,668	16,819,875
Total trade and other payables, represented total financial liabilities carried at amortised cost	39,346,211	39,223,543	35,818,355

	Company		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
Current			
Other payables			
Payroll liabilities	141,855	472,488	477,328
Sundry suppliers	-	5,115	8,872
Accrued expenses	977,920	599,865	571,385
Total trade and other payables, represented total financial liabilities carried at amortised cost	1,119,775	1,077,468	1,057,585

Trade payables

Trade payables are non-interest bearing. Trade payables are normally settled on 30-90 day (2011 : 30-90 day) terms.

19. Deferred tax liabilities/(assets)

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
At 1 January	7,993,965	8,379,104	1,629	723
Recognised in profit or loss (Note 9)	(73,454)	(385,139)	(1,126)	906
At 31 December	7,920,511	7,993,965	503	1,629
Presented after appropriate offsetting as follows:				
Deferred tax assets	(312,545)	(623,793)	(10,648)	(10,402)
Deferred tax liabilities	8,233,056	8,617,758	11,151	12,031
	7,920,511	7,993,965	503	1,629

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	
	2012 RM	2011 RM
At 1 January	8,617,758	8,763,823
Recognised in profit or loss	(384,702)	(146,065)
At 31 December	8,233,056	8,617,758

Deferred tax assets of the Group:

	Unutilised tax losses RM	Unabsobed Capital allowances RM	Others RM	Total RM
At 1 January	(159,508)	(57,273)	(407,012)	(623,793)
Recognised in profit or loss	127,700	57,273	126,275	311,248
At 31 December, 2012	(31,808)	-	(280,737)	(312,545)
At 1 January, 2011	-	-	(384,719)	(384,719)
Recognised in profit or loss	(159,508)	(57,273)	(22,293)	(239,074)
At 31 December, 2011	(159,508)	(57,273)	(407,012)	(623,793)

19. Deferred tax liabilities/(assets) (cont'd)

Deferred tax liability of the Company:

	Property, plant and equipment 2012 RM	2011 RM
At 1 January	12,031	10,878
Recognised in profit or loss	(880)	1,153
At 31 December	11,151	12,031

Deferred tax asset of the Company:

	Others 2012 RM	2011 RM
At 1 January	(10,402)	(10,155)
Recognised in profit or loss	(246)	(247)
At 31 December	(10,648)	(10,402)

20. Share capital

	Number of Ordinary Share 2012	2011	Amount 2012 RM	2011 RM
Authorised :				
At 1 January/31 December	200,000,000	200,000,000	100,000,000	100,000,000
Issued and fully paid :				
At 1 January/31 December	120,000,000	120,000,000	60,000,000	60,000,000

21. Retained earnings

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 has elected for the irrevocable option to disregard the 108 balance as at 31 December, 2009. Hence, the Company may distribute dividends out of its entire retained earnings as at 31 December, 2012 and 2011 under the single tier system.

22. 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	2012 RM	2011 RM
Group			
Rental of premises payable to:			
- Hup Seng Brothers Holdings Sdn. Bhd.	(i)	116,400	137,700
- Tiong Bee Industries Sdn. Bhd.	(ii)	-	45,000
Purchase of property, plant and equipment from:			
- Tiong Bee Industries Sdn. Bhd.	(ii)	-	1,000,000
Company			
From subsidiary companies:			
Dividend received		46,512,400	34,449,000

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.

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

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Short-term employee benefits	8,474,932	8,253,068	1,912,896	1,879,474
Defined contribution plan	833,447	838,531	120,692	150,146
	9,308,379	9,091,599	2,033,588	2,029,620

23. Capital commitments

	Group 2012 RM	Group 2011 RM
Capital expenditure:		
Contracted but not provided for property, plant and equipment	385,767	524,059

24. 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 reporting date and the outstanding bank guarantee as at reporting date is RM578,000 (2011 : RM579,350).

The value of financial guarantees provided by the Company to its subsidiaries is determined by reference to the difference in the interest rates, by comparing the actual rates charged by the bank if these guarantees has not been available. The directors have assessed the fair value of these financial guarantees to have no material financial impact on the results and the accumulated profits of the Company.

25. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and foreign currency risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Financial Officer, Head of Treasury and Head of Credit Control. The audit committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken and do not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. 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 with the result that the Group's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the Head of Credit Control.

25. Financial risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Information regarding credit enhancements for trade receivables is disclosed in Note 16.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date is as follows:

	Group			
	2012		2011	
	RM	% of total	RM	% of total
By country:				
Malaysia	30,413,427	87%	30,332,406	87%
Asia	3,375,800	10%	3,138,055	9%
Others countries	945,916	3%	1,284,615	4%
	34,735,143	100%	34,755,076	100%
By industry sectors:				
Biscuits	3,975,345	11%	3,979,902	12%
Beverages	346,371	1%	442,768	1%
Trading	30,413,427	88%	30,332,406	87%
	34,735,143	100%	34,755,076	100%

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year. Deposits with banks that are neither past due nor impaired are placed with or entered into with reputable banks with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 16.

25. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain sufficient levels of cash or cash convertible investments to meet its working capital requirements and maintain available banking facilities at a reasonable level to its overall debt position.

The table below summarises the maturity profile of the Group's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	Group	
	2012 **RM**	**2011** **RM**
Trade and other payables		
- On demand or within 1 year	39,346,211	39,223,543

(c) Foreign currency risk

The Group is exposed to transactional currency risk primarily through sales 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.

<u>Sensitivity analysis of foreign exchange rate changes</u>

		As at 31.12.2012		**As at 31.12.2011**
RM/United States Dollars (USD) exchange rate	+/-	2.00%	+/-	5.00%
USD denominated accounts receivable (RM)		1,402,329		2,192,896
Net income (RM)	+/-	28,047	+/-	109,645
RM/Singapore Dollars (SGD) exchange rate	+/-	2.50%	+/-	5.00%
SGD denominated accounts receivable (RM)		2,894,510		2,204,503
Net income (RM)	+/-	72,363	+/-	110,225

(d) 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.

26. Capital management

The Group's objectives of managing capital are to safeguard the Group's ability to continue in operations as a going concern in order to provide fair returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain the optimal capital structure, the Group may, from time to time, adjust the dividend payout to shareholders, return capital to shareholders and issue new shares, where necessary. For capital management purposes, the Group considers shareholders' equity and total liabilities to be the key components in the Group's capital structure. The Group monitors capital on the basis of the gearing ratio. The ratio is calculated as the total liabilities to total equity. Total equity is the sum of total equity attributable to shareholders. The gearing ratio as at 31 December 2011 and 2012, which are within the Group's objectives for capital management, are as follows:

	2012 RM	**2011 RM**
Total liability	51,705,522	56,712,434
Total equity	153,242,056	147,101,370
Gearing ratio	34%	39%

27. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

(i) The biscuit manufacturing segment is in the business of manufacture and sales of biscuits.

(ii) The beverage manufacturing segment is in the business of manufacture and wholesale of coffee mix and all kinds of foodstuff.

(iii) The trading division segment is in the business of sales and distribution of biscuits, confectionery and other foodstuff.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

27. Segment information (cont'd)

	Biscuit manufacturing division		Beverage manufacturing division		Trading division		Consolidated		
	2012 RM	2011 RM	2012 RM	2011 RM	2012 RM	2011 RM	2012 RM	2011 RM	
Revenue									
Revenue	170,183,961	170,264,884	11,303,721	12,235,703	179,626,568	175,060,898	361,114,250	357,561,485	(A)
Results									
Segment profit	25,532,682	22,278,284	678,575	(9,754,874)	19,552,088	17,413,744	45,763,345	29,937,154	(B)
Profit from inter-segment sales							647,116	(105,528)	
Other income							696,381	443,910	
Unallocated expenses							(2,755,750)	(2,701,013)	
Finance costs							(7)	(222)	
Profit before tax							44,351,085	27,574,301	
Income tax expense							(11,810,399)	(8,970,572)	
Profit net of tax							32,540,686	18,603,729	

(A) Revenue reported above represents revenue generated from the reportable segments. Inter-segment sales for the current year is RM113,296,105 (2011 : RM117,330,474).

(B) Segment profit represents the profit earned by each segment without allocation of the central administration costs, investment income, financial costs and income tax expense. This is the measure reported to the decision maker for the purposes of resources allocation and assessment of segment performance.

27. Segment information (cont'd)

	Biscuit manufacturing division		Beverage manufacturing division		Trading division		Consolidated	
	2012 RM	2011 RM	2012 RM	2011 RM	2012 RM	2011 RM	2012 RM	2011 RM
Assets								
Segment assets	92,736,364	97,272,598	11,637,048	13,720,637	60,944,248	64,339,759	165,317,660	175,332,994
Unallocated assets							39,629,918	28,480,810
Total assets							204,947,578	203,813,804
Liabilities								
Segment liabilities	36,675,960	37,124,203	1,763,396	2,360,594	12,145,888	10,148,540	50,585,244	49,633,337
Unallocated liabilities							1,120,278	7,079,097
Total liabilities							51,705,522	56,712,434
Other segment information								
Depreciation	2,886,062	2,961,088	272,755	303,539	934,131	865,093	4,092,948	4,129,720
Unallocated expense							130,394	116,732
							4,223,342	4,246,452
Impairment losses/(reversal) recognised in profit or loss	195,769	(94,845)	-	-	-	-	195,769	(94,845)
Additions of non-current assets	2,443,722	2,744,550	4,862	26,323	1,539,889	2,205,896	3,988,473	4,976,769
Unallocated expense							-	645,272
							3,988,473	5,622,041
Non cash expense other than depreciation	848,597	304,517	44,034	963,766	189,345	154,823	1,081,976	1,423,106
Unallocated expense							-	2,370
							1,081,976	1,425,476

28. Dividends

	Group and Company 2012 RM	2011 RM
Recognised and paid during the financial year:		
Dividends paid on ordinary shares:		
- Interim tax exempt (single-tier) dividend for 2011:		
5 sen per share	-	6,000,000
- Interim tax exempt (single-tier) dividend for 2011:		
5 sen per share	-	6,000,000
- Special tax exempt (single-tier) dividend for 2011:		
10 sen per share	12,000,000	-
- Interim tax exempt (single-tier) dividend for 2012:		
12 sen per share	14,400,000	-
Recognised but not paid during the financial year:		
- Interim tax exempt (single-tier) dividend for 2011:		
5 sen per share	-	6,000,000
	26,400,000	18,000,000

Proposed but not recognised as a liability as at 31 December:		
- Interim tax exempt (single-tier) dividend for 2012:		
15 sen per share	18,000,000	-
- Special tax exempt (single-tier) dividend for 2012:		
3 sen per share	3,600,000	-
- Special tax exempt (single-tier) dividend for 2011:		
10 sen per share	-	12,000,000
	21,600,000	12,000,000

The directors recommend an interim tax exempt (single-tier) of 15 sen and a special tax exempt (single-tier) dividend of 3 sen in respect of the financial year ended 31 December, 2012 on 120,000,000 ordinary shares, amounting to a dividend payable of RM21,600,000. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, when approved, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December, 2013.

29. Authorisation of financial statements for issue

The financial statements for the year ended 31 December, 2012 were authorised for issue in accordance with a resolution of the directors on 13 March, 2013.

30. Supplementary Information - Breakdown of Retained profits into Realised and Unrealised

The breakdown of the retained profits of the Group and of the Company as at 31 December 2012 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Total retained profits				
- Realised	120,964,844	115,383,728	18,863,713	1,756,912
- Unrealised	861,321	787,867	(503)	(1,629)
	121,826,165	116,171,595	18,863,210	1,755,283
Less: Consolidation adjustments	(42,917,242)	(43,403,358)	-	-
Retained profits as per financial statements	78,908,923	72,768,237	18,863,210	1,755,283

List of Group Properties

As at 31 December, 2012

Location of Property	Description	Tenure of Land	Existing Use	Land Area/ Build-up Area	Approximate Age of Building	Net Book Value as at 31.12.12 RM
Hup Seng Perusahaan Makanan (M) Sdn. Bhd.						
Lot No. 7009 (Formerly PTD 2650) 15, Jalan Kolek Taman Kapal Layar Tongkang Pecah 83010 Batu Pahat Johor Darul Ta'zim	Single-storey terrace house	Freehold	Rented out (Expiring 31.05.2013)	143.0 sq. m/ 94.1 sq. m	19 years	50,944
Lot 1336 14-A, Jalan Kilang Kawasan Perindustrian Tongkang Pecah 83010 Batu Pahat Johor Darul Ta'zim	Single-storey detached factory an annex with 3-storey office building incorporating a basement area	Freehold	Warehouse/ office	9,940 sq. m/ 13,285.27 sq. m	13 years	12,258,549
PTD 1858 14, Jalan Kilang Kawasan Perindustrian Tongkang Pecah 83010 Batu Pahat Johor Darul Ta'zim	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/ 14,829.52 sq. m	30 years	14,933,354
PTD 3727 14, Jalan Kilang Kawasan Perindustrian Tongkang Pecah 83010 Batu Pahat Johor Darul Ta'zim	Fully covered with concrete driveway and underground drainage & piping system	60 years Leasehold (Expiring 12.07.2055)	Driveway	1,416.3 sq. m	-	168,000
Lot 6770 11, Jalan Kesturi 3 Taman Bunga Raya Tongkang Pecah 83010 Batu Pahat Johor Darul Ta'zim	Double-storey semi-detached house	Freehold	Foreign workers' hostel	275 sq. m/ 169.1 sq. m	22 years	126,472

Location of Property	Description	Tenure of Land	Existing Use	Land Area/ Build-up Area	Approximate Age of Building	Net Book Value as at 31.12.12 RM
Hup Seng Perusahaan Makanan (M) Sdn. Bhd.						
Lot 6726 (Formerly GM766) 6, Jalan Kesturi 6 Taman Bunga Raya Tongkang Pecah 83010 Batu Pahat Johor Darul Ta'zim	Double-storey semi-detached house	Freehold	Foreign workers' hostel	282 sq. m/ 309.1 sq. m	22 years	145,295
Lot 6457 22 & 22A Jalan Timun Taman Anggerik Tongkang Pecah 83010 Batu Pahat Johor Darul Ta'zim	Double-storey shophouse	Freehold	Foreign workers' hostel	163.5 sq. m/ 281.3 sq. m	33 years	192,943
Lot 6456 21 & 21A Jalan Timun Taman Anggerik Tongkang Pecah 83010 Batu Pahat Johor Darul Ta'zim	Double-storey shophouse	Freehold	Foreign workers' hostel	163.5 sq. m/ 281.3 sq. m	33 years	192,943
PTD 1127 HS(D) 38435 (Formerly known as HS(D) 7577) 4, Jalan Sampan Kawasan Perindustrian Tongkang Pecah 83010 Batu Pahat Johor Darul Ta'zim	Single-storey detached factory	60 years Leasehold (Expiring on 07.11.2037)	Store	4,047.00 sq. m/ 2,091.40 sq. m	-	1,237,051
PTD1853 HS(D) 10338 9, Jalan Perahu Kawasan Perindustrian Tongkang Pecah 83010 Batu Pahat Johor Darul Ta'zim	Single-storey detached factory cum 2 storey office building	60 years Leasehold (Expiring on 23.03.2040)	Vacant	6,647.03 sq. m/ 5,160.60 sq. m	24 years	1,950,000
PTD1871 HS(D) 11676 1A, Jalan Kapal Kawasan Perindustrian Tongkang Pecah 83010 Batu Pahat Johor Darul Ta'zim	Single storey detached factory	60 years Leasehold (Expiring on 26.09.2040)	Factory/ warehouse	4,047.00 sq. m/ 1,880.38 sq. m	20 years	995,982

List of Group Properties (cont'd)
As at 31 December, 2012

Location of Property	Description	Tenure of Land	Existing Use	Land Area/ Build-up Area	Approximate Age of Building	Net Book Value as at 31.12.12 RM
Hup Seng Hoon Yong Brothers Sdn. Bhd.						
Lot 63763, 63775 & 63776 4 & 4A, 28 & 28A and 30 & 30A Jalan Harilela Taman Harilela 31350 Ipoh Perak Darul Ridzuan	Double storey shophouses	Freehold	4-Rented out (Expiring 30.09.2013) 4A-Rented out (Expiring 30.09.2013) 28-Rented out (Expiring 30.09.2014) 28A-Staff hostel 30-Vacant 30A-Staff hostel	5,226 sq. ft./ 10,078 sq. ft.	23 years	411,198
P.T. No. 50277 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	15 years	687,908
Lot No. 4107 1323, Jalan Bukit Tengah Taman Indah 14000 Bukit Mertajam Pulau Pinang	Double-storey shophouses	Freehold	Branch office/store	371.7 sq. m/ 743.4 sq. m	23 years	360,886
Plot Nos. 132 & 133 132 & 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	14 years	320,003
Lot No. 6444 (Formerly PTD 693) 9 & 9A, Jalan Timun Taman Anggerik Tongkang Pecah 83010 Batu Pahat Johor Darul Ta'zim	Double-storey shophouse	Freehold	9-Foreign worker's hostel 9A-Staff hostel	163.5 sq. m/ 281.3 sq. m	33 years	178,116

Location of Property	Description	Tenure of Land	Existing Use	Land Area/ Build-up Area	Approximate Age of Building	Net Book Value as at 31.12.12 RM
Hup Seng Hoon Yong Brothers Sdn. Bhd.						
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.	14 years	932,655
Lot 6574 Mukim of Linau District of Batu Pahat Johor Darul Ta'zim	Industrial land	Freehold	Car park	9,704.38 sq. m	-	2,077,257
In-Comix Food Industries Sdn. Bhd.						
Plo No.94 Kawasan Perindustrian Senai 3 Jalan Cyber 6 81400 Senai Johor Darul Ta'zim	Double-storey detached factory	60 years leasehold (Expiring 08.06.2056)	Warehouse/ office/ factory	6,328.94 sq. m/ 5,059 sq. m	15 years	5,030,460

Statement of Shareholdings

AS AT 13 MARCH, 2013

Authorised capital	:	RM100,000,000.00 representing 200,000,000 ordinary shares of RM0.50 each
Issued and fully paid-up capital	:	RM60,000,000.00 representing 120,000,000 ordinary shares of RM0.50 each
Class of shares	:	Ordinary share of RM0.50 each
Voting rights	:	One vote per RM0.50 share

ANALYSIS OF SHAREHOLDINGS

No. of Holders	Holdings	Total Holdings	Percentage of Shares
8	Less than 100	130	0.00
152	100 to 1,000	116,970	0.10
1,442	1,001 to 10,000	5,570,900	4.64
310	10,001 to 100,000	8,910,700	7.43
68	100,001 to less than 5% of issued shares	44,201,300	36.83
1	5% and above of issued shares	61,200,000	51.00
1,981		120,000,000	100.00

TOP THIRTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares Held	Percentage of Shares
1.	HSB Group Sdn Bhd	61,200,000	51.00
2.	Chang Kwee Lan	4,135,100	3.45
3.	Goh Siew Kiew	3,911,000	3.26
4.	Cekap Kapital Sdn Bhd	3,092,000	2.58
5.	DB (Malaysia) Nominee (Asing) Sdn Bhd *Deutsche Bank AG Singapore for Pangolin Asia Fund*	2,715,100	2.26
6.	Kerk Chian Hui	2,600,000	2.17
7.	Kerk Chian Tung	2,060,000	1.72
8.	Chang Yang @ Chen Yong	1,712,000	1.43
9.	Ker (Kerk) Kim Tim @ Kerk Choo Ting	1,290,000	1.08
10.	Chong Swee Ching	1,206,000	1.00
11.	Keh (Kerk) Chu Koh	1,096,000	0.91
12.	Kuo Chee Ching	1,068,400	0.89
13.	Kerk Han Meng	784,000	0.65
14.	Teo Lee Tong	776,000	0.65
15.	Teo Lee Teck	774,000	0.65
16.	Kerk Kar Han	708,000	0.59

TOP THIRTY LARGEST SHAREHOLDERS (cont'd)

No.	Name of Shareholders	No. of Shares Held	Percentage of Shares
17.	Mary Kerk Beng Ley	700,000	0.58
18.	Kuo Liong Yok	620,000	0.52
19.	Kuo Chee Kian	554,000	0.46
20.	Sim Guat Keow @ Sim Han Che	544,000	0.45
21.	Teo Lay Gak	540,000	0.45
22.	Ke (Kek) Kim Soon @ Kerk Choo Soon	520,000	0.43
23.	Ng Ee Kim	518,000	0.43
24.	Kuo Lee Yong	516,000	0.43
25.	Kuo Chee Joo	510,000	0.43
26.	Kerk Ke Yee	500,000	0.42
27.	Kuo Lee Ai	496,000	0.41
28.	Wan Lay Hoon	460,000	0.38
29.	Kuo Chee Hau	444,000	0.37
30.	Kuo Choo Song	436,000	0.36

SUBSTANTIAL SHAREHOLDERS

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

No.	Name of Shareholder	<----Direct Interest---->		<-----Deemed Interest----->	
		No. of Shares	Percentage (%)	No. of Shares	Percentage (%)
1.	HSB Group Sdn Bhd	61,200,000	51.00	-	-
2.	Kuo Choo Song	436,000	0.36	66,426,400*	55.36
3.	Kuo Chee Ching	1,068,400	0.89	61,200,000#	51.00
4.	Kuo Chee Hau	444,000	0.37	61,200,000#	51.00
5.	Kuo Chee Joo	510,000	0.43	61,200,000#	51.00
6.	Kuo Chee Kian	554,000	0.46	61,200,000#	51.00
7.	Kuo Chee Koon	302,000	0.25	61,200,000#	51.00
8.	Kuo Chee Yoong	400,000	0.33	61,200,000#	51.00
9.	Kuo Liong Yok	620,000	0.52	61,200,000#	51.00
10.	Ke (Kek) Kim Soon @ Kerk Choo Soon	520,000	0.43	61,200,000#	51.00
11.	Sim Guat Keow @ Sim Han Che	544,000	0.45	61,200,000#	51.00
12.	Kerk Han Meng	784,000	0.65	61,200,000#	51.00
13.	Kerk Kar Han	708,000	0.59	61,236,000*	51.03
14.	Teo Lay Gak	540,000	0.45	61,200,000#	51.00
15.	Teo Lee Teck	774,000	0.65	61,280,000*	51.07
16.	Teo Lee Tong	776,000	0.65	61,200,000#	51.00
17.	Dato' Keh (Kerk) Chu Koh	1,096,000	0.91	61,912,000*	51.59
18.	Lem Leh Lee @ Lim Mok Lee	426,000	0.36	61,200,000#	51.00
19.	Dato' Seri Ker (Kerk) Kim Tim @ Kerk Choo Ting	1,290,000	1.08	61,200,000#	51.00

SUBSTANTIAL SHAREHOLDERS (cont'd)

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

No.	Name of Shareholder	<----Direct Interest---->		<----Deemed Interest---->	
		No. of Shares	Percentage (%)	No. of Shares	Percentage (%)
20.	Datin Seri Chang Yang @ Chen Yong	1,712,000	1.43	61,200,000#	51.00
21.	Kerk Gau Yang	94,000	0.08	61,200,000#	51.00
22.	Kerk Chong Yong	94,000	0.08	61,200,000#	51.00
23.	Kerk Shiang Yih	98,000	0.08	61,200,000#	51.00
24.	Kuo Lee Ai	496,000	0.41	61,200,000#	51.00
25.	Kuo Lee Yong	516,000	0.43	61,200,000#	51.00
26.	Kuo Lee Hun	316,000	0.26	61,200,000#	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.

DIRECTORS' INTERESTS as at 13 March, 2013

Name of Director	<---Direct Interest--->		<--Deemed Interests-->	
	No. of Shares Held	(%)	No. of Shares Held	(%)
Keh (Kerk) Chu Koh	1,096,000	0.91	61,912,000*	51.59
Kerk Chiew Siong	200,000	0.17	1,706,000#	1.42
Kuo Choo Song	436,000	0.36	66,426,400*	55.36
Kerk Chian Tung	2,060,000	1.72	-	-
Teo Lee Teck	774,000	0.65	61,280,000*	51.07
Kerk Kar Han	708,000	0.59	61,236,000*	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 Twenty-First 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 Ta'zim on Wednesday, 15 May, 2013 at 11.00 a.m. for the following purposes:-

AGENDA

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December, 2012 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, 2012. **Resolution 2**

3. To re-elect the following Directors who retire during the year in accordance with Article 76 of the Company's Articles of Association and being eligible, offer themselves for re-election:-

   - Puan Norita binti Ja'afar **Resolution 3**
   - Raja Khairul Anuar bin Raja Mokhtar **Resolution 4**
   - Mr Kerk Kar Han **Resolution 5**

4. To consider, and if thought fit, to pass the following resolutions:-
   "**THAT** pursuant to Section 129(6) of the Companies Act, 1965, Dato' Keh (Kerk) Chu Koh 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**

   "**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 7**

5. To re-appoint Messrs Ernst & Young as Auditors of the Company until the conclusion of the next Annual General Meeting and authorise the Directors to fix their remuneration. **Resolution 8**

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

BY ORDER OF THE BOARD

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

Johor Bahru
19 April, 2013

Note:

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 there shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.

2. A member shall be entitled to appoint more than one (1) 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 of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus accounts it holds. Where a member is an authorised nominee as defined under SICDA, it may appoint one (1) 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 Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.

7. For purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at 7 May, 2013 ("General Meeting Record of Depositors") and only a Depositor whose name appears in the General Meeting Record of Depositors shall be entitled to attend this meeting.

Form of Proxy

合成工業有限公司

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

CDS ACCOUNT NO.	NO. OF SHARES HELD

I/We ____

of ____

being a member/members **of Hup Seng Industries Berhad**, hereby appoint (1) Mr/Ms ____________________

____

(NRIC No. ______________________________) of ______________________________

or failing whom, Mr/Ms ____

(NRIC No. ______________________________) of ______________________________

(the next name and address should be completed where it is desired to appoint two proxies)

*(2) Mr/Ms ____

(NRIC No. ______________________________) of ______________________________

or failing whom, Mr/Ms ____

(NRIC No. ____________________________) of ______________________________

as my/our proxy to vote for *me/us and on *my/our behalf at the **Twenty-First Annual General Meeting** of the Company to be held at **Mezzanine Floor, The Katerina Hotel, 8, Jalan Zabedah, 83000 Batu Pahat, Johor Darul Ta'zim** on **Wednesday, 15 May, 2013 at 11.00 a.m.** and, at every adjournment thereof
*for/against the resolutions to be proposed thereat.

The proportion of *my/our proxies are as follows:
(This paragraph should be completed only when two proxies are appointed)

First Proxy (1) __________%   Second Proxy (2) _________%

*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, 2012 together with the Reports of the Directors and Auditors.		
2.	Approve the payment of Directors' fees for the financial year ended 31 December, 2012.		
	Re-election of Directors retiring according to the Article 76 of the Company's Articles of Association:-		
3.	- Puan Norita binti Ja'afar		
4.	- Raja Khairul Anuar bin Raja Mokhtar		
5.	- Mr Kerk Kar Han		
	Re-appointment of Directors pursuant to Section 129 (6) of the Companies Act, 1965:-		
6.	- Dato' Keh (Kerk) Chu Koh		
7.	- Mr Kuo Choo Song		
8.	Re-appointment of Messrs Ernst & Young as Auditors.		

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.

____
Signature of Member(s)

As witness my hand this __________day of ______________ 2013

Note:

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 there shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.
2. A member shall be entitled to appoint more than one (1) 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 of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus accounts it holds. Where a member is an authorised nominee as defined under SICDA, it may appoint one (1) 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 at the Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.

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Stamp

THE REGISTRARS OF HUP SENG INDUSTRIES BERHAD
C/O Symphony Share Registrars Sdn Bhd (378993-D)

Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya, Selangor

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HUP SENG

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: (07) 332 3536

www.hupseng.com