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notice of annual general meeting

NOTICE IS HEREBY GIVEN THAT the Eleventh Annual General Meeting of **Hup Seng Industries Berhad** will be held at Mezzanine Floor, The Katerina Hotel, 8 Jalan Zabedah, 83000 Batu Pahat, Johor Darul Takzim on Thursday, 8 May, 2003 at 9.00 a.m for the following purposes:-

AGENDA

ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December, 2002 together with the Directors' and Auditors' Reports thereon. **Resolution 1**
2. To approve the payment of Final Dividend comprising 6% Tax Exempt for the financial year ended 31 December, 2002. **Resolution 2**
3. To approve the payment of Directors' fees. **Resolution 3**
4. To re-elect the following Directors who retire during the year in accordance with Article 76 of the Company's Articles of Association and being eligible, offer themselves for re-election:-
 - Mr Wee Hoe Soon @ Gooi Hoe Soon **Resolution 4**
 - Ms Kerk Chian Tung **Resolution 5**
 - Puan Mazrina Binti Arifin **Resolution 6**
5. To re-appoint Mr Kuo Choo Song pursuant to Section 129(6) of the Companies Act, 1965 as Director of the Company to hold office until the conclusion of the next Annual General Meeting. **Resolution 7**
6. To re-appoint Messrs Ernst & Young who retire as Auditors of the Company and authorise the Directors to fix their remuneration. **Resolution 8**
7. As Special Business to consider and if thought fit, to pass the following Ordinary Resolutions:-
 - Authority To Allot Shares** **Resolution 9**
"THAT subject to Companies Act, 1965, Articles of Association of the Company and approvals from Kuala Lumpur Stock Exchange and other governmental or regulatory bodies where such approval is necessary, full authority be and is hereby given to the Directors pursuant to Section 132D of Companies Act, 1965 to issue shares in the capital of the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may in their discretion, deem fit provided always that the aggregate number of shares to be issued pursuant to this resolution, does not exceed 10% of the issued share capital of the Company for the time being."

notice of annual general meeting (continued)

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

BY ORDER OF THE BOARD

LEONG OI WAH (f)

MAICSA NO. 7023802

LEONG SIEW FOONG (f)

MAICSA NO. 7007572

Secretaries

Johor Bahru

Date: 17 April, 2003

NOTES:-

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and if the proxy is not a member of the Company, the proxy shall be an advocate or an approved company auditor or a person approved by the Registrar of Companies.
2. A member shall be entitled to appoint more than one proxy (subject always to a maximum of two (2) proxies at each meeting) to attend and vote at the same meeting.
3. Where a member appoints more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. 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.
5. The instrument appointing a proxy must be deposited at the Registered Office of the Company, Signet & Co Sdn. Bhd. at Suite 6.1A, Level 6, Menara Pelangi, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru, Johor not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.
6. Explanatory notes on Special Business:-
The proposed resolution No 9 if passed is primarily to give flexibility to the Board of Directors to issue and allot shares at any time in their absolute discretion without convening a general meeting. This authority will expire at the next Annual General Meeting of the Company.

statement accompanying

Notice of Annual General Meeting

a. Location, date and time of the 2001 Annual General Meeting

The 2001 Annual General Meeting was held at the Mezzanine Floor, The Katerina Hotel, 8 Jalan Zabedah, 83000 Batu Pahat, Johor DarulTakzim on Friday, 17 May, 2002 at 10:30 a.m.

b. Board Meetings

The Board of Directors held six (6) Board meetings in the financial year ended 31 December, 2002, the details of which are stated below:-

Attended by	Dates of Meeting						Total meetings attended
	20 Feb 2002	20 Mar 2002	22 May 2002	27 Aug 2002	21 Nov 2002	17 Dec 2002	
Keh (Kerk) Chu Koh Ke (Kek) Kim Soon @ Kerk Choo Soon	✓	✓	-	✓	✓	✓	5/6
Kuo Choo Song	✓	✓	✓	✓	✓	✓	6/6
Kerk Chian Tung	✓	✓	✓	✓	✓	-	5/6
Kerk Chiew Siong	✓	✓	✓	✓	-	✓	5/6
Teo Lee Teck	✓	✓	✓	✓	✓	✓	6/6
Wee Hoe Soon @ Gooi Hoe Soon	✓	✓	✓	✓	✓	✓	6/6
Mazrina binti Arifin	✓	✓	✓	✓	✓	✓	6/6
Norita binti Ja'afar	✓	✓	✓	✓	✓	-	5/6
Raja Khairul Anuar bin Raja Mokhtar	-	✓	✓	✓	✓	✓	5/6

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

	Name of directors	Date of Appointment	Age	No. of Board Meetings attended
1.	Wee Hoe Soon @ Gooi Hoe Soon	27 June, 2000	43	6
2.	Kerk Chian Tung	15 November, 1999	32	5
3.	Mazrina Binti Arifin	27 June, 2000	35	6

Please refer to pages 14 and 15 of this report for the personal profiles of the above directors.

statement accompanying

Notice of Annual General Meeting (continued)

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

i. Name:	Wee Hoe Soon @ Gooi Hoe Soon				
Age:	43				
Nationality:	Malaysian				
Qualification:	Member of the Malaysian Institute of Certified Public Accountants ("MICPA") and the Malaysian Institute of Accountants ("MIA")				
Position in the Company:	Independent Non-Executive Director				
Working experience & Occupation:	He was appointed as an Independent Non-Executive Director of the Company on 27 June, 2000. He is a member of MICPA and MIA. He has more than 16 years of experience in the fields of accounting and corporate finance and was Finance Director of several private and public listed companies on the Kuala Lumpur Stock Exchange ("KLSE"). He has been instrumental in the successful implementation of several corporate exercises, which include merger and acquisition, and corporate debt restructuring exercises undertaken by public listed companies. He was appointed to the board of directors of Avenue Assets Berhad as a Non-Executive Director in 1999 and was subsequently appointed as the Group Managing Director in 2001. He is also the Chief Executive Officer of a stockbroking company, member firm of KLSE. In addition, he also sits on the board of Pos Malaysia Services & Holdings Berhad (formerly known as Phileo Allied Bhd.) and several private limited companies in Malaysia.				
Other directorship in public listed company:	<ul style="list-style-type: none">> Avenue Assets Berhad> Pos Malaysia Services & Holdings Berhad (formerly known as Phileo Allied Bhd)				
Securities holding in the Company and its Subsidiaries (as at 31 December, 2002):	<table><thead><tr><th><u>No. of securities</u></th><th><u>%</u></th></tr></thead><tbody><tr><td>-</td><td>-</td></tr></tbody></table>	<u>No. of securities</u>	<u>%</u>	-	-
<u>No. of securities</u>	<u>%</u>				
-	-				
Family relationship with any director and/or major shareholder of the Company:	None				
Conflict of interest:	None				
List of convictions for offences within the past 10 years other than traffic offences, if any:	None				

statement accompanying

Notice of Annual General Meeting (continued)

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

<p>ii. Name:</p> <p>Age:</p> <p>Nationality:</p> <p>Qualification:</p> <p>Position in the Company:</p> <p>Working experience & Occupation:</p> <p>Other directorship in public listed company:</p> <p>Securities holding in the Company and its Subsidiaries (as at 31 December, 2002):</p> <p>Family relationship with any director and/or major shareholder of the Company:</p> <p>Conflict of interest:</p> <p>List of convictions for offences within the past 10 years other than traffic offences, if any:</p>	<p>Kerk Chian Tung</p> <p>32</p> <p>Malaysian</p> <p>Degrees in Accounting and Manufacturing Management</p> <p>Executive Director</p> <p>She was appointed to the Board of Directors of the Company on 15 November, 1999 and was appointed as an Executive Director of the same on 17 August, 2000.</p> <p>She joined an accounting firm as an auditor in 1992 and subsequently 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.</p> <p>Nil</p> <table border="0"> <thead> <tr> <th style="text-align: left;"><u>No. of securities</u></th> <th style="text-align: left;"><u>%</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> </tbody> </table> <p>She is the niece of Kuo Choo Song, Ke (Kek) Kim Soon @ Kerk Choo Soon, Keh (Kerk) Chu Koh and Kerk Chiew Siong, and cousin of Teo Lee Teck. Her family relationship with shareholders of HSB Group Sdn. Bhd. (major shareholder of Hup Seng Industries Bhd. ("HSIB")) is disclosed in page 16 of this Annual Report.</p> <p>None</p> <p>None</p>	<u>No. of securities</u>	<u>%</u>	-	-
<u>No. of securities</u>	<u>%</u>				
-	-				
<p>iii. Name:</p> <p>Age:</p> <p>Nationality:</p> <p>Qualification:</p> <p>Position in the Company:</p> <p>Working experience & Occupation:</p> <p>Other directorship in public listed company:</p> <p>Securities holding in the Company and its Subsidiaries (as at 31 December, 2002):</p> <p>Family relationship with any director and/or major shareholder of the Company:</p> <p>Conflict of interest:</p> <p>List of convictions for offences within the past 10 years other than traffic offences, if any:</p>	<p>Mazrina Binti Arifin</p> <p>35</p> <p>Malaysian</p> <p>Bachelor of Science majoring in Accounting</p> <p>Independent Non-Executive Director</p> <p>She was appointed as an Independent Non-Executive Director on 27 June, 2000. She is qualified as a Certified Chartered Accountant from the Chartered Association of Certified Accountants in England since 1993. She was attached with Arthur Andersen HRM (Tax Services) Sdn. Bhd. from 1995 to 1998 and was a Senior Tax Consultant prior to her leaving the firm. Currently, she is a Managing Director of Under6'ers, a Child Enrichment Centre.</p> <p>Nil</p> <table border="0"> <thead> <tr> <th style="text-align: left;"><u>No. of securities</u></th> <th style="text-align: left;"><u>%</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> </tbody> </table> <p>None</p> <p>None</p> <p>None</p>	<u>No. of securities</u>	<u>%</u>	-	-
<u>No. of securities</u>	<u>%</u>				
-	-				

statement accompanying

Notice of Annual General Meeting (continued)

- e. Director standing for re-appointment at the Eleventh Annual General Meeting pursuant to Section 129(6) of the Companies Act, 1965 is as follows:-

	Name of director	Date of Appointment	Age	No. of Board Meetings attended
1.	Kuo Choo Song	4 October, 1991	71	6

Please refer to page 13 for the personal profile of the above director.

- f. Further details of Director who is standing for re-appointment as director:-

iv. Name:	Kuo Choo Song							
Age:	71							
Nationality:	Malaysian							
Qualification:	Primary School							
Position in the Company:	Managing Director							
Working experience & Occupation:	<p>He became a member of the Board of Directors on 4 October, 1991 and was appointed as the Executive Chairman of the Company on 3 August, 2000. Subsequently, he is redesignated as Managing Director in Hup Seng Industries Berhad ("HSIB") on 1 February, 2003. He was appointed as the Managing Director of Hup Seng Perusahaan Makanan (M) Sdn. Bhd. ("HSPM") on 13 October, 1974 and as the Chairman of 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 Hup Seng Hoon Yong Brothers Sdn. Bhd. ("HSHY") since 21 April, 1977. He has over 44 years of experience in the biscuits industry at management and board levels. He is one of the founders of Hup Seng Co. which was established in 1958 and was subsequently converted to HSPM in 1974. His job responsibilities include planning the Hup Seng Group's business development programs and representing the Group at various external functions.</p>							
Other directorship in public listed company:	Nil							
Securities holding in the Company and its Subsidiaries (as at 31 December, 2002):	<table> <thead> <tr> <th>No. of securities</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>34,786,000 shares (indirect)</td> <td>57.98</td> </tr> <tr> <td>2,000 shares (direct)</td> <td>0.003</td> </tr> </tbody> </table>	No. of securities	%	34,786,000 shares (indirect)	57.98	2,000 shares (direct)	0.003	
No. of securities	%							
34,786,000 shares (indirect)	57.98							
2,000 shares (direct)	0.003							
Family relationship with any director and/or major shareholder of the Company:	<p>He is the elder brother of Ke (Kek) Kim Soon @ Kerk Choo Soon, Keh (Kerk) Chu Koh and Kerk Chiew Siong. He is the uncle of Kerk Chian Tung and Teo Lee Teck. His family relationship with shareholders of HSB Group Sdn. Bhd. (major shareholder of HSIB) is disclosed in page 16 of this Annual Report.</p>							
Conflict of interest:	No, except for certain recurrent related party transactions of revenue or trading nature that is necessary for day-to-day operations of the Group.							
List of convictions for offences within the past 10 years other than traffic offences, if any:	None							

corporate information

DIRECTORS

Keh (Kerk) Chu Koh
(Chairman)

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

Kuo Choo Song
(Managing Director)

Kerk Chian Tung
(Executive Director)

Kerk Chiew Siong
(Non-Executive Director)

Teo Lee Teck
(Non-Executive Director)

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

Mazrina Binti Arifin
(Independent Non-Executive Director)

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

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

Woon Chin Chan
(Alternate Director to Wee Hoe Soon @ Gooi Hoe Soon)
(appointed on 6 March, 2003)

SECRETARIES

Leong Oi Wah
Leong Siew Foong

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

14, Jalan Kilang
Kawasan Perindustrian Tongkang Pecah
83010 Batu Pahat, Johor Darul Ta'zim
Tel : (07) - 415 1211 Fax: (07) - 415 1777

SHARE REGISTRAR

Signet Share Registration Services Sdn. Bhd.
11th Floor, Tower Block
Kompleks Antarabangsa
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : (03) - 2145 4337 Fax : (03) - 2142 1353

PRINCIPAL BANKERS

RHB Bank Berhad
Malayan Banking Berhad
Public Bank Berhad

AUDITORS

Ernst & Young
Chartered Accountants
Suite 11.2A, Level 11
Menara Pelangi
Jalan Kuning, Taman Pelangi
80400 Johor Bahru
Johor Darul Ta'zim
Tel : (07) - 334 1740 Fax : (07) - 334 1749

STOCK EXCHANGE LISTING

Kuala Lumpur Stock Exchange Main Board



corporate structure

美味爽口
DELICIOUS



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



100%

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



100%

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



chairman's statement

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of Hup Seng Industries Berhad Group for the financial year ended 31 December, 2002.

The Board foresees the business environment to remain uncertain and highly competitive for the Group. Looking forward, the competition among the existing players in terms of pricing and product ranges is expected to become more intense, and this is going to be even more severe with the imported products. Nevertheless, the Group is ready to face them by maintaining and improving our quality coupled with stronger advertisement and promotion planning.

RESULTS

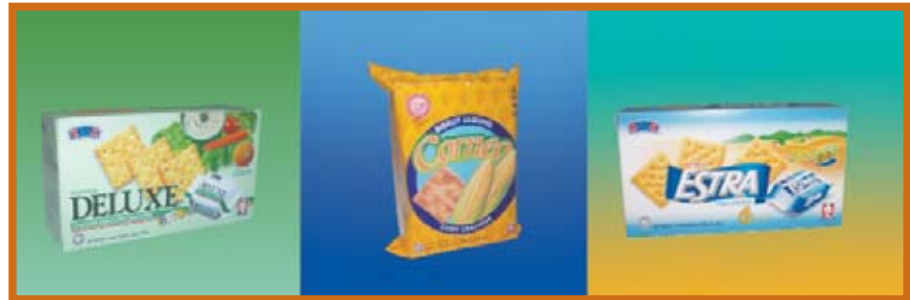
The Group has achieved revenue of RM164.9 million for the financial year ended 31 December, 2002 as compared to RM161.2 million for the previous corresponding year. However, the performance of the Group has been mitigated by under recovery of overheads resulting in a lower net profit of RM14.44 million (2001: RM14.71 million) being recorded.

The cash position at the Group level is healthy and its shareholders' funds have improved from RM105.7 million to RM114.4 million this year.



chairman's statement

(continued)



DIVIDEND

The Board of Directors is pleased to recommend a final dividend of 6% tax exempt for the financial year ended 31 December, 2002 for the approval of shareholders at the forthcoming Annual General Meeting.

PROSPECTS

The Board will increase its budget for advertisement and promotion as part of its efforts to meet the challenging demands of the market and expand aggressively its business although the prospects of this industry is uncertain.

ACKNOWLEDGEMENT

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

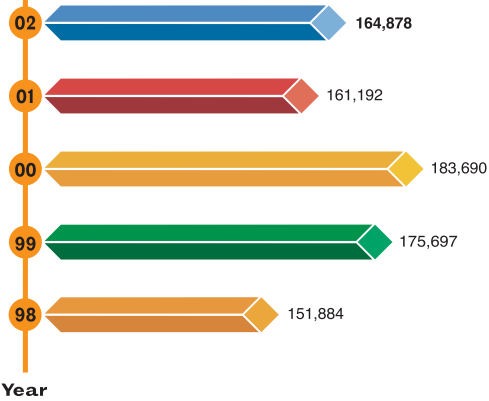
KEH (KERK) CHU KOH
Chairman



five year group financial highlights

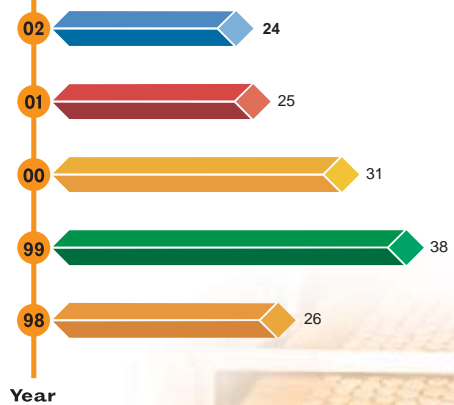
Turnover

(RM'000)



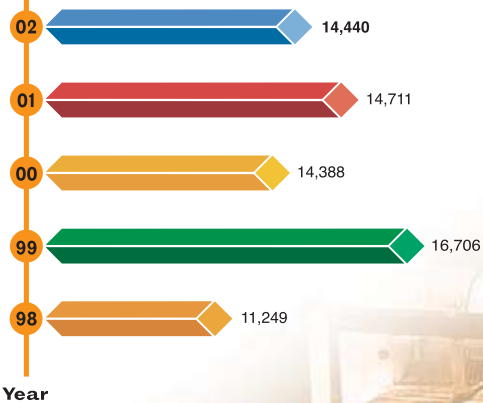
Net Earnings Per Share

(sen)



Profit After Tax

(RM'000)



Keh (Kerk) Chu Koh

Keh (Kerk) Chu Koh, Malaysian aged 60, is the Chairman of the Company. He became a member of the Board of Directors on 4 October, 1991 and was appointed as the Managing Director on 3 August, 2000. Subsequently, he is redesignated as Chairman on 1 February, 2003. He was the Deputy Managing Director of Hup Seng Perusahaan Makanan (M) Sdn. Bhd. ("HSPM") on 13 October, 1974 and then the Managing Director of the same on 1 April, 1977. He was appointed as the Deputy Managing Director on 21 April, 1977 and subsequently the Vice Chairman of Hup Seng Hoon Yong Brothers Sdn. Bhd. ("HSHY") on 1 January, 1990. He is the brother of Kuo Choo Song, Ke (Kek) Kim Soon @ Kerk Choo Soon and Kerk Chiew Siong, and uncle of Kerk Chian Tung and Teo Lee Teck. His family relationship with shareholders of HSB Group Sdn. Bhd. (major shareholder of Hup Seng Industries Bhd. ("HSIB")) is disclosed in page 16 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 44 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 travels abroad extensively to keep abreast with the latest developments in the biscuits manufacturing industry and to assess new market prospects for the Group.

Ke (Kek) Kim Soon @ Kerk Choo Soon

Ke (Kek) Kim Soon @ Kerk Choo Soon, Malaysian aged 63, is the Vice-Chairman of the Company. He became a member of the Board of Directors on 4 October, 1991 and was appointed as the Executive Vice-Chairman on 3 August, 2000. Subsequently, his position is redesignated to Vice-Chairman on 1 February, 2003. He was appointed as the General Manager of HSPM on 1 April, 1977 and then the Vice-Chairman of the same on 1 January, 1990. His position in HSPM was subsequently redesignated to Chairman on 1 February, 2003. He has been the Managing Director of HSHY since 21 April, 1977 until now. He is the brother of Kuo Choo Song, Keh (Kerk) Chu Koh and Kerk Chiew Siong, and uncle of Kerk Chian Tung and Teo Lee Teck. His family relationship with shareholders of HSB Group Sdn. Bhd. (major shareholder of HSIB) is disclosed in page 16 of this Annual Report. He graduated from Chung Hwa Correspondence School in 1992 majoring in Business Administration, Marketing, Banking and International Trade. He does not have any conflict of interest with the Company except for certain recurrent related party transactions of revenue or trading nature 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 over 44 years of experience in the biscuits industry specialising in the marketing of biscuits in both the domestic and international markets.

Kuo Choo Song

Kuo Choo Song, Malaysian aged 71, is the Managing Director of the Company. He became a member of the Board of Directors on 4 October, 1991 and was appointed as the Executive Chairman of the Company on 3 August, 2000. Subsequently, he is redesignated as Managing Director in Hup Seng Industries Berhad ("HSIB") on 1 February, 2003. He was appointed as the Managing Director of HSPM on 13 October, 1974 and as the Chairman of the same since 1 April, 1977. He was subsequently redesignated as Vice Chairman of HSPM on 1 February, 2003. He has been the Chairman of HSHY since 21 April, 1977. He has over 44 years of experience in the biscuits industry at management and board levels. He is one of the founders of Hup Seng Co. which was established in 1958 and was subsequently converted to HSPM in 1974. He is the elder brother of Ke (Kek) Kim Soon @ Kerk Choo Soon, Keh (Kerk) Chu Koh and Kerk Chiew Siong, and uncle of Kerk Chian Tung and Teo Lee Teck. His family relationship with shareholders of HSB Group Sdn. Bhd. (major shareholder of HSIB) is disclosed in page 16 of this Annual Report. He does not have any conflict of interest with the Company except for certain recurrent related party transactions of revenue or trading nature that is necessary for day-to-day operations of the Group. He has no convictions for any offences over the past 10 years. His job responsibilities include planning the Hup Seng Group's business development programs and representing the Group at various external functions.

directors' profile (continued)

Kerk Chian Tung

Kerk Chian Tung, Malaysian aged 32, became a member of the Board of Directors of the Company on 15 November, 1999 and was appointed as an Executive Director of the same on 17 August, 2000. She is the niece of Kuo Choo Song, Ke (Kek) Kim Soon @ Kerk Choo Soon, Keh (Kerk) Chu Koh and Kerk Chiew Siong, and cousin of Teo Lee Teck. Her family relationship with shareholders of HSB Group Sdn. Bhd. (major shareholder of HSIB) is disclosed in page 16 of this Annual Report. She does not have any conflicts of interest with the Company nor conviction for any offences over the past 10 years.

She graduated with a degree in Accounting from the University of Southern Queensland, Australia in 1991 and a degree in Manufacturing Management from the University of Monash, Australia in 1994. She joined an accounting firm as an auditor in 1992 and subsequently 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.

Kerk Chiew Siong

Kerk Chiew Siong, Malaysian aged 50, became a member of the Board of Directors on 4 October, 1991 and was appointed as the Executive Director on 3 August, 2000. His position as Executive Director was redesignated to Non-Executive Director on 1 February, 2003. He was appointed as the Director of HSPM on 12 March, 1981 and then as an Executive Director on 1 January, 1990 before being redesignated as Vice Chairman on 1 February, 2003. He was a Director of HSHY on 15 February, 1988 and then became the Deputy Managing Director of the same on 1 January, 1990 before being redesignated as Executive Director on 1 February, 2003. He is the brother of Kuo Choo Song, Ke (Kek) Kim Soon @ Kerk Choo Soon and Keh (Kerk) Chu Koh, and uncle 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 16 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 27 years of experience in the manufacturing and marketing of biscuits. As head of the Quality Assurance and Business Development Department, he is responsible for devising strategies for market development and researching the potentials of the Group's products in existing as well as new markets. He also ensures the Group's biscuits manufacturing quality control system meets the ISO9001:2000 requirements.

Teo Lee Teck

Teo Lee Teck, Malaysian aged 43, was appointed as a Non-Executive Director of the Company on 10 August, 2000. He was a Director of HSPM on 20 March, 1984 and then an Executive Director of the same on 1 January, 1990. He started his career with HSPM in 1977 as a Chocolate Wafer Section supervisor and was promoted through various positions before assuming the position of Project Manager since 1994. He is the nephew of Kuo Choo Song, Ke (Kek) Kim Soon @ Kerk Choo Soon, Keh (Kerk) Chu Koh and Kerk Chiew Siong, and cousin of Kerk Chian Tung. His family relationship with shareholders of HSB Group Sdn. Bhd. (major shareholder of HSIB) is disclosed in page 16 of this Annual Report. He does not have any conflicts of interest with the Company. He has no convictions for any offences over the past 10 years.

Wee Hoe Soon @ Gooi Hoe Soon

Wee Hoe Soon @ Gooi Hoe Soon, Malaysian aged 43, was appointed as an Independent Non-Executive Director of the Company on 27 June, 2000. He does not have any family relationship with any director and/or major shareholder, nor any conflicts of interest with the Company. He has no convictions for any offences over the past 10 years.

He is a member of the Malaysian Institute of Certified Public Accountants ("MICPA") and the Malaysian Institute of Accountants ("MIA"). He has more than 16 years of experience in the fields of accounting and corporate finance and was Finance Director of several private and public listed companies on the Kuala Lumpur Stock Exchange ("KLSE"). He has been instrumental in the successful implementation of several corporate exercises, which include merger and acquisition, and corporate debt restructuring exercises undertaken by public listed companies. He was appointed to the board of directors of Avenue Assets Berhad as a Non-Executive Director in 1999 and was subsequently appointed as the Group Managing Director in 2001. He is also the Chief Executive Officer of a stockbroking company, member firm of KLSE. In addition, he also sits on the board of Pos Malaysia Services & Holdings Berhad (formerly known as Phileo Allied Bhd.) and several private limited companies in Malaysia.

Mazrina bte Arifin

Mazrina bte Arifin, Malaysian aged 35, was appointed as an Independent Non-Executive Director of the Company on 27 June, 2000. She does not have any family relationship with any director and/or major shareholder, nor any conflicts of interest with the Company. She has no convictions for any offences over the past 10 years.

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

Norita bte Ja'afar

Norita bte Ja'afar, Malaysian aged 31, was appointed as an Independent Non-Executive Director of the Company on 11 August, 2000. She does not have any family relationship with any director and/or major shareholder, nor any conflicts of interest with the Company. She has no convictions for any offences over the past 10 years.

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

directors' profile

(continued)

Raja Khairul Anuar bin Raja Mokhtar

Raja Khairul Anuar bin Raja Mokhtar, Malaysian aged 28, was appointed as a Non-Executive Director of the Company on 14 December, 2000. He is the nephew of Datin Noorhayati Binti Kamaluddin, a major shareholder of the Company. He does not have any conflicts of interest with the Company nor convictions for any offences over the past 10 years.

He is currently completing his Master of Business Administration majoring in Finance at Multimedia University, Cyberjaya. He holds a Bachelor of Commerce and a Diploma of Commerce from Curtin University of Technology, Perth Western Australia in 1998. He started his career as an Executive at L&M Corporate (M) Bhd. from 1998 to 2000 and subsequently joined a Multinational IT company, Hewlett-Packard Sales (M) Sdn. Bhd., as a Business Analyst from 2001 to 2002. He is currently attached to Damai Kemuning Sdn Bhd., a property development company.

Woon Chin Chan

Woon Chin Chan, Malaysian aged 44, was appointed as an Alternate Director to Wee Hoe Soon @ Gooi Hoe Soon (Independent Non-Executive Director) on 6 March, 2003. He does not have any family relationship with any director and/or major shareholder, nor any conflicts of interest with the Company. He has no convictions for any offences over the past 10 years.

He is a member of MICPA and MIA. He acquired accounting qualification in the Malaysian Association of Certified Public Accountants in 1983. He is presently a consultant cum trainer in financial and related matters. Since 1990, he has been a project manager to various working groups that develop MASB Standard and conducts training for the professional staff of KLSE and Securities Commission. In addition, he provides consultancy services to SME on financial issues and reporting. From 1988 to 1990, he was a technical manager in MICPA developing various technical materials on accounting, taxation and company law. He also acted as secretary to technical committees and liaison bodies with the statutory bodies on accounting matters. He joined a major international accounting firm from 1980 to 1988, holding the position as an audit manager. While in the accounting firm, he was involved in various audit assignments and listing exercises, and engaged in due diligence and share valuation projects.

Family Relationship between HSB Group Sdn. Bhd.'s Shareholders and Hup Seng Industries Bhd.'s (HSIB) Directors

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

statement on corporate governance

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

The Group has applied the principles of Malaysian Code on Corporate Governance (“MCCG”) and best practices of Corporate Governance and the extent of the application is shown as follows:-

BOARD OF DIRECTORS

Composition and Attendance

Six (6) regular meetings were conducted in the financial year 2002, discussing and reviewing quarterly and annual financial results, internal audit reports, dividend proposals, related party transactions, and corporate strategy. The composition of the Board and the attendance of the individual directors during the financial year ended 31 December, 2002 are as follows:-

Name of Director	Designation	No. of meetings attended (out of the total 6 meetings held)
Keh (Kerk) Chu Koh	Chairman	5/6
Ke (Kek) Kim Soon @ Kerk Choo Soon	Vice Chairman	6/6
Kuo Choo Song	Managing Director	6/6
Kerk Chian Tung	Executive Director	5/6
Kerk Chiew Siong	Non-Executive Director	5/6
Teo Lee Teck	Non-Executive Director	6/6
Wee Hoe Soon @ Gooi Hoe Soon	Independent Non-Executive Director	6/6
Mazrina binti Arifin	Independent Non-Executive Director	6/6
Norita binti Ja'afar	Independent Non-Executive Director	5/6
Raja Khairul Anuar Bin Raja Mokhtar	Non-Executive Director	5/6
Woon Chin Chan (appointed on 6 March, 2003)	Alternate Director to Wee Hoe Soon @ Gooi Hoe Soon	-

The Board meets the requirements imposed by the Kuala Lumpur Stock Exchange (“KLSE”) of having one-third of its Board members being Independent Non-Executive Directors. This board structure provides a balance of corporate accountability to the Company given that the Independent Directors can contribute their independent judgment and knowledge to the management in which the Executive Directors conduct their day-to-day duties. Wee Hoe Soon @ Gooi Hoe Soon 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 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.

statement on corporate governance

(continued)

Duties and Responsibilities (Cont'd)

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

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

Supply and Access to Information

Prior to Board meetings, the Company Secretary and management would provide agenda and board papers to the Board members. The board papers include minutes of previous meeting, quarterly financial results, supporting management reports and copies of signed resolution for the months in concerned.

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

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.

The details of directors who are retiring and eligible for re-election pursuant to Article 76 of the Company's Articles of Association are listed in the Statement Accompanying Notice of AGM on pages 5 and 6 herein.

In accordance with Section 129(6) of the Companies Act, 1965, directors over seventy years of age are required to submit themselves for re-appointment annually. Kuo Choo Song, the Managing Director, is due for re-appointment pursuant to Section 129(6) of the Companies Act, 1965 at the forthcoming AGM and personal details of him is stated on page 7 of this Report.

Directors' Training

The Board members are aware of the importance of knowing the various provisions, guidelines, rules and regulations in the securities industry of Malaysia and thus will undertake the necessary training programmes to further enhance their knowledge. The Board members are encouraged to attend continuous education programmes and seminars to keep themselves updated with developments in the marketplace. The directors will continue to attend the Continuing Education Programme ("CEP") arranged by Research Institute of Investment Analyst Malaysia.

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, 2002, categorised into appropriate components.

statement on corporate governance

(continued)

DIRECTORS REMUNERATION (Cont'd)

Directors' Remuneration

	Salary (RM)	Fees (RM)	Bonus & allowance (RM)	Benefits-in-kind (RM)
Executive	2,485,560	330,000	1,232,769	70,667
Non-Executive	135,360	260,000	68,098	9,400

The number of Directors whose remuneration falls into each successive band of RM50,000 for the financial year ended 31 December, 2002 is disclosed as follows:-

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
RM50,000 and below		4
RM250,001 to RM300,000	1	1
RM650,001 to RM700,000	1	
RM1,050,001 to RM1,100,000	3	

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board of Directors recognises its responsibilities in ensuring that financial statements are prepared in accordance with the applicable approved accounting standards in Malaysia and provisions of the Companies Act, 1965. The Board also acknowledges its responsibility for presenting a fair and reasonable assessment of the financial position of the Group in the forms of annual and quarterly financial statements to its shareholders. Upon recommendations given by the Audit Committee of the financial statements, the Board will engage in discussions and reviews before approving them and subsequently releasing them to the public, Securities Commission ("SC") and KLSE.

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

Internal Control

The Board is aware of the importance of establishing and maintaining a sound internal control system in the Company and its subsidiaries to safeguard shareholders' interest and Group's assets. The Board continuously reviews and examines the effectiveness and efficiency of the internal control system on financial, operational and compliance risk and will seek alternative ways for improvement should any weakness be detected and identified. The system can only provide reasonable assurance against misstatement, loss or fraud as certain threats and risks are externally driven, unforeseen and beyond the control of the Group.

The Board has appointed Monteiro & Heng as the internal auditor to assist the Group in identifying and evaluating significant exposure to risk and assist the Group in maintaining effective controls. The Statement of Internal Control is set out on page 28 of this report.

statement on corporate governance

(continued)

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 are subject to the approval of shareholders and Board of Directors in the forthcoming AGM.

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

SHAREHOLDERS AND INVESTORS

The Annual Report, press release as well as disclosures and announcements to KLSE, 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 KLSE to the shareholders on a timely basis and consequently ensures that the investors are well informed of any major developments of the Group.

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 KLSE.

While conducting presentations and interviews, the Board takes necessary precautions to ensure that price sensitive information and material undisclosed information about the Group is not revealed until after the prescribed announcement to the KLSE has been made.

statement of directors' responsibilities

in relation to financial statement

The Directors are required to prepare financial statements 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 34 of the Annual Report.

The Directors are of the view that, in preparing the financial statements of the Company and the Group for the financial year ended 31 December, 2002, 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 to enable them to ensure that the financial statements comply with the requirements of the Companies Act, 1965 and applicable approved accounting standards.

The Directors have ensured timely release of quarterly and annual financial results of the Company and Group to the KLSE so that the public and investors are informed of the Group's development.

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



audit committee

COMPOSITION

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

- Mr. Wee Hoe Soon @ Gooi Hoe Soon
(Chairman, Independent Non-Executive Director; member of the MIA)
Appointed on 3 August, 2000
- Puan Mazrina Bte. Arifin
(Independent Non-Executive Director)
Appointed on 3 August, 2000
- Mr. Keh (Kerk) Chu Koh
(Chairman)
Resigned on 6 March, 2003
- Puan Norita Binti Ja'afar
(Independent Non-Executive Director)
Appointed on 27 August, 2002
- Mr. Kuo Choo Song
(Managing Director)
Appointed on 6 March, 2003

Puan Norita Binti Ja'afar and Mr. Kuo Choo Song were appointed as members of the Audit Committee on 27 August, 2002 and 6 March, 2003 respectively. One member of the Audit Committee, namely Mr. Keh (Kerk) Chu Koh, resigned from the Committee on 6 March, 2003.

TERMS OF REFERENCE FOR AUDIT COMMITTEE

Constitution

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

The Audit Committee shall ensure:

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

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

audit committee

(continued)

Constitution (Cont'd)

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

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

Authority

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

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

Functions

Duties and Responsibilities

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

audit committee

(continued)

Functions (Cont'd)

- 10) any letter of resignation from the external auditors of the Company; and
 - 11) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment.
- b) to recommend or consider the nomination of a person or persons as external auditors together with such other functions as may be agreed to by the Audit Committee and the Board of Directors.

Meeting and Reporting Procedure

- a) The Committee shall meet as the Chairman deems necessary but not less than four (4) times a year.
- b) The external auditors may request a meeting if they consider that one is necessary and shall have the right to appear and be heard at any meeting of the Committee.
- c) The Chairman shall convene a meeting whenever any member of the Committee requests 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 once a year the Committee shall meet with the external auditors without executive Board members present.
- g) The Chairman shall be entitled, where deemed appropriate, to invite other Board members, employees, professionals and/or any person(s) with the relevant experience and expertise to attend meetings of the Committee.

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

Secretary

The Company Secretary shall be the Secretary of the Committee.

The Secretary is responsible for:-

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

Quorum

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

ACTIVITIES DURING THE YEAR

Meetings

Four (4) meetings were held during the financial year ended 31 December, 2002. The Internal and External Auditors as well as the Group Financial Controller were invited to attend these meetings to advise and clarify the accounting issues and company matters. The dates and attendees of the meetings held are stated below:-

Attended by	Dates of Meeting				Total meetings attended
	20 Feb 2002	22 May 2002	27 Aug 2002	21 Nov 2002	
Keh (Kerk) Chu Koh	✓	-	✓	✓	3/4
Wee Hoe Soon @ Gooi Hoe Soon	✓	✓	✓	✓	4/4
Mazrina binti Arifin	✓	✓	✓	✓	4/4
Norita binti Ja'afar	-	-	-	✓	1/4

ACTIVITIES DURING THE YEAR (Cont'd)

Meetings

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

- o Reviewed the quarterly unaudited financial reports before recommending them to the Board of Directors for subsequent consideration and approval.
- o 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.
- o Evaluated the performance of the External Auditors and made recommendations on their appointment to the Board.
- o Discussed and attended to the key aspects of business operations that would affect the profitability and growth of the Company and its subsidiaries.
- o Reviewed the internal audit plan, programmes and resources requirements for the year.
- o Reviewed the internal audit reports, which highlighted the audit issues, recommendations and management responses, and discussed with the Internal Auditors on issues relating to system and control weaknesses, ascertained during the audit process. The Internal Auditors would then provide their professional recommendations to overcome such system and control weaknesses.
- o Reviewed and discussed Related Party Transactions (“RPT”) and Recurring 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.

Minutes of each meeting held were disseminated to each Board member at the subsequent Board Meeting. Duties and responsibilities of the Committee were discharged according to its Terms of Reference.

Internal Audit

Monteiro & Heng (“M&H”) was appointed as Internal Auditor for the Group since 22 December, 2001 to undertake independent regular and systematic reviews of the systems of internal control. The Internal Auditor provides an independent and objective feedback and reports to the Audit Committee on the effectiveness and efficiency of the systems.

Internal audit projects were executed on corporate governance, overall internal audit planning, inventory system, and credit and collection control procedures during the financial year.

The internal audit projects encompassed activities such as follows:-

- Carried out audit of the Group’s operations to evaluate the internal control systems and procedures and the compliance level of the Group.
- Prepared the annual audit plan for the review of the Audit Committee.
- Produced internal audit reports on a quarterly basis to the Audit Committee, Board of Directors and management, identifying weaknesses and problems, and providing recommendations for improvement.
- Acted on suggestions made by the Audit Committee members, Board members and senior management on concerns over operations or control.
- Attended all Audit Committee and Board of Directors meetings to table and discuss the audit reports.

nominating committee

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

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

The Nominating Committee is responsible for:-

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

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

During the financial year, the Committee convened one (1) meeting and the attendance record is as follows:-

Date of meeting	Time	Venue	<i>Attended by</i>
3 July, 2002	10.30am	THB Satu, 1st Floor, East Wing, Jalan Damansara Endah, Damansara Heights, 50490 Kuala Lumpur	Wee Hoe Soon @ Gooi Hoe Soon Mazrina binti Arifin Norita binti Ja'afar

remuneration committee

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

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

The Remuneration Committee is responsible for:-

- o Assessing the performance and commitment of the Directors and ensuring the remuneration reflects the involvement, responsibility undertaken and level of performance of the Board members.
- o Recommending to the Board on the appropriate remuneration package of the Executive and Non-Executive Directors.

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.

There were four (4) meetings held in the financial year ended 31 December, 2002 and the location, date, time and attendees of the meetings held are stated below:-

Dates of meeting	Time	Venue
22 February, 2002	12.30pm	34-2, Jalan 24/70A, Desa Sri Hartamas, 50480 Kuala Lumpur
3 July, 2002	10.30am	THB Satu, 1st Floor, East Wing, Jalan Damansara Endah, Damansara Heights, 50490 Kuala Lumpur
15 October, 2002	6.00pm	THB Satu, 1st Floor, East Wing, Jalan Damansara Endah, Damansara Heights, 50490 Kuala Lumpur
21 November, 2002	3.00pm	THB Satu, 1st Floor, East Wing, Jalan Damansara Endah, Damansara Heights, 50490 Kuala Lumpur

Attended by	Dates of Meeting				Total meetings attended
	22 Feb 2002	3 July 2002	15 Oct 2002	21 Nov 2002	
Wee Hoe Soon @ Gooi Hoe Soon	✓	✓	✓	✓	4/4
Teo Lee Teck	✓	✓	✓	✓	4/4
Raja Khairul Anuar bin Raja Mokhtar	✓	✓	✓	✓	4/4

statement on internal control

The Board of Directors of Hup Seng Industries Berhad acknowledges that it is their responsibilities to review the adequacy and integrity of the system. Because of the limitations that are inherent in any systems of internal control and the general nature of risk taking in business, such systems are designed to manage rather than eliminate risk. Accordingly these systems can only provide reasonable and not absolute assurances against material loss.

The existence of the Internal Audit function since December 2001 aims to inter-alia assist management to review the effectiveness of the Group's internal control system. The Board confirms that there is an on-going process for identifying, evaluating and managing significant risks faced by the Group. This includes examining principal business risks in critical areas and identifying measures to mitigate, avoid and eliminate these risks. This process is regularly reviewed by the Audit Committee and the Board and accords with the Statement on Internal Control: Guidance For the Directors of Public Listed Companies. The process has been in place during the year under review and up to the date of approval of this annual report.

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

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

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



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30 Directors' Report

The Directors have pleasure in presenting their annual report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December, 2002.

PRINCIPAL ACTIVITY

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are manufacture and sales of biscuits 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 after taxation	<u>14,439,978</u>	<u>8,796,910</u>

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

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

DIVIDEND

During the financial year, the Company paid a final dividend of 2.5% less 28% tax and 2.5% tax exempt, amounting to RM1,080,000 and RM1,500,000 respectively in respect of the previous financial year as proposed in the Directors' Report for that financial year.

The Company also paid an interim dividend of 3% less 28% tax and 3% tax exempt, amounting to RM1,296,000 and RM1,800,000 respectively in respect of the current financial year.

The Directors recommend, a final dividend in respect of the current financial year ended 31 December, 2002, of 6% tax exempt on 60,000,000 ordinary shares, amounting to a total dividend of RM3,600,000 (6 sen net per share).

DIRECTORS

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

Keh (Kerk) Chu Koh	(Chairman)
Ke (Kek) Kim Soon @ Kerk Choo Soon	(Vice Chairman)
Kuo Choo Song	(Managing Director)
Kerk Chiew Siong	(Non Executive Director)
Kerk Chian Tung	(Executive Director)
Teo Lee Teck	(Non Executive Director)
Norita Binti Ja'afar	(Independent Director)
Wee Hoe Soon @ Gooi Hoe Soon	(Independent Director)
Mazrina Binti Arifin	(Independent Director)
Raja Khairul Anuar Bin Raja Mokhtar	(Non Executive Director)
Woon Chin Chan	(Alternate Director to Wee Hoe Soon @ Gooi Hoe Soon) (Appointed on 6 March 2003)

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 is a party, whereby Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive benefits (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 6 of the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in Note 23 to the financial statements.

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM 1 each			
	As at 1.1.2002	Bought	Sold	
The Company				
<u>Direct interest</u>				
Kuo Choo Song	-	2,000	-	2,000
Ke (Kek) Kim Soon				
@ Kerk Choo Soon	113,000	-	-	113,000
Keh (Kerk) Chu Koh	213,000	-	-	213,000
Teo Lee Teck	82,000	-	-	82,000
Raja Khairul Anuar Bin Raja Mokhtar	20,000	-	-	20,000
<u>Deemed interest</u>				
Kuo Choo Song	33,000,000	1,786,000	-	34,786,000*
Ke (Kek) Kim Soon				
@ Kerk Choo Soon	33,000,000	1,786,000	-	34,786,000*
Keh (Kerk) Chu Koh	33,000,000	1,786,000	-	34,786,000*
Teo Lee Teck	33,000,000	1,786,000	-	34,786,000*
<u>Holding company</u>				
HSB Group Sdn Bhd				
<u>Direct Interest</u>				
Kuo Choo Song	1,099,273	-	-	1,099,273
Ke (Kek) Kim Soon				
@ Kerk Choo Soon	1,966,040	-	-	1,966,040
Keh (Kerk) Chu Koh	3,030,345	-	-	3,030,345
Kerk Chiew Siong	3,756,074	-	-	3,756,074
Teo Lee Teck	1,378,069	-	-	1,378,069
<u>Indirect Interest</u>				
Kuo Choo Song	7,000	-	-	7,000#
Ke (Kek) Kim Soon				
@ Kerk Choo Soon	7,000	-	-	7,000#
Keh (Kerk) Chu Koh	7,000	-	-	7,000#

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

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

32 Directors' Report (continued)

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

OTHER STATUTORY INFORMATION

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

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board
in accordance with a resolution
of the Directors



KEH (KERK) CHU KOH



KUO CHOO SONG

Batu Pahat
Date : 24 March, 2003

Statement by Directors

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

We, **KEH (KERK) CHU KOH** and **KUO CHOO SONG**, being two of the Directors of **HUP SENG INDUSTRIES BERHAD**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 36 to 58 are drawn up in accordance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December, 2002 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board
in accordance with a resolution
of the Directors



KEH (KERK) CHU KOH



KUO CHOO SONG

Batu Pahat
Dated : 24 March, 2003

Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

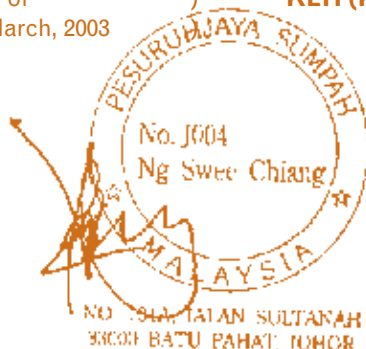
I, **KEH (KERK) CHU KOH**, being the Director primarily responsible for the financial management of **HUP SENG INDUSTRIES BERHAD**, do solemnly and sincerely declare that the financial statements set out on pages 36 to 58 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed **KEH (KERK) CHU KOH**)
at Batu Pahat in the State of)
Johor Darul Ta'zim on 24 March, 2003



KEH (KERK) CHU KOH

Before me,



Report of the Auditors

to the members of HUP SENG INDUSTRIES BERHAD

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We have audited the accompanying financial statements set out on pages 36 to 58. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Directors, as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion :

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of :
 - (i) the financial position of the Group and of the Company as at 31 December, 2002 and of the results and cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements and consolidated financial statements;
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

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.

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.

Ernst & Young
AF : 0039
Chartered Accountants

Wun Mow Sang
1821/12/04(J)
Partner

Johor Bahru
Dated : 24 March, 2003

36 Income Statement of the Group

for the year ended 31 December, 2002

	Note	2002 RM	2001 RM
Revenue	3	164,878,116	161,191,663
Cost of sales	4	<u>(124,753,773)</u>	<u>(119,467,946)</u>
Gross profit		40,124,343	41,723,717
Other operating revenue	3	2,253,114	1,943,161
Administrative expenses		(10,712,587)	(10,525,999)
Selling expenses		<u>(14,022,868)</u>	<u>(14,184,470)</u>
Profit from operations	5	17,642,002	18,956,409
Finance cost		<u>(1,298)</u>	<u>(7,686)</u>
Profit before taxation		17,640,704	18,948,723
Taxation	7	<u>(3,200,726)</u>	<u>(4,237,912)</u>
Profit after taxation		<u>14,439,978</u>	<u>14,710,811</u>
Earnings per share (sen)	8	<u>24</u>	<u>25</u>
Dividends per share (sen)	9	<u>11.16</u>	<u>8.60</u>

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

Income Statement of the Company

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for the year ended 31 December, 2002

	Note	2002 RM	2001 RM
Gross dividends from subsidiaries		11,904,000	11,904,000
Interest income		849,499	548,001
Revenue		12,753,499	12,452,001
Administrative expenses		(1,847,584)	(1,543,407)
Profit from operations	5	10,905,915	10,908,594
Finance cost		(5)	-
Profit before taxation		10,905,910	10,908,594
Taxation	7	(2,109,000)	(2,060,000)
Profit after taxation		8,796,910	8,848,594
Dividends per share (sen)	9	11.16	8.60

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

38 Balance Sheets

as at 31 December, 2002

	Note	Group		Company	
		2002 RM	2001 RM (Restated)	2002 RM	2001 RM (Restated)
NON-CURRENT ASSETS					
Property, plant and equipment	10	68,755,725	69,872,978	133,974	166,509
Investment in subsidiaries	11	-	-	43,941,000	43,941,000
CURRENT ASSETS					
Amount owing by subsidiaries	11	-	-	9,437,905	16,144,950
Inventories	12	13,675,086	12,526,466	-	-
Trade receivables	13	22,250,073	19,419,985	-	-
Other receivables	14	1,568,319	1,392,653	379,916	59,982
Tax recoverable		131,522	1,170,848	-	-
Cash and bank balances	15	43,280,716	36,614,010	32,026,448	22,355,570
		80,905,716	71,123,962	41,844,269	38,560,502
CURRENT LIABILITIES					
Trade payables	16	18,997,307	17,800,209	-	-
Other payables	17	10,945,418	13,118,863	837,487	703,035
Taxation		28,610	32,740	28,610	32,740
		29,971,335	30,951,812	866,097	735,775
NET CURRENT ASSETS					
		50,934,381	40,172,150	40,978,172	37,824,727
		119,690,106	110,045,128	85,053,146	81,932,236
FINANCED BY :					
Share capital	19	60,000,000	60,000,000	60,000,000	60,000,000
Reserves		54,426,106	45,662,128	25,053,146	21,932,236
		114,426,106	105,662,128	85,053,146	81,932,236
Deferred taxation	20	5,264,000	4,383,000	-	-
		119,690,106	110,045,128	85,053,146	81,932,236

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

Statements of Changes in Equity

39

for the year ended 31 December, 2002

Group	Note	Share Capital RM	Non distributable Share Premium RM	Distributable Retained Profits (Note 21) RM	Total RM
At 1 January, 2001					
As previously stated		60,000,000	14,345,261	19,198,184	93,543,445
Prior year adjustment	22	-	-	4,296,000	4,296,000
At 1 January, 2001 (restated)		60,000,000	14,345,261	23,494,184	97,839,445
Share listing expenses		-	(12,128)	-	(12,128)
Net profit for the year		-	-	14,710,811	14,710,811
Dividends paid	9				
Final for year 2000					
- 3% less 28% taxation		-	-	(1,296,000)	(1,296,000)
- 5% tax exempt		-	-	(3,000,000)	(3,000,000)
Interim for year 2001					
- 2.5% less 28% taxation		-	-	(1,080,000)	(1,080,000)
- 2.5% tax exempt		-	-	(1,500,000)	(1,500,000)
At 31 December, 2001		<u>60,000,000</u>	<u>14,333,133</u>	<u>31,328,995</u>	<u>105,662,128</u>
At 1 January, 2002					
As previously stated		60,000,000	14,333,133	28,748,995	103,082,128
Prior year adjustment	22	-	-	2,580,000	2,580,000
At 1 January, 2002 (restated)		60,000,000	14,333,133	31,328,995	105,662,128
Net profit for the year		-	-	14,439,978	14,439,978
Dividends paid	9				
Final for year 2001					
- 2.5% less 28% taxation		-	-	(1,080,000)	(1,080,000)
- 2.5% tax exempt		-	-	(1,500,000)	(1,500,000)
Interim for year 2002					
- 3% less 28% taxation		-	-	(1,296,000)	(1,296,000)
- 3% tax exempt		-	-	(1,800,000)	(1,800,000)
At 31 December, 2002		<u>60,000,000</u>	<u>14,333,133</u>	<u>40,092,973</u>	<u>114,426,106</u>

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

Statements of Changes in Equity

for the year ended 31 December, 2002

	Note	Share Capital	Non distributable Share Premium	Distributable Retained Profits (Note 21)	Total
		RM	RM	RM	RM
Company					
At 1 January, 2001					
As previously stated		60,000,000	14,345,261	1,330,509	75,675,770
Prior year adjustment	22	-	-	4,296,000	4,296,000
		<u>60,000,000</u>	<u>14,345,261</u>	<u>5,626,509</u>	<u>79,971,770</u>
At 1 January, 2001 (restated)					
Share listing expenses		-	(12,128)	-	(12,128)
Net profit for the year		-	-	8,848,594	8,848,594
Dividends paid	9				
Final for year 2000					
- 3% less 28% taxation		-	-	(1,296,000)	(1,296,000)
- 5% tax exempt		-	-	(3,000,000)	(3,000,000)
Interim for year 2001					
- 2.5% less 28% taxation		-	-	(1,080,000)	(1,080,000)
- 2.5% tax exempt		-	-	(1,500,000)	(1,500,000)
		<u>60,000,000</u>	<u>14,333,133</u>	<u>7,599,103</u>	<u>81,932,236</u>
At 31 December, 2001					
At 1 January, 2002					
As previously stated		60,000,000	14,333,133	5,019,103	79,352,236
Prior year adjustment	22	-	-	2,580,000	2,580,000
		<u>60,000,000</u>	<u>14,333,133</u>	<u>7,599,103</u>	<u>81,932,236</u>
At 1 January, 2002 (restated)					
Net profit for the year		-	-	8,796,910	8,796,910
Dividends paid	9				
Final for year 2001					
- 2.5% less 28% taxation		-	-	(1,080,000)	(1,080,000)
- 2.5% tax exempt		-	-	(1,500,000)	(1,500,000)
Interim for year 2002					
- 3% less 28% taxation		-	-	(1,296,000)	(1,296,000)
- 3% tax exempt		-	-	(1,800,000)	(1,800,000)
		<u>60,000,000</u>	<u>14,333,133</u>	<u>10,720,013</u>	<u>85,053,146</u>
At 31 December, 2002					

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

Statements of Cash Flows

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for the year ended 31 December, 2002

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	17,640,704	18,948,723	10,905,910	10,908,594
Adjustments for :				
Bad debts written off	-	278,180	-	-
Depreciation	4,782,330	3,827,207	32,535	41,846
Gain on disposal of property, plant and equipment	(191,590)	(37,422)	-	-
Interest expense	1,298	7,686	5	-
Interest income	(1,235,774)	(1,126,976)	(849,499)	(548,001)
Loss on disposal of property, plant and equipment	-	3,085	-	-
Property, plant and equipment written off	14,615	25,389	-	-
Allowance for doubtful debts	-	311,922	-	-
Obsolete inventories written off	15,287	-	-	-
Write back of allowance for doubtful debts	(496,000)	-	-	-
Operating profit before working capital changes	20,530,870	22,237,794	10,088,951	10,402,439
(Increase)/decrease in inventories	(1,163,907)	389,477	-	-
(Increase)/decrease in trade and other receivables	(2,509,753)	1,042,486	(319,934)	(8,921)
(Decrease)/increase in trade and other payables	(976,347)	(5,447,807)	134,452	72,291
Cash generated from operations	15,880,863	18,221,950	9,903,469	10,465,809
Interest paid	(1,298)	(7,686)	(5)	-
Taxes paid	(2,071,969)	(3,716,995)	(2,113,130)	(2,041,139)
Taxes refunded	787,438	-	-	-
Net cash from operating activities	14,595,034	14,497,269	7,790,334	8,424,670
CASH FLOWS FROM INVESTING ACTIVITIES				
Advance to subsidiaries	-	-	(7,456,821)	(10,815,856)
Interest received	1,235,774	1,126,976	849,499	548,001
Withdrawal of pledged fixed deposits	-	1,185,956	-	-
Proceeds from disposal of property, plant and equipment	348,068	79,971	-	-
Purchase of property, plant and equipment	(3,836,170)	(13,249,360)	-	(752)
Repayment received from subsidiaries	-	-	14,163,866	10,548,203
Net cash (used in)/from investing activities	(2,252,328)	(10,856,457)	7,556,544	279,596

Statements of Cash Flows (continued)

for the year ended 31 December, 2002

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment for share listing expenses	-	(12,128)	-	(12,128)
Repayment of bank borrowings	-	(717,369)	-	-
Dividend paid	(5,676,000)	(6,876,000)	(5,676,000)	(6,876,000)
Net cash used in financing activities	<u>(5,676,000)</u>	<u>(7,605,497)</u>	<u>(5,676,000)</u>	<u>(6,888,128)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	6,666,706	(3,964,685)	9,670,878	1,816,138
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	<u>36,614,010</u>	<u>40,578,695</u>	<u>22,355,570</u>	<u>20,539,432</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (NOTE 15)	<u><u>43,280,716</u></u>	<u><u>36,614,010</u></u>	<u><u>32,026,448</u></u>	<u><u>22,355,570</u></u>

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

1. CORPORATE INFORMATION

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

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

The holding company of the Company is HSB Group Sdn. Bhd., a company incorporated in Malaysia. Related companies are those companies within the HSB Group Sdn. Bhd. group.

The numbers of employees in the Group and in the Company at the end of the financial year were 1,311 (2001: 1,355) and 7 (2001: 7) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 11 March, 2003.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared in compliance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965.

The Directors are required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(b) Basis of Consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and its wholly owned subsidiary companies made up to the end of the financial year. Subsidiaries are those companies in which the Company has a long term equity interest and where it has power directly or indirectly to exercise control over the financial and operating policies so as to obtain benefits from its activities.

Acquisition of subsidiaries which meet the criteria for merger are accounted for using merger accounting principles. When the merger method is used, the cost of investment in the Company's book is recorded at the nominal value of shares issued and the difference between the carrying value of the investment and the nominal value of shares acquired is treated as merger reserve or merger deficit. The results of the companies being merged are included as if the merger had been effected throughout the current and previous financial years.

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

As provided under the transitional provision of Malaysian Accounting Standards Board (MASB) Standard No. 21 - Business Combinations, the Company applies this standard prospectively.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets.

(c) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(k). Land of leasehold tenure with an unexpired period of fifty years or more are classified as long leasehold land and those with an unexpired period of less than fifty years are classified as short leasehold land.

Revaluations are made at least once in every five years based on a valuation by an independent valuer on an open market value basis. Any revaluation increase is credited to equity as a revaluation surplus, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A revaluation decrease is first offset against an increase on earlier valuation in respect of the same asset and is thereafter recognised as an expense. Upon the disposal of revalued assets, the attributable revaluation surplus remaining in the revaluation reserve is transferred to retained profits.

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

Buildings	2%
Plant and equipment	10% - 20%
Motor vehicles	20%
Other assets	8% - 33%

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement and the attributable portion of the revaluation surplus is taken directly to retained profits.

(d) Product Development Expenditure

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

(e) Investments in Subsidiaries

Investments in subsidiary companies are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(k).

(f) Inventories

Inventories are stated at the lower of cost (determined on the first-in, first-out basis) and net realisable value. Cost of finished goods and work-in-progress includes direct materials, direct labour, other direct costs and appropriate production overheads. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

(g) Foreign Currencies

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

All exchange differences are taken to income statement.

(h) Deferred Taxation

The tax expense for the year is based on the profit for the year, as adjusted for tax purposes, together with a charge or credit for deferred taxation.

Deferred taxation is provided for by the liability method for all timing differences except when there is reasonable evidence that these timing differences will not reverse in the foreseeable future. Deferred tax benefits are only recognised when there is a reasonable expectation of realisation in the near future.

(i) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash and bank balances, net of outstanding bank overdrafts, repurchase agreements and deposits with licensed bank.

(j) Revenue Recognition

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

(i) Sale of goods

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

(ii) Interest income

Interest is recognised on a time proportion basis that reflects the effective yield on the asset.

(iii) Dividend

Dividends from subsidiary companies are recognised as and when the right to receive payment is established.

(iv) Rental income

Rental income is recognised on the accrual basis.

(k) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets, other than inventories, deferred tax assets and financial assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is assessed by discounting estimated future cash flows. Recoverable amounts are estimated for individual assets or, for an asset that does not generate largely independent cash flows, for the cash-generating unit to which the asset belongs.

An impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any available previously recognised revaluation surplus for the same asset.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(I) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Trade Receivables

Trade receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(ii) Trade Payables

Trade payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(iii) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which the obligation of payment is established.

3. REVENUE

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

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

4. COSTS OF SALES

Cost of sales represents cost of inventories sold.

31 December, 2002

5. PROFIT FROM OPERATIONS

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
This is arrived at after charging :				
Auditors' remuneration				
- Statutory audits				
- current year	51,000	43,000	18,000	10,000
- prior year	-	4,500	-	4,500
- Other services	7,800	600	7,000	-
Staff cost (excluding directors' remuneration)	22,891,326	20,163,742	81,088	66,534
Directors' remuneration	5,533,547	5,390,612	1,486,010	1,178,131
Bad debts written off	-	278,180	-	-
Depreciation of property, plant and equipment (Note 10)	4,782,330	3,827,207	32,535	41,846
Realised exchange losses	24,956	97,736	-	-
Property, plant and equipment written off	14,615	25,389	-	-
Loss on disposal of property, plant and equipment	-	3,085	-	-
Obsolete inventories written off	15,287	-	-	-
Allowance for doubtful debts	-	311,922	-	-
Rental expenses	221,205	221,550	21,600	21,600
and crediting :				
Bad debts recovered	2,066	8,419	-	-
Gross dividend income	-	-	11,904,000	11,904,000
Gain on disposal of property, plant and equipment	191,590	37,422	-	-
Interest income	1,235,774	1,126,976	849,499	548,001
Rental income	15,980	17,370	-	-
Write back of allowance for doubtful debts	496,000	-	-	-

The estimated monetary value of benefits provided to Directors during the financial year by way of usage of the Group and Company's assets and provision of other benefits amounted to RM123,067 (2001 : RM139,275).

6. DIRECTORS' REMUNERATION

Directors of the Company	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Executive :				
Salaries and other emoluments	3,718,329	3,680,310	986,010	728,410
Fees				
- current year's provisions	330,000	330,000	250,000	250,000
- over provision in prior year	-	(57,637)	-	(50,279)
Benefits-in-kind	70,667	86,875	18,000	18,000
	4,118,996	4,039,548	1,254,010	946,131
Non-Executive				
Salaries and other emoluments	203,458	198,690	-	-
Fees				
- current year's provisions	260,000	260,000	250,000	250,000
- under provision in prior year	-	(3,442)	-	-
Benefits-in-kind	9,400	9,400	-	-
	472,858	464,648	250,000	250,000

48 Notes to the Financial Statements (continued)

31 December, 2002

6. DIRECTORS' REMUNERATION

Directors of Subsidiaries	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Executive :				
Salaries and other emoluments	941,760	912,291	-	-
Fees				
- current year's provisions	60,000	60,000	-	-
- under provision in prior year	-	(9,600)	-	-
Benefits-in-kind	43,000	43,000	-	-
	<u>1,044,760</u>	<u>1,005,691</u>	<u>-</u>	<u>-</u>
Non-Executive				
Fees	20,000	20,000	-	-
Total	<u>5,656,614</u>	<u>5,529,887</u>	<u>1,504,010</u>	<u>1,196,131</u>

Number of directors of the Company whose total remuneration during the year fell within the following bands:

	Number of Directors	
	2002	2001
Executive directors:		
RM 250,000 or below	-	1
RM 250,001 - RM 300,000	1	-
RM 600,001 - RM 650,000	-	1
RM 650,001 - RM 700,000	1	-
RM 1,050,001 - RM 1,100,000	3	3
Non-Executive directors:		
RM 50,000 or below	4	4
RM 250,001 - RM 300,000	1	1

7. TAXATION

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Tax expense for the year :				
Malaysia income tax	2,303,693	2,514,912	2,109,000	2,060,000
Transfer to deferred taxation (Note 20)	881,000	1,723,000	-	-
	<u>3,184,693</u>	<u>4,237,912</u>	<u>2,109,000</u>	<u>2,060,000</u>
Tax expense of prior years:				
Malaysia income tax	16,033	-	-	-
	<u>3,200,726</u>	<u>4,237,912</u>	<u>2,109,000</u>	<u>2,060,000</u>

The effective tax rate of the Group is lower than the statutory rate due to certain tax incentives available to a subsidiary company. Provision for taxation for the Company is made in respect of dividends from subsidiary company and interest income.

8. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year over the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2002	2001
Net profit for the year (RM)	14,439,978	14,710,811
Weighted average number of ordinary shares in issue	60,000,000	60,000,000
Basic earnings per share (sen)	24.1	24.5

No diluted earnings per share is calculated as there is no potential dilutive ordinary shares.

9. DIVIDENDS

	Amount		Dividends per Share	
	2002 RM	2001 RM	2002 Sen	2001 Sen
Final dividend :				
6% (2001 : 2.5%) tax exempt	3,600,000	1,500,000	6.00	2.50
Nil (2001 : 2.5%) less 28% taxation	-	1,080,000	-	1.80
Interim dividend :				
3% (2001 : 2.5%) tax exempt	1,800,000	1,500,000	3.00	2.50
3% (2001 : 2.5%) less 28% taxation	1,296,000	1,080,000	2.16	1.80
	6,696,000	5,160,000	11.16	8.60

At the forthcoming Annual General Meeting, the final dividend for the current financial year ended 31 December, 2002, of 6% tax exempt on 60,000,000 ordinary shares, amounting to a total dividend of RM3,600,000 (6 sen net per share) will be proposed for shareholders' approval.

50 Notes to the Financial Statements (continued)

31 December, 2002

10. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Land and Buildings RM	Long Leasehold land and Buildings RM	Short Leasehold land and Buildings RM
Cost and Valuation			
At beginning of the year	18,237,811	1,914,456	13,535,489
Additions	247,720	-	6,300
Disposals/write off	-	-	-
Reclassification	-	-	540,526
At end of the year	18,485,531	1,914,456	14,082,315
Accumulated Depreciation			
At beginning of the year	417,346	27,486	440,449
Charge for the year	208,543	13,716	265,041
Disposals/write off	-	-	-
At end of the year	625,889	41,202	705,490
Net Book Value			
At 31.12.2002			
At cost	604,006	718,344	3,033,222
At valuation - 1.1.2000	17,255,636	1,154,910	10,343,603
	17,859,642	1,873,254	13,376,825
At 31.12.2001			
At cost	364,312	718,434	2,426,519
At valuation - 1.1.2000	17,456,153	1,168,536	10,668,521
	17,820,465	1,886,970	13,095,040
Depreciation charge for 2001 (Note 5)	208,707	13,716	231,772

Notes to the Financial Statements (continued)

31 December, 2002

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Plant and equipment RM	Motor vehicles RM	Other assets RM	Total RM
44,203,156	10,587,858	2,983,697	91,462,467
409,434	1,537,038	1,635,678	3,836,170
(12,411)	(707,056)	(102,165)	(821,632)
1,183,195	-	(1,723,721)	-
<u>45,783,374</u>	<u>11,417,840</u>	<u>2,793,489</u>	<u>94,477,005</u>
12,605,201	6,564,875	1,534,132	21,589,489
3,183,083	961,707	150,240	4,782,330
(3,762)	(564,687)	(82,090)	(650,539)
<u>15,784,522</u>	<u>6,961,895</u>	<u>1,602,282</u>	<u>25,721,280</u>
29,998,852	4,455,945	1,191,207	40,001,576
-	-	-	28,754,149
<u>29,998,852</u>	<u>4,455,945</u>	<u>1,191,207</u>	<u>68,755,725</u>
31,597,955	4,022,983	1,449,565	40,579,768
-	-	-	29,293,210
<u>31,597,955</u>	<u>4,022,983</u>	<u>1,449,565</u>	<u>69,872,978</u>
<u>2,220,053</u>	<u>994,319</u>	<u>158,640</u>	<u>3,827,207</u>

52 Notes to the Financial Statements (continued)

31 December, 2002

10. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Company	Office equipment RM	Furniture and fittings RM	Motor vehicles RM	Total RM
Cost				
At 1 January, 2002 and 31 December, 2002	31,014	7,800	175,324	214,138
Accumulated Depreciation				
At 1 January, 2002	7,415	5,149	35,065	47,629
Charge for the year	4,222	261	28,052	32,535
At 31 December, 2002	11,637	5,410	63,117	80,164
Net Book Value				
At 31.12.2002	19,377	2,390	112,207	133,974
At 31.12.2001	23,599	2,651	140,259	166,509
Depreciation charged for 2001	5,742	1,039	35,065	41,846

Freehold land and buildings of the Group amounting to RM1,286,681 (2001 : RM1,298,870) are charged as securities for bank facilities as stated in Note 18 to the financial statements.

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

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

The carrying amount of land and buildings that would have been included in the financial statements had the land and buildings been carried at cost less accumulated depreciation amounts to RM24,224,514 (2001 : RM23,779,512).

Other assets include capital work-in-progress which comprises expenditure incurred for factory building in the course of construction amounting to RMNil (2001 : RM526,590) and machinery under installation amounting to RM311,987 (2001 : RMNil). The balance of the amounts yet to be incurred and not provided for is disclosed as capital commitments in Note 24 to the financial statements.

The costs of land and buildings not in use amounted to RM2,215,000 (2001 : RM2,215,000).

11. INVESTMENT IN SUBSIDIARIES

	Company	
	2002 RM	2001 RM
Unquoted shares at cost	43,941,000	43,941,000

The subsidiary companies are :

Name of Subsidiaries	Country of Incorporation	Effective Equity Interest		Principal Activities
		2002	2001	
Hup Seng Perusahaan Makanan (M) Sdn Bhd	Malaysia	100%	100%	Manufacture and sales of biscuits
Hup Seng Hoon Yong Brothers Sdn Bhd	Malaysia	100%	100%	Sales and distribution of biscuits, confectionery and other foodstuff

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

12. INVENTORIES

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
At cost				
Raw materials	3,782,964	4,687,084	-	-
Finished goods	712,817	2,555,108	-	-
Spares and fuel	1,681,564	1,189,501	-	-
Trading inventories	6,015,717	2,470,434	-	-
Third party resaleable stocks	1,402	15,287	-	-
Work-in-progress	197,712	205,017	-	-
	12,392,176	11,122,431	-	-
At net realisable value				
Trading inventories	-	174,289	-	-
Containers	1,282,910	1,229,746	-	-
	13,675,086	12,526,466	-	-

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

13. TRADE RECEIVABLES

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Trade receivables	26,114,123	24,102,188	-	-
Less : Allowance for doubtful debts	(3,864,050)	(4,682,203)	-	-
	22,250,073	19,419,985	-	-

The Group's normal credit term ranges from 30 days to 60 days. On a case-by-case basis these terms may be varied upon assessment and approval.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

54 Notes to the Financial Statements (continued)

31 December, 2002

14. OTHER RECEIVABLES

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Deposits	146,569	163,909	10,300	20,300
Interest receivable from fixed deposits and repurchase agreements	359,575	36,656	350,935	27,436
Prepayments	409,837	448,055	18,681	12,246
Sundry receivable	652,338	744,033	-	-
	<u>1,568,319</u>	<u>1,392,653</u>	<u>379,916</u>	<u>59,982</u>

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

15. CASH AND BANK BALANCES

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Deposits with licensed bank	34,910,739	25,485,191	30,910,739	21,324,880
Repurchase agreements	5,400,000	5,500,000	1,100,000	100,000
Cash and bank balances	2,969,977	5,628,819	15,709	930,690
	<u>43,280,716</u>	<u>36,614,010</u>	<u>32,026,448</u>	<u>22,355,570</u>

The weighted average interest rates during the financial year and the average maturities of deposits as at 31 December, 2002 were as follows:

	Weighted Average Interest Rates %	Average Maturities Days
Licensed banks	3.40	197

16. TRADE PAYABLES

The normal trade credit term granted to the Group ranges from 30 to 90 days.

17. OTHER PAYABLES

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Payroll liabilities	5,004,402	5,150,924	314,503	87,381
Duties and other taxes payable	592,761	518,150	-	-
Amount payable to suppliers of property, plant and equipment	59,400	925,293	-	-
Sundry suppliers	1,142,752	932,203	880	-
Accrued expenses	1,827,641	3,088,510	522,104	615,654
Containers refundable deposits	2,318,462	2,503,783	-	-
	<u>10,945,418</u>	<u>13,118,863</u>	<u>837,487</u>	<u>703,035</u>

18. BANK BORROWINGS

The bank facilities which were previously jointly and severally guaranteed by certain Executive Directors of the Company and secured by a negative pledge over property, plant and equipment and other assets of a subsidiary, are now secured by way of corporate guarantee by the Company.

The bank overdraft facility of RM2,190,000 (2001 : RM2,190,000) is repayable upon demand and bears interest at 1.5% (2001 : at 1.5%) above the bank's base lending rate per annum. The overdraft facility was not utilised as at balance sheet date.

19. SHARE CAPITAL

	Number of Ordinary Share of RM1 Each		Amount	
	2002	2001	2002 RM	2001 RM
Authorised :	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid :	<u>60,000,000</u>	<u>60,000,000</u>	<u>60,000,000</u>	<u>60,000,000</u>

20. DEFERRED TAXATION

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
At 1 January	4,383,000	2,660,000	-	-
Transfer from income statement (Note 7)	881,000	1,723,000	-	-
At 31 December	<u>5,264,000</u>	<u>4,383,000</u>	<u>-</u>	<u>-</u>

Deferred taxation is not provided for on the surplus arising from the revaluation of land and buildings, both freehold and leasehold, as it is not the intention of the Directors to dispose of these properties.

21. RETAINED PROFITS

As at 31 December, 2002, the Company has tax exempt profits available for distribution of approximately RM7,050,000 (2001 : RM5,400,000), subject to the agreement of the Inland Revenue Board.

The Company has sufficient tax credit under Section 108 of the Income Tax Act 1967 and adequate balance in the tax exempt income account to frank the payment of dividends out of its entire retained profits as at 31 December, 2002.

22. PRIOR YEAR ADJUSTMENT

In compliance with Malaysian Accounting Standards Board (MASB) Standard No. 19 - Events after the Balance Sheet Date, the Group and the Company discontinued the recognition of proposed dividend and declared payable after the balance sheet date, as a liability. The Group and Company have now changed their accounting policy to recognise dividends in shareholders' equity in the period in which the obligation to pay is established. This change in accounting policy has been applied retrospectively with the resulting adjustment reported as an adjustment to opening balance of retained profits. Comparative information has been restated accordingly.

22. PRIOR YEAR ADJUSTMENT (Cont'd)

The effects of the change on the financial statements of the Group and of the Company are as follows:

Group	As Previously Stated RM	Adjustments RM	As Restated RM
Proposed dividend as at 31 December, 2001	2,580,000	(2,580,000)	-
Retained profits as at 1 January, 2001	19,198,184	4,296,000	23,494,184
Retained profits as at 1 January, 2002	<u>28,748,995</u>	<u>2,580,000</u>	<u>31,328,995</u>
Company			
Proposed dividend as at 31 December, 2001	2,580,000	(2,580,000)	-
Retained profits as at 1 January, 2001	1,330,509	4,296,000	5,626,509
Retained profits as at 1 January, 2002	<u>5,019,103</u>	<u>2,580,000</u>	<u>7,599,103</u>

23. SIGNIFICANT RELATED PARTY TRANSACTIONS

Group	2002 RM	2001 RM
Rental of premises payable to :		
- Hup Seng Brothers Holdings Sdn. Bhd. ("HSBH") Note (a)	118,800	70,200
- Tiong Bee Industries Sdn. Bhd. ("TBI") Note (b)	<u>48,000</u>	<u>48,000</u>
Company		
From subsidiary companies :		
Dividend received	<u>11,904,000</u>	<u>11,904,000</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 on terms and conditions that are not materially different from those set out in the transactions with unrelated parties.

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

Note :

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

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

(b) Certain Directors of the Company, namely Kuo Choo Song, Ke (Kek) Kim Soon @ Kerk Choo Soon and Keh (Kerk) Chu Koh, are also directors of TBI.

24. CAPITAL COMMITMENTS

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Contracted but not provided for	74,540	1,756,600	-	-

25. UTILISATION OF PROCEEDS

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

	Utilisation of proceeds as approved by Securities Commission RM	Amount utilised as at 31.12.2002 RM	Balance not utilised as at 31.12.2002 RM
Purchase of new oven, mixers and packaging units	18,117,000	18,037,890	79,110
Factory expansion and increase warehouse capacity at branches	2,243,000	2,210,000	33,000
Purchase of lorries and motor vehicles	848,000	105,255	742,745
Working capital	9,090,000	3,855,006	5,234,994
Listing expenses	1,800,000	1,715,867	84,133
	<u>32,098,000</u>	<u>25,924,018</u>	<u>6,173,982</u>

26. 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 was utilised as at the balance sheet date and the outstanding bank guarantee as at balance sheet date is RM725,000 (2001: RMNil).

27. SEGMENTAL REPORTING

As the Group operates principally within one business segment and one geographical segment, segmental information is not presented.

28. COMPARATIVE FIGURES

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

	Group		Company	
	As previously stated 2002 RM	As restated 2001 RM	As previously stated 2002 RM	As restated 2001 RM
BALANCE SHEETS				
Proposed dividend (a)	2,580,000	-	2,580,000	-
Debtors (b)	21,035,060	-	59,982	-
Trade receivables (b)	-	19,419,985	-	-
Other receivables (b)	-	1,392,653	59,982	59,982
Creditors (b)	31,141,494	-	703,035	-
Trade payables (b)	-	17,800,209	-	-
Other payables (b)	-	13,118,863	-	703,035
Investment in subsidiaries (c)	-	-	60,085,950	43,941,000
Amount owing by subsidiaries (c)	-	-	-	16,144,950

Note :

- (a) The changes were due to the change in accounting policy as disclosed in Note 22 and statements of changes in equity.
- (b) The changes were due to the sub-classification of receivables and payables and separate disclosure of tin deposit receivables and payables, amounting to RM222,422.
- (c) The changes were due to reclassification of amount owing by subsidiaries of RM16,144,950 from investment in subsidiaries.

29. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and adopts a prudent approach.

(b) Interest Rate Risk

The Group's exposure to interest rate risk is minimal, as the Group had no interest-bearing debts as at 31 December, 2002. The investments in financial assets are mainly short term in nature and are not held for speculative purposes, instead have been mostly placed in fixed deposits or repurchase agreements.

The information on maturity dates and effective interest rates of financial assets is disclosed in their respective notes.

(c) Liquidity Risk

The Group actively manages its operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient level of cash to meet its working capital requirements.

(d) Credit Risk

Credit risks, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored under prudent management practices on an ongoing basis.

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

(e) Fair Values

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

List of Group Properties

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as at 31 December, 2002

Location of Property	Description	Tenure of Land	Existing Use	Land Area / Build-up Area	Approximate Age of Building	Net Book Value as at 31.12.02 RM
Hup Seng Perusahaan Makanan (M) Sdn Bhd						
Lot No. 7009 (Formerly PTD 2650) No. 15, Jalan Kolek Taman Kapal Layar Tongkang Pecah 83010 Batu Pahat Johor Darul Takzim	Single-storey terrace house	Freehold	For rental but presently not occupied	143.0 sq. m/ 94.1 sq. m	9 years	82,942
Lot 1336 No. 14-A, Jalan Kilang Kawasan Perindustrian Tongkang Pecah 83010 Batu Pahat Johor Darul Takzim	Single-storey Detached Factory an annex with 3-storey office building incorporating a basement area	Freehold	Warehouse/ office	9,940 sq. m/ 13,284.8 sq. m	3 years	11,246,069
PTD 1858 No. 14, Jalan Kilang Kawasan Perindustrian Tongkang Pecah 83010 Batu Pahat Johor Darul Takzim	Single-storey Detached Factory an annex with 2-storey office building and other ancillary buildings	60 years leasehold (Expiring 24.05.2040)	Factory/ office	20,234.11 sq. m/ 14,631.70 sq. m	20 years	13,376,825
PTD 3727 No. 14, Jalan Kilang Kawasan Perindustrian Tongkang Pecah 83010 Batu Pahat Johor Darul Takzim	Fully covered with concrete driveway and underground drainage & piping system	60 years leasehold (Expiring 12.07.2055)	Driveway	1,416.38 sq. m	-	186,159
Lot 6770 11 Jalan Kesturi 3 Taman Bunga Raya Tongkang Pecah 83010 Batu Pahat Johor Darul Takzim	Double-storey semi-detached house	Freehold	Foreign workers' hostel	275 sq. m/ 169.1 sq. m	12 years	114,966
Lot 6726 (Formerly GM766) 6 Jalan Kesturi 6 Taman Bunga Raya Tongkang Pecah 83010 Batu Pahat Johor Darul Takzim	Double-storey semi-detached house	Freehold	Foreign workers' hostel	282 sq. m/ 256.7 sq. m	12 years	132,095
Lot 6457 No. 22 & 22A Jalan Timun Taman Anggerik Tongkang Pecah 83010 Batu Pahat Johor Darul Takzim	Double-storey shophouse	Freehold	Foreign workers' hostel	163.5 sq. m/ 281.3 sq. m	23 years	179,325
Lot 6456 No. 21 & 21A Jalan Timun Taman Anggerik Tongkang Pecah 83010 Batu Pahat Johor Darul Takzim	Double-storey shophouse	Freehold	Foreign workers' hostel	163.5 sq. m/ 281.3 sq. m	23 years	188,607

60 List of Group Properties (continued)

as at 31 December, 2002

Location of Property	Description	Tenure of Land	Existing Use	Land Area / Build-up Area	Approximate Age of Building	Net Book Value as at 31.12.02 RM
Hup Seng Hoon Yong Brothers Sdn Bhd						
P.T. No. 1820 No. 54, Jalan 7, Taman Maju Jalan Semenyih 43000 Kajang Selangor Darul Ehsan	Single-storey Link House	Freehold	Vacant	3,138 sq. ft./ 760 sq. ft.	12 years	97,648
Lot 63763, 63775&63776 No.4&4A,28&28A, and 30&30A, Jln Harilela, Taman Harilela, 31350 Ipoh, Perak	Double storey shophouses	Freehold	4-Rented out (expiring 31.03.2003) 4A –Rented out (expiring 30.09.2003) 28&28A – Vacant 30-Vacant 30A –Staff hostel	5,226 sq. ft./ 10,078 sq. ft.	13 years	527,946
P.T. Nos. 46611 and 45689 Nos. A495 and A497 Taman Seri Pelindung Satu Jalan Berserah 25300 Kuantan Pahang Darul Makmur	2 continuous units of Double-storey shophouses	Freehold	Branch office/ store	413 sq. m/ 483.7 sq. m	7 years	505,827
P.T. No. 50277 No. 1, Jalan Jaya Gading 2, Kawasan MIEL Jaya Gading , 25050 Kuantan Pahang Darul Makmur	1 1/2 storey semi-detached factory building	66 years leasehold (expiring 18.05.2063)	Vacant	1,613.09sq. m/ 729.5 sq. m	5 years	710,000
Lot Nos. 4107 & 4109 No. 1323 & 1325, Jalan Bukit Tengah Taman Indah 14000 Bukit Mertajam Pulau Pinang	Double-storey shophouses	Freehold	Branch office/ store	371.7 sq. m/ 744.8 sq. m	13 years	552,418
Plot Nos. 128, 130 & 131, No. 128, 130, 131 Jalan Sagaria 2, Taman Saga Alor Mengkudu 05400 Alor Setar Kedah Darul Aman	Double-storey shophouses	Freehold	Store	362.4 sq. m/ 640.5 sq. m	12 years	376,920
Plot Nos. 132 & 133, No. 132 & 133 Jalan Sagaria 2, Taman Saga Alor Mengkudu 05400 Alor Setar Kedah Darul Aman	Double-storey shophouses	Freehold	Branch office/ store	241.55 sq. m/ 481.9 sq. m	4 years	252,908

List of Group Properties (continued)

as at 31 December, 2002

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Location of Property	Description	Tenure of Land	Existing Use	Land Area / Build-up Area	Approximate Age of Building	Net Book Value as at 31.12.02 RM
Lot No. 6444 (Formerly PTD 693) No. 9 & 9A, Jalan Timun Taman Anggerik Tongkang Pecah 83010 Batu Pahat Johor Darul Takzim	Double-storey shophouse	Freehold	9-Foreign workers' hostel 9 A-Staff hostel	163.5 sq. m/ 281.3 sq. m	23 years	165,295
Lot No.305884, PN149251 (Formerly PT 149442) 12 Hala Rapat Baru 18 Taman Perusahaan Ringan Kinta Jaya Ipoh, Perak Darul Ridzuan	1 1/2 Storey- detached factory	99 years leasehold (expiring 25.06.2096)	Branch office/ warehouse	1,586 sq. m/ 8,450 sq. ft.	4 years	977,095
Lot 11067 15 Jalan Pala 10 Kawasan Industries Ringan PMTG Tinggi 14000 Bukit Mertajam Pulau Pinang	1 1/2 Storey- detached Light Industrial Building	Freehold	Vacant	1,770 sq. m/ 577.5 sq. m	4 years	820,000
Lot 11068 11-A Jalan Pala 10 Kawasan Industries Ringan PMTG Tinggi 14000 Bukit Mertajam Pulau Pinang	1 1/2 Storey- detached Light Industrial Building	Freehold	Vacant	1,208 sq. m/ 577.5 sq. m	4 years	685,000
Lot 6574 Mukim of Linau District of Batu Pahat Johor Darul Takzim	Industrial land	Freehold	Car park	9,704.38 sq. m	-	1,931,676

Statement of Shareholdings

as at 7 March, 2003

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

ANALYSIS OF SHAREHOLDINGS

No. of Holders	Holdings	Total Holdings	Percentage of Shares
0	Less than 1,000	0	0.00
2,583	1,000 to 10,000	4,844,150	8.07
89	10,001 to 100,000	2,555,000	4.26
22	100,001 to less than 5% of issued shares	14,314,850	23.86
2	5% and above of issued shares	38,286,000	63.81
<u>2,696</u>		<u>60,000,000</u>	<u>100.00</u>

TOP THIRTY LARGEST SHAREHOLDERS

Name of Shareholder	No. of Shares Held	Percentage of Shares
1. HSB Group Sdn. Bhd.	35,286,000	58.81
2. Noorhayati binti Kamaluddin	3,017,000	5.03
3. HLB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Leong Pai Nyok	3,000,000	5.00
4. Lembaga Tabung Haji	2,581,850	4.30
5. Lembaga Tabung Angkatan Tentera	2,000,000	3.33
6. Cekap Kapital Sdn. Bhd.	1,546,000	2.58
7. HLB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Yeong Yoke Lan	1,330,000	2.22
8. Chang Kwee Lan	878,000	1.46
9. Lew Mew Choi	550,000	0.92
10. Choy Sook Eng	335,000	0.56
11. Teo Chuan Keng Sdn. Bhd.	246,000	0.41
12. Keh (Kerk) Chu Koh	213,000	0.36

Statement of Shareholdings (continued)

as at 7 March, 2003

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TOP THIRTY LARGEST SHAREHOLDERS (Cont'd)

Name of Shareholder	No. of Shares Held	Percentage of Shares
13. Kek Swee Chin	200,000	0.33
14. Lim Beng Geok	200,000	0.33
15. TA Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ee Chee Beng	160,000	0.27
16. Chong Swee Ching	155,000	0.26
17. Apollo Food Holdings Berhad	150,000	0.25
18. BHLB Trustee Berhad Prusmall-Cap Fund	146,000	0.24
19. Kuo Liong Yok	130,000	0.22
20. Kuo Chee Ching	129,000	0.22
21. Kerk Kar Han	124,000	0.21
22. Ke (Kek) Kim Soon @ Kerk Choo Soon	113,000	0.19
23. Sim Kai Hong	111,000	0.19
24. Chai Wooi Kok	100,000	0.17
25. CIMSEC Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lim Poh Boon	100,000	0.17
26. John Hancock Life Insurance (Malaysia) Berhad	100,000	0.17
27. Leong Yuen Wah	86,000	0.14
28. Teo Lee Teck	82,000	0.14
29. Teo Lee Tong	80,000	0.13
30. Nge Lay Meng @ Ng Lay Meng	78,000	0.13

Statement of Shareholdings (continued)

as at 7 March, 2003

Substantial Shareholders

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

No.	Name of Shareholder	Direct Interest		Deemed Interest	
		No. of Shares	Percentage (%)	No. of Shares	Percentage (%)
1.	HSB Group Sdn. Bhd.	35,286,000	58.81	-	-
2.	Kuo Choo Song	2,000	0.00	35,286,000 [#]	58.81
3.	Tan Siew Kee	-	-	35,286,000 [#]	58.81
4.	Kuo Chee Ching	130,000	0.22	35,286,000 [#]	58.81
5.	Kuo Chee Hau	1,000	0.00	35,286,000 [#]	58.81
6.	Kuo Chee Joo	1,000	0.00	35,286,000 [#]	58.81
7.	Kuo Chee Kian	-	-	35,286,000 [#]	58.81
8.	Kuo Chee Koon	1,000	0.00	35,286,000 [#]	58.81
9.	Kuo Chee Yoong	1,000	0.00	35,286,000 [#]	58.81
10.	Kuo Liong Yok	130,000	0.22	35,286,000 [#]	58.81
11.	Ke (Kek) Kim Soon @ Kerk Choo Soon	113,000	0.19	35,286,000 [#]	58.81
12.	Sim Guat Keow @ Sim Han Che	5,000	0.01	35,286,000 [#]	58.81
13.	Kerk Han Meng	40,000	0.07	35,286,000 [#]	58.81
14.	Kerk Kar Han	124,000	0.21	35,286,000 [#]	58.81
15.	Lau Ah Chik @ Yap Swee Keow	-	-	35,286,000 [#]	58.81
16.	Teo Lay Gak	30,000	0.05	35,286,000 [#]	58.81
17.	Teo Lee Teck	82,000	0.14	35,286,000 [#]	58.81
18.	Teo Lee Tong	80,000	0.13	35,286,000 [#]	58.81
19.	Keh (Kerk) Chu Koh	213,000	0.36	35,286,000 [#]	58.81
20.	Lem Leh Lee @ Lim Mok Lee	-	-	35,286,000 [#]	58.81
21.	Dato' Seri Ker (Kerk) Kim Tim @ Kerk Choo Ting	-	-	35,286,000 [#]	58.81
22.	Datin Seri Chang Yang @ Chen Yong	-	-	35,286,000 [#]	58.81
23.	Kerk Gau Yang	-	-	35,286,000 [#]	58.81
24.	Kerk Chong Yong	-	-	35,286,000 [#]	58.81
25.	Kerk Shiang Yih	-	-	35,286,000 [#]	58.81
26.	Datin Noorhayati Binti Kamaluddin	3,017,000	5.03	-	-

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.

Statement of Shareholdings (continued)

as at 7 March, 2003

DIRECTORS INTERESTS

	Name of Director	Direct Interests		Deemed Interests	
		No. of Shares held	%	No. of Shares held	%
1.	Kek (Kerk) Chu Koh	213,000	0.36	35,286,000	58.81*
2.	Ke (Kek) Kim Soon @ Kerk Choo Soon	113,000	0.19	35,286,000	58.81*
3.	Kuo Choo Song	2,000	0.00	35,286,000	58.81*
4.	Kerk Chian Tung	-	-	-	-
5.	Kerk Chiew Siong	-	-	-	-
6.	Teo Lee Teck	82,000	0.14	35,286,000	58.81*
7.	Wee Hoe Soon @ Gooi Hoe Soon	-	-	-	-
8.	Mazrina binti Arifin	-	-	-	-
9.	Norita binti Ja'afar	-	-	-	-
10.	Raja Khairul Anuar bin Raja Mokhtar	20,000	0.03	-	-
11.	Woon Chin Chan	-	-	-	-

Note:

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



I/We _____ of _____

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

_____ of _____

_____ or failing whom, _____

_____ of _____

_____ as my/our proxy to vote for *me/us and on *my/our behalf at the **Eleventh Annual General Meeting** of the Company to be held at **Mezzanine Floor, The Katerina Hotel, 8 Jalan Zabedah, 83000 Batu Pahat, Johor Darul Takzim** on **Thursday, 8 May, 2003** at **9:00 a.m.** and, at every adjournment thereof *for/against the resolutions to be proposed thereat.

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

No.	RESOLUTIONS	FOR	AGAINST
1.	Adoption of Audited Financial Statements for the financial year ended 31 December, 2002 together with the Reports of the Directors and Auditors.		
2.	Declaration of Final Dividend of 6% (Tax Exempt) for the year ended 31 December, 2002.		
3.	Approval of the payment of Directors' fees.		
4.	Re-election of Directors retiring according to the Company's Articles of Association:		
5.	- Mr Wee Hoe Soon @ Gooi Hoe Soon (Article 76)		
6.	- Ms Kerk Chian Tung (Article 76)		
7.	- Puan Mazrina Binti Arifin (Article 76)		
7.	Re-appointment of Mr Kuo Choo Song as Director pursuant to Section 129 (6) of the Companies Act, 1965.		
8.	Re-appointment of Messrs Ernst & Young as Auditors.		
9.	Authority to allot shares.		

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

As witness my hand this _____ day of _____ 2003

NO. OF SHARES HELD

 Signature of Member(s)

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and if the proxy is not a member of the Company, the proxy shall be an advocate or an approved company auditor or a person approved by the Registrar of Companies.
2. A member shall be entitled to appoint more than one proxy (subject always to a maximum of two (2) proxies at each meeting) to attend and vote at the same meeting.
3. Where a member appoints more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. 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.
5. The instrument appointing a proxy must be deposited at the Registered Office of the Company, Signet & Co Sdn. Bhd. at Suite 6.1A, Level 6, Menara Pelangi, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru, Johor not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.

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Stamp

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

Suite 6.1A, Level 6
Menara Pelangi, Jalan Kuning, Taman Pelangi
80400 Johor Bahru
Johor

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