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# CORPORATE INFORMATION

## DIRECTORS

Y.Bhg. 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)*

Mazrina Binti Arifn  
*(Senior Independent Non-Executive Director)*

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

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

Y.Bhg. Dato' Wee Hoe Soon @  
Gooi Hoe Soon  
*(Independent Non-Executive Director)*

## SECRETARIES

Lee Wai Ngan (LS00184)  
Chan Toyee Ying (LS00185)

## REGISTERED OFFICE

Plaza 138, Suite 18.03, 18th Floor  
138 Jalan Ampang  
50450 Kuala Lumpur  
Tel : (03) 2161 5466  
Fax : (03) 2163 6968

## PRINCIPAL PLACE OF BUSINESS

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

## SHARE REGISTRAR

Symphony Share Registrars Sdn. Bhd. (378993-D)  
Level 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

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



## CHAIRMAN'S STATEMENT

**On behalf of the Board of Directors of Hup Seng Industries Bhd. ("HSIB" or the "the Company"), I am pleased to present the Annual Report and Audited Financial Statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2014.**

## Review of the Financial Performance

Despite a rather subdued performance in the first three quarters during which the Group suffered gross margin compression arising from cost pressures, the Group performed strongly in the final quarter, resulting in yet another year of record in revenue and profits. The Group achieved a 4.3% growth in revenue to RM262 million in the financial year ended 31 December 2014 from RM251 million in the preceding year. The growing revenue was propelled by strong performance of Cream Crackers in both domestic and export market.

Profit before tax increased to RM52 million from RM50 million a year ago. The underlying earnings growth came largely from improved sales revenue especially the last quarter during the financial year, thereby resulting in optimal utilization of existing operational facilities. Net profit recorded was RM38.1 million, an increase of about 3.8% from preceding year.

Net assets per share stood at RM0.19 (calculated based on 800,000,000 ordinary shares). Earnings per share (EPS) increased from 4.6 sen in 2013 to 4.8 sen in 2014.

## Corporate Exercise

The following corporate exercise announced in November 2013 was completed on 7 April 2014:-

- i. Share split involving the subdivision of every one (1) existing ordinary shares of RM0.50 each in the Company into five (5) new ordinary shares of RM0.10 ('Subdivided Shares') each in the Company held by shareholders of the Company;
- ii. Bonus issue of 200,000,000 new Subdivided Shares ('Bonus Shares') on the basis of one (1) Bonus Share for every three (3) Subdivided Shares held.

## Dividend

The Board of Directors declared and paid a special dividend of 1.5 sen per share (single-tier) and an interim dividend of 1.5 sen per share (single-tier) for 2014.

The Board of Directors is pleased to recommend a final single-tier dividend of 1.5 sen per share for the financial year ended 31 December 2014 for the approval of shareholders at the forthcoming Annual General Meeting.

## 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 Prospect

Describing the global recovery as 'too slow, too brittle and too lopsided', the head of the International Monetary Fund in her recent forecast said that something better may yet come on the back of low oil prices and interest rates moving forward. Still, she cautioned there are significant risks to this fragile global recovery. Although the United States and United Kingdom are expected to fare better, the Euro area and Japan are at risk of remaining stuck with low growth and low inflation, raising the risk of recession and deflationary pressures. Emerging markets, meanwhile, could face a 'triple hit' of a stronger U.S. dollar, higher global interest rates and more volatile capital flows.

The Malaysian economy is projected to register a steady growth of 4.5 – 5.5% in 2015, supported mainly by a sustained expansion in domestic demand amid strong domestic fundamentals and a resilient export sector. While household spending is expected to be affected by the implementation of the Goods and Services Tax (GST) in April, its impact will, however, be partially offset by Government measures to assist targeted groups and the additional disposable incomes from lower fuel prices.

The Group expects 2015 to be challenging and will remain vigilant and respond accordingly to the market environment. Nevertheless, the Group is committed to broadening our portfolio through product innovation and diversification to support its growth. In a move along this direction, the Group undertook an investment of about RM6.4 million to commission a new Cookies production line towards end of 2014.

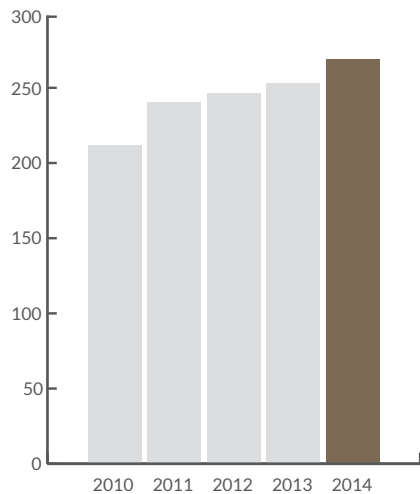
## Thank you

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.

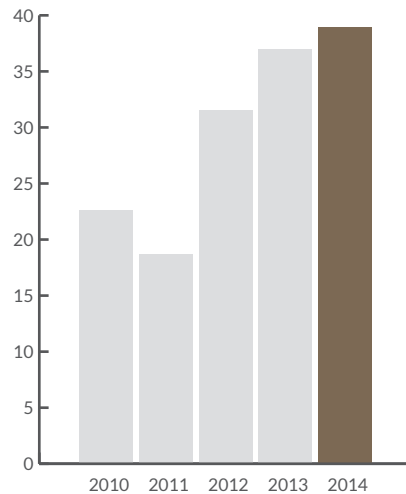
I would also like to thank our esteemed customers, suppliers, distributors, financiers, business associates and shareholders for their continuous supports and confidence in us and our business.

**Y.BHG. DATO' KEH (KERK) CHU KOH**  
Chairman

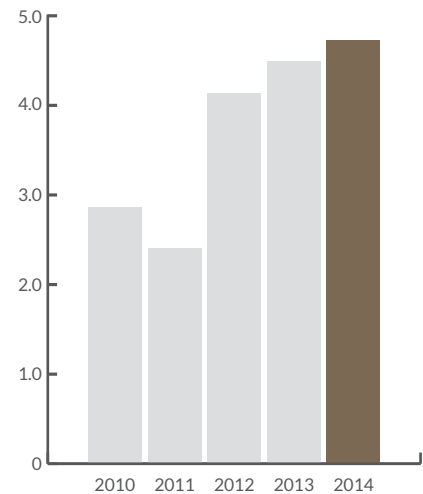
# 5-YEAR GROUP FINANCIAL HIGHLIGHTS



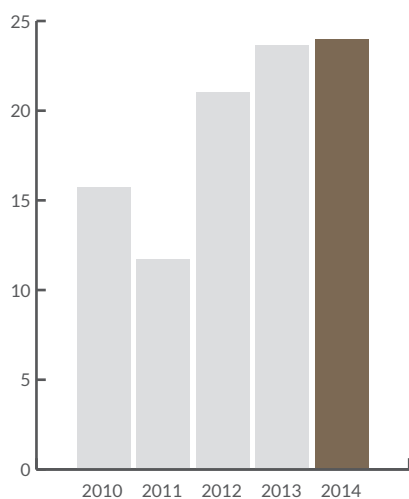
REVENUE  
(RM'MILLION)



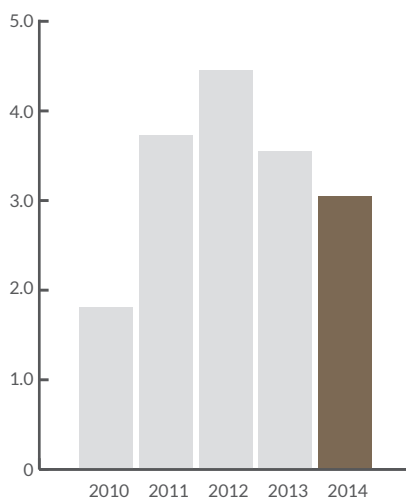
PROFIT AFTER TAX  
(RM'MILLION)



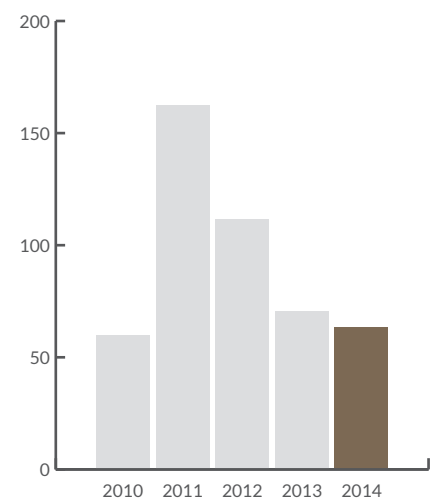
EARNINGS PER SHARE  
(SEN)



RETURN ON EQUITY  
(%)



NET DIVIDENDS PER SHARE  
(SEN)



DIVIDENDS PAYOUT RATIO  
(%)

## 5-Year Group Financial Highlights (cont'd)

Financial Year Ended		31.12.2010	31.12.2011	31.12.2012	31.12.2013	31.12.2014
<b>Key Result (RM)</b>						
Revenue		219,070,516	240,231,011	247,818,145	251,407,055	262,217,996
Profit after Tax		23,338,845	18,603,729	32,540,686	36,744,846	38,147,021
<b>Other Key Data (RM)</b>						
Total Assets		194,113,084	203,813,804	204,947,578	205,202,821	226,006,738
Total Liabilities		47,615,443	56,712,434	51,705,522	54,815,919	71,072,824
Shareholders' Equity		146,497,641	147,101,370	153,242,056	150,386,902	154,933,914
Capital Expenditure		1,309,954	5,622,041	3,988,473	2,680,777	8,417,474
<b>Financial Ratio (%)</b>						
Revenue Growth		2.7	9.7	3.2	1.4	4.3
Net Profit Growth		(13.2)	(20.3)	74.9	12.9	3.8
Net Profit Margin		10.7	7.7	13.1	14.6	14.5
Return on Equity (ROE)		15.9	12.6	21.2	24.4	24.6
<b>Share Information</b>						
Earnings per Share	sen	2.9#	2.3#	4.1#	4.6#	4.8
Net Dividends per Share	sen	1.8#	3.8#	4.5#	3.5#	3.0
Dividends Payout Ratio	%	61.7	161.3	110.6	75.1	62.9
Net Assets per Share	RM	1.22	1.23	1.28	1.25	0.19@

# The comparative figures for earnings per share and net dividend per share have been restated to reflect the effect of the share split and bonus issue which have been completed during the financial year ended 31 December 2014.

@ Net assets per share are calculated based on 800,000,000 ordinary shares of RM0.10 each for financial year ended 31 December 2014 and on 120,000,000 ordinary shares of RM0.50 each for the financial years ended 31 December 2010 to 31 December 2013.

# DIRECTOR'S PROFILE

## Y. Bhg. Dato' Keh (Kerk) Chu Koh

Y. Bhg. Dato' Keh (Kerk) Chu Koh, Malaysian aged 72, 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 13 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 56 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 62, 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 Y. Bhg. 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 13 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 39 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 83, 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 is the elder brother of Y. Bhg. 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 page 13 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 over 56 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. 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 44, became a member of the Board of Directors of the Company on 15 November 1999 and has been an Executive Director of the same since 17 August 2000. She is the niece of Kuo Choo Song, Y. Bhg. 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 13 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 55, was appointed as a Non-Independent Non-Executive Director of the Company on 10 August 2000. He was appointed as Director of HSHY on 2 September 2013. He was a Director of HSPM on 20 March 1984 and became an Executive Director of the same since 1 January 1990. He started his career with HSPM in 1977 as a Chocolate Wafer Section supervisor and was promoted numerous times 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 36 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, Y. Bhg. 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 13 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 47, was appointed as a Non-Independent Non-Executive Director of the Company on 15 August 2006. He became a member of the Remuneration Committee on 18 February 2014. He was appointed as Director of HSPM on 2 September 2013. 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 organisational 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 19 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 management representative to oversee the implementation of the Halal Assurance Management System of In-Comix Food Industries Sdn. Bhd. on 1 January 2014. He is the nephew of Kuo Choo Song, Y. Bhg. 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 13 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.

## Mazrina Binti Arifin

Mazrina Binti Arifin, Malaysian aged 47, was appointed as an Independent Non-Executive Director of the Company on 27 June 2000. She is a member of the Audit Committee. She had been the Chairperson of the Nominating Committee until 22 February 2011 and redesignated as a member. On 13 November 2013, she was re-appointed as Chairperson of Nominating Committee. She does not have any family relationship with any director and/or major shareholder, nor any conflict of interest with the Company. She has no convictions for any offences over the past 10 years.

She obtained a Bachelor of 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 43, was appointed as an Independent Non-Executive Director of the Company on 11 August 2000. She is the Chairperson of Audit Committee and a member of the Nominating Committee since 1 June 2013. 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 is currently the Chief Operating Officer at Malaysian Global Innovation & Creativity Centre, an entity under Ministry of Finance Malaysia mandated to enhance global entrepreneurship for the nation.

## Raja Khairul Anuar Bin Raja Mokhtar

Raja Khairul Anuar Bin Raja Mokhtar, Malaysian aged 40, 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, Malaysian aged 54, was appointed as an Independent Non-Executive Director of the Company on 27 June 2000. He was appointed as the Chairman of both the Audit Committee and Remuneration Committee whilst being a member of the Nominating Committee until year 2004. On 3 January 2005, he resigned from being an Independent Non-Executive Director, Chairman of Audit Committee and Remuneration Committee as well as member of the Nominating Committee and became an Alternate Director to Woon Chin Chan. He was invited back to the Board as an Independent Non-Executive Director as well as member of Audit Committee, Nominating Committee and Remuneration Committee since 13 November 2013.

Y. Bhg. Dato' Gooi is a member of Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants. He has more than 32 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.

In 2008, Y. Bhg. Dato' Gooi was appointed to the Board of EON Bank Berhad and was subsequently appointed Chairman of the Board in 2009, a position that he held until May 2012. In 2009, he was appointed to the Board of Amity Bond Berhad (formerly known as EON Capital Berhad) and in the same year assumed Chairmanship, a position that he still continues to hold.

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 American International Assurance Bhd and Perusahaan Sadur Timah Malaysia (Perstima) Berhad.

**Note:**

Please refer to page 14 of this Annual Report on the number of Board Meetings attended in the financial year.

## FAMILY RELATIONS BETWEEN HSB GROUP SDN. BHD.'S SHAREHOLDERS AND HUP SENG INDUSTRIES BHD.'S (HSIB)

DIRECTORS ARE AS FOLLOWS:-

HSB GROUP'S SHAREHOLDERS	WIFE	SON	DAUGHTER
		Teo Lee Tong Teo Lee Teck (HSIB Director) Teo Lay Gak	
Kuo Choo Song (HSIB Director)		Kuo Liong Yok Kuo Chee Ching Kuo Chee Yoong Kuo Chee Joo	Kuo Chee Hau Kuo Chee Kian Kuo Chee Koon Kuo Lee Ai Kuo Lee Yong Kuo Lee Hun
Ke (Kerk) Kim Soon @ Kerk Choo Soon	Sim Guat Keow @ Sim Han Che	Kerk Kar Han (HSIB Director) Kerk Han Meng	
Dato' Seri Ker (Kerk) Kim Tim @ Kerk Choo Ting	Datin' Seri Chang Yang @ Chen Yong		Kerk Chian Tung (HSIB Director)
Y. Bhg. Dato' Keh (Kerk) Chu Koh (HSIB Director)	Datin Lem Leh Lee @ Lim Mok Lee	Kerk Gau Yang Kerk Chong Yong	Kerk Shiang Yih
Kerk Chiew Siong (HSIB Director)	Chong Swee Ching		Kerk Ke Yee



# 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 ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") 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 2014, discussing and reviewing quarterly and annual financial results, internal audit reports, dividend proposals, related party transactions, corporate strategy and corporate exercises. The composition of the Board and the attendance of the individual directors during the financial year ended 31 December 2014 are as follows:-

Name of Director	Designation	No. of meetings attended (out of the total 5 meetings held)
Y. Bhg. Dato' Keh (Kerk) Chu Koh	Non-Executive Chairman	5/5
Kerk Chiew Siong	Non-Executive Vice Chairman	4/5
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
Mazrina Binti Arifin (f)	Senior Independent Non-Executive Director	4/5
Norita Binti Ja'afar (f)	Independent Non-Executive Director	5/5
Raja Khairul Anuar Bin Raja Mokhtar	Independent Non-Executive Director	5/5
Y. Bhg. Dato' Wee Hoe Soon @ Gooi Hoe Soon	Independent Non-Executive Director	5/5

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, approve the release of the quarterly and full year results and discuss corporate exercises in the best interest of the shareholders and the Group.

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 as the Independent Directors contribute their independent judgment and knowledge to the management whilst the Executive Directors conduct their day-to-day duties.

## **BOARD OF DIRECTORS** (cont'd)

### *Composition and Attendance* (cont'd)

The Board concurs with MCCG which encourages the Chairman to be an Independent Non-Executive 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 is not affected with a Non-Independent Chairman. Members of the Board regularly evaluate the most optimum alternative to keep the effectiveness of the Board while observing MCCG Recommendation 3.5. The Nominating Committee assesses this matter on an annual basis.

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.

On 13 November 2013, Mazrina Binti Arifin 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. Through these years, these Independent Non-Executive Directors have provided invaluable advices to the Board and practised fair professional judgments while considering corporate matters.

The Board is aware of the importance of succession planning and has been developing and engaging suitable programmes to ensure that operations at all levels are run smoothly and continuously.

### *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, directors' interests 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)

### ***Board Charter***

A formal Board Charter is in the process of being formulated, within which the structure, strategic intents and responsibilities of the Board will be stated while the code of conduct of the Group will be incorporated. The Company has observed the suggestions in Recommendation 1.7 of MCCG and will formalise a Board Charter which will be published on the corporate website and be reviewed regularly.

### ***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. Y. Bhg. 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.

### ***Reinforce Independence***

The Board assessed the independence of the Independent Non-Executive Directors by adopting the criteria used in defining "independent directors" in the Listing Requirements and concluded that all the Independent Non-Executive Directors continued to conduct and behave independently for the financial year ended 31 December 2014. Independence criteria such as whether each of the Independent Non-Executive Directors is independent of the Company's management and free from any business or other relationship which could interfere with the exercise of independent judgment or the ability to act in the best interest of the Company and shareholders, have all been considered and assessed. The Board is of the view that the Independent Non-Executive Directors have remained independent and objective throughout their years of services and most importantly, they discharged their duty with integrity and competence.

The Board noted Recommendations 3.2 and 3.3 of MCCG that tenure of independent director(s) should not exceed cumulative term of nine (9) years and the Board must justify and seek shareholders' approval to retain independent director(s) who has served more than nine (9) years. Two (2) Independent Non-Executive Directors, namely Mazrina Binti Arifin and Norita Binti Ja'afar, have been with the Board for more than nine (9) years and the Board holds the opinion that their independence have not been compromised or impaired in any way. The Board noted that it was because of the cumulative years of being in the industry that gave the Independent Non-Executive Directors greater in-sight and in-depth knowledge of the Group and therefore contributed to the Board more effectively and relevantly.

The Board strongly recommends the retention of these two (2) Independent Non-Executive Directors who have served the Board for more than nine (9) years and will be tabling the relevant Ordinary Resolutions to shareholders at the forthcoming AGM.

### ***Directors' Training***

Directors are encouraged to attend any form of training to enhance their knowledge and expertise in relations 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.

**BOARD OF DIRECTORS** (cont'd)*Directors' Training* (cont'd)

In 2014, training programmes attended by directors of the Company are as follows:-

1.	Y. Bhg. Dato' Keh (Kerk) Chu Koh	<ul style="list-style-type: none"> <li>Malaysian GST Management, Consultancy and Accounting Workshop 2014 – In house training</li> </ul>	10/07/2014
2.	Kuo Choo Song	<ul style="list-style-type: none"> <li>Malaysian GST Management, Consultancy and Accounting Workshop 2014 – In house training</li> </ul>	10/07/2014
3.	Kerk Chiew Siong	<ul style="list-style-type: none"> <li>Malaysian GST Management, Consultancy and Accounting Workshop 2014 – In house training</li> </ul>	10/07/2014
4.	Kerk Chian Tung	<ul style="list-style-type: none"> <li>The Corporate Governance Guide</li> </ul>	25/03/2014
5.	Teo Lee Teck	<ul style="list-style-type: none"> <li>Malaysian GST Management and Accounting Workshop 2014 – In house training</li> <li>Total Team And Personal Breakthrough – In house training</li> <li>Kaizen: The Strategy of Continuous Improvement – In house training</li> </ul>	10/07/2014 14 & 15/09/2014 9 & 10/12/2014
6.	Kerk Kar Han	<ul style="list-style-type: none"> <li>Malaysian GST Management and Accounting Workshop 2014 – In house training</li> <li>Total Team And Personal Breakthrough – In house training</li> </ul>	10/07/2014 14 & 15/09/2014
7.	Y. Bhg. Dato' Wee Hoe Soon @ Gooi Hoe Soon	<ul style="list-style-type: none"> <li>Launch of Asian Leadership Index &amp; Master Class with Harvard's Professor Linda A Hill</li> <li>Risk from Whereof by Tan Sri Andrew Sheng</li> <li>Board Strategic Leadership in Managing Cybersecurity Risk in Financial Institutions</li> </ul>	01/04/2014 21/08/2014 27/08/2014
8.	Raja Khairul Anuar bin Raja Mokhtar	<ul style="list-style-type: none"> <li>The Corporate Governance Guide</li> </ul>	25/03/2014
9.	Mazrina binti Arifin	<ul style="list-style-type: none"> <li>Audit Committee Conference 2014</li> </ul>	20/03/2014
10.	Norita binti Ja'afar	<ul style="list-style-type: none"> <li>Audit Committee Conference 2014</li> <li>M &amp; A Structuring, Due Diligence and Valuation</li> </ul>	20/03/2014 15/05/2014

In addition to the above, Directors are updated on the recent developments in the areas of statutory and regulatory requirements from briefings by the External Auditors, Company Secretary and the Internal Auditors during the Audit Committee and Board Meetings.

## 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 2014, categorised into appropriate components.

	Salary (RM)	Fees (RM)	Bonus & allowance (RM)	Benefits-in-kind (RM)
Executive	999,360	188,000	395,317	39,001
Non-Executive	1,937,040	616,000	1,098,305	116,477

The number of Directors whose remuneration falls into each successive band of RM50,000 for the financial year ended 31 December 2014 is disclosed as follows:-

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
RM50,001 to RM100,000	-	4
RM500,001 to RM550,000	-	1
RM550,001 to RM600,000	1	-
RM650,001 to RM700,000	-	1
RM1,000,001 to RM1,050,000	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 21 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 recognises 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. In 2014, the Board engaged a professional firm to evaluate risk awareness level of the Group and from there, develop and establish risk management framework and risk management system for the Group. The Board will see that the Group continues to monitor its respective risk management processes in order to detect and minimize risks against corporate objectives on a timely basis.

## **ACCOUNTABILITY AND AUDIT (cont'd)**

### ***Risk Management and Internal Control (cont'd)***

The Board reviews and examines regularly the effectiveness and efficiency of internal control system on finance, production, sales and compliance, and seeks alternative ways for improvement should any weakness be detected and identified.

The engagement of internal auditors is one of the many ways of reviewing and assessing the effectiveness of the 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 30 to 32 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 and timely 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 2014, the Group donated biscuits to the flood victims in the east coast of Peninsula Malaysia. The Group continued to donate monies to local schools and associations and sponsored 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 91 of the audited accounts in this Annual Report.

# STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO FINANCIAL **STATEMENT**

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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 39 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 2014, the Company has adopted appropriate accounting policies that are consistently applied and supported by reasonable and prudent judgments and estimates. The Directors have also considered that all applicable accounting standards have been followed during the preparation of the financial statements.

The Directors are responsible for ensuring that the Company keeps adequate accounting records that disclose with reasonable accuracy the financial position of the Company and the Group, and hence 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

## 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**  
The Review of Statement of Risk Management and Internal Control non-audit fee amounted to RM5,000 was payable to the external auditors for the financial year 31 December 2014.
- 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 2014.
- 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:-

- Norita Binti Ja'afar  
*(Chairperson of Audit Committee, Independent Non-Executive Director)*
- Mazrina Binti Arifin  
*(Senior Independent Non-Executive Director)*
- Y. Bhg. Dato' Wee Hoe Soon @ Gooi Hoe Soon  
*(Independent Non-Executive Director)*  
*Member of MIA*
- Raja Khairul Anuar Bin Raja Mokhtar  
*(Independent Non-Executive Director)*

## TERMS OF REFERENCE FOR AUDIT COMMITTEE

### Constitution

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

The Audit Committee shall ensure:

- All members of the Audit Committee should be non-executive directors and financially literate; and
- At least one member of the Audit Committee:-
  - i) must be a member of the Malaysian Institute of Accountants; or
  - ii) If he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:-
    - (aa) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
    - (bb) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967.
  - iii) fulfils such other requirements as prescribed by the Bursa Malaysia Securities Berhad (“Bursa Securities”).

The members of the Committee shall select a Chairperson 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.

## **TERMS OF REFERENCE FOR AUDIT COMMITTEE (cont'd)**

### **Authority**

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

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

### **Functions**

#### **Duties and Responsibilities**

- a) to review and report the following to the Board:
  - 1) with the external auditor, the audit plan;
  - 2) with the external auditor, his evaluation of the system of internal control;
  - 3) with the external auditor, his audit report;
  - 4) the assistance given by the Company's officers to the external auditor;
  - 5) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:-
    - i) changes in or implementation of major accounting policy changes;
    - ii) significant and unusual events; and
    - iii) compliance with accounting standards and other legal requirements;
  - 6) the external auditor's management letter and management's response;
  - 7) any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
  - 8) any letter of resignation including the written explanations of the resignation from the external auditors of the Company; and
  - 9) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment.
- b) To do the following, in relation to the internal audit function:-
  - review the adequacy of the scope, functions, competency and resources of internal audit function, and that it has the necessary authority to carry out its work;

## **TERMS OF REFERENCE FOR AUDIT COMMITTEE (cont'd)**

### **Functions** (cont'd)

#### **Duties and Responsibilities** (cont'd)

- b) To do the following, in relation to the internal audit function:- (cont'd)
- 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.

### **Meeting and Reporting Procedure**

- a) The Committee shall meet as the Chairperson 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 Chairperson 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 the presence of executive Board members.
- g) The Chairperson 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 the Board 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 five (5) meetings held during the financial year ended 31 December 2014. 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 Chairperson. The External Auditors and Group Financial Controller were invited to attend these meetings to advise and clarify the accounting issues and company matters. Chairperson 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 2014.

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

Attended by	Dates of Meeting					Total meetings attended
	18 Feb 2014	19 Mar 2014	20 May 2014	13 Aug 2014	12 Nov 2014	
Norita Binti Ja'afar	√	√	√	√	√	5/5
Mazrina Binti Arifin	√	√	√	√	-	4/5
Y. Bhg. Dato' Wee Hoe Soon @ Gooi Hoe Soon	√	√	√	√	√	5/5
Raja Khairul Anuar Bin Raja Mokhtar	√	√	√	√	√	5/5

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 risk management and 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.

## **ACTIVITIES DURING THE YEAR (cont'd)**

### ***Meetings*** (cont'd)

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 risk management and internal control systems are maintained.

One (1) internal audit report was 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:-

- Mazrina Binti Arifin  
*(Chairperson, Senior Independent Non-Executive Director)*
- Norita Binti Ja'afar  
*(Member, Independent Non-Executive Director)*
- Y. Bhg. Dato' Wee Hoe Soon @ Gooi Hoe Soon  
*(Member, Independent Non-Executive Director)*

The Nominating Committee is responsible for:-

- Reviewing composition of the Board and making recommendation on the appointment of new Director and Board Committees member to the Board.
- Conducting annual review on the mix of skills, experience, core competencies, integrity and time commitment of the Directors, in order to determine if the Directors have effectively discharged their duties.
- Reviewing on an annual basis the appropriate balance and size of the Board for determination of the number and suitability of Directors on the Board.
- Recommending suitable orientation, educational and training programmes to continuously train and equip the existing and new Directors.
- Assessing the effectiveness of the Board, the Board Committees and the contribution of each individual director.
- Reviewing and assessing the gender diversity of the Board.
- Reviewing the succession plan of the Board.
- 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.

During the financial year, the Committee convened two (2) meetings on 2 December 2014 and 18 February 2014 with full attendance except Norita Binti Ja'afar who was absence from December 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)*
- Y. Bhg. Dato' Wee Hoe Soon @ Gooi Hoe Soon  
*(Member, Independent Non-Executive Director)*
- Teo Lee Teck  
*(Member, Non-Independent Non-Executive Director – resigned from Remuneration Committee on 18 February 2014)*
- Kerk Kar Han  
*(Member, Non-Independent Non-Executive Director – appointed to Remuneration Committee on 18 February 2014)*

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 2 December 2014 with full attendance.

# 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 2014. 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 the Malaysian Code on Corporate Governance 2012 (“the Code”) and guided by the Statement on Risk Management & Internal Control (Guidelines for Directors of Listed Issuers) (“the Guidelines”). 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 control and risk management system to safeguard shareholders’ investment and the Group’s assets as well as reviewing the adequacy and effectiveness of such system.

Because of the limitations that are inherent in any system of internal control, such systems can only manage rather than eliminate the risk of failure to achieve business objectives. Accordingly, this system can only provide reasonable and not absolute assurance against any material misstatement or loss.

## RISK MANAGEMENT

In 2014, with the recommendation of the Audit Committee, the Board engaged a professional firm to conduct Enterprise Risk Management (“ERM”) gap analysis at various tiers of management and board of the Group to assess the understanding of risk management by the respective personnel. With the findings of such exercise, the Board further extended the services of the professional firm to the following:

- Conduct trainings to enhance awareness among key personnel of the Group;
- Undertake risk assessment exercise at various levels within the Group; and
- Set up structured governance and reporting structures for ERM in the Group.

In addition to the engagement of professional services as mentioned above, the Executive Directors, Key Management Personnel and Heads of Department of the Group 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 identified will be discussed and tackled, and corresponding internal controls will be implemented. The significant risks identified and internal control measurements will then be brought to the attention of Board members at their scheduled meetings.

The abovementioned processes served as the on-going processes 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 Audit Committee and the Board continue to monitor the Group’s risk management processes to ensure that they remain 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. The internal audit function has conducted internal audit in accordance with the approved internal audit plan for the purposes of assessing the adequacy and effectiveness of the internal control system. The results of the internal audit and recommendations for improvement co-developed and agreed with Management were presented at the Audit Committee meetings. Following an agreed timeline for the adoption and implementation of the recommendations, the Audit Committee and Board would be updated with a follow up report on the outcomes of the adoption.

The cost incurred for the internal audit function in the financial year ended 31 December 2014 amounted to RM20,000.

### **KEY ELEMENTS OF INTERNAL CONTROL SYSTEM**

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

- An organisation 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.
- Roles and responsibilities are properly segregated.
- 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.
- 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 and Executive Directors meet 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 control, 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 control when necessary.

The Board is of the view that the risk management and internal control system 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 system in meeting the Group's business objectives.

## Statement on Risk Management and Internal Control (cont'd)

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### **CONCLUSION** (cont'd)

The Board has identified the Managing Director as CEO of the Company and also assigned Group Financial Controller as CFO of the Company since 2013. The Managing Director and CFO have given the assurance to the Board that the present risk management and internal control system is operating adequately and effectively, in all material aspects.

This Statement on Risk Management & Internal Control has been reviewed by the External Auditors pursuant 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 control system of the Group.

# FINANCIAL STATEMENTS

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# 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 2014.

## Principal activities

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	38,147,021	31,582,295
Profit attributable to owners of the parent	38,147,021	31,582,295

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

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

## Dividends

The amount of dividends paid by the Company since 31 December 2013 were as follows:

	RM
In respect of the financial year ended 31 December 2013 as reported in the directors' report of that year:	
Interim single-tier dividend of 5 sen on 120,000,000 ordinary shares, declared on 7 March 2014 and paid on 18 April 2014	6,000,000
Special single-tier dividend of 3 sen on 120,000,000 ordinary shares, declared on 7 March 2014 and paid on 18 April 2014	3,600,000
In respect of the financial year ended 31 December 2014:	
Special single-tier dividend of 1.5 sen on 800,000,000 ordinary shares, declared on 17 June 2014 and paid on 23 July 2014	12,000,005
Interim single-tier dividend of 1.5 sen on 800,000,000 ordinary shares, declared on 27 November 2014 and paid on 8 January 2015	12,000,004
	<u>33,600,009</u>

## Dividends (cont'd)

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the financial year ended 31 December 2014, of 1.5 sen on 800,000,000 ordinary shares, amounting to a dividend payable of RM12,000,000 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2015.

## 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:

Y. Bhg. Dato' Keh (Kerk) Chu Koh	<i>(Chairman)</i>
Kerk Chiew Siong	<i>(Vice Chairman)</i>
Kuo Choo Song	<i>(Managing Director)</i>
Kerk Chian Tung	<i>(Executive Director)</i>
Teo Lee Teck	<i>(Non-Independent Non-Executive Director)</i>
Kerk Kar Han	<i>(Non-Independent Non-Executive Director)</i>
Norita Binti Ja'afar	<i>(Independent Non-Executive Director)</i>
Mazrina Binti Arifin	<i>(Independent Non-Executive Director)</i>
Raja Khairul Anuar Bin Raja Mokhtar	<i>(Independent Non-Executive Director)</i>
Y. Bhg. Dato' Wee Hoe Soon @ Gooi Hoe Soon	<i>(Independent Non-Executive Director)</i>

## 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 21 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			of RM0.10 Each		
	1 January 2014	Acquired	Sold	Share split #	Bonus issue #	31 December 2014
<b>Direct interest</b>						
Kuo Choo Song	150,000	-	-	600,000	250,000	1,000,000
Y. Bhg. Dato' Keh (Kerk) Chu Koh	1,096,000	-	-	4,384,000	1,826,666	7,306,666
Teo Lee Teck	774,000	-	-	3,096,000	1,290,000	5,160,000
Kerk Chian Tung	2,060,000	-	-	8,240,000	3,433,333	13,733,333
Kerk Kar Han	931,000	36,000 @	-	3,868,000	1,611,666	6,446,666
Kerk Chiew Siong	200,000	-	-	800,000	333,333	1,333,333
<b>Deemed interest</b>						
Kuo Choo Song	66,712,400	-	-	266,849,600	111,188,083	444,750,083*
Y. Bhg. Dato' Keh (Kerk) Chu Koh	61,912,000	-	-	247,648,000	103,187,418	412,747,418*
Teo Lee Teck	61,280,000	-	-	245,120,000	102,134,086	408,534,086*
Kerk Kar Han	61,236,000	-	36,000 @	244,800,000	102,000,753	408,000,753*
Kerk Chiew Siong	1,706,000	-	-	6,824,000	2,843,333	11,373,333**
<b>Holding company</b>						
<b>HSB Group Sdn Bhd</b>						
	Number of Ordinary Shares of RM1 Each					
	1 January 2014	Acquired	Sold	31 December 2014		
<b>Direct Interest</b>						
Kuo Choo Song	1,099,506	-	-	1,099,506		
Y. Bhg. Dato' Keh (Kerk) Chu Koh	3,030,988	-	-	3,030,988		
Kerk Chiew Siong	3,756,871	-	900,000^	2,856,871		
Teo Lee Teck	2,150,103	-	-	2,150,103		
Kerk Kar Han	1,534,192	-	-	1,534,192		
<b>Deemed interest</b>						
Kuo Choo Song	5,818,459	-	-	5,818,459**		
Y. Bhg. Dato' Keh (Kerk) Chu Koh	2,486,094	-	-	2,486,094**		
Kerk Chiew Siong	-	900,000	-	900,000^		

@ Transfer of Kerk Har Han's demised wife, Lim Im Hiang, shares in Hup Seng Industries Berhad on 4 April 2014.

^ Transfer of shares to his wife, Chong Swee Ching and daughter, Kerk Ke Yee @ 450,000 shares each.

# During the financial year, the Company undertook a share split exercise to subdivide the ordinary shares of RM0.50 each into ordinary shares of RM0.10 each. The Company also increased its issued and paid up ordinary share capital from RM60,000,000 to RM80,000,000 by the way of bonus issue through capitalisation of share premium and retained earnings on the basis of one bonus share for every three subdivided shares held. The enlarged issued and paid up share capital of the Company comprising 800,000,000 subdivided shares (including 200,000,000 bonus shares) were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 7 April 2014.

## Directors' interests (cont'd)

- \* 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.
- \*\* Deemed interested by virtue of his interests pursuant to Section 134 of the Companies Act, 1965.

Kuo Choo Song, Y. Bhg. Dato' Keh (Kerk) Chu Koh, Teo Lee Teck and Kerk Kar Han, by virtue of their interests 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.

## Issue of shares

During the financial year, the Company increased its authorised ordinary shares from 200,000,000 of RM0.50 each to 1,000,000,000 of RM0.10 each.

During the financial year, the Company increased its issued and paid up ordinary share capital from RM60,000,000 to RM80,000,000 by way of bonus issue through capitalisation of share premium and retained earnings on the basis of one bonus share for every three subdivided shares held. The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

## 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.

**Other statutory information** (cont'd)

(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 10 March 2015.

**Y. Bhg. Dato' Keh (Kerk) Chu Koh**

**Kuo Choo Song**

# STATEMENT BY DIRECTORS

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

We, Y. Bhg. 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 42 to 99 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 2014 and of their financial performance and cash flows for the year then ended.

The supplementary information set out in Note 30 on page 100 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 10 March 2015.

Y. Bhg. 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 42 to 100 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 10 March 2015. )

Quek Ah Kow

Before me,

Ng Swee Chiang (J236)  
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 2014 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 42 to 99.

### *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 2014 and of their financial performance and cash flows for the 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.

### Report on other legal and regulatory requirements (cont'd)

- (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 100 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

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

**Lee Ming Li**  
2983/03/16(J)  
Chartered Accountant

Johor Bahru, Malaysia  
Date: 10 March 2015

# STATEMENTS OF COMPREHENSIVE **INCOME**

For the Financial Year Ended 31 December 2014

		Group	
	Note	2014 RM	2013 RM
Revenue	4	262,217,996	251,407,055
Cost of sales	5	(165,263,031)	(156,828,994)
<b>Gross profit</b>		<b>96,954,965</b>	<b>94,578,061</b>
<b>Other items of income</b>			
Interest income		2,691,120	2,505,487
Other income		751,573	779,776
<b>Other items of expense</b>			
Administrative expenses		(18,386,138)	(17,644,701)
Selling and marketing expenses		(30,286,693)	(30,136,899)
<b>Profit before tax</b>	6	<b>51,724,827</b>	<b>50,081,724</b>
Income tax expense	9	(13,577,806)	(13,336,878)
<b>Profit net of tax, representing total comprehensive income for the year</b>		<b>38,147,021</b>	<b>36,744,846</b>
<b>Profit attributable to:</b>			
Owners of the parent		38,147,021	36,744,846
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		38,147,021	36,744,846
<b>Earnings per share attributable to owners of the parent (sen per share):</b>			
Basic	10	4.77	4.59
Diluted	10	4.77	4.59

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 2014

	Note	Company	
		2014 RM	2013 RM
Gross dividends from subsidiaries		33,803,000	31,824,000
Interest income		970,392	925,714
<b>Revenue</b>	4	34,773,392	32,749,714
Administrative expenses		(2,970,525)	(2,960,305)
<b>Profit before tax</b>	6	31,802,867	29,789,409
Income tax expense	9	(220,572)	(209,496)
<b>Profit net of tax, representing total comprehensive income for the year</b>		<u>31,582,295</u>	<u>29,579,913</u>
<b>Profit attributable to:</b>			
Owners of the parent		<u>31,582,295</u>	<u>29,579,913</u>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		<u>31,582,295</u>	<u>29,579,913</u>

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

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2014

	Note	Group		Company	
		2014 RM	2013 RM	2014 RM	2013 RM
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	11	67,936,722	64,834,110	386,601	487,685
Investment properties	12	215,523	216,889	-	-
Investment in subsidiaries	13	-	-	54,686,703	54,686,703
Deferred tax assets	18	58,000	37,000	-	-
		<u>68,210,245</u>	<u>65,087,999</u>	<u>55,073,304</u>	<u>55,174,388</u>
<b>Current assets</b>					
Inventories	14	20,778,877	20,817,932	-	-
Trade and other receivables	15	35,517,480	35,872,644	117,464	53,950
Prepayments		691,898	2,017,310	13,595	14,423
Tax recoverable		-	262,021	-	262,021
Cash and bank balances	16	100,808,238	81,144,915	39,264,534	28,964,294
		<u>157,796,493</u>	<u>140,114,822</u>	<u>39,395,593</u>	<u>29,294,688</u>
<b>Total assets</b>		<u>226,006,738</u>	<u>205,202,821</u>	<u>94,468,897</u>	<u>84,469,076</u>
<b>Equity and liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	17	46,574,959	42,215,855	1,231,332	1,287,230
Income tax payable		4,603,268	4,872,092	74,100	-
Dividend payable		12,000,004	-	12,000,004	-
		<u>63,178,231</u>	<u>47,087,947</u>	<u>13,305,436</u>	<u>1,287,230</u>
<b>Non-current liability</b>					
Deferred tax liabilities	18	7,894,593	7,727,972	4,919	5,590
<b>Total liabilities</b>		<u>71,072,824</u>	<u>54,815,919</u>	<u>13,310,355</u>	<u>1,292,820</u>
<b>Equity attributable to owners of the parent</b>					
Share capital	19	80,000,000	60,000,000	80,000,000	60,000,000
Share premium	19	-	14,333,133	-	14,333,133
Retained earnings	20	74,933,914	76,053,769	1,158,542	8,843,123
<b>Total equity</b>		<u>154,933,914</u>	<u>150,386,902</u>	<u>81,158,542</u>	<u>83,176,256</u>
<b>Total equity and liabilities</b>		<u>226,006,738</u>	<u>205,202,821</u>	<u>94,468,897</u>	<u>84,469,076</u>

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 2014

	Note	Attributable to owners of the parent			Total RM
		Non-distributable Share capital RM	Share premium RM	Distributable Retained earnings RM	
<b>Group</b>					
At 1 January 2013		60,000,000	14,333,133	78,908,923	153,242,056
Total comprehensive income		-	-	36,744,846	36,744,846
Transaction with the owners					
Dividends on ordinary shares	28	-	-	(39,600,000)	(39,600,000)
Total transaction with the owners		-	-	(39,600,000)	(39,600,000)
At 31 December 2013		60,000,000	14,333,133	76,053,769	150,386,902
At 1 January 2014		60,000,000	14,333,133	76,053,769	150,386,902
Total comprehensive income		-	-	38,147,021	38,147,021
Transaction with the owners					
Capitalised for bonus issue		20,000,000	(14,333,133)	(5,666,867)	-
Dividends on ordinary shares	28	-	-	(33,600,009)	(33,600,009)
Total transaction with the owners		20,000,000	(14,333,133)	(39,266,876)	(33,600,009)
At 31 December 2014		80,000,000	-	74,933,914	154,933,914

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 2014

	Note	Non-distributable Share capital RM	Share premium RM	Distributable Retained earnings RM	Total RM
<b>Company</b>					
At 1 January 2013		60,000,000	14,333,133	18,863,210	93,196,343
Total comprehensive income		-	-	29,579,913	29,579,913
Transaction with the owners					
Dividends on ordinary shares	28	-	-	(39,600,000)	(39,600,000)
Total transaction with the owners		-	-	(39,600,000)	(39,600,000)
At 31 December 2013		60,000,000	14,333,133	8,843,123	83,176,256
At 1 January 2014		60,000,000	14,333,133	8,843,123	83,176,256
Total comprehensive income		-	-	31,582,295	31,582,295
Transaction with the owners					
Capitalised for bonus issue		20,000,000	(14,333,133)	(5,666,867)	-
Dividends on ordinary shares	28	-	-	(33,600,009)	(33,600,009)
Total transaction with the owners		20,000,000	(14,333,133)	(39,266,876)	(33,600,009)
At 31 December 2014		80,000,000	-	1,158,542	81,158,542

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 2014

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Operating activities				
Profit before tax	51,724,827	50,081,724	31,802,867	29,789,409
Adjustments for:				
Allowance for doubtful debts	52,269	71,081	-	-
Bad debts written off	8,838	34,997	-	-
Depreciation of property, plant and equipment	4,843,042	4,382,357	107,860	97,577
Depreciation of investment property	1,366	1,366	-	-
Loss/(gain) on disposal of property, plant and equipment	2,222	(9,023)	-	-
Interest income	(2,691,120)	(2,505,487)	(970,392)	(925,714)
Reversal of impairment loss on property, plant and equipment	(41,995)	-	-	-
Inventories written off	32,015	17,851	-	-
Property, plant and equipment written off	356,243	214,953	-	2,517
<b>Operating cash flows before changes in working capital</b>	<b>54,287,707</b>	<b>52,289,819</b>	<b>30,940,335</b>	<b>28,963,789</b>
Decrease/(increase) in inventories	7,040	(248,952)	-	-
Decrease/(increase) in trade and others receivables	294,057	296,431	(63,514)	5,863
Decrease/(increase) in prepayments	1,325,412	(1,289,349)	828	674
Increase/(decrease) in trade and other payables	4,359,104	2,869,644	(55,898)	167,455
<b>Cash flows from operations</b>	<b>60,273,320</b>	<b>53,917,593</b>	<b>30,821,751</b>	<b>29,137,781</b>
Income taxes (paid)/refunded	(13,438,988)	(12,561,238)	114,878	330,478
<b>Net cash flows from operating activities</b>	<b>46,834,332</b>	<b>41,356,355</b>	<b>30,936,629</b>	<b>29,468,259</b>

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

Statements of Cash Flows (cont'd)  
For the Financial Year Ended 31 December 2014

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
<b>Investing activities</b>				
Placement of deposits for more than 3-months maturity with licensed bank	(300,000)	-	-	-
Interest received	2,691,120	2,505,487	970,392	925,714
Proceeds from disposal of property, plant and equipment	155,350	148,183	-	-
Purchase of property, plant and equipment	(8,417,474)	(2,680,777)	(6,776)	(33,722)
<b>Net cash flows (used in)/from investing activities</b>	<b>(5,871,004)</b>	<b>(27,107)</b>	<b>963,616</b>	<b>891,992</b>
<b>Financing activities</b>				
Dividends paid on ordinary shares	(21,600,005)	(39,600,000)	(21,600,005)	(39,600,000)
<b>Net cash flows used in financing activities</b>	<b>(21,600,005)</b>	<b>(39,600,000)</b>	<b>(21,600,005)</b>	<b>(39,600,000)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>19,363,323</b>	<b>1,729,248</b>	<b>10,300,240</b>	<b>(9,239,749)</b>
<b>Cash and cash equivalents at 1 January</b>	<b>81,144,915</b>	<b>79,415,667</b>	<b>28,964,294</b>	<b>38,204,043</b>
<b>Cash and cash equivalents at 31 December (Note 16)</b>	<b>100,508,238</b>	<b>81,144,915</b>	<b>39,264,534</b>	<b>28,964,294</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 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 Plaza 138, Suite 18.03, 18th Floor, 138 Jalan Ampang, 50450 Kuala Lumpur. 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 2014 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.

The financial statements of the Group and of the Company have been prepared on the historical cost basis, except as disclosed in the accounting policies below.

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

### 2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except as follows:

On 1 January 2014, the Group and the Company adopted the following new and amended MFRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2014.

#### Description

Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities

Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities

Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets

Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting

IC Interpretation 21 Levies

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

### 2.2 Changes in accounting policies (cont'd)

Adoption of the above standards and interpretations did not have any material effect on the financial performance or position of the Group and the Company. The nature and impact of these new standards relevant to the Group and the Company are discussed below:

#### Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under MFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under MFRS 10.

#### Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets

The amendments to MFRS 136 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives has been allocated when there has been no impairment or reversal of impairment of the related CGU. In addition, the amendments introduce additional disclosure requirements when the recoverable amount is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by MFRS 13 Fair Value Measurements.

The application of these amendments has had no material impact on the disclosures in the Group's and the Company's financial statements.

#### IC Interpretation 21 Levies

IC 21 defines a levy and clarifies that the obligating event which gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. For a levy which is triggered upon reaching a minimum threshold, IC 21 clarifies that no liability should be recognised before the specified minimum threshold is reached. Retrospective application is required. The application of IC 21 has had no material impact on the disclosures or on the amounts recognised in the Group's and the Company's financial statements.

### 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
Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010-2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011-2013 Cycle	1 July 2014
Annual Improvements to MFRSs 2012-2014 Cycle	1 January 2016

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

### 2.3 Standards and interpretations issued but not yet effective (cont'd)

Description	Effective for annual periods beginning on or after
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint operations	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 101: Disclosure Initiative	1 January 2016
MFRS 14 Regulatory Deferral Accounts	1 January 2016
MFRS 15 Revenue from Contracts with Customers	1 January 2017
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application, other than as discussed below:

#### **Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation**

The amendments clarify that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of an asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group has not used a revenue-based method to depreciate its non-current assets.

#### **Amendments to MFRS 127: Equity Method in Separate Financial Statements**

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associate in their separate financial statements. Entities already applying MFRS and electing to change to the equity method in its separate financial statements will have to apply this change retrospectively. For first-time adopters of MFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to MFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's and the Company's financial statements.

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

### 2.3 Standards and interpretations issued but not yet effective (cont'd)

#### Amendments to MFRS 101: Disclosure Initiatives

The amendments to MFRS 101 include narrow-focus improvements in the following five areas:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income arising from equity accounted investments

The Directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's and the Company's financial statements.

#### Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception

The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. The amendments further clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. In addition, the amendments also provides that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

The amendments are to be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's and the Company's financial statements.

#### MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step models that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

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

### 2.3 Standards and interpretations issued but not yet effective (cont'd)

#### MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

#### Annual Improvements to MFRSs 2010-2012 Cycle

The Annual Improvements to MFRSs 2010-2012 Cycle include a number of amendments to various MFRSs, which are summarised below. The Directors of the Company do not anticipate that the application of these amendments will have a significant impact on the Group's and the Company's financial statements.

##### (a) MFRS 2 Share-based Payment

This improvement clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition;
- A performance target must be met while the counterparty is rendering service;
- A performance target may relate to the operations or activities of an entity, or those of another entity in the same group;
- A performance condition may be a market or non-market condition; and
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

This improvement is effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

##### (b) MFRS 3 Business Combinations

The amendments to MFRS 3 clarifies that contingent consideration classified as liabilities (or assets) should be measured at fair value through profit or loss at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of MFRS 9 or MFRS 139. The amendments are effective for business combinations for which the acquisition date is on or after 1 July 2014.

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

### 2.3 Standards and interpretations issued but not yet effective (cont'd)

#### (c) MFRS 8 Operating Segments

The amendments are to be applied retrospectively and clarify that:

- an entity must disclose the judgements made by management in applying the aggregation criteria in MFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar; and
- the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

#### (d) MFRS 116 Property, Plant and Equipment and MFRS 138 Intangible Assets

The amendments remove inconsistencies in the accounting for accumulated depreciation or amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amendments clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

#### (e) MFRS 124 Related Party Disclosures

The amendments clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. The reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services.

### Annual Improvements to MFRSs 2011–2013 Cycle

The Annual Improvements to MFRSs 2011-2013 Cycle include a number of amendments to various MFRSs, which are summarised below. The Directors of the Company do not anticipate that the application of these amendments will have a significant impact on the Group's and the Company's financial statements.

#### (a) MFRS 3 Business Combinations

The amendments to MFRS 3 clarify that the standard does not apply to the accounting for formation of all types of joint arrangement in the financial statements of the joint arrangement itself. This amendment is to be applied prospectively.

#### (b) MFRS 13 Fair Value Measurement

The amendments to MFRS 13 clarify that the portfolio exception in MFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of MFRS 9 (or MFRS 139 as applicable).

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

### 2.3 Standards and interpretations issued but not yet effective (cont'd)

#### (c) MFRS 140 Investment Property

The amendments to MFRS 140 clarify that an entity acquiring investment property must determine whether:

- the property meets the definition of investment property in terms of MFRS 140; and
- the transaction meets the definition of a business combination under MFRS 3,

to determine if the transaction is a purchase of an asset or is a business combination.

#### Annual Improvements to MFRSs 2012–2014 Cycle

The Annual Improvements to MFRSs 2012-2014 Cycle include a number of amendments to various MFRSs, which are summarised below. The Directors of the Company do not anticipate that the application of these amendments will have a significant impact on the Group's and the Company's financial statements.

#### (a) MFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendment to MFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in MFRS 5.

The amendment also clarifies that changing the disposal method does not change the date of classification. This amendment is to be applied prospectively to changes in methods of disposal that occur in annual periods beginning on or after 1 January 2016, with earlier application permitted.

#### (b) MFRS 7 Financial Instruments: Disclosures

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in MFRS 7 in order to assess whether the disclosures are required.

In addition, the amendment also clarifies that the disclosures in respect of offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.

#### (c) MFRS 119 Employee Benefits

The amendment to MFRS 119 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

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

### 2.3 Standards and interpretations issued but not yet effective (cont'd)

#### Annual Improvements to MFRSs 2012–2014 Cycle (cont'd)

##### (d) MFRS 134 Interim Financial Reporting

MFRS 134 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'.

The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

### 2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at the reporting date. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- (i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (i) The contractual arrangement with the other vote holders of the investee
- (ii) Rights arising from other contractual arrangements
- (iii) The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

### 2.4 Basis of consolidation (cont'd)

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

### 2.5 Business combinations and goodwill

Business combinations involving entities under common control are accounted for by applying the merger method under the 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.

All other business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

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

### 2.5 Business combinations and goodwill (cont'd)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 139 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

### 2.6 Current versus non-current classification

Assets and liabilities in the statement of financial position are presented based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

### 2.6 Current versus non-current classification (cont'd)

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### 2.7 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available, to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value is unobservable

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

### 2.7 Fair value measurement (cont'd)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Policies and procedures are determined by senior management for both recurring fair value measurement and for non-recurring measurement.

External valuers are involved for valuation of significant assets and significant liabilities. Involvement of external valuers is decided by senior management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The senior management decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, classes of assets and liabilities are determined based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

### 2.8 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.

### 2.9 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.

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

### 2.9 Property, plant and equipment and depreciation (cont'd)

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 at intervals, the Group depreciates then separately based on their specific useful lives. 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 straight line method over the following estimated useful lives of the assets:

Buildings	50 years
Plant and equipment	3 - 15 years
Motor vehicles	5 years
Other assets (other than capital work-in-progress)	3 - 15 years

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.

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 income statement in the year the asset is derecognised.

### 2.10 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 straight line method over the following estimated useful life of the assets:

Buildings	50 years
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Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. When investment properties are stated at cost less accumulated depreciation and impairment losses, transfers between investment property and owner-occupied property do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purpose.

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

### 2.11 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 indication exists, or when annual impairment assessment for an asset is required, the Group estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs of disposal 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")).

When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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 the statement of profit or loss expense categories consistent with the function of the impaired assets.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in this statement of profit or loss unless the asset is carried 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.

### 2.12 Subsidiaries

A subsidiary is an entity over which the Group has control over. Control is defined in Note 2.4.

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

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

### 2.13 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity investment of another entity.

#### (a) Financial assets

##### Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale ("AFS") financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

##### Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- AFS financial assets
  
- **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by MFRS 139. The Group has not designated any financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss. The Group did not have any financial assets at fair value through profit or loss as 31 December 2014 and 2013.

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

### 2.13 Financial instruments (cont'd)

#### (a) Financial assets (cont'd)

##### - Loans and receivables

This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables. For more information on receivables, refer to Note 15.

##### - Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss as finance costs. The Group did not have any held-to-maturity investments during the years ended 31 December 2014 and 2013.

##### - AFS financial assets

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

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

### 2.13 Financial instruments (cont'd)

#### (a) Financial assets (cont'd)

##### - AFS financial assets (cont'd)

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

The Group did not have any AFS financial assets during the financial years ended 31 December 2014 and 2013.

#### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognised (i.e., removed from the Group's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

### 2.13 Financial instruments (cont'd)

#### (a) Financial assets (cont'd)

##### Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a Group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a Group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

##### Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

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

### 2.13 Financial instruments (cont'd)

#### (b) Financial liabilities

##### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and borrowings.

##### Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

#### - 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 are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 139 are satisfied. The Group does not have any financial liability at fair value through profit or loss.

#### - Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. The Group did not have any interest bearing loans and borrowings as at 31 December 2014 and 2013.

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

### 2.13 Financial instruments (cont'd)

#### (b) Financial liabilities (cont'd)

##### Subsequent measurement (cont'd)

##### - Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, 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 recognised less cumulative amortisation.

##### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

#### (c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis to realise the assets and settle the liabilities simultaneously.

### 2.14 Cash and cash equivalents

Cash and bank balances in the statements of financial position comprise cash at banks and on hand, demand deposits, short-term deposits with a maturity of three months or less and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

For the purpose of statements of cash flows, cash and cash equivalents consist of cash and bank balances as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's and Company's cash management.

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

### 2.15 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 but excluding borrowing costs. 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.

### 2.16 Provisions

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

### 2.17 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.

### 2.18 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.

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

### 2.18 Employee benefits (cont'd)

#### (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.

### 2.19 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 2.20(d).

### 2.20 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.

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

### 2.20 Revenue recognition (cont'd)

#### (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.

### 2.21 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 at 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 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.

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

### 2.21 Income tax (cont'd)

#### (b) Deferred tax (cont'd)

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.

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

### 2.22 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.

### 2.23 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.

### 2.24 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 statement 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.

In the process of applying the Group's accounting policies, management has not made accounting judgements which have significant effect on the amounts recognised in the financial statements.

### 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 financial assets

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.

### 3. Significant accounting estimates and judgements (cont'd)

#### 3.1 Key sources of estimation uncertainty (cont'd)

##### (a) Impairment of financial assets (cont'd)

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.

##### (b) Impairment of investment in subsidiary

Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a Discounted Cash Flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows from the CGU. These estimates are most relevant to the impairment assessment on the investment in subsidiary of the Company. During the previous financial years, the Company has recognised impairment losses in respect of investment in a subsidiary, namely In-Comix Food Industries Sdn. Bhd. ("ICM"). The carrying amount for the investment in ICM is RM10,745,000 (2013:RM10,745,000). The Company has carried out a review on its recoverable amount during the year. Further details on the assessment are disclosed in Note 13.

##### (c) Useful lives of property, plant and equipment

The cost of property, plant and equipment are depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these property, plant and equipment to be within 50 years. These are common life expectancies applied in the food and beverage industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of this asset, therefore, future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment as at the reporting date is disclosed in Note 11.

### 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.

Revenue of the Company principally consists of dividend income from subsidiaries and 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	
	2014 RM	2013 RM	2014 RM	2013 RM
Auditors' remuneration				
Statutory audits	117,000	109,000	34,000	33,000
Other services	90,500	47,100	48,300	11,800
Underprovision in prior year	3,000	2,500	-	1,000
Allowance for doubtful debts (Note 15)	52,269	71,081	-	-
Bad debts written off	8,838	34,997	-	-
Employee benefits expenses excluding directors'				
remuneration (Note 7)	39,339,168	37,414,349	348,878	293,500
Directors' fees (Note 8)	1,076,000	968,833	600,000	595,258
Directors' other emoluments (Note 8)	9,067,658	8,501,090	1,418,277	1,392,489
Depreciation of property, plant and equipment (Note 11)	4,843,042	4,382,357	107,860	97,577
Depreciation of investment properties (Note 12)	1,366	1,366	-	-
Inventories written off	32,015	17,851	-	-
Loss on disposal of property, plant and equipment	2,222	-	-	-
Property, plant and equipment written off	356,243	214,953	-	2,517
Realised exchange losses	143,760	103,591	-	-
Rental expenses	242,880	237,168	32,400	30,150
and crediting:				
Gross dividend income	-	-	33,803,000	31,824,000
Gain on disposal of property, plant and equipment	-	9,023	-	-
Interest income	2,691,120	2,505,487	970,392	925,714
Reversal of impairment loss on trade receivables (Note 15)	33,239	52,559	-	-
Reversal of impairment loss on property, plant and equipment (Note 11)	41,995	-	-	-
Rental income	19,680	19,350	-	-

## 7. Employee benefits expense

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Wages and salaries	35,168,531	33,431,423	308,174	259,464
Defined contribution plan	3,691,110	3,525,493	38,845	32,500
Social security costs	357,897	342,922	1,859	1,536
Other staff related expenses	121,630	114,511	-	-
	<u>39,339,168</u>	<u>37,414,349</u>	<u>348,878</u>	<u>293,500</u>

## 8. Key management personnel compensation

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

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
<b>Directors of the Company</b>				
Executive:				
Salaries and other emoluments	1,343,046	1,320,046	1,340,746	1,318,346
Defined contribution plan	51,631	48,943	51,631	48,943
Fees	188,000	165,239	120,000	120,000
Benefits-in-kind	39,001	42,642	36,267	39,908
	<u>1,621,678</u>	<u>1,576,870</u>	<u>1,548,644</u>	<u>1,527,197</u>
Non-Executive (but holding executive position in subsidiaries):				
Salaries and other emoluments	2,701,881	2,578,821	13,300	13,300
Defined contribution plan	320,864	306,143	-	-
Fees	376,000	353,239	240,000	240,000
Benefits-in-kind	116,477	133,385	-	-
	<u>3,515,222</u>	<u>3,371,588</u>	<u>253,300</u>	<u>253,300</u>
Non-Executive:				
Other emoluments	12,600	11,900	12,600	11,900
Fees	240,000	235,258	240,000	235,258
	<u>252,600</u>	<u>247,158</u>	<u>252,600</u>	<u>247,158</u>

## 8. Key management personnel compensation (cont'd)

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
<b>Directors of Subsidiaries</b>				
Executive:				
Salaries and other emoluments	4,143,945	3,784,065	-	-
Defined contribution plan	493,691	451,172	-	-
Fees	272,000	215,097	-	-
Benefits-in-kind	192,488	170,981	-	-
	5,102,124	4,621,315	-	-
<b>Total</b>	<b>10,491,624</b>	<b>9,816,931</b>	<b>2,054,544</b>	<b>2,027,655</b>
Directors' remuneration analysed by:				
Salaries and other emoluments	8,201,472	7,694,832	1,366,646	1,343,546
Defined contribution plan	866,186	806,258	51,631	48,943
<b>Total directors' remuneration (excluding benefits-in-kind) (Note 6)</b>	<b>9,067,658</b>	<b>8,501,090</b>	<b>1,418,277</b>	<b>1,392,489</b>
Fees (Note 6)	1,076,000	968,833	600,000	595,258
Benefits-in-kind	347,966	347,008	36,267	39,908
<b>Total directors' remuneration</b>	<b>10,491,624</b>	<b>9,816,931</b>	<b>2,054,544</b>	<b>2,027,655</b>

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

	Number of Directors	
	2014	2013
Executive Directors:		
RM500,001 - RM550,000	-	1
RM550,001 - RM600,000	1	-
RM1,000,001 - RM1,050,000	1	1
Non-Executive Directors:		
RM0 - RM50,000	-	2
RM50,001 - RM100,000	4	3
RM400,001 - RM450,000	-	1
RM500,001 - RM550,000	1	-
RM600,001 - RM650,000	-	1
RM650,001 - RM700,000	1	-
RM1,100,001 - RM1,150,000	1	1
RM1,151,001 - RM1,200,000	1	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 2014 and 2013 are:

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Statements of comprehensive income:				
Current income tax:				
- Malaysian income tax	13,435,000	13,601,926	222,000	204,926
- Overprovision in prior years	(2,815)	(35,509)	(757)	(517)
	<hr/>	<hr/>	<hr/>	<hr/>
	13,432,185	13,566,417	221,243	204,409
Deferred tax (Note 18):				
- Origination and reversal of temporary differences	110,663	(246,913)	(1,337)	5,087
- Underprovision in prior years	34,958	17,374	666	-
	<hr/>	<hr/>	<hr/>	<hr/>
	145,621	(229,539)	(671)	5,087
Income tax expense recognised in profit or loss	<hr/>	<hr/>	<hr/>	<hr/>
	13,577,806	13,336,878	220,572	209,496

### 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 2014 and 2013 are as follows:

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Profit before tax	<hr/>	<hr/>	<hr/>	<hr/>
	51,724,827	50,081,724	31,802,867	29,789,409
Taxation at Malaysian statutory tax rate of 25% (2013: 25%)	12,931,207	12,520,431	7,950,717	7,447,352
Adjustments:				
Income not subject to tax	-	-	(8,450,750)	(7,956,000)
Non-deductible expenses	1,055,503	1,041,582	720,696	718,661
Expenses with double deduction	(325,798)	(207,000)	-	-
Benefits from utilisation of tax incentive	(115,249)	-	-	-
Overprovision of income tax expense in prior years	(2,815)	(35,509)	(757)	(517)
Underprovision of deferred tax in prior years	34,958	17,374	666	-
Income tax expense recognised in profit or loss	<hr/>	<hr/>	<hr/>	<hr/>
	13,577,806	13,336,878	220,572	209,496

## 9. Income tax expense (cont'd)

### Reconciliation between tax expense and accounting profit (cont'd)

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2013: 25%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 24% from the current year's rate of 25%, effective year of assessment 2016. The change in corporate tax rate in year of assessment 2016 does not have material impact to the Group and the Company.

## 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	
	2014	2013
	RM	RM
Profit net of tax attributable to owners of the parent (RM)	38,147,021	36,744,846
Weighted average number of ordinary shares in issue	800,000,000	120,000,000
Effect of share split	-	480,000,000
Effect of bonus issue	-	200,000,000
Adjusted weighted average number of ordinary shares in issue	800,000,000	800,000,000
Basic earnings per share (sen)	4.77	4.59
Diluted earnings per share (sen)	4.77	4.59

The comparative basic and diluted earnings per share have been restated for the increase in weighted average number of ordinary shares in issue as a result of the share split from 120,000,000 shares to 600,000,000 shares and bonus issue of 200,000,000 new ordinary shares issued during the financial year.

As at reporting date, the Company does not have any share options, warrants and other potential dilutive ordinary shares.

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
<b>Cost</b>							
<b>At 1 January 2013</b>	19,558,830	1,929,536	29,399,886	49,342,660	15,163,178	7,919,383	123,313,473
Additions	99,104	-	99,361	965,036	953,820	563,456	2,680,777
Disposals/written off	-	-	-	(1,357,609)	(602,953)	(292,239)	(2,252,801)
Reclassification	-	-	214,150	-	-	(214,150)	-
<b>At 31 December 2013 and 1 January 2014</b>	19,657,934	1,929,536	29,713,397	48,950,087	15,514,045	7,976,450	123,741,449
Additions	38,525	-	773,213	6,289,305	564,085	752,346	8,417,474
Disposals/written off	-	-	(327,214)	(287,143)	(765,667)	(99,564)	(1,479,588)
Reclassification	-	-	60,268	28,950	-	(89,218)	-
<b>At 31 December 2014</b>	19,696,459	1,929,536	30,219,664	54,981,199	15,312,463	8,540,014	130,679,335

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
<b>Accumulated depreciation and impairment loss:</b>							
<b>At 1 January 2013</b>	3,462,479	308,973	5,085,039	33,767,252	8,723,943	5,075,984	56,423,670
Depreciation charge for the year (Note 6)	295,248	29,111	539,528	1,891,751	1,010,823	615,896	4,382,357
Disposals/written off	-	-	-	(1,148,859)	(495,554)	(254,275)	(1,898,688)
<b>At 31 December 2013 and 1 January 2014</b>	3,757,727	338,084	5,624,567	34,510,144	9,239,212	5,437,605	58,907,339
Depreciation charge for the year (Note 6)	295,458	24,761	802,408	1,963,113	1,126,944	630,358	4,843,042
Reversal of impairment of property, plant and equipment	-	-	-	(41,995)	-	-	(41,995)
Disposals/written off	-	-	(61,803)	(193,508)	(621,476)	(88,986)	(965,773)
<b>At 31 December 2014</b>	4,053,185	362,845	6,365,172	36,237,754	9,744,680	5,978,977	62,742,613
<b>Net carrying amount:</b>							
At 31 December 2013	15,900,207	1,591,452	24,088,830	14,439,943	6,274,833	2,538,845	64,834,110
At 31 December 2014	15,643,274	1,566,691	23,854,492	18,743,445	5,567,783	2,561,037	67,936,722

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

### Group

Other assets include computer, office equipment, electrical installation, renovation, furniture and fittings and capital work-in-progress which comprises machinery under installation amounting to RM10,600 (2013 : RM91,513).

Company	Office equipment RM	Furniture and fittings RM	Motor vehicles RM	Total RM
<b>Cost</b>				
<b>At 1 January 2013</b>	33,058	12,691	884,039	929,788
Additions	33,542	180	-	33,722
Written off	(3,383)	-	-	(3,383)
<b>At 31 December 2013 and 1 January 2014</b>	63,217	12,871	884,039	960,127
Additions	6,776	-	-	6,776
<b>At 31 December 2014</b>	69,993	12,871	884,039	966,903
<b>Accumulated depreciation</b>				
<b>At 1 January 2013</b>	27,310	10,005	338,416	375,731
Charge for the year (Note 6)	7,774	564	89,239	97,577
Written off	(866)	-	-	(866)
<b>At 31 December 2013 and 1 January 2014</b>	34,218	10,569	427,655	472,442
Charge for the year (Note 6)	13,398	251	94,211	107,860
<b>At 31 December 2014</b>	47,616	10,820	521,866	580,302
<b>Net carrying amount:</b>				
At 31 December 2013	28,999	2,302	456,384	487,685
At 31 December 2014	22,377	2,051	362,173	386,601

## 12. Investment properties

	Group	
	2014 RM	2013 RM
<b>Cost Model</b>		
At 1 January	216,889	218,255
Depreciation charge for the year (Note 6)	(1,366)	(1,366)
At 31 December	215,523	216,889
Fair value of investment properties (Note 24)	650,000	334,365

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

## 13. Investment in subsidiaries

	Company	
	2014 RM	2013 RM
Unquoted shares, at cost	67,914,211	67,914,211
Less : Impairment loss	(13,227,508)	(13,227,508)
	54,686,703	54,686,703

The subsidiary companies are:

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2014	2013
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%

### 13. Investment in subsidiaries (cont'd)

The management of Hup Seng Industries Berhad carried out a review of the recoverable amount of investment in In-Comix Food Industries Sdn. Bhd. ("ICM") during the current financial year because ICM has been making some profits for the past 2 years, which is an indication that the previously recognised impairment loss may no longer be required. The review did not result in any increase or decrease in the impairment loss previously recognised.

The recoverable amount of RM10,745,000 for investment in ICM, as at 31 December 2014, has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projection is 7.85%.

#### Sensitivity to changes in assumptions

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

### 14. Inventories

	Group	
	2014	2013
	RM	RM
At cost:		
Raw materials	8,216,721	9,054,564
Finished goods	3,832,884	4,071,887
Spares and fuel	4,984,241	4,843,114
Trading inventories	2,326,287	1,616,077
Work-in-progress	355,966	261,219
	19,716,099	19,846,861
At net realisable value:		
Containers	1,062,778	971,071
	20,778,877	20,817,932

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.

## 15. Trade and other receivables

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
<b>Current</b>				
<b>Trade receivables</b>				
Third parties	35,035,527	35,453,983	-	-
Less : Allowance for doubtful debts	(273,915)	(270,620)	-	-
Trade receivables, net	34,761,612	35,183,363	-	-
<b>Other receivables</b>				
Deposits	145,656	148,911	11,500	11,500
Interest receivable from fixed and short term deposits	230,106	160,702	105,964	42,450
Sundry receivables	380,106	379,668	-	-
	755,868	689,281	117,464	53,950
Total trade and other receivables (current), representing loans and receivables	35,517,480	35,872,644	117,464	53,950

### Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 60 day (2013: 30 to 60 day) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

### Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2014 RM	2013 RM
Neither past due nor impaired	25,320,262	24,905,840
1 to 30 days past due not impaired	7,147,822	6,261,762
31 to 60 days past due not impaired	1,118,275	1,929,882
61 to 90 days past due not impaired	193,745	452,008
91 to 120 days past due not impaired	677,420	247,908
More than 121 days past due not impaired	304,088	1,386,323
Impaired	9,441,350	10,277,883
	273,915	270,260
	35,035,527	35,453,983

## 15. Trade and other receivables (cont'd)

### Trade receivables (cont'd)

#### Receivables that are neither past due nor impaired

Trade receivables 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.

#### Receivables that are past due but not impaired

The Group has trade receivables amounting to RM9,441,350 (2013 : RM10,277,883) that are past due at the reporting date but not impaired.

At the reporting date, trade receivables arising from export sales amounting to RM1,434,749 (2013 : RM440,204) 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. Although those balances are unsecured in nature, they are mostly due from creditworthy customers.

#### 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	
	2014	2013
	RM	RM
At 1 January	270,620	324,317
Charge for the year (Note 6)	52,269	71,081
Written off	(15,735)	(72,219)
Reversal of impairment losses (Note 6)	(33,239)	(52,559)
	273,915	270,620
At 31 December	273,915	270,620

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.

## 16. Cash and bank balances

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Cash and bank balances	6,299,787	5,272,497	157,224	231,876
Short-term deposits with licensed banks	94,208,451	75,872,418	39,107,310	28,732,418
Cash and cash equivalents	100,508,238	81,144,915	39,264,534	28,964,294
Short-term deposits of more than 3 months maturity period with a licensed bank	300,000	-	-	-
<b>Total cash and bank balances</b>	<b>100,808,238</b>	<b>81,144,915</b>	<b>39,264,534</b>	<b>28,964,294</b>

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 five months 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	
	2014 %	2013 %
Group	3.51	3.66
Company	3.30	3.22

## 17. Trade and other payables

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
<b>Current</b>				
<b>Trade payables</b>				
Third parties	23,962,153	19,211,840	-	-
<b>Other payables</b>				
Payroll liabilities	9,031,352	8,682,346	154,547	150,568
Duties and other taxes payable	1,175,780	1,068,168	-	-
Sundry suppliers	2,544,757	2,444,341	1,088	41,532
Accrued expenses	7,050,246	8,246,964	1,075,697	1,095,130
Containers refundable deposits	2,810,671	2,562,196	-	-
	22,612,806	23,004,015	1,231,332	1,287,230
Total trade and other payables, represented total financial liabilities carried at amortised cost	46,574,959	42,215,855	1,231,332	1,287,230

### Trade payables

Trade payables are non-interest bearing. Trade payables are normally settled on 30 to 90 days (2013 : 30 to 90 days) terms.

## 18. Deferred tax liabilities/(assets)

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
At 1 January	7,690,972	7,920,511	5,590	503
Recognised in profit or loss (Note 9)	145,621	(229,539)	(671)	5,087
At 31 December	7,836,593	7,690,972	4,919	5,590
Presented after appropriate offsetting as follows:				
Deferred tax assets	(317,581)	(292,643)	(11,298)	(11,048)
Deferred tax liabilities	8,154,174	7,983,615	16,217	16,638
	7,836,593	7,690,972	4,919	5,590

## 18. Deferred tax liabilities/(assets) (cont'd)

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	
	2014	2013
	RM	RM
At 1 January	7,983,615	8,233,056
Recognised in profit or loss	170,559	(249,441)
At 31 December	<u>8,154,174</u>	<u>7,983,615</u>

### Deferred tax assets of the Group:

	Unutilised tax losses	Others	Total
	RM	RM	RM
At 1 January 2014	-	(292,643)	(292,643)
Recognised in profit or loss	-	(24,938)	(24,938)
At 31 December 2014	<u>-</u>	<u>(317,581)</u>	<u>(317,581)</u>
At 1 January 2013	(31,808)	(280,737)	(312,545)
Recognised in profit or loss	31,808	(11,906)	19,902
At 31 December 2013	<u>-</u>	<u>(292,643)</u>	<u>(292,643)</u>

### Deferred tax liability of the Company:

	Property, plant and equipment	
	2014	2013
	RM	RM
At 1 January	16,638	11,151
Recognised in profit or loss	(421)	5,487
At 31 December	<u>16,217</u>	<u>16,638</u>

### Deferred tax asset of the Company:

	Others	
	2014	2013
	RM	RM
At 1 January	(11,048)	(10,648)
Recognised in profit or loss	(250)	(400)
At 31 December	<u>(11,298)</u>	<u>(11,048)</u>

## 19. Share capital and share premium

	Number of Ordinary Shares		Amount	
	2014	2013	2014 RM	2013 RM
<b>Share Capital</b>				
Authorised:				
At 1 January	200,000,000	200,000,000	100,000,000	100,000,000
Created during the year	800,000,000	-	-	-
At 31 December	<u>1,000,000,000#</u>	<u>200,000,000^</u>	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid:				
At 1 January	120,000,000	120,000,000	60,000,000	60,000,000
Issued during the year				
- Share split	480,000,000	-	-	-
- Bonus issue	200,000,000	-	20,000,000	-
At 31 December	<u>800,000,000#</u>	<u>120,000,000^</u>	<u>80,000,000</u>	<u>60,000,000</u>

# Ordinary share at par value of RM0.10 each

^ Ordinary share at par value of RM0.50 each

### Share premium

	Amount	
	2014 RM	2013 RM
At 1 January	14,333,133	14,333,133
Capitalised for bonus issue	(14,333,133)	-
At 31 December	<u>-</u>	<u>14,333,133</u>

During the financial year, the Company undertook a share split exercise to subdivide the ordinary shares of RM0.50 each into ordinary shares of RM0.10 each. The Company also increased its issued and paid up ordinary share capital from RM60,000,000 to RM80,000,000 by the way of bonus issue through capitalisation of share premium and retained earnings on the basis of one bonus share for every three subdivided shares held. The enlarged issued and paid up share capital of the Company comprising 800,000,000 subdivided shares (including 200,000,000 bonus shares) were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 7 April 2014.

## 20. Retained earnings

The Company may distribute dividends out of its entire retained earnings as at 31 December 2014 and 31 December 2013 under the single tier system.

## 21. Related party transactions

- (a) For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.
- (b) 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	2014 RM	2013 RM
<b>Group</b>			
Rental of premises payable to:			
- Hup Seng Brothers Holdings Sdn. Bhd.	(i)	120,000	120,000
<b>Company</b>			
From subsidiary companies:			
Dividend received		<u>33,803,000</u>	<u>31,824,000</u>

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.

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

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Short-term employee benefits	9,625,438	9,010,673	2,002,913	1,978,712
Defined contribution plan	866,186	806,258	51,631	48,943
	<u>10,491,624</u>	<u>9,816,931</u>	<u>2,054,544</u>	<u>2,027,655</u>

## 22. Capital commitments

	Group	
	2014 RM	2013 RM
Capital expenditure:		
Contracted but not provided for property, plant and equipment	<u>663,567</u>	<u>4,895,880</u>

## 23. 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 RM623,000 (2013 : RM610,600).

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.

## 24. Fair value

### Determination of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	<u>Note</u>
Trade and other receivables (current)	15
Trade and other payables (current)	17

The carrying amounts of the trade and other receivables and payables are reasonable approximation of their fair values due to their relatively short maturity periods.

### Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of assets by valuation technique:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value is unobservable

## 24. Fair value (cont'd)

### Determination of fair value (cont'd)

As at 31 December 2014, the Group held the following assets of which fair value are disclosed:

	Total RM	Level 1 RM	Level 2 RM	Level 3 RM
<b>At 31 December 2014</b>				
Investment properties (Note 12)	650,000	-	650,000	-
<b>At 31 December 2013</b>				
Investment properties (Note 12)	334,365	-	334,365	-

For investment properties, the Group used the fair value which has been determined based on valuation performed on 17 December 2014. The valuation method is based on comparable market transaction that considers sales of similar properties that have been transacted in the open market.

There were no transfers between the various fair value measurement levels during the financial year.

## 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 15.

#### 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			
	2014		2013	
	RM	% of total	RM	% of total
<b>By country:</b>				
Malaysia	29,550,914	85%	31,417,296	89%
Asia	3,738,605	11%	2,558,200	7%
Other countries	1,472,093	4%	1,207,867	4%
	34,761,612	100%	35,183,363	100%
<b>By industry sectors:</b>				
Biscuits	5,043,407	15%	3,062,372	9%
Beverages	167,291	0%	704,013	2%
Trading	29,550,914	85%	31,416,978	89%
	34,761,612	100%	35,183,363	100%

#### Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are disclosed in Note 15. 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 15.

## 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	
	2014	2013
	RM	RM
Trade and other payables		
- On demand or within 1 year	46,574,959	42,215,855

### (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.

#### Sensitivity analysis of foreign exchange rate changes

	As at		As at	
	2014		2013	
RM/United States Dollars (USD) exchange rate	+/-	2.00%	+/-	2.00%
USD denominated accounts receivable (RM)		2,769,312		1,667,748
Net income (RM)	+/-	55,386	+/-	33,355
RM/Singapore Dollars (SGD) exchange rate	+/-	2.50%	+/-	2.50%
SGD denominated accounts receivable (RM)		2,420,045		2,089,581
Net income (RM)	+/-	60,501	+/-	52,240

## 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 2014 and 2013, which are within the Group's objectives for capital management, are as follows:

	2014 RM	2013 RM
Total liabilities	71,072,824	54,815,919
Total equity	154,933,914	150,386,902
Gearing ratio	46%	36%

## 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	
	2014 RM	2013 RM	2014 RM	2013 RM	2014 RM	2013 RM	2014 RM	2013 RM
<b>Revenue</b>								
Revenue	186,231,035	175,790,744	10,448,568	10,436,715	191,296,251	183,742,550	387,975,854	369,970,009 (A)
<b>Results</b>								
Segment profit	32,239,892	31,082,039	746,855	1,000,051	20,819,546	20,037,657	53,806,293	52,119,747 (B)
Profit from inter-segment sales							(81,333)	(3,432)
Other income							970,392	925,714
Unallocated expenses							(2,970,525)	(2,960,305)
Profit before tax							51,724,827	50,081,724
Income tax expense							(13,577,806)	(13,336,878)
<b>Profit net of tax</b>							<u>38,147,021</u>	<u>36,744,846</u>

(A) Revenue reported above represents revenue generated from the reportable segments. Inter-segment sales for the current year is RM125,757,858 (2013: RM118,562,954).

(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	
	2014 RM	2013 RM	2014 RM	2013 RM	2014 RM	2013 RM	2014 RM	2013 RM
<b>Assets</b>								
Segment assets	105,449,620	96,273,584	11,433,918	12,902,408	69,341,006	66,244,456	186,224,544	175,420,448
Unallocated assets							39,782,194	29,782,373
Total assets							<u>226,006,738</u>	<u>205,202,821</u>
<b>Liabilities</b>								
Segment liabilities	41,207,570	37,250,196	2,636,296	2,007,201	13,918,603	14,265,702	57,762,469	53,523,099
Unallocated liabilities							13,310,355	1,292,820
Total liabilities							<u>71,072,824</u>	<u>54,815,919</u>
<b>Other segment information</b>								
Depreciation	3,234,667	2,907,261	325,547	310,241	1,176,334	1,068,644	4,736,548	4,286,146
Unallocated expense							107,860	97,577
							<u>4,844,408</u>	<u>4,383,723</u>
Reversal of impairment losses recognised in profit or loss	(41,995)	-	-	-	-	-	(41,995)	-
Additions of non-current assets	7,599,256	1,641,808	26,634	90,684	784,808	914,563	8,410,698	2,647,055
Unallocated expense							6,776	33,722
							<u>8,417,474</u>	<u>2,680,777</u>
Non cash expense other than depreciation	349,228	190,296	3,138	2,260	96,999	143,809	449,365	336,365
Unallocated expense							-	2,517
							<u>449,365</u>	<u>338,882</u>

## 28. Dividends

	Group and Company	
	2014	2013
	RM	RM
<b>Recognised and paid during the financial year:</b>		
Dividends paid on ordinary shares:		
- Interim single-tier dividend for 2012: 15 sen per share	-	18,000,000
- Special single-tier dividend for 2012: 3 sen per share	-	3,600,000
- Interim single-tier dividend for 2013: 15 sen per share	-	18,000,000
- Interim single-tier dividend for 2013: 5 sen per share	6,000,000	-
- Special single-tier dividend for 2013: 3 sen per share	3,600,000	-
- Special single-tier dividend for 2014: 1.5 sen per share	12,000,005	-
	<u>21,600,005</u>	<u>39,600,000</u>
<b>Recognised and payable during the financial year:</b>		
- Interim single-tier dividend for 2014: 1.5 sen per share	12,000,004	-
	<u>33,600,009</u>	<u>39,600,000</u>
<b>Proposed but not recognised as a liability as at 31 December:</b>		
- Interim single-tier dividend for 2013: 5 sen per share	-	6,000,000
- Special single-tier dividend for 2013: 3 sen per share	-	3,600,000
- Final single-tier dividend for 2014: 1.5 sen per share	12,000,000	-
	<u>12,000,000</u>	<u>9,600,000</u>

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the financial year ended 31 December 2014, of 1.5 sen on 800,000,000 ordinary shares, amounting to a dividend payable of RM12,000,000 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2015.

## 29. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 10 March 2015.

### 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 2014 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	
	2014	2013	2014	2013
	RM	RM	RM	RM
Total retained profits				
- Realised	116,969,682	117,883,583	1,163,461	8,848,713
- Unrealised	945,239	1,090,860	(4,919)	(5,590)
	<hr/>	<hr/>	<hr/>	<hr/>
	117,914,921	118,974,443	1,158,542	8,843,123
Less: Consolidation adjustments	(42,981,007)	(42,920,674)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Retained profits as per financial statements	74,933,914	76,053,769	1,158,542	8,843,123

# TOP 10 PROPERTIES OF THE GROUP

As at 31 December 2014

Location of Property	Description	Tenure of Land	Existing Use	Land Area/ Build-up Area	Approximate Age of Building	Net Book Value as at 31.12.14 RM
Hup Seng Perusahaan Makanan (M) Sdn. Bhd.						
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	15 years	11,826,743
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	32 years	14,791,668
PTD 1127 HS(D) 38435 (Formerly 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 07.11.2037)	Store	4,047.00 sq. m/ 2,091.40 sq. m	-	1,148,332
PTD 1853 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	26 years	1,950,000
PTD 1871 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	22 years	994,011

Top 10 Properties of the Group - As At 31 December 2014 (cont'd)

Location of Property	Description	Tenure of Land	Existing Use	Land Area/ Build-up Area	Approximate Age of Building	Net Book Value as at 31.12.14 RM
<b>Hup Seng Hoon Yong Brothers Sdn. Bhd.</b>						
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	17 years	660,508
Lot No. 4107 1323, Jalan Bukit Tengah Taman Indah 14000 Bukit Mertajam Pulau Pinang	Double storey shophouse	Freehold	Branch office/ store	371.7 sq. m/ 743.4 sq. m	25 years	351,851
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.	16 years	906,183
Lot 6574 Mukim of Linau District of Batu Pahat Johor Darul Ta'zim	Industrial land	Freehold	Car park	9,704.38 sq. m	-	2,085,285
<b>In-Comix Food Industries Sdn. Bhd.</b>						
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	17 years	4,810,481

# STATEMENT OF SHAREHOLDINGS

As at 20 March 2015

Authorised Share Capital	:	RM100,000,000.00
Issued Share Capital	:	800,000,000
Paid-Up Share Capital	:	RM80,000,000.00
Class of Shares	:	Ordinary Shares of RM0.10 each
Voting Rights	:	One vote per shareholder on a show of hands One vote per Ordinary Share on a poll

## ANALYSIS OF SHAREHOLDINGS

### DISTRIBUTION OF SHAREHOLDING AS AT 20 MARCH 2015

Holdings	No. of Holders	%	Total Holdings	%
Less than 100 shares	87	1.60	4,151	0.00
100 to 1,000	381	6.98	313,636	0.04
1,001 to 10,000	2,565	47.01	13,734,812	1.72
10,001 to 100,000	2,137	39.17	60,946,608	7.62
100,001 to less than 5% of issued shares	285	5.22	317,000,040	39.62
5% and above of issued shares	1	0.02	408,000,753	51.00
<b>TOTAL</b>	<b>5,456</b>	<b>100.00</b>	<b>800,000,000</b>	<b>100.00</b>

### LIST OF TOP 30 SHAREHOLDERS AS AT 20 MARCH 2015

Name Of Shareholders	No. Of Shares Held	Percentage (%)
1. HSB Group Sdn Bhd	408,000,753	51.00
2. Goh Siew Kiew	26,073,333	3.26
3. Chang Kwee Lan	25,905,000	3.24
4. Cekap Kapital Sdn Bhd	20,613,333	2.58
5. Kerk Chian Hui	17,333,333	2.17
6. Kerk Chian Tung	13,733,333	1.72
7. Chang Yang @ Chen Yong	11,413,333	1.43
8. Ker (Kerk) Kim Tim @ Kerk Choo Ting	8,600,000	1.08
9. Chong Swee Ching	8,040,000	1.00
10. Keh (Kerk) Chu Koh	7,306,666	0.91
11. Kuo Chee Ching	7,122,666	0.89
12. Kerk Kar Han	6,446,666	0.81
13. Kerk Han Meng	5,226,666	0.65
14. Teo Lee Tong	5,173,333	0.65
15. Teo Lee Teck	5,160,000	0.65

## Statement of Shareholdings - As At 20 March 2015 (cont'd)

### LIST OF TOP 30 SHAREHOLDERS AS AT 20 MARCH 2015 (cont'd)

Name Of Shareholders	No. Of Shares Held	Percentage (%)
16. Mary Kerk Beng Ley	4,666,666	0.58
17. Kuo Liong Yok	4,133,333	0.52
18. Kuo Chee Hau	3,960,000	0.50
19. Kuo Chee Kian	3,693,333	0.46
20. Sim Guat Keow @ Sim Han Che	3,626,666	0.45
21. Ng Ee Kim	3,453,333	0.43
22. Kuo Lee Yong	3,440,000	0.43
23. Kuo Chee Joo	3,400,000	0.43
24. Kerk Ke Yee	3,333,333	0.42
25. Kuo Lee Ai	3,306,666	0.41
26. Wan Lay Hoon	3,066,666	0.38
27. Kuo Lee Hun	3,013,333	0.38
28. Lem Leh Lee @ Lim Mok Lee	2,840,000	0.36
29. Kuo Chee Yoong	2,666,666	0.33
30. Tan Beng Hong	2,653,333	0.33

### SUBSTANTIAL SHAREHOLDERS

According to the Register that is required to be kept under Section 69L of the Companies Act, 1965, the following are the substantial shareholders of the Company as at 20 March 2015:-

Name of Shareholder	Direct Interest		Deemed Interest	
	No. of Shares	Percentage (%)	No. of Shares	Percentage (%)
1. HSB Group Sdn Bhd	408,000,753	51.00	-	-
2. Kuo Choo Song	1,000,000	0.13	444,750,083*	55.59
3. Kuo Chee Ching	7,122,666	0.89	408,000,753#	51.00
4. Kuo Chee Hau	3,960,000	0.50	408,000,753#	51.00
5. Kuo Chee Joo	3,400,000	0.43	408,000,753#	51.00
6. Kuo Chee Kian	3,693,333	0.46	408,000,753#	51.00
7. Kuo Chee Koon	2,013,333	0.25	408,000,753#	51.00
8. Kuo Chee Yoong	2,666,666	0.33	408,000,753#	51.00
9. Kuo Liong Yok	4,133,333	0.52	408,000,753#	51.00
10. Ke (Kek) Kim Soon @ Kerk Choo Soon	1,000,000	0.13	408,000,753#	51.00
11. Sim Guat Keow @ Sim Han Che	3,626,666	0.45	408,000,753#	51.00
12. Kerk Han Meng	6,206,666	0.78	408,000,753#	51.00
13. Kerk Kar Han	6,446,666	0.81	408,000,753#	51.00
14. Teo Lay Gak	1,866,666	0.23	408,000,753#	51.00
15. Teo Lee Teck	5,160,000	0.65	408,534,086*	51.07

## Statement of Shareholdings - As At 20 March 2015 (cont'd)

### SUBSTANTIAL SHAREHOLDERS (cont'd)

Name of Shareholder	Direct Interest		Deemed Interest	
	No. of Shares	Percentage (%)	No. of Shares	Percentage (%)
16. Teo Lee Tong	5,173,333	0.65	408,000,753#	51.00
17. Keh (Kerk) Chu Koh	7,306,666	0.91	412,747,418*	51.59
18. Lem Leh Lee @ Lim Mok Lee	2,840,000	0.36	408,000,753#	51.00
19. Dato' Seri Ker Kim Tim @ Kerk Choo Ting	8,600,000	1.08	408,000,753#	51.00
20. Datin Seri Chang Yang @ Chen Yong	11,413,333	1.43	408,000,753#	51.00
21. Kerk Gau Yang	626,666	0.08	408,000,753#	51.00
22. Kerk Chong Yong	626,666	0.08	408,000,753#	51.00
23. Kerk Shiang Yih	653,333	0.08	408,000,753#	51.00
24. Kuo Lee Ai	3,306,666	0.41	408,000,753#	51.00
25. Kuo Lee Yong	3,440,000	0.43	408,000,753#	51.00
26. Kuo Lee Hun	3,013,333	0.38	408,000,753#	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 and Section 134 of the Companies Act, 1965.

### DIRECTORS' INTERESTS AS AT 20 MARCH 2015

Name of Director	Direct Interest		Deemed Interest	
	No. of Shares	Percentage (%)	No. of Shares	Percentage (%)
1. Y. Bhg. Dato' Keh (Kerk) Chu Koh	7,306,666	0.91	412,747,418*	51.59
2. Kerk Chiew Siong	1,333,333	0.17	11,373,333#	1.42
3. Kuo Choo Song	1,000,000	0.13	444,750,083*	55.59
4. Kerk Chian Tung	13,733,333	1.72	-	-
5. Teo Lee Teck	5,160,000	0.65	408,534,086*	51.07
6. Kerk Kar Han	6,446,666	0.81	408,000,753@	51.00
7. Mazrina Binti Arifin	-	-	-	-
8. Norita Binti Ja'afar	-	-	-	-
9. Raja Khairul Anuar Bin Raja Mokhtar	-	-	-	-
10. Y. Bhg. Dato' Wee Hoe Soon @ Gooi Hoe Soon	-	-	-	-

**Note:**

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

# Deemed interested by virtue of his interest pursuant to Section 134 of the Companies Act, 1965.

@ 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.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Twenty-Third 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 Tuesday, 19 May 2015 at 11.30 a.m. for the following purposes:-

## AGENDA

### ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2014 together with the Directors' and Auditors' Report thereon. **Resolution 1**
2. To approve the payment of a Final Dividend of 1.5 sen per ordinary share of RM0.10 each under the single-tier system in respect of the financial year ended 31 December 2014. **Resolution 2**
3. To approve the payment of Directors' Fees for the financial year ended 31 December 2014. **Resolution 3**
4. To re-elect the following Directors who retire 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 4**
  - Puan Mazrina binti Arifin **Resolution 5**
  - Mr. Teo Lee Teck **Resolution 6**
5. 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 7**  
  
"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 8**
6. 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 9**

### AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following Ordinary Resolutions:-

#### 7. ORDINARY RESOLUTION 1

##### RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR

"THAT approval be and is hereby given to Puan Mazrina Binti Arifin to continue to serve as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting in accordance with the Malaysian Code on Corporate Governance 2012."

**Resolution 10**

8. **ORDINARY RESOLUTION 2**

**RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR**

“**THAT** approval be and is hereby given to Puan Norita Binti Ja'afar to continue to serve as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting in accordance with the Malaysian Code on Corporate Governance 2012.”

**Resolution 11**

9. To transaction any other business of which due notice shall have been given.

**FURTHER NOTICE IS HEREBY GIVEN** that for the purpose of determining a member who shall be entitled to attend this Twenty-Third Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at 13 May 2015 (“General Meeting Record of Depositors”) and only a Depositor whose name appears on the General Meeting Record of Depositors as at 13 May 2015 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

**NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT**

**NOTICE IS ALSO HEREBY GIVEN THAT** subject to the shareholders’ approval for the payment of the final dividend of 1.5 sen per ordinary share of RM0.10 under the single-tier system in respect of the financial year ended 31 December 2014 (Dividend) under Resolution 2 at the Twenty-Third Annual General Meeting of the Company, the Dividend will be paid to the shareholders on 10 June 2015 to shareholders registered in the Record of Depositors at the close of business on 25 May 2015.

Shareholders of the Company will only be entitled to the Dividend in respect of:

- (a) securities transferred into their securities account before 4.00 p.m. on 25 May 2015 in respect of transfers; and
- (b) securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

**BY ORDER OF THE BOARD**

LEE WAI NGAN (LS00184)  
CHAN TOYE YING (LS00185)  
Company Secretaries

Kuala Lumpur  
27 April 2015

## Notice of Annual General Meeting (cont'd)

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### 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 Registered Office, Plaza 138, Suite 18.03, 18th Floor, 138 Jalan Ampang, 50450 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.

### EXPLANATORY NOTES ON SPECIAL BUSINESS

#### Ordinary Resolutions 10 and 11- Retention of Independent Non-Executive Director

The proposed Resolutions 10 and 11, if passed, will allow the independent directors to be retained and continue acting as independent directors to fulfill the requirements of Paragraph 3.04 of the Main Market Listing Requirements and in line with the recommendation Nos. 3.2 and 3.3 of the Malaysian Code on Corporate Governance 2012. The justification and recommendations for the retention is set out in page 16 of the Corporate Governance Statement in the Annual Report 2014.



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

# FORM OF PROXY

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-Third 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 Tuesday, 19 May 2015 at 11.30 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 2014 together with the Reports of the Directors and Auditors.		
2.	Approve the payment of Final Dividend of 1.5 sen per share.		
3.	Approve the payment of Directors' fees for the financial year ended 31 December 2014.		
	Re-election of Directors retiring according to the Article 76 of the Company's Articles of Association:-		
4.	- Puan Norita binti Ja'afar		
5.	- Puan Mazrina binti Arifin		
6.	- Mr. Teo Lee Teck		
	Re-appointment of Directors pursuant to Section 129 (6) of the Companies Act, 1965:-		
7.	- Dato' Keh (Kerk) Chu Koh		
8.	- Mr Kuo Choo Song		
9.	Re-appointment of Messrs Ernst & Young as Auditors		
10.	Retention of Puan Mazrina Binti Arifin as Independent Non-Executive Director		
11.	Retention of Puan Norita Binti Ja'afar as Independent Non-Executive Director		

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.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2015

\_\_\_\_\_  
 Signature of Member(s) or Common Seal

**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.
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**HUP SENG INDUSTRIES BERHAD** (226098-P)

Plaza 138, Suite 18.03  
18th Floor, 138 Jalan Ampang  
50450 Kuala Lumpur

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