9. FINANCIAL INFORMATION

9.1 PROFIT RECORD

The following has been extracted from the Accountants' Report set out in Section 12 of this Prospectus and should be read in conjunction with the notes and assumptions thereto. A summary of the proforma consolidated audited results of the Hup Seng Group for the five years ended 31 December 1999 and five months period ended 31 May 2000 prepared on the assumption that the current structure of the Group had been in existence throughout the period under review is set out below:

	<------------Financial year ended 31 December------------>					5 months period ended 31 May 2000
	1995 (RM'000)	1996 (RM'000)	1997 (RM'000)	1998 (RM'000)	1999 (RM'000)	(RM'000)
Turnover	87,845	105,380	126,574	151,884	175,697	74,586
PBT	7,440	12,373	14,920	15,738	17,108	7,040
Less: Taxation	1,964	3,143	3,843	4,489	402	2,087
PAT	5,476	9,230	11,077	11,249	16,706	4,953
No. of ordinary shares of RM1.00 each assumed in issue ('000)	43,951	43,951	43,951	43,951	43,951	43,951
Gross EPS (RM)	0.17	0.28	0.34	0.36	0.39	0.38*
Net EPS (RM)	0.12	0.21	0.25	0.26	0.38	0.27*
Gross dividend rate (%)	-	-	3	31	34	-

* *Annualised*

Notes:

i) *The summarised results set out above, which have been prepared based on the assumption that the Hup Seng Group had been in existence throughout the periods, are for illustrative purposes only. Inter-company transactions were eliminated.*

ii) *The effective tax rate for all the financial years, except for the financial year ended 31 December 1998 and financial period ended 31 May 2000, was lower than the statutory rate of taxation mainly due to the availability of tax incentives.*

There was no tax liability for the financial year ended 31 December 1999 because it constituted the basis period for the year of assessment 2000 (preceding year basis) wherein tax on chargeable income other than dividend income was waived. The tax charge for the year was in respect of deferred taxation on timing differences of fixed assets.

iii) *Net EPS was calculated based on the proforma PAT and the issued share capital of ordinary shares of RM1.00 each of Hup Seng after the Acquisitions.*

iv) *Gross dividend rate was calculated based on the total gross dividend of HSPM and HSHY and the issued share capital of ordinary shares of RM1.00 each of Hup Seng after the Acquisitions.*

9. FINANCIAL INFORMATION *(Cont'd)*

(i) Commentary on Turnover

The Hup Seng Group has achieved an annual growth in turnover of between 15% - 20% per annum over the last 5 years. This was mainly due to higher selling prices and the increase in production and sales quantity arising from the increase in demand by consumers. Demand for biscuits is mainly dependent on two factors, namely increase in the population and the increase in per capita consumption. The introduction of a variety of premium biscuits for instance, Calcium Enriched Crackers by HSPM also contributed to rising sales revenue. The Group's manufacturing subsidiary, HSPM, has continually focused its efforts on improving the quality of its products and enhancing its production process while its trading subsidiary, HSHY, has expanded its distribution network and implemented a series of effective marketing plans and advertisement through television commercials in the domestic market.

(ii) Commentary on PBT

PBT increased over the last 5 years in tandem with the increased contribution from turnover. The increase in PBT for 1996 was mainly due to the upward revision on the selling prices of the Group's products to correspond with the increase in the price of flour, a major raw material. Further to this, the implementation of ISO 9002 effectively improved the efficiency of the production flow and improved quality control while reducing production wastage and costs. This contributed to the increase in the PBT margin from 8.5% in 1995 to 11.7% in 1996 and 11.8% in 1997. The reduction in PBT margin for 1998 was mainly due to the spill-over effects of the financial crisis which started during the last quarter of 1997. Major raw material prices of Refined Bleached Deodorised Palm Oil and Olein increased about 70% from an average of RM1.51 per kilogramme in 1997 to RM2.56 per kilogramme in 1998. Selling prices of the Group's products were subsequently revised in February 1998 but the increase in selling prices were comparatively lower than the increase in the cost of raw materials resulting in lower PBT margins in 1998 and 1999.

(iii) Extraordinary or Exceptional Items

There were no extraordinary or exceptional items in the years reviewed above.

9. FINANCIAL INFORMATION *(Cont'd)*

9.2 CONSOLIDATED PROFIT FORECAST
(Prepared for inclusion in this Prospectus)

ERNST & YOUNG
Stamped for the purpose
of identification with our
report dated 15 September 2000

HUP SENG INDUSTRIES BERHAD
CONSOLIDATED PROFIT FORECAST
FOR THE YEAR ENDING 31 DECEMBER 2000

The Directors of Hup Seng forecast that, barring unforeseen circumstances, the consolidated profit after taxation of the Hup Seng Group (the Group) will be as follows:

	After Offer for Sale, Public Issue and Flotation RM'000
Year ending 31 December 2000	13,550
Earnings per share (sen)	22.58

Note : Based on total number of 60,000,000 ordinary shares in issue

The principal bases and assumptions upon which the profit forecast has been prepared are as follows:

(a) There will be no material changes in the structure and principal activities of the Group.

(b) There will be no material changes in the management, trading and accounting policies currently adopted.

(c) There will be no significant changes in the current demand and in the prevailing market conditions in Malaysia and overseas which will adversely affect the performance of the Group.

(d) There will be no significant changes in the present legislation or government regulations, rates and bases of duties, levies and taxes affecting the activities of the Group.

(e) There will be no major industrial disputes, economic and political changes or any abnormal circumstances which will adversely affect the operations of the Group.

(f) Existing financing facilities will remain available to the Group and at the prevailing interest rates.

(g) There will be no significant changes in the inflation rate and exchange rates of foreign currencies from their present levels.

(h) Major capital expenditure programmes will take place as planned.

(i) There will be no material changes in raw material costs, labour and production overheads.

On behalf of the Board

Director

9.3 REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT FORECAST
(Prepared for inclusion in this Prospectus)

ERNST & YOUNG
(Firm No: AF 0039)

Public Accountants
Suite 628, 6th Floor,
PanGlobal Plaza,
Jalan Wong Ah Fook,
80000 Johor Bahru,
Johor Darul Ta'zim,
Malaysia.

Phone: (07) 223-4741, 223-4751
Fax: (07) 224-7761

(Prepared for inclusion in the Prospectus)

Our ref : EY/AABS/WMS/SC(Forecast)

Date : 15 September 2000

The Board of Directors
HUP SENG INDUSTRIES BERHAD
Suite 633, 6th Floor
PanGlobal Plaza
Jalan Wong Ah Fook
80000 Johor Bahru
Johor Darul Ta'zim

Dear Sirs

HUP SENG INDUSTRIES BERHAD
CONSOLIDATED PROFIT FORECAST
FOR THE YEAR ENDING 31 DECEMBER 2000

We have reviewed the accounting policies and the calculations for the consolidated profit forecast after taxation of Hup Seng Industries Berhad and its subsidiaries (Hup Seng Group), for the year ending 31 December 2000, for which the Directors are solely responsible, as set out in the Prospectus to be dated 25 September 2000, in connection with the Offer for Sale of 10,948,000 ordinary shares of RM1.00 each and the Public Issue of 16,049,000 new ordinary shares of RM1.00 each at an offer/issue price of RM2.00 per share and the listing and quotation of the entire issued and paid up share capital of 60,000,000 ordinary shares of RM1.00 each in Hup Seng Industries Berhad on the Main Board of the Kuala Lumpur Stock Exchange.

In our opinion, the consolidated profit forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of assumptions made by the Directors as set out in the Prospectus and is presented on a basis consistent with the accounting policies normally adopted by Hup Seng Group.

Yours faithfully

Ernst & Young	**Wun Mow Sang**
AF: 0039	1821/12/00/(J)
Public Accountants	Partner

9.4 DIVIDEND FORECAST

Based on the profit forecast, the Directors of Hup Seng anticipate that they will be in a position to propose a tax-exempt dividend of 5% on the enlarged share capital of the Company for the financial year ending 31 December 2000.

It is the policy of the Directors of Hup Seng in recommending dividends to allow the shareholders to participate in sharing the profits of the Company as well as leaving adequate reserves for the future growth of the Company.

The intended appropriation of the Company's forecast profit for the financial year ending 31 December 2000 is as follows:

Year ending 31 December 2000	**Forecast RM '000**
Consolidated PBT	17,467
Less : Taxation	3,917
Consolidated PAT	13,550
Less: Proposed tax-exempt dividend of 5%	3,000
Retained consolidated profit for the year	10,550
Net dividend yield based on the IPO Price of RM2.00 per Share (%)	2.50
Net dividend cover (times)	4.52

9.5 WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Working Capital

The Directors of Hup Seng are of the opinion that, after taking into account the cashflow projections, banking facilities available and the net proceeds from the Public Issue, the Hup Seng Group will have adequate working capital for its present and foreseeable requirements.

Borrowings

As at 15 September 2000, (being the last practicable date at which such amounts could be calculated prior to the printing of this Prospectus), the total borrowings of the Group in the form of bills purchased, term loan, bankers' acceptance and overdraft amounted to RM5.97 million.

The Group's bank borrowings are secured by way of:

(a) a lien over fixed deposits of the Group placed with a licensed bank;

(b) a joint and several guarantee by Directors of its subsidiary companies; and

(c) a fixed charge over the double storey houses owned by its subsidiary companies.

Contingent Liabilities

As at 15 September 2000, (being the last practicable date prior to the printing of this Prospectus), the Hup Seng Group does not have any material contingent liabilities.

Capital Commitments

As at 15 September 2000, (being the last practicable date at which such amounts could be calculated prior to the printing of this Prospectus), the authorised capital expenditure contracted for, but not provided for in the accounts of the Group amounted to RM13.89 million and is for the purchase of plant and machinery, and vehicles as well as the expansion of existing factory.

Save as disclosed above, the Group does not have any other loan capital outstanding or created but unissued nor any mortgages or charges outstanding.

10. PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 MAY 2000
(Prepared for inclusion in this Prospectus)

ERNST & YOUNG
(Firm No: AF 0039)

HUP SENG INDUSTRIES BERHAD
PROFORMA CONSOLIDATED BALANCE SHEETS
AS AT 31 MAY 2000

	Audited Balance Sheet as at 31.5.2000 RM'000	(A) After Revaluation of Landed Properties and Acquisition of Subsidiary Companies RM'000	(B) After (A) and Offer for Sale RM'000	(C) After (A), (B) and Public Issue and Flotation RM'000
FIXED ASSETS	-	52,345	52,345	52,345
CURRENT ASSETS				
Stocks	-	12,374	12,374	12,374
Debtors	-	26,777	26,777	26,777
Cash and bank balances	-	29,316	29,316	61,414
	-	68,467	68,467	100,565
CURRENT LIABILITIES				
Creditors	3	33,268	33,268	35,068
Provisions	1	3,454	3,454	3,454
Holding company	20	20	20	20
Taxation	-	726	726	726
Bank Borrowings	-	7,623	7,623	7,623
Proposed dividend	-	15,153	15,153	15,153
	24	60,244	60,244	62,044
NET CURRENT ASSETS/(LIABILITIES)	(24)	8,223	8,223	38,521
DEFERRED TAXATION	-	(2,660)	(2,660)	(2,660)
DEFERRED EXPENDITURE	34	34	34	34
	10	57,942	57,942	88,240
SHARE CAPITAL	10	43,951	43,951	60,000
SHARE PREMIUM	-	-	-	14,249
RESERVES	-	13,991	13,991	13,991
	10	57,942	57,942	88,240
Number of shares in issue ('000)	10	43,951	43,951	60,000
Net tangible assets per share (RM)	(2.40)	1.32	1.32	1.47

ERNST & YOUNG
(Firm No: AF 0039)

HUP SENG INDUSTRIES BERHAD
NOTES TO PROFORMA CONSOLIDATED BALANCE SHEETS

1. The Proforma Consolidated Balance Sheets have been prepared based on the audited accounts of Hup Seng, HSPM and HSHY as at 31 May 2000 and are provided for illustrative purposes only to show the effects of the following events on the assumption that they were effected on 31 May 2000 :

   Proforma A

   i) revaluation of the landed properties of HSPM and HSHY and incorporation of the revaluation surplus into the respective books;

   ii) acquisition by Hup Seng of the entire issued and paid up share capital of HSPM and HSHY for a total consideration of RM48,334,770 to be satisfied by the issue of 43,941,000 new ordinary shares of RM1.00 each at an issue price of approximately RM1.10 per share;

   Proforma B

   i) offer for sale of 10,948,000 ordinary shares of RM1.00 each to eligible Bumiputra by the existing shareholders;

   Proforma C

   i) public issue of 16,049,000 new ordinary shares of RM1.00 each at an issue price of RM2.00 per share; and

   ii) listing and quotation of the entire issued and paid up share capital of Hup Seng on the Main Board of the Kuala Lumpur Stock Exchange.

2. The accounts of the subsidiary companies acquired have been consolidated using the merger method.

3. None of the proceeds from the offer for sale of 10,948,000 ordinary shares will accrue to the Group.

4. Estimated expenses relating to the listing of Hup Seng of RM1,800,000 will be written off to the share premium account.

ERNST & YOUNG
(Firm No: AF 0039)

5. The movements in the issued and paid up share capital are as follows:

	RM'000
Audited as at 31.5.2000	10
Issue of 43,941,000 ordinary shares of RM1.00 each for the acquisition of subsidiary companies	43,941
Public issue of 16,049,000 new ordinary shares of RM1.00 each	16,049
	60,000

6. The movements of the share premium account are as follows:

	RM'000
Arising from public issue of 16,049,000 ordinary shares of RM1.00 each at an issue price of RM2.00 per share	16,049
Share issue expenses	(1,800)
	14,249

7. The merger deficit arising from the acquisition of subsidiary companies is as follows:

	RM'000
Nominal value of shares issued	43,941
Nominal value of shares acquired	(6,954)
Merger deficit set off against reserves	36,987

8. The movements in reserve are as follows:

	Revaluation Reserve RM'000	Profit and Loss account RM'000	Total RM'000
Reserves of merged subsidiary companies	8,168	42,810	50,978
Merger deficit set-off	(8,168)	(28,819)	(36,987)
	-	13,991	13,991

11. REPORTING ACCOUNTANTS' LETTER ON PROFORMA CONSOLIDATED BALANCE SHEETS

ERNST & YOUNG
(Firm No: AF 0039)

Public Accountants
Suite 628, 6th Floor,
PanGlobal Plaza,
Jalan Wong Ah Fook,
80000 Johor Bahru,
Johor Darul Ta'zim,
Malaysia.

Phone: (07) 223-4741, 223-4751
Fax: (07) 224-7761

(Prepared for inclusion in the Prospectus)

Our ref : EY/AABS/WMS/SC(Bal. Sheets)

Date : 15 September 2000

The Board of Directors
HUP SENG INDUSTRIES BERHAD
Suite 633, 6th Floor
PanGlobal Plaza
Jalan Wong Ah Fook
80000 Johor Bahru
Johor Darul Ta'zim

Dear Sirs

HUP SENG INDUSTRIES BERHAD
PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 MAY 2000

We have reviewed the Proforma Consolidated Balance Sheets of Hup Seng Industries Berhad and its subsidiaries (Hup Seng Group) as at 31 May 2000 together with the accompanying notes, for which the Directors are solely responsible, as set out in the Prospectus to be dated 25 September 2000, in connection with the Offer for Sale of 10,948,000 ordinary shares of RM1.00 each and the Public Issue of 16,049,000 new ordinary shares of RM1.00 each at an offer/issue price of RM2.00 per share and the listing and quotation of the entire issued and paid up share capital of Hup Seng Industries Berhad of 60,000,000 ordinary shares of RM1.00 each on the Main Board of the Kuala Lumpur Stock Exchange.

In our opinion, the abovementioned Proforma Consolidated Balance Sheets of Hup Seng Group together with the accompanying notes which are provided for illustrative purposes only, have been properly prepared on a basis consistent with the accounting policies normally adopted by the Hup Seng Group and are presented in a form suitable for inclusion in the said Prospectus.

Yours faithfully

Ernst & Young	**Wun Mow Sang**
AF: 0039	1821/12/00/(J)
Public Accountants	Partner