



# *financial* statements

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# directors'

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## report

The Directors have pleasure in presenting their annual report together with the audited accounts of the Group and of the Company for the financial year ended 31 December 2000.

### PRINCIPAL ACTIVITY

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiary companies are as disclosed under Note 4 to the accounts.

### RESULTS

|   | Group<br>RM       | Company<br>RM    |
|---|-------------------|------------------|
| Profit after taxation                     | 14,388,110        | 5,626,509        |
| Proforma retained profits brought forward | 877,995           | -                |
| Adjustment for merger deficit             | 8,228,079         | -                |
|   | <u>9,106,074</u>  | <u>-</u>         |
| Profits available for appropriation       | 23,494,184        | 5,626,509        |
| Final dividend - 3% less 28% tax          | (1,296,000)       | (1,296,000)      |
| 5% tax exempt                             | (3,000,000)       | (3,000,000)      |
| Retained profits carried forward          | <u>19,198,184</u> | <u>1,330,509</u> |

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

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

The Directors propose a final dividend comprising 3% less 28% tax and 5% tax-exempt, amounting to RM1,296,000 and RM3,000,000 respectively in respect of the current financial year.

### SHARE CAPITAL

During the financial year, the authorised capital was increased from RM25,000 to RM100,000,000 by the creation of 99,975,000 shares of RM1 each. The following issue of shares was made by the Company :

| Class        | Number     | Term of Issue   | Purpose of Issue                                       |
|--------------|------------|-----------------|--|
| Ordinary RM1 | 29,315,500 | Issue at RM1.10 | Acquisition of Hup Seng Perusahaan Makanan (M) Sdn Bhd |
| Ordinary RM1 | 14,625,500 | Issue at RM1.10 | Acquisition of Hup Seng Hoon Yong Brothers Sdn Bhd     |
| Ordinary RM1 | 16,049,000 | Issue at RM2.00 | Public issue   |

# directors'

## report (cont'd)

### DIRECTORS

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

|                                     |                           |
|-------------------------------------|---------------------------|
| Kuo Choo Song                       | (Executive Chairman )     |
| Ke (Kek) Kim Soon @ Kerk Choo Soon  | (Executive Vice Chairman) |
| Keh (Kerk) Chu Koh                  | (Managing Director)       |
| Kerk Chiew Siong                    | (Executive Director)      |
| Kerk Chian Tung                     | (Executive Director)      |
| Teo Lee Teck                        | (Appointed on 10.8.2000)  |
| Norita Binti Ja'afar                | (Appointed on 11.8.2000)  |
| Wee Hoe Soon @ Gooi Hoe Soon        | (Appointed on 27.6.2000)  |
| Mazrina Binti Arifin                | (Appointed on 27.6.2000)  |
| Raja Khairul Anuar Bin Raja Mokhtar | (Appointed on 14.12.2000) |
| Tan Seng Kee                        | (Resigned on 3.8.2000)    |
| Datin Noorhayati Binti Kamaluddin   | (Resigned on 14.12.2000)  |

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

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

|                                    | Number of Ordinary Shares of RM 1 each |            |             |                     |   |
|------------------------------------|--|------------|-------------|---------------------|---|
|                                    | As at<br>1.1.2000                      | Bought     | Sold        | As at<br>31.12.2000 |   |
| <b>The Company</b>                 |  |            |             |                     |   |
| <b>Direct interest</b>             |  |            |             |                     |   |
| Kuo Choo Song                      | -                                      | 364,775    | (364,775)   | -                   | A |
| Ke (Kek) Kim Soon @ Kerk Choo Soon | -                                      | 973,386    | (973,386)   | -                   | n |
| Keh (Kerk) Chu Koh                 | -                                      | 1,030,627  | (1,005,627) | 25,000              | n |
| Kerk Chiew Siong                   | -                                      | 2,126,405  | (2,126,405) | -                   | u |
| Teo Lee Teck                       | -                                      | 457,285    | (457,285)   | -                   | a |
| Raja Khairul Anuar Bin Mokhtar     | -                                      | 20,000     | -           | 20,000              | l |
| <b>Indirect interest</b>           |  |            |             |                     |   |
| Kuo Choo Song                      | 7,000                                  | -          | (7,000)     | - #                 | R |
| Ke (Kek) Kim Soon @ Kerk Choo Soon | 7,000                                  | -          | (7,000)     | - #                 | e |
| Keh (Kerk) Chu Koh                 | 7,000                                  | -          | (7,000)     | - #                 | p |
| <b>Deemed interest</b>             |  |            |             |                     |   |
| Kuo Choo Song                      | -                                      | 33,000,000 | -           | 33,000,000 *        | o |
| Ke (Kek) Kim Soon @ Kerk Choo Soon | -                                      | 33,000,000 | -           | 33,000,000 *        | r |
| Keh (Kerk) Chu Koh                 | -                                      | 33,000,000 | -           | 33,000,000 *        | t |
| Teo Lee Teck                       | -                                      | 33,000,000 | -           | 33,000,000 *        | 2 |

# directors'

## report (cont'd)

### Number of Ordinary Shares of RM1 each

|                                    | As at<br>1.1.2000 | Bought    | Sold | As at<br>31.12.2000 |
|------------------------------------|-------------------|-----------|------|---------------------|
| <b>Holding company</b>             |                   |           |      |                     |
| <b>HSB Group Sdn Bhd</b>           |                   |           |      |                     |
| <b>Direct Interest</b>             |                   |           |      |                     |
| Kuo Choo Song                      | -                 | 1,099,272 | -    | 1,099,272           |
| Ke (Kek) Kim Soon @ Kerk Choo Soon | -                 | 1,966,039 | -    | 1,966,039           |
| Keh (Kerk) Chu Koh                 | -                 | 3,030,344 | -    | 3,030,344           |
| Kerk Chiew Siong                   | -                 | 3,756,074 | -    | 3,756,074           |
| Teo Lee Teck                       | -                 | 1,378,069 | -    | 1,378,069           |

### Number of Ordinary Shares of RM1 each

|                                    | As at<br>1.1.2000 | Bought | Sold | As at<br>31.12.2000 |
|------------------------------------|-------------------|--------|------|---------------------|
| <b>Holding company</b>             |                   |        |      |                     |
| <b>HSB Group Sdn Bhd</b>           |                   |        |      |                     |
| <b>Indirect Interest</b>           |                   |        |      |                     |
| Kuo Choo Song                      | -                 | 7,000  | -    | 7,000 #             |
| Ke (Kek) Kim Soon @ Kerk Choo Soon | -                 | 7,000  | -    | 7,000 #             |
| Keh (Kerk) Chu Koh                 | -                 | 7,000  | -    | 7,000 #             |

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

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

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

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

# directors'

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## report (cont'd)

### SIGNIFICANT EVENT

During the financial year, the Company completed the following corporate restructuring exercise :

- (i) The acquisition of the following companies :
  - (a) the entire issued and paid-up share capital of Hup Seng Perusahaan Makanan (M) Sdn Bhd ("HSPM") comprising 4,950,000 ordinary shares of RM1 each for a consideration of RM32,247,159 satisfied by the issuance of 29,315,500 new ordinary shares at an issue price of approximately RM1.10 per share in favour of the vendors of HSPM and their nominee, HSB Group Sdn Bhd ; and
  - (b) the entire issued and paid-up share capital of Hup Seng Hoon Yong Brothers Sdn Bhd ("HSHY") comprising 2,004,000 ordinary shares of RM1 each for a consideration of RM16,087,611 satisfied by the issuance of 14,625,500 new ordinary shares at an issue price of approximately RM1.10 per share in favour of the vendors of HSHY and their nominee, HSB Group Sdn Bhd.
- (ii) Public issue of 16,049,000 new ordinary shares of RM1 each and offer for sale of 10,948,000 ordinary shares of RM1 each at an issue/offer price of RM2 per ordinary share.
- (iii) The listing of and quotation for the entire issued and paid up share capital of the Company comprising 60,000,000 ordinary shares of RM1 each on the Main Board of the Kuala Lumpur Stock Exchange on 2 November 2000.

### OTHER STATUTORY INFORMATION

- (a) Before the profit and loss accounts and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps :
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts;and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render :
  - (i) the amount written off for bad debts or the amount of provision for doubtful debts inadequate to any substantial extent; and
  - (ii) the values attributed to current assets in the accounts 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 accounts of the Group and of the Company which would render any amount stated in the accounts and consolidated accounts misleading.

# directors'

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## report (cont'd)

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

- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the Directors :

- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet its obligations as and when they fall due; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

### AUDITORS

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

On behalf of the Board,

**KUO CHOO SONG**  
Executive Chairman

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

Batu Pahat  
19 March 2001

# statement by directors

We, **KUO CHOO SONG** and **KEH (KERK) CHU KOH**, being two of the Directors of **HUP SENG INDUSTRIES BERHAD**, do hereby state that, in the opinion of the Directors, the accounts set out on pages 21 to 37 are drawn up in accordance with approved accounting standards so as to give a true and fair view of :

- (i) the state of affairs of the Group and of the Company as at 31 December 2000 and of the results of the Group and of the Company for the year ended on that date; and
- (ii) the cash flows of the Group and of the Company for the year ended 31 December 2000.

On behalf of the Board,

**KUO CHOO SONG**  
Executive Chairman

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

Batu Pahat  
19 March 2001

# statutory declaration

I, **KUO CHOO SONG**, being the Director primarily responsible for the financial management of **HUP SENG INDUSTRIES BERHAD**, do solemnly and sincerely declare that the accounts set out on pages 21 to 37 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by )  
the abovenamed **KUO CHOO SONG** )  
at Batu Pahat in the State of Johor )  
Darul Ta'zim on 19 March 2001 ) **KUO CHOO SONG**

Before me,

**NG SWEE CHIANG** (No. J0004)  
Commissioner for Oaths

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# auditors' report

## to the member of Hup Seng Industries Berhad

We have audited the accounts set out on pages 21 to 37. These accounts are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these accounts based on our audit.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and significant estimates made by Directors, as well as evaluating the overall accounts presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion :

(a) the accounts are properly drawn up in accordance with the provisions of the Companies Act, 1965 and approved accounting standards in Malaysia so as to give a true and fair view of :

(i) the state of affairs of the Group and of the Company as at 31 December 2000 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 accounts and consolidated accounts;

(b) the accounting and other records and the registers required by the Act to be kept by the Company and the subsidiary companies for which we are the auditors have been properly kept in accordance with the provisions of the Act.

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

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

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

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

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Johor Bahru  
19 March 2001

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# balance sheets

as at 31 December 2000

|   | Note | Group      | Proforma Group | Company    |            |
|---|------|------------|----------------|------------|------------|
|   |      | 2000<br>RM | 1999<br>RM     | 2000<br>RM | 1999<br>RM |
| <b>FIXED ASSETS</b>                       | 3    | 60,521,848 | 42,320,795     | 207,603    | -          |
| <b>SUBSIDIARY COMPANIES</b>               | 4    | -          | -              | 59,818,298 | -          |
| <b>CURRENT ASSETS</b>                     |      |            |                |            |            |
| Stocks                                    | 5    | 12,915,943 | 12,437,736     | -          | -          |
| Debtors                                   | 6    | 22,669,723 | 25,054,496     | 51,061     | -          |
| Cash and bank balances                    | 7    | 41,764,651 | 23,916,630     | 20,539,432 | -          |
|   |      | 77,350,317 | 61,408,862     | 20,590,493 | -          |
| <b>CURRENT LIABILITIES</b>                |      |            |                |            |            |
| Creditors                                 | 8    | 36,366,879 | 39,962,113     | 630,744    | 2,153      |
| Holding company                           | 9    | -          | 19,285         | -          | 19,285     |
| Bank borrowings                           | 10   | 717,369    | 1,137,766      | -          | -          |
| Proposed dividend                         |      | 4,296,000  | 15,152,936     | 4,296,000  | -          |
| Taxation                                  |      | 288,472    | -              | 13,880     | -          |
|   |      | 41,668,720 | 56,272,100     | 4,940,624  | 21,438     |
| <b>NET CURRENT ASSETS / (LIABILITIES)</b> |      | 35,681,597 | 5,136,762      | 15,649,869 | (21,438)   |
| <b>DEFERRED EXPENDITURE</b>               | 11   | -          | 31,438         | -          | 31,438     |
|   |      | 96,203,445 | 47,488,995     | 75,675,770 | 10,000     |
| <b>SHARE CAPITAL</b>                      | 12   | 60,000,000 | 43,951,000     | 60,000,000 | 10,000     |
| <b>RESERVES</b>                           | 13   | 33,543,445 | 877,995        | 15,675,770 | -          |
|   |      | 93,543,445 | 44,828,995     | 75,675,770 | 10,000     |
| <b>DEFERRED TAXATION</b>                  | 14   | 2,660,000  | 2,660,000      | -          | -          |
|   |      | 96,203,445 | 47,488,995     | 75,675,770 | 10,000     |

The notes on pages 26 to 37 form an integral part of these accounts.

# profit and loss accounts

for the year ended 31 December 2000

|                          |    | Group         | Proforma Group | Company    |            |
|--------------------------|----|---------------|----------------|------------|------------|
|                          |    | 2000<br>RM    | 1999<br>RM     | 2000<br>RM | 1999<br>RM |
| Turnover                 | 15 | 183,689,756   | 175,696,894    | -          | -          |
| Cost of goods sold       |    | (140,717,384) | (135,826,882)  | -          | -          |
| Gross profit             |    | 42,972,372    | 39,870,012     | -          | -          |
| Other operating income   |    | 1,606,530     | 1,612,552      | 7,110,476  | -          |
| Selling expenses         |    | (15,407,282)  | (14,868,848)   | -          | -          |
| Administrative expenses  |    | (10,740,210)  | (9,446,407)    | (908,967)  | -          |
| Revaluation deficits     |    | (68,303)      | -              | -          | -          |
| Profit from operations   |    | 18,363,107    | 17,167,309     | 6,201,509  | -          |
| Finance cost             |    | (162,239)     | (59,115)       | -          | -          |
| Profit before taxation   | 16 | 18,200,868    | 17,108,194     | 6,201,509  | -          |
| Taxation                 | 17 | (3,812,758)   | (402,171)      | (575,000)  | -          |
| Profit after taxation    |    | 14,388,110    | 16,706,023     | 5,626,509  | -          |
| Dividend per share (sen) |    | 7             | -              |            |            |
| Earnings per share (sen) | 18 |               |                |            |            |
| - Basic                  |    | 31            | 38             |            |            |
| - Diluted                |    | 31            | 38             |            |            |

# statements of

## changes in equity

for the year ended 31 December 2000

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

The notes on pages 26 to 37 form an integral part of these accounts.

# statements of

## changes in equity (cont'd)

for the year ended 31 December 2000

| COMPANY                                | Share<br>Capital<br>RM | Share<br>Premium<br>RM | Profit and Loss<br>Account<br>RM | Total<br>RM |
|--|------------------------|------------------------|----------------------------------|-------------|
| At 1 January 1999 and 31 December 1999 | 10,000                 | -                      | -                                | 10,000      |
| Acquisition of subsidiary companies    | 43,941,000             | -                      | -                                | 43,941,000  |
| Public issue of shares                 | 16,049,000             | 16,049,000             | -                                | 32,098,000  |
| Share listing expenses                 | -                      | (1,703,739)            | -                                | (1,703,739) |
| Net profit for the year                | -                      | -                      | 5,626,509                        | 5,626,509   |
| Dividend :                             |                        |                        |                                  |             |
| Final - 3% less 28% tax                | -                      | -                      | (1,296,000)                      | (1,296,000) |
| - 5% tax exempt                        | -                      | -                      | (3,000,000)                      | (3,000,000) |
| At 31 December 2000                    | 60,000,000             | 14,345,261             | 1,330,509                        | 75,675,770  |

# statements of cash flow

for the year ended 31 December 2000

|  | Group        | Proforma Group | Company      |            |
|--|--------------|----------------|--------------|------------|
|  | 2000<br>RM   | 1999<br>RM     | 2000<br>RM   | 1999<br>RM |
| <b>Cash flows from operating activities</b>                      |              |                |              |            |
| <b>Profit before taxation</b>                                    | 18,200,868   | 17,108,194     | 6,201,509    | -          |
| Adjustments for :  |              |                |              |            |
| Bad debts written off  | 241,692      | 101,825        | -            | -          |
| Deferred expenditure   | 33,086       | -              | 33,086       | -          |
| Depreciation   | 3,272,667    | 2,528,567      | 5,783        | -          |
| Fixed assets written off   | 27,063       | 348,167        | -            | -          |
| Gain on disposal of fixed assets                                 | (181,155)    | (134,210)      | -            | -          |
| Interest expense   | 162,239      | 59,115         | -            | -          |
| Interest income  | (758,556)    | (724,034)      | (156,476)    | -          |
| Provision for doubtful debts                                     | 585,621      | 1,164,547      | -            | -          |
| Provision for obsolete stocks                                    | 1,406,302    | 1,071,698      | -            | -          |
| Revaluation deficits   | 68,303       | -              | -            | -          |
| <b>Operating profit before working capital changes</b>           | 23,058,130   | 21,523,869     | 6,083,902    | -          |
| Increase in stocks   | (1,884,509)  | (1,711,138)    | -            | -          |
| Decrease / (Increase) in trade and other receivables             | 1,168,415    | (4,396,369)    | (16,489,479) | (3,879)    |
| (Decrease) / increase in trade and other payables                | (3,614,519)  | 10,074,231     | 609,306      | 3,879      |
| Cash generated from / (used in) operations                       | 18,727,517   | 25,490,593     | (9,796,271)  | -          |
| Payment of deferred expenditure                                  | (1,648)      | -              | (1,648)      | -          |
| Interest paid  | (162,239)    | (59,115)       | -            | -          |
| Taxes paid   | (3,748,784)  | (5,261,990)    | -            | -          |
| Taxes refunded   | 613,543      | -              | -            | -          |
| <i>Net cash from / (used in) operating activities</i>            | 15,428,389   | 20,169,488     | (9,797,919)  | -          |
| <b>Cash flows from investing activities</b>                      |              |                |              |            |
| Interest received  | 758,556      | 724,034        | 156,476      | -          |
| Increase in pledged fixed deposits                               | (41,199)     | (56,093)       | -            | -          |
| Proceeds from disposal of fixed assets                           | 462,894      | 1,206,320      | -            | -          |
| Purchase of fixed assets   | (13,622,746) | (11,257,079)   | (213,386)    | -          |
| <i>Net cash used in investing activities</i>                     | (12,442,495) | (9,382,818)    | (56,910)     | -          |
| <b>Cash flows from financing activities</b>                      |              |                |              |            |
| Proceeds from issuance of shares                                 | 32,098,000   | -              | 32,098,000   | -          |
| Payment for share listing expenses                               | (1,703,739)  | -              | (1,703,739)  | -          |
| (Repayment of) / proceeds from bank borrowings                   | (419,534)    | 709,749        | -            | -          |
| Dividend paid to ex-shareholders of subsidiary companies         | (15,152,936) | (10,531,980)   | -            | -          |
| <i>Net cash from / (used in) financing activities</i>            | 14,821,791   | (9,822,231)    | 30,394,261   | -          |
| Net increase in cash and cash equivalents                        | 17,807,685   | 964,439        | 20,539,432   | -          |
| Cash and cash equivalents at beginning of the year               | 22,771,010   | 21,806,571     | -            | -          |
| <b>Cash and cash equivalents at end of the year</b><br>(Note 20) | 40,578,695   | 22,771,010     | 20,539,432   | -          |

The notes on pages 26 to 37 form an integral part of these accounts.

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# notes to the accounts

## 1. GENERAL

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Accounting

The accounts are prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and comply with approved accounting standards issued by the Malaysian Accounting Standards Board.

### (b) Basis of Consolidation

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

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

### (c) Fixed Assets and Depreciation

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

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

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

The Company appraises its fixed assets periodically at regular intervals of five years. Subsequent restoration costs relating to an item of fixed asset that has been recognised, are capitalised only if such costs improve the condition of the assets beyond its originally assessed standard of performance. All other subsequent expenditure are recognised as an expense in the year in which it is incurred.

### (d) Product Development Expenditure

Development and pre-production expenses incurred on new products are charged to the profit and loss account as and when they are incurred.

### (e) Investments

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

# notes to

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## the accounts (cont'd)

**(f) Stocks**

Stocks are stated at the lower of cost and net realisable value after adequate provision has been made for damaged, obsolete and slow moving items.

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

**(g) Bad and Doubtful Debts**

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

**(h) Foreign Currencies**

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

**(i) Deferred Taxation**

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

**(j) Cash and Cash Equivalents**

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

**(k) Revenue Recognition**

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

*Sales of Goods*

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

*Interest Income*

Interest income is recognised on the accrual basis.

*Dividends*

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

# notes to

## the accounts (cont'd)

### 3. FIXED ASSETS

| Group                                   | Land and buildings<br>RM | Plant and equipment<br>RM | Motor vehicles<br>RM | Other assets<br>RM | Total<br>RM |
|---|--------------------------|---------------------------|----------------------|--------------------|-------------|
| At beginning of the year                | 23,176,736               | 20,579,914                | 10,371,527           | 4,795,696          | 58,923,873  |
| Addition                                | 399,787                  | 1,347,789                 | 981,625              | 10,893,545         | 13,622,746  |
| Adjustment on revaluations              | 6,868,463                | -                         | -                    | -                  | 6,868,463   |
| Disposals/write off                     | (65,200)                 | (33,397)                  | (684,925)            | (64,397)           | (847,919)   |
| Reclassification                        | 29,300                   | 3,157,649                 | -                    | (3,186,949)        | -           |
| At end of the year                      | 30,409,086               | 25,051,955                | 10,668,227           | 12,437,895         | 78,567,163  |
| <b>Accumulated Depreciation</b>         |                          |                           |                      |                    |             |
| At beginning of the year                | 1,291,312                | 8,864,619                 | 5,183,473            | 1,263,674          | 16,603,078  |
| Charge for the year                     | 431,086                  | 1,550,476                 | 1,099,462            | 191,643            | 3,272,667   |
| Adjustment on revaluation               | (1,291,312)              | -                         | -                    | -                  | (1,291,312) |
| Disposals/write off                     | -                        | (11,399)                  | (486,880)            | (40,839)           | (539,118)   |
| At end of the year                      | 431,086                  | 10,403,696                | 5,796,055            | 1,414,478          | 18,045,315  |
| <b>Net Book Value</b>                   |                          |                           |                      |                    |             |
| At 31.12.2000                           | 29,978,000               | 14,648,259                | 4,872,172            | 11,023,417         | 60,521,848  |
| At 31.12.1999                           | 21,885,424               | 11,715,295                | 5,188,054            | 3,532,022          | 42,320,795  |
| <b>Analysis of cost and valuation :</b> |                          |                           |                      |                    |             |
| At 31.12.2000                           |                          |                           |                      |                    |             |
| Cost                                    | 429,086                  | 25,051,955                | 10,668,227           | 12,437,895         | 48,587,163  |
| Valuation - 1.1.2000                    | 29,980,000               | -                         | -                    | -                  | 29,980,000  |
|   | 30,409,086               | 25,051,955                | 10,668,227           | 12,437,895         | 78,567,163  |
| At 31.12.1999                           |                          |                           |                      |                    |             |
| Cost                                    | 20,268,736               | 20,579,914                | 10,371,527           | 4,795,696          | 56,015,873  |
| Valuation - 31.3.1984                   | 2,908,000                | -                         | -                    | -                  | 2,908,000   |
|   | 23,176,736               | 20,579,914                | 10,371,527           | 4,795,696          | 58,923,873  |

The net book value of land and buildings is analysed as follows :

|                              | 2000<br>RM | 1999<br>RM |
|------------------------------|------------|------------|
| Freehold land and buildings  | 17,822,430 | 14,852,543 |
| Leasehold land and buildings | 12,155,570 | 7,032,881  |
|                              | 29,978,000 | 21,885,424 |

# notes to

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## the accounts (cont'd)

| Company                         | Office<br>equipment<br>RM | Furniture<br>& Fittings<br>RM | Motor<br>vehicles<br>RM | Total<br>RM |
|---------------------------------|---------------------------|-------------------------------|-------------------------|-------------|
| <b>Cost and Valuation</b>       |                           |                               |                         |             |
| At beginning of the year        | -                         | -                             | -                       | -           |
| Additions                       | 31,014                    | 7,048                         | 175,324                 | 213,386     |
| At end of the year              | 31,014                    | 7,048                         | 175,324                 | 213,386     |
| <b>Accumulated Depreciation</b> |                           |                               |                         |             |
| At beginning of the year        | -                         | -                             | -                       | -           |
| Charge for the year             | 1,673                     | 4,110                         | -                       | 5,783       |
| At end of the year              | 1,673                     | 4,110                         | -                       | 5,783       |
| <b>Net Book Value</b>           |                           |                               |                         |             |
| At 31.12.2000                   | 29,341                    | 2,938                         | 175,324                 | 207,603     |
| At 31.12.1999                   | -                         | -                             | -                       | -           |

Freehold land and buildings amounting to RM1,311,308 (1999 : RM1,029,020) are charged as securities for bank facilities as stated in Note 10 to the accounts.

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 accounts had the land and buildings been carried at cost less accumulated depreciation amounts to RM7,774,795 (1999 : RM7,880,399).

Other assets include capital work-in-progress which comprises expenditures incurred for factory building in the course of construction amounting to RM1,893,200 (1999 : RMNil) and machinery under installation amounting to RM8,133,808 (1999 : RM2,608,330). The balance of the amounts yet to be incurred and not provided for is disclosed as capital commitments in Note 22 to the accounts.

# notes to

## the accounts (cont'd)

### 4. SUBSIDIARY COMPANIES

|                                       | Company           |            |
|---------------------------------------|-------------------|------------|
|                                       | 2000<br>RM        | 1999<br>RM |
| Unquoted shares at cost               | 43,941,000        | -          |
| Amounts owing by subsidiary companies | 15,877,298        | -          |
|                                       | <u>59,818,298</u> | <u>-</u>   |

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

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

| Name                                    | Principal Activities   | Effective<br>Equity Interest |      |
|---|--|------------------------------|------|
|   |  | 2000                         | 1999 |
| Hup Seng Perusahaan Makanan (M) Sdn Bhd | Manufacture and sale of biscuits                               | 100%                         | -    |
| Hup Seng Hoon Yong Brothers Sdn Bhd     | Sale and distribution of biscuits, confectionery and foodstuff | 100%                         | -    |

### 5. STOCKS

|                               | Group             | Proforma Group    | Company    |            |
|-------------------------------|-------------------|-------------------|------------|------------|
|                               | 2000<br>RM        | 1999<br>RM        | 2000<br>RM | 1999<br>RM |
| Raw materials                 | 5,828,842         | 5,292,491         | -          | -          |
| Work-in-progress              | 274,322           | 187,945           | -          | -          |
| Finished goods                | 7,212,857         | 6,250,862         | -          | -          |
| Containers                    | 1,065,590         | 1,061,488         | -          | -          |
| Promotional stocks            | 5,700             | -                 | -          | -          |
| Spares and fuel               | 1,353,200         | 1,078,733         | -          | -          |
| Third party resaleable stocks | 15,517            | -                 | -          | -          |
|                               | <u>15,756,028</u> | <u>13,871,519</u> | <u>-</u>   | <u>-</u>   |
| Provision for obsolete stocks | (2,840,085)       | (1,433,783)       | -          | -          |
|                               | <u>12,915,943</u> | <u>12,437,736</u> | <u>-</u>   | <u>-</u>   |

Stocks of containers include tin containers in circulation amounting to RM1,029,020 (1999 : RM1,029,020). These are stated at estimated net realisable value based on the estimated quantity of tin containers in circulation at balance sheet date.

# notes to

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## the accounts (cont'd)

### 6. DEBTORS

|                              | Group<br>2000<br>RM | Proforma Group<br>1999<br>RM | Company<br>2000<br>RM | 1999<br>RM |
|------------------------------|---------------------|------------------------------|-----------------------|------------|
| Trade debtors                | 25,451,576          | 27,270,330                   | -                     | -          |
| Other debtors                | 1,588,428           | 1,568,826                    | 51,061                | -          |
|                              | 27,040,004          | 28,839,156                   | 51,061                | -          |
| Provision for doubtful debts | (4,370,281)         | (3,784,660)                  | -                     | -          |
|                              | 22,669,723          | 25,054,496                   | 51,061                | -          |

### 7. CASH AND BANK BALANCES

|                             | Group<br>2000<br>RM | Proforma Group<br>1999<br>RM | Company<br>2000<br>RM | 1999<br>RM |
|-----------------------------|---------------------|------------------------------|-----------------------|------------|
| Deposits with licensed bank | 20,818,543          | 3,165,472                    | 15,500,000            | -          |
| Repurchase agreements       | 14,000,000          | 15,000,000                   | 5,000,000             | -          |
| Cash and bank balances      | 6,946,108           | 5,751,158                    | 39,432                | -          |
|                             | 41,764,651          | 23,916,630                   | 20,539,432            | -          |

Fixed deposits with licensed bank amounting to RM1,185,956 (1999 : RM1,144,757) is pledged as security for overdraft facility of the Group as stated in Note 10 to the accounts.

### 8. CREDITORS

|                                | Group<br>2000<br>RM | Proforma Group<br>1999<br>RM | Company<br>2000<br>RM | 1999<br>RM |
|--------------------------------|---------------------|------------------------------|-----------------------|------------|
| Trade creditors                | 21,011,610          | 27,694,036                   | -                     | -          |
| Other creditors                | 12,227,589          | 9,524,168                    | 630,744               | 2,153      |
| Containers refundable deposits | 3,127,680           | 2,743,909                    | -                     | -          |
|                                | 36,366,879          | 39,962,113                   | 630,744               | 2,153      |

### 9. HOLDING COMPANY

The holding company was Hup Seng Brothers Holdings Sdn. Bhd., a company incorporated in Malaysia. The amount owing to the holding company which arose from advances was unsecured, interest free and had no fixed terms of repayment.

During the year, HSB Group Sdn Bhd became the holding company subsequent to the restructuring exercise of the Company.

# notes to

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## the accounts (cont'd)

### 10.BANK BORROWINGS

|                  | Group          | Proforma Group   | Company  |          |
|------------------|----------------|------------------|----------|----------|
|                  | 2000           | 1999             | 2000     | 1999     |
|                  | RM             | RM               | RM       | RM       |
| Secured :        |                |                  |          |          |
| Bank overdraft   | -              | 863              | -        | -        |
| Bills discounted | -              | 1,136,903        | -        | -        |
| Term loan        | 717,369        | -                | -        | -        |
|                  | <u>717,369</u> | <u>1,137,766</u> | <u>-</u> | <u>-</u> |

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

The bank overdraft facility of RM3,190,000 (1999 : RM2,690,000) is repayable upon demand and bears interest at rates ranging from 1.5% to 2.5% (1999 : 1.5 % to 2.5%) above the bank's base lending rate per annum. The overdraft facility was not utilised as at balance sheet date. Bills discounted were charged interest at 9.5% per annum in previous financial year.

The term loan is repayable over 5 years to commence one month after full drawdown or four months after the first drawdown whichever is earlier and bears interest at 1% ( 1999 : Nil ) above the bank's base lending rate per annum.

### 11.DEFERRED EXPENDITURE

|                        | Group         | Proforma Group | Company       |               |
|------------------------|---------------|----------------|---------------|---------------|
|                        | 2000          | 1999           | 2000          | 1999          |
|                        | RM            | RM             | RM            | RM            |
| Preliminary expenses   | 3,000         | 3,000          | 3,000         | 3,000         |
| Pre-operating expenses | 30,086        | 28,438         | 30,086        | 28,438        |
|                        | <u>33,086</u> | <u>31,438</u>  | <u>33,086</u> | <u>31,438</u> |
| Amount written off     | (33,086)      | -              | (33,086)      | -             |
|                        | <u>-</u>      | <u>31,438</u>  | <u>-</u>      | <u>31,438</u> |

Included in pre-operating expenses is current year's audit fee of RM Nil. ( 1999 : RM800 )

# notes to

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## the accounts (cont'd)

### 12.SHARE CAPITAL

|  | <b>Group</b>       | <b>Proforma Group</b> | <b>Company</b>     |               |
|--|--------------------|-----------------------|--------------------|---------------|
|  | <b>2000</b>        | <b>1999</b>           | <b>2000</b>        | <b>1999</b>   |
|  | <b>RM</b>          | <b>RM</b>             | <b>RM</b>          | <b>RM</b>     |
| Authorised :   |                    |                       |                    |               |
| 25,000 (1999 : 25,000) ordinary shares of RM1 each at beginning of the year                                    | 100,000,000        | 100,000,000           | 25,000             | 25,000        |
| 99,975,000 (1999 : Nil) ordinary shares of RM1 each created during the year                                    | -                  | -                     | 99,975,000         | -             |
| 100,000,000 (1999 : 25,000) ordinary shares of RM1 each at end of the year                                     | <u>100,000,000</u> | <u>100,000,000</u>    | <u>100,000,000</u> | <u>25,000</u> |
| Issued and fully paid :  |                    |                       |                    |               |
| 10,000 (1999 : 10,000) ordinary shares of RM1 at beginning of the year   | 43,951,000         | 43,951,000            | 10,000             | 10,000        |
| 43,941,000 (1999 : Nil) ordinary shares of RM1 issued as consideration for acquisition on subsidiary companies | -                  | -                     | 43,941,000         | -             |
| 16,049,000 (1999 : Nil) ordinary shares of RM1 issued via public offer   | <u>16,049,000</u>  | <u>-</u>              | <u>16,049,000</u>  | <u>-</u>      |
| 60,000,000 (1999 : 10,000) ordinary shares of RM1 at end of the year   | <u>60,000,000</u>  | <u>43,951,000</u>     | <u>60,000,000</u>  | <u>10,000</u> |

The share capital of the Group has been restated for the issuance of shares for acquisition of the subsidiary companies as if the subsidiary companies have been owned throughout the current and preceding accounting periods.

### 13.RESERVES

|                         | <b>Group</b>      | <b>Proforma Group</b> | <b>Company</b>    |             |
|-------------------------|-------------------|-----------------------|-------------------|-------------|
|                         | <b>2000</b>       | <b>1999</b>           | <b>2000</b>       | <b>1999</b> |
|                         | <b>RM</b>         | <b>RM</b>             | <b>RM</b>         | <b>RM</b>   |
| Non-Distributable :     |                   |                       |                   |             |
| Share premium           | 14,345,261        | -                     | 14,345,261        | -           |
| Distributable :         |                   |                       |                   |             |
| Profit and loss account | <u>19,198,184</u> | <u>877,995</u>        | <u>1,330,509</u>  | <u>-</u>    |
|                         | <u>33,543,445</u> | <u>877,995</u>        | <u>15,675,770</u> | <u>-</u>    |

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

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

# notes to

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## the accounts (cont'd)

### 14.DEFERRED TAXATION

|                                    | Group<br>2000<br>RM | Proforma Group<br>1999<br>RM | Company<br>2000<br>RM | 1999<br>RM |
|------------------------------------|---------------------|------------------------------|-----------------------|------------|
| At beginning of the year           | 2,660,000           | 2,199,000                    | -                     | -          |
| Movement during the year (Note 17) | -                   | 461,000                      | -                     | -          |
| At end of the year                 | 2,660,000           | 2,660,000                    | -                     | -          |

### 15.TURNOVER

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

### 16.PROFIT BEFORE TAXATION

|                                     | Group<br>2000<br>RM | Proforma Group<br>1999<br>RM | Company<br>2000<br>RM | 1999<br>RM |
|-------------------------------------|---------------------|------------------------------|-----------------------|------------|
| This is arrived at after charging : |                     |                              |                       |            |
| Auditors' remuneration              | 31,500              | 28,800                       | 3,500                 | 800        |
| Bad debts written off               | 241,692             | 101,825                      | -                     | -          |
| Emoluments of the Directors of      |                     |                              |                       |            |
| - the Company                       |                     |                              |                       |            |
| - fee                               | 570,066             | 50,400                       | 469,266               | -          |
| - other emoluments                  | 2,979,899           | 2,477,269                    | 224,137               | -          |
| - the subsidiary companies          |                     |                              |                       |            |
| - fee                               | 89,600              | 44,870                       | -                     | -          |
| - other emoluments                  | 765,861             | 696,488                      | -                     | -          |
| Depreciation of fixed assets        | 3,272,667           | 2,528,567                    | 5,783                 | -          |
| Deferred expenditure written off    | 33,086              | -                            | 33,086                | -          |
| Realised exchange losses            | 149,328             | 2,361                        | -                     | -          |
| Fixed assets written off            | 27,063              | 348,167                      | -                     | -          |
| Interest expense                    | 162,239             | 59,115                       | -                     | -          |
| Loss on disposal of fixed assets    | 4,707               | 4,869                        | -                     | -          |
| Product development expenses        | 363,329             | 353,306                      | -                     | -          |
| Provision for obsolete stocks       | 1,406,302           | 1,071,698                    | -                     | -          |
| Provision for doubtful debts        | 585,621             | 1,164,547                    | -                     | -          |
| Rental expenses                     | 137,050             | 119,049                      | 4,500                 | -          |
| Revaluation deficits                | 68,303              | -                            | -                     | -          |
| and crediting :                     |                     |                              |                       |            |
| Realised exchange gains             | -                   | 28,351                       | -                     | -          |
| Gain on disposal of fixed assets    | 185,862             | 139,079                      | -                     | -          |
| Dividend income                     | -                   | -                            | 6,954,000             | -          |
| Rental income                       | 14,630              | 13,500                       | -                     | -          |
| Interest income                     | 758,556             | 724,034                      | 156,476               | -          |

# notes to

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## the accounts (cont'd)

### 17. TAXATION

|   | <b>Group</b>     | <b>Proforma Group</b> | <b>Company</b> |             |
|---|------------------|-----------------------|----------------|-------------|
|   | <b>2000</b>      | <b>1999</b>           | <b>2000</b>    | <b>1999</b> |
|   | <b>RM</b>        | <b>RM</b>             | <b>RM</b>      | <b>RM</b>   |
| Malaysian taxation based on profit for the year : |                  |                       |                |             |
| Current tax                                       | 3,806,768        | -                     | 575,000        | -           |
| Deferred tax (Note 14)                            | -                | 408,000               | -              | -           |
|   | <u>3,806,768</u> | <u>408,000</u>        | <u>575,000</u> | <u>-</u>    |
| (Over)/under provision in previous year :         |                  |                       |                |             |
| Current tax                                       | -                | (63,939)              | -              | -           |
| Deferred tax (Note 14)                            | -                | 53,000                | -              | -           |
|   | <u>3,806,768</u> | <u>397,061</u>        | <u>575,000</u> | <u>-</u>    |
| Real property gains tax                           | 5,990            | 5,110                 | -              | -           |
|   | <u>3,812,758</u> | <u>402,171</u>        | <u>575,000</u> | <u>-</u>    |

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

### 18. EARNINGS PER SHARE

The basic and diluted earnings per share are calculated based on the consolidated profit after taxation of RM14,388,110 (1999 : RM16,706,023) over the weighted average number of 47,160,800 (1999 : 43,951,000) ordinary shares in issue during the year.

### 19. MERGER ACCOUNTING

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

The analysis of the Group results before and after 9 August 2000, the effective date of merger, is as follows :

|  | <b>1.1.2000 to</b> | <b>10.8.2000 to</b> | <b>1.1.2000 to</b> | <b>1.1.1999 to</b> |
|--|--------------------|---------------------|--------------------|--------------------|
|  | <b>9.8.2000</b>    | <b>31.12.2000</b>   | <b>31.12.2000</b>  | <b>31.12.1999</b>  |
|  | <b>Pre-Merger</b>  | <b>Post-Merger</b>  | <b>Total</b>       | <b>Total</b>       |
|  | <b>RM</b>          | <b>RM</b>           | <b>RM</b>          | <b>RM</b>          |
| Profit after taxation                    |                    |                     |                    |                    |
| The Company before merger                | -                  | 5,626,509           | 5,626,509          | -                  |
| Merged subsidiaries                      | 8,029,396          | 7,402,420           | 15,431,816         | 16,706,023         |
|  | <u>8,029,396</u>   | <u>13,028,929</u>   | <u>21,058,325</u>  | <u>16,706,023</u>  |
| Elimination of intercompany transactions | -                  | (6,670,215)         | (6,670,215)        | -                  |
| The Group after merger                   | <u>8,029,396</u>   | <u>6,358,714</u>    | <u>14,388,110</u>  | <u>16,706,023</u>  |

# notes to

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## the accounts (cont'd)

### 20. CASH AND CASH EQUIVALENTS

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

|  | <b>Group</b>      | <b>Proforma Group</b> | <b>Company</b>    |             |
|--|-------------------|-----------------------|-------------------|-------------|
|  | <b>2000</b>       | <b>1999</b>           | <b>2000</b>       | <b>1999</b> |
|  | <b>RM</b>         | <b>RM</b>             | <b>RM</b>         | <b>RM</b>   |
| Cash and bank balances                   | 6,946,108         | 5,751,158             | 39,432            | -           |
| Repurchase agreements                    | 14,000,000        | 15,000,000            | 5,000,000         | -           |
| Bank overdraft                           | -                 | (863)                 | -                 | -           |
| Deposits with licensed banks (Unpledged) | 19,632,587        | 2,020,715             | 15,500,000        | -           |
|  | <u>40,578,695</u> | <u>22,771,010</u>     | <u>20,539,432</u> | <u>-</u>    |

### 21. SIGNIFICANT RELATED PARTY TRANSACTIONS

|   | <b>Group</b> | <b>Proforma Group</b> | <b>Company</b> |             |
|---|--------------|-----------------------|----------------|-------------|
|   | <b>2000</b>  | <b>1999</b>           | <b>2000</b>    | <b>1999</b> |
|   | <b>RM</b>    | <b>RM</b>             | <b>RM</b>      | <b>RM</b>   |
| From subsidiary companies : Dividend receivable | -            | -                     | 6,954,000      | -           |

### 22. CAPITAL COMMITMENTS

|                                 | <b>Group</b> | <b>Proforma Group</b> | <b>Company</b> |             |
|---------------------------------|--------------|-----------------------|----------------|-------------|
|                                 | <b>2000</b>  | <b>1999</b>           | <b>2000</b>    | <b>1999</b> |
|                                 | <b>RM</b>    | <b>RM</b>             | <b>RM</b>      | <b>RM</b>   |
| Contracted but not provided for | 9,537,100    | 1,523,800             | -              | -           |

### 23. SIGNIFICANT EVENT

On 9 August 2000, the Company completed the following corporate restructuring, namely :

- (a) acquisition of the entire issued and paid-up share capital of Hup Seng Perusahaan Makanan (M) Sdn Bhd ("HSPM") comprising 4,950,000 ordinary shares of RM1 each for a consideration of RM32,247,159 satisfied by the issuance of 29,315,500 new ordinary shares at an issue price of approximately RM1.10 per share in favour of the vendors of HSPM and their nominee, HSB Group Sdn Bhd ; and
- (b) acquisition of the entire issued and paid-up share capital of Hup Seng Hoon Yong Brothers Sdn Bhd ("HSHY") comprising 2,004,000 ordinary shares of RM1 each for a consideration of RM16,087,611 satisfied by the issuance of 14,625,500 new ordinary shares at an issue price of approximately RM1.10 per share in favour of the vendors of HSHY and their nominee, HSB Group Sdn Bhd ; and
- (c) public issue of 16,049,000 new ordinary shares of RM1 each and offer for sale of 10,948,000 ordinary shares of RM1 each at an issue/offer price of RM2 per ordinary share.

On 2 November 2000, the entire issued and paid up share capital of the Company was listed and quoted on the Main Board of the Kuala Lumpur Stock Exchange.

# notes to the accounts (cont'd)

## 23.SIGNIFICANT EVENT (cont'd)

The utilisation of proceeds from the listing exercise of RM32,098,000 that was approved by the Securities Commission have been utilised in the following manner :

|  | Utilisation of<br>proceeds as<br>approved by<br>Securities<br>Commission<br>RM | Amount<br>utilised<br>as at<br>31.12.2000<br>RM | Balance not<br>utilised<br>as at<br>31.12.2000<br>RM |
|--|--|---|--|
| Purchase of new oven, mixers and packaging units                 | 18,117,000   | 8,313,549                                       | 9,803,451  |
| Factory expansion and increase warehouse capacity at<br>branches | 2,243,000  | 1,346,193                                       | 896,807  |
| Purchase of lorries and motor vehicles                           | 848,000  | -   | 848,000  |
| Working capital  | 9,090,000  | 346,843   | 8,743,157  |
| Listing expenses   | 1,800,000  | 1,703,739                                       | 96,261   |
|  | 32,098,000   | 11,710,324                                      | 20,387,676   |

## 24.SEGMENTAL REPORTING

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

## 25.EMPLOYEE INFORMATION

|            | Group<br>2000<br>RM | Proforma Group<br>1999<br>RM | Company<br>2000<br>RM | 1999<br>RM |
|------------|---------------------|------------------------------|-----------------------|------------|
| Staff cost | 24,973,320          | 23,157,035                   | 504,137               | -          |

The number of employees of the Group and of the Company at the end of the year was 1,338 and 5 (1999 :1,355 and Nil) respectively.

## 26.COMPARATIVE FIGURES

The presentation of accounts for the current year has been changed to adopt the format as prescribed in Malaysian Accounting Standards Board No. 1 - Presentation of Financial Statements. Comparative figures have been reclassified to conform with this presentation, where necessary.

In accordance with the principles of merger accounting, the results and consolidated cash flows of the Group are presented as if the subsidiary companies have been owned throughout the current and preceding accounting periods. Accordingly, proforma comparative figures of the Group have been presented.

# list of properties

| Location of Property  | Description   | Tenure of Land                           | Existing Use                     | Land Area / Build-up Area       | Approximate Age of Building | Net Book Value as at 31.12.00 RM |
|---|---|--|----------------------------------|---------------------------------|-----------------------------|----------------------------------|
| <b>Hup Seng Perusahaan Makanan (M) Sdn Bhd</b>  |   |  |                                  |                                 |                             |                                  |
| Lot No. 7009<br>(Formerly PTD 2650)<br>No. 15, Jalan Kolek<br>Taman Kapal Layar<br>Tongkang Pecah<br>83010 Batu Pahat<br>Johor Darul Takzim | Single-storey terrace house   | Freehold                                 | Rented out (expiring 30.04.2003) | 143.0 sq.m / 94.1 sq. m         | 7 years                     | 84,300                           |
| Lot 1336<br>No. 14, Jalan Kilang<br>Kawasan Perindustrian<br>Tongkang Pecah<br>83010 Batu Pahat<br>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     | 1 year                      | 11,573,690                       |
| PTD 1858<br>No. 14, Jalan Kilang<br>Kawasan Perindustrian<br>Tongkang Pecah<br>83010 Batu Pahat<br>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 / 10,425.8 sq. m | 18 years                    | 10,964,884                       |
| PTD 3727<br>No. 14, Jalan Kilang<br>Kawasan Perindustrian<br>Tongkang Pecah<br>83010 Batu Pahat<br>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                  | -                           | 192,579                          |
| Lot 6770<br>11 Jalan Kesturi 3<br>Taman Bunga Raya<br>Tongkang Pecah<br>83010 Batu Pahat<br>Johor Darul Takzim                              | Double-storey semi-detached house   | Freehold                                 | Foreign workers' hostel          | 275 sq.m / 169.1 sq. m          | 10 years                    | 117,232                          |
| Lot 6726<br>(Formerly GM766)<br>6 Jalan Kesturi 6<br>Taman Bunga Raya<br>Tongkang Pecah<br>83010 Batu Pahat<br>Johor Darul Takzim           | Double-storey semi-detached house   | Freehold                                 | Foreign workers' hostel          | 282 sq.m / 256.7 sq. m          | 10 years                    | 135,068                          |
| Lot 6457<br>No. 22 & 22A<br>Jalan Timun<br>Taman Anggerik<br>Tongkang Pecah<br>83010 Batu Pahat<br>Johor Darul Takzim                       | Double-storey shophouse   | Freehold                                 | Vacant                           | 163.5 sq.m / 281.3 sq. m        | 21 years                    | 178,000                          |

# list of

## properties (cont'd)

| Location of Property   | Description   | Tenure of Land | Existing Use  | Land Area / Build-up Area        | Approximate Age of Building | Net Book Value as at 31.12.00 RM |
|--|---|----------------|---|----------------------------------|-----------------------------|----------------------------------|
| <b>Hup Seng Hoon Yong Brothers Sdn Bhd</b>   |   |                |   |                                  |                             |                                  |
| P.T. No. 1820<br>No. 54, Jalan 7<br>Taman Maju<br>Jalan Semenyih<br>43000 Kajang<br>Selangor Darul Ehsan                                 | Single-storey<br>Link House                             | Freehold       | Vacant  | 3,138 sq.ft. /<br>760 sq.ft.     | 10 years                    | 99,200                           |
| Lot 63763,<br>63775 & 63776<br>No.4&4A, 28&28A, and<br>30&30A, Jln Harilela,<br>Taman Harilela,<br>31350 Ipoh,<br>Perak                  | Double storey<br>shophouses                             | Freehold       | 4-Rented out<br>(expiring<br>31.03.2001)<br><br>4A-Rented<br>out ( expiring<br>30.09.2001)<br><br>28&28A<br>-Vacant<br><br>30-Vacant<br><br>30A-Staff<br>hostel | 5,226 sq.ft. /<br>10,078 sq. ft. | 11 years                    | 539,200                          |
| P.T. Nos. 46611 and 45689<br>Nos. A495 and A 497<br>Taman Seri Pelindung Satu<br>Jalan Berserah<br>25300 Kuantan<br>Pahang Darul Makmur  | 2 continuous<br>units of<br>Double-storey<br>shophouses | Freehold       | Branch office<br>/ store  | 413 sq. m /<br>483.7 sq. m       | 5 years                     | 515,180                          |
| Lot Nos. 4107 & 4109<br>No. 1323 & 1325,<br>Jalan Bukit Tengah<br>Taman Indah<br>14000 Bukit Mertajam<br>Pulau Pinang                    | Double-storey<br>shophouses                             | Freehold       | Branch office<br>/ store  | 371.7 sq.m /<br>744.8 sq. m      | 11 years                    | 567,320                          |
| Plot Nos. 128, 130 & 131,<br>No. 128, 130, 131<br>Jalan Sagaria 2,<br>Taman Saga<br>Alor Mengkudu<br>05400 Alor Setar<br>Kedah Darulaman | Double-storey<br>shophouses                             | Freehold       | Store   | 362.4 sq.m /<br>640.5 sq. m      | 10 years                    | 382,912                          |
| Plot Nos. 132 & 133,<br>No. 132 & 133<br>Jalan Sagaria 2,<br>Taman Saga<br>Alor Mengkudu<br>05400 Alor Setar<br>Kedah Darulaman          | Double-storey<br>shophouses                             | Freehold       | Branch office<br>/ store  | 241.55 sq.m /<br>481.9 sq. m     | 2 years                     | 256,928                          |

# list of

## properties (cont'd)

| Location of Property  | Description                                     | Tenure of Land                           | Existing Use                 | Land Area / Build-up Area   | Approximate Age of Building | Net Book Value as at 31.12.00 RM |
|---|---|--|------------------------------|-----------------------------|-----------------------------|----------------------------------|
| Lot No. 6444 (Formerly PTD 693) No. 9 & 9A, Jalan Timun Taman Anggerik Tongkang Pecah 83010 Batu Pahat Johor Darul Takzim       | Double-storey shophouse                         | Freehold                                 | 9-Vacant<br>9A- Staff hostel | 163.5 sq.m /<br>281.3 sq. m | 21 years                    | 168,400                          |
| 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 /<br>8,450 sq.ft | 2 years                     | 998,107                          |
| 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 /<br>577.5 sq. m | 2 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 /<br>577.5 sq. m | 2 years                     | 685,000                          |
| Lot 6574 Mukim of Linau District of Batu Pahat Johor Darul Takzim   | Vacant industrial land                          | Freehold                                 | Vacant                       | 9,704.38 sq. m              | -                           | 1,700,000                        |

# statement of shareholdings

as at 31 March 2000

|                                  |   |                               |
|----------------------------------|---|-------------------------------|
| 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

| Size of shareholdings | Number of Shareholders | Percentage of Shareholders | Number of Shares | Percentage of Shares |
|-----------------------|------------------------|----------------------------|------------------|----------------------|
| 1 - 499               | 0                      | 0.00                       | 0                | 0.00                 |
| 500 - 5,000           | 3,119                  | 93.55                      | 4,241,000        | 7.07                 |
| 5,001 - 10,000        | 128                    | 3.84                       | 1,060,000        | 1.77                 |
| 10,001 and 100,000    | 67                     | 2.01                       | 1,935,150        | 3.23                 |
| 100,001 - 1,000,000   | 16                     | 0.48                       | 5,283,000        | 8.80                 |
| above 1,000,000       | 4                      | 0.12                       | 47,480,850       | 79.13                |
|                       | 3,334                  | 100.00                     | 60,000,000       | 100.00               |

## TOP THIRTY LARGEST SHAREHOLDERS

| Name of shareholder  | Number of shareholder | Percentage of Shares |
|--|-----------------------|----------------------|
| 1. HSB Group Sdn. Bhd.   | 33,000,000            | 55.00                |
| 2. AlliedBan Nominees (Tempatan) Sdn. Bhd. for Noorhayati binti Kamaluddin | 9,899,000             | 16.50                |
| 3. Lembaga Tabung Haji   | 2,581,850             | 4.30                 |
| 4. Lembaga Tabung Angkatan Tentera   | 2,000,000             | 3.33                 |
| 5. Leong Pai Nyok  | 753,000               | 1.25                 |
| 6. Yeong Yoke Lan  | 670,000               | 1.12                 |
| 7. Chong Swee Ngun   | 451,000               | 0.75                 |
| 8. Ma Kim Eng  | 436,000               | 0.73                 |
| 9. Choy Sook Eng   | 434,000               | 0.72                 |
| 10. Ong Bee Eng  | 361,000               | 0.60                 |
| 11. Siow Kiam Hock   | 310,000               | 0.52                 |
| 12. Chang Kwee Lan   | 276,000               | 0.46                 |
| 13. Ker Poh Chu  | 239,000               | 0.40                 |
| 14. Ng Leh Ha  | 233,000               | 0.39                 |
| 15. Kerk (Keh) Ah Leong  | 206,000               | 0.34                 |
| 16. Yeow Ah Seng @ Yow Ah Seng   | 203,000               | 0.34                 |
| 17. Lee Hong Cheong  | 200,000               | 0.33                 |
| 18. Lim Beng Geok  | 200,000               | 0.33                 |
| 19. Lim Lee Choo   | 161,000               | 0.27                 |
| 20. Apollo Food Holdings Berhad  | 150,000               | 0.25                 |
| 21. Catherine Low  | 100,000               | 0.17                 |
| 22. Chai Wooi Kok  | 100,000               | 0.17                 |
| 23. Kerk Beng Hoon   | 100,000               | 0.17                 |
| 24. AlliedBan Nominees (Tempatan) Sdn. Bhd. for Yeong Sing Chee            | 85,000                | 0.14                 |
| 25. Nge Lay Meng @ Ng Lay Meng   | 78,000                | 0.13                 |
| 26. Leong Yuen Wah   | 65,000                | 0.11                 |
| 27. Amsteel Equity Nominees (Tempatan) Sdn. Bhd. for Ho Kim Cha            | 65,000                | 0.11                 |
| 28. Ee Teck Chong  | 60,000                | 0.10                 |
| 29. Tan Amoi @ Tan Saw Ngo   | 51,000                | 0.09                 |
| 30. Tee Ching Kang   | 49,000                | 0.08                 |

# statement of shareholdings (cont'd)

as at 31 March 2000

## Substantial Shareholders

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

| No. | Name of shareholder  | Direct Interest |                | Deemed Interest |                |
|-----|--|-----------------|----------------|-----------------|----------------|
|     |  | No. of Shares   | Percentage (%) | No. of Shares   | Percentage (%) |
| 1.  | HSB Group Sdn. Bhd.  | 33,000,000      | 55.00          | -               | -              |
| 2.  | Kuo Choo Song  | -               | -              | 33,000,000#     | 55.00          |
| 3.  | Tan Siew Kee   | -               | -              | 33,000,000#     | 55.00          |
| 4.  | Kuo Chee Ching   | -               | -              | 33,000,000#     | 55.00          |
| 5.  | Kuo Chee Hau   | -               | -              | 33,000,000#     | 55.00          |
| 6.  | Kuo Chee Joo   | -               | -              | 33,000,000#     | 55.00          |
| 7.  | Kuo Chee Kian  | -               | -              | 33,000,000#     | 55.00          |
| 8.  | Kuo Chee Koon  | -               | -              | 33,000,000#     | 55.00          |
| 9.  | Kuo Chee Yoong   | -               | -              | 33,000,000#     | 55.00          |
| 10. | Kuo Liong Yok  | -               | -              | 33,000,000#     | 55.00          |
| 11. | Ke (Kek) Kim Soon<br>@ Kerk Choo Soon  | -               | -              | 33,000,000#     | 55.00          |
| 12. | Sim Guat Keow<br>@ Sim Han Che   | -               | -              | 33,000,000#     | 55.00          |
| 13. | Kerk Han Meng  | 35,000          | 0.06           | 33,000,000#     | 55.00          |
| 14. | Kerk Kar Han   | 27,000*         | -              | 33,000,000#     | 55.00          |
| 15. | Lau Ah Chik<br>@ Yap Swee Keow   | -               | -              | 33,000,000#     | 55.00          |
| 16. | Teo Lay Gak  | -               | -              | 33,000,000#     | 55.00          |
| 17. | Teo Lee Teck   | -               | -              | 33,000,000#     | 55.00          |
| 18. | Teo Lee Tong   | -               | -              | 33,000,000#     | 55.00          |
| 19. | Keh (Kerk) Chu Koh   | 29,000          | 0.05           | 33,000,000#     | 55.00          |
| 20. | Lem Leh Lee<br>@ Lim Mok Lee   | -               | -              | 33,000,000#     | 55.00          |
| 21. | Dato' Ker (Kerk) Kim Tim<br>@ Kerk Choo Ting   | -               | -              | 33,000,000#     | 55.00          |
| 22. | Chang Yang<br>@ Chen Yong  | -               | -              | 33,000,000#     | 55.00          |
| 23. | Kerk Gau Yang  | -               | -              | 33,000,000#     | 55.00          |
| 24. | Kerk Chong Yong  | -               | -              | 33,000,000#     | 55.00          |
| 25. | AlliedBan Nominees<br>(Tempatan) Sdn. Bhd. @<br>- Datin Noorhayati<br>Binti Kamaluddin | 10,199,000      | 17.00          |                 |                |
|     |  | 9,899,000       | 16.50          |                 |                |
| 26. | Datin Noorhayati Binti<br>Kamaluddin   | 9,900,000^      | 16.50          |                 |                |
| 26. | Lembaga Tabung Haji  | 2,581,850       | 4.30           |                 |                |
| 27. | Lembaga Tabung<br>Angkatan Tentera   | 2,000,000       | 3.33           |                 |                |

### Note:

# Deemed interested by virtue of his/her and /or his/her associates' interests in HSBG pursuant to Section 6A of the Companies Act, 1965.

\* Held through his nominee.

^ Held substantially through her nominee.

@ Other than disclosed accordingly, the rest of the beneficial owner(s) of shares are not holding more than 2% in the issued and paid-up share capital.

# form of proxy

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

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

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

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

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

\_\_\_\_\_ as my/our proxy to vote for \*me/us and on \*my/our behalf at the **Ninth 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 Wednesday, 16 May 2001 at 10:30 a.m.** and, at every adjournment thereof \*for/against the resolutions to be proposed thereat.

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

| No. | RESOLUTIONS   | FOR | AGAINST |
|-----|---|-----|---------|
| 1.  | Adoption of Audited Accounts for the year ended 31 December 2000 together with the Reports of the Directors and Auditors. |     |         |
| 2.  | Approval of Final Dividend comprising 3% less 28% tax and 5% Tax Exempt for the year ended 31 December 2000.              |     |         |
| 3.  | Approval of the payment of Directors' fees and other emoluments.  |     |         |
|     | Re-election of Directors Retiring according to the Company's Articles of Association:                                     |     |         |
| 4.  | -Wee Hoe Soon @ Gooi Hoe Soon (Article 83)  |     |         |
| 5.  | -Mazrina Binti Arifin (Article 83)  |     |         |
| 6.  | -Teo Lee Teck (Article 83)  |     |         |
| 7.  | -Norita Binti Ja'afar (Article 83)  |     |         |
| 8.  | -Raja Khairul Anuar Bin Raja Mokhtar (Article 83)   |     |         |
| 9.  | -Ke (Kek) Kim Soon @ Kerk Choo Soon (Article 76)  |     |         |
| 10. | Re-appointment of Messrs Ernst & Young as Auditors.   |     |         |
| 11. | Authority to allot shares.  |     |         |
| 12. | Authority to deal with substantial property transactions involving directors.   |     |         |

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

As witness my hand this \_\_\_\_\_ day of \_\_\_\_\_ 2001

| NO. OF SHARES HELD |
|--------------------|
|                    |

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

Note:

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

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Stamp

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

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

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