

7. INFORMATION ON HUP SENG

7.1 INCORPORATION

Hup Seng was incorporated in Malaysia under the Companies Act, 1965 as a public limited company on 4 October 1991 under its present name and received its certificate of commencement of business on 23 April 1997. The Company was incorporated as the holding company of Hup Seng Group which shall seek a listing on the Main Board of the KLSE.

7.2 FLOTATION SCHEME

The listing of Hup Seng was approved by the SC on 3 July 2000, the MITI on 28 February 2000 and on 9 August 2000 and the FIC on 24 February 2000. In conjunction with and as an integral part of the listing of and quotation for the entire issued and paid-up share capital of Hup Seng on the Main Board of the KLSE, Hup Seng undertook the following flotation scheme:

(a) Revaluation of Landed Properties

Colliers, Jordan Lee & Jaafar (JH) Sdn Bhd, an independent and registered professional valuer valued the landed properties of HSPM and HSHY on 11 October 1999 based on the Comparison Method, Cost Method, Replacement Method, Investment Method and Income Approach. The revaluation gave rise to a revaluation surplus of approximately RM11.31 million based on the audited net book value of the Group's landed properties as at 31 December 1999 of RM21.82 million.

However, on 3 July 2000, the SC approved a revaluation surplus of approximately RM8.16 million based on the audited net book value of the Group's landed properties as at 31 December 1999 of RM21.82 million. The total revaluation surplus of approximately RM8.16 million for the revaluation of HSPM and HSHY's landed properties, which was approved by the SC will be incorporated into the revaluation reserve account of HSPM and HSHY respectively for the financial year ending 31 December 2000:

Company	Open market value as appraised by the valuer RM'000	Open market value as approved by the SC RM'000	Audited net book value as at 31.12.1999 RM'000	Valuation surplus / (deficit) RM'000
HSPM	26,045	23,220	14,992	8,228
HSHY	7,080	6,760	6,828	(68)
	<u>33,125</u>	<u>29,980</u>	<u>21,820</u>	<u>8,160</u>

Further details on the landed properties of the Group, together with their respective open market values and the valuer's letter are set out in Section 7.7 and Section 14 of this Prospectus respectively.

7. INFORMATION ON HUP SENG (Cont'd)

(b) Payment of Dividends

On 3 July 2000, the SC approved the payment of dividends declared by HSPM and HSHY in respect of the financial year ended 31 December 1999 totalling RM8,329,918 and RM6,823,018 respectively to the shareholders of HSPM and HSHY prior to the Acquisitions out of the profits generated by HSPM and HSHY in the aforesaid financial year. The dividend payment was paid to the existing shareholders of HSPM and HSHY as follows:

	Date of payment	HSPM RM	HSHY RM
Interim	28.07.00	2,499,313	2,046,885
Final	07.08.00	5,830,605	4,776,133
Total		<u>8,329,918</u>	<u>6,823,018</u>

(c) Acquisitions**i) Acquisition of HSPM**

As part of the flotation scheme, Hup Seng had on 9 August 2000 acquired the entire equity interest of HSPM of 4,950,000 ordinary shares of RM1.00 each for a purchase consideration of RM32,247,159 based on the NTA of HSPM as at 31 December 1999 of RM28,663,081 but after adjustments were made for a revaluation surplus of RM8,228,078 and for the reserves required to be retained under Section 10.10 (1)(j) of the SC Guidelines amounting to RM4,644,000.

7. INFORMATION ON HUP SENG (Cont'd)

The acquisition of HSPM by Hup Seng was satisfied by the issuance of 29,315,500 new Shares in Hup Seng at an issue price of approximately RM1.10 per Share of which 22,010,993 new Hup Seng Shares were issued to HSBG (a family holding company set up by the founders and controlling shareholders of HSPM and HSHY to hold their collective interest in Hup Seng) and the balance of 7,304,507 new Hup Seng Shares was issued directly to the vendors of HSPM which shall form part of the Offer Shares as follows:

Shareholders/vendors of HSPM	No. of ordinary shares held in HSPM	No. of new Hup Seng Shares issued directly to HSBG	No. of new Hup Seng Shares issued directly to vendors
Kuo Choo Song	179,473	798,056	264,841
Tan Siew Kee	142,387	633,147	210,115
Kuo Chee Ching	273,244	1,215,024	403,215
Kuo Chee Hau	49,776	221,338	73,452
Kuo Chee Joo	116,295	517,125	171,612
Kuo Chee Kian	49,776	221,338	73,452
Kuo Chee Koon	40,000	177,867	59,026
Kuo Chee Yoong	59,664	265,305	88,044
Kuo Liong Yok	178,319	792,925	263,138
Ke (Kek) Kim Soon @ Kerk Choo Soon	292,359	1,300,022	431,422
Sim Guat Keow @ Sim Han Che	142,387	633,147	210,115
Kerk Han Meng	238,025	1,058,419	351,242
Kerk Kar Han	196,560	874,037	290,055
Lau Ah Chik @ Yap Swee Keow	307,425	1,367,016	453,654
Teo Lee Teck	214,479	953,716	316,498
Teo Lay Gak	89,890	399,711	132,647
Teo Lee Tong	208,546	927,334	307,743
Keh (Kerk) Chu Koh	644,515	2,865,942	951,084
Lem Leh Lee @ Lim Mok Lee	129,442	575,585	191,012
Dato' Ker (Kerk) Kim Tim @ Kerk Choo Ting	575,479	2,558,963	849,209
Chang Yang @ Chen Yong	169,354	753,060	249,909
Kerk Chiew Siong	652,605	2,901,916	963,022
Total	4,950,000	22,010,993	7,304,507

With the exception of Teo Lee Tong, who is a Singaporean, all the vendors of HSPM are Malaysian citizens.

The issue price of approximately RM1.10 per Share was arrived at after considering the retention of reserves required by the SC Guidelines for Hup Seng.

The HSPM Conditional Sale and Purchase Agreement and HSPM Consolidated Restated and Amended Sale and Purchase Agreement were signed on 7 December 1999 and 30 June 2000 respectively and the Acquisition of HSPM was completed on 9 August 2000.

7. INFORMATION ON HUP SENG (Cont'd)

ii) Acquisition of HSHY

Simultaneous with the Acquisition of HSPM, Hup Seng had also on 9 August 2000 acquired the entire equity interest of HSHY of 2,004,000 ordinary shares of RM1.00 each for a purchase consideration of RM16,087,611 based on the NTA of HSHY as at 31 December 1999 of RM16,155,914 but after an adjustment was made for a revaluation deficit of RM68,303.

The acquisition of HSHY by Hup Seng was satisfied by the issuance of 14,625,500 new Shares in Hup Seng at an issue price of approximately RM1.10 per Share of which 10,982,007 new Hup Seng Shares were issued to HSBG and the balance of 3,643,493 new Hup Seng Shares was issued directly to the vendors of HSHY which shall form part of the Offer Shares as follows:

Shareholders/vendors of HSHY	No. of ordinary shares held in HSHY	No. of new Hup Seng Shares issued directly to HSBG	No. of Hup Seng Shares issued directly to vendors
Kuo Choo Song	54,966	301,216	99,934
Tan Siew Kee	40,244	220,539	73,168
Kuo Chee Ching	42,814	234,622	77,841
Kuo Chee Hau	36,494	199,989	66,350
Kuo Chee Joo	36,494	199,989	66,350
Kuo Chee Kian	36,494	199,989	66,350
Kuo Chee Koon	25,000	137,001	45,453
Kuo Chee Yoong	36,494	199,989	66,350
Kuo Liong Yok	69,532	381,038	126,417
Ke (Kek) Kim Soon @ Kerk Choo Soon	121,535	666,017	220,964
Sim Guat Keow @ Sim Han Che	53,440	292,853	97,160
Kerk Han Meng	83,154	455,688	151,183
Kerk Kar Han	120,406	659,830	218,912
Lau Ah Chik @ Yap Swee Keow	172,940	947,719	314,424
Teo Lee Teck	77,436	424,353	140,787
Teo Lay Gak	41,812	229,131	76,019
Teo Lee Tong	86,344	473,169	156,983
Keh (Kerk) Chu Koh	30,000	164,402	54,543
Lem Leh Lee @ Lim Mok Lee	228,440	1,251,861	415,329
Kerk Gau Yang	60,047	329,060	109,172
Kerk Chong Yong	60,047	329,060	109,172
Dato' Ker (Kerk) Kim Tim @ Kerk Choo Ting	280,560	1,537,481	510,089
Chang Yang @ Chen Yong	53,440	292,853	97,160
Kerk Chiew Siong	155,867	854,158	283,383
	<u>2,004,000</u>	<u>10,982,007</u>	<u>3,643,493</u>

With the exception of Teo Lee Tong who is a Singaporean, all the vendors of HSHY are Malaysian citizens.

The issue price of approximately RM1.10 per Share was arrived at after considering the retention of reserves required by the SC Guidelines for Hup Seng.

7. INFORMATION ON HUP SENG (Cont'd)

The HSHY Conditional Sale and Purchase Agreement and HSHY Consolidated Restated and Amended Sale and Purchase Agreement were signed on 7 December 1999 and 30 June 2000 respectively and the Acquisition of HSHY was completed on 9 August 2000.

(d) Offer for Sale and Public Issue

Thereafter as part of the IPO, the vendors of HSPM and HSHY named below ("Offerors") will offer for sale all their shares held directly in Hup Seng amounting to 10,948,000 Shares to a Bumiputera investor approved by the MITI at an offer price of RM2.00 per Share.

Offerors	No. of Hup Seng Shares issued directly to vendors pursuant to the Acquisition of		Total no. of Hup Seng Shares offered
	HSPM	HSHY	
Kuo Choo Song	264,841	99,934	364,775
Tan Siew Kee	210,115	73,168	283,283
Kuo Chee Ching	403,215	77,841	481,056
Kuo Chee Hau	73,452	66,350	139,802
Kuo Chee Joo	171,612	66,350	237,962
Kuo Chee Kian	73,452	66,350	139,802
Kuo Chee Koon	59,026	45,453	104,479
Kuo Chee Yoong	88,044	66,350	154,394
Kuo Liong Yok	263,138	126,417	389,555
Ke (Kek) Kim Soon @ Kerk Choo Soon	431,422	220,964	652,386
Sim Guat Keow @ Sim Han Che	210,115	97,160	307,275
Kerk Han Meng	351,242	151,183	502,425
Kerk Kar Han	290,055	218,912	508,967
Lau Ah Chik @ Yap Swee Keow	453,654	314,424	768,078
Teo Lee Teck	316,498	140,787	457,285
Teo Lay Gak	132,647	76,019	208,666
Teo Lee Tong	307,743	156,983	464,726
Keh (Kerk) Chu Koh	951,084	54,543	1,005,627
Lem Leh Lee @ Lim Mok Lee	191,012	415,329	606,341
Kerk Gau Yang	-	109,172	109,172
Kerk Chong Yong	-	109,172	109,172
Dato' Ker (Kerk) Kim Tim @ Kerk Choo Ting	849,209	510,089	1,359,298
Chang Yang @ Chen Yong	249,909	97,160	347,069
Kerk Chiew Siong	963,022	283,383	1,246,405
	<u>7,304,507</u>	<u>3,643,493</u>	<u>10,948,000</u>

7. INFORMATION ON HUP SENG (Cont'd)

Simultaneous with the Offer for Sale, Hup Seng will make a public issue of 16,049,000 new Shares at an issue price of RM2.00 per Share to be allocated as follows:

	No. of Public Issue Shares	% of enlarged issued and paid- up share capital
Bumiputera investors approved by the MITI	7,049,000	11.75
Eligible employees of the Hup Seng Group	3,000,000	5.00
Malaysian public (of which at least 30% is to be set aside strictly for Bumiputera applicants)	6,000,000	10.00
	<u>16,049,000</u>	<u>26.75</u>

Upon completion of the Public Issue, the issued and paid-up share capital of Hup Seng will increase from RM43,951,000 to RM60,000,000 comprising 60,000,000 ordinary shares of RM1.00 each.

The utilisation of the gross proceeds from the Public Issue is set out in Section 6 of this Prospectus.

(e) Listing on the KLSE

An application will be made for the admission of Hup Seng to the Official List of the Main Board of the KLSE and for the listing of and quotation for the entire enlarged issued and paid-up share capital of Hup Seng of 60,000,000 Shares.

7. INFORMATION ON HUP SENG (Cont'd)

7.3 SHARE CAPITAL**(i) Authorised Share Capital**

The present authorised share capital of Hup Seng is RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each.

(ii) Issued and Paid-Up Share Capital

The changes in the issued and paid-up share capital of Hup Seng since its incorporation are as follows:

Date of allotment	No. of Shares allotted	Par Value RM	Consideration	Cumulative Issued and Paid-up Share Capital RM
04.10.1991	3	1.00	Subscriber shares	3
08.07.1996	9,997	1.00	Cash	10,000
09.08.2000	29,315,500	1.00	Acquisition of HSPM at an issue price of approximately RM1.10 per Share	29,325,500
09.08.2000	14,625,500	1.00	Acquisition of HSHY at an issue price of approximately RM1.10 per Share	43,951,000

7.4 INFORMATION ON SUBSIDIARY COMPANIES

Name	Date and place of incorporation	Effective interest %	Issued and paid up share capital	Principal activity
HSPM	12.08.74 Malaysia	100	4,950,000	Manufacture and sale of biscuits
HSHY	31.01.77 Malaysia	100	2,004,000	Sale and distribution of biscuits, confectionery and foodstuff

Save as disclosed above, Hup Seng does not have any other subsidiary or associated companies.

7. INFORMATION ON HUP SENG (Cont'd)

7.4.1 Information on HSPM**(a) History and Business**

HSPM was incorporated in Malaysia on 12 August 1974 as a private limited company. The principal activities of HSPM are the manufacture and sale of biscuits.

As at 15 September 2000, HSPM has a total workforce of 859 employees.

(b) Share Capital

The present authorised share capital of HSPM is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each, of which 4,950,000 are issued and fully paid.

Details of the changes in the issued and paid-up share capital since incorporation are as follows:

Date of allotment	No of Shares	Par Value RM	Consideration	Total RM
12.08.74	4	1.00	Subscribers' shares	4
23.12.74	699,996	1.00	Cash	700,000
28.02.79	210,000	1.00	Cash	910,000
20.03.80	90,000	1.00	Cash	1,000,000
27.12.80	600,000	1.00	Bonus Issue of 3 for 5	1,600,000
30.12.80	400,000	1.00	Cash	2,000,000
18.07.84	1,000,000	1.00	Bonus Issue of 1 for 2	3,000,000
10.10.85	300,000	1.00	Rights Issue of 1 for 10 at RM1.00 per Share	3,300,000
15.02.89	660,000	1.00	Bonus Issue of 1 for 5	3,960,000
15.02.89	990,000	1.00	Rights Issue of 3 for 10 at RM1.00 per Share	4,950,000

7. INFORMATION ON HUP SENG (Cont'd)

(c) Profit and Dividend Records

The audited profit and dividend record of HSPM for the five years ended 31 December 1999 and five months period ended 31 May 2000 are summarised as follows:

	<-----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	59,546	71,113	83,349	97,696	113,326	45,342
PBT	4,163	7,961	9,502	8,950	10,224	3,844
Taxation	(959)	(1,786)	(2,241)	(2,141)	(409)	(1,033)
PAT	3,204	6,175	7,261	6,809	9,815	2,811
No. of ordinary shares of RM1.00 each in issue ('000)	4,950	4,950	4,950	4,950	4,950	4,950
Gross EPS (RM)	0.84	1.61	1.92	1.81	2.07	1.86*
Net EPS (RM)	0.65	1.25	1.47	1.38	1.98	1.36*
Gross dividend per share (%)	-	-	30	151	168.28	-

* Annualised

Notes:

i) The effective tax rate for all the financial years/period 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.

ii) Net EPS was calculated based on the PAT and the number of ordinary shares in issue for each financial year/period under review.

Turnover comprises the invoiced value resulting from the sale of biscuits in the domestic and world wide markets.

HSPM has achieved steady growth over the past 5 years with an annual sales growth of between 16% and 19%. This was mainly due to higher selling prices and the increase in production and sales quantity arising from the increase in demand by consumers. The increase in demand was mainly attributable to a series of effective marketing plans and advertisements through television commercials in the domestic market in order to establish its products under the brand names of "Kerk" and "Ping Pong". The significant increase in sales for 1996 as compared to its preceding year was mainly due to the upward revision on the selling prices of the Group's products as a result of increasing price of flour, a major raw material.

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

7. INFORMATION ON HUP SENG (Cont'd)

(d) Subsidiary and Associated Companies

HSPM does not have any subsidiary or associated companies.

7.4.2 Information on HSHY**(a) History and Business**

HSHY was incorporated on 31 January 1977 under its present name. The principal activities of HSHY are the sale and distribution of biscuits, confectionery and foodstuff.

As at 15 September 2000, HSHY has a total workforce of 386 employees.

(b) Share Capital

The present authorised share capital of HSHY is RM3,000,000 comprising 3,000,000 ordinary shares of RM1.00 each, of which 2,004,000 are issued and fully paid.

Details of the changes in the issued and paid-up share capital since incorporation are as follows:

Date of allotment	No of Shares	Par Value RM	Consideration	Total RM
31.01.77	4	1.00	Subscribers' shares	4
21.04.77	119,996	1.00	Cash	120,000
30.08.79	105,000	1.00	Cash	225,000
26.12.80	180,000	1.00	Bonus Issue of 4 for 5	405,000
15.03.84	202,500	1.00	Bonus Issue of 1 for 2	607,500
30.03.89	202,500	1.00	Bonus Issue of 1 for 3	810,000
30.03.89	290,000	1.00	Rights Issue of approximately 4.77 for 10 at RM1.00 per Share	1,100,000
23.03.90	275,000	1.00	Bonus Issue of 1 for 4	1,375,000
23.03.90	137,500	1.00	Rights Issue of 1 for 8 at RM1.00 per Share	1,512,500
17.06.91	491,500	1.00	Rights Issue of approximately 3.25 for 10 at RM1.00 per Share	2,004,000

7. INFORMATION ON HUP SENG (Cont'd)

(c) Profit and Dividend Records

The audited profit and dividend record of HSHY for the past five years ended 31 December 1999 and five months period ended 31 May 2000 are summarised as follows:

	<-----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	72,795	87,519	105,730	130,396	147,994	61,690
PBT	3,277	4,412	5,418	6,788	6,884	3,196
Taxation	(1,005)	(1,357)	(1,602)	(2,348)	7	(1,054)
PAT	2,272	3,055	3,816	4,440	6,891	2,142
No. of ordinary shares of RM1.00 each in issue ('000)	2,004	2,004	2,004	2,004	2,004	2,004
Gross EPS (RM)	1.64	2.20	2.70	3.39	3.44	3.83*
Net EPS (RM)	1.13	1.52	1.90	2.22	3.44	2.57*
Gross dividend per share (%)	-	-	-	300	340.47	-

* Annualised

Notes:

i) The effective tax rate for all the financial years/period was higher than the statutory rate of taxation mainly due to certain expenses, which were disallowed for tax purposes.

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.

ii) Net EPS was calculated based on the PAT and the number of ordinary shares in issue for each financial year/period under review.

7. INFORMATION ON HUP SENG (Cont'd)

HSHY's turnover can be summarised as follows:

	<-----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
Biscuits	55,760	66,910	78,829	94,266	105,306	40,328
Agent Products *	17,035	20,609	26,901	36,130	42,688	21,362
Total Sales	72,795	87,519	105,730	130,396	147,994	61,690

Note:

* HSHY acts as the sole and exclusive distributor for certain products comprising mainly the "Super" brand name products for instance, "3 in 1 Super Coffeemix", "Wang Wang" products, "Ong Sam Yong" tea and mineral water.

HSHY has achieved a steady growth in turnover of approximately 13% to 23% per annum over the last 5 years. This was mainly due to the increase in selling prices, wider distribution network and the implementation of a series of effective marketing plans and advertisement through television commercials in the domestic market. Furthermore, the sale of "Super" products distributed by HSHY, an agent for Super Coffeemix (M) Marketing Sdn Bhd, had increased annually.

The increase in turnover of HSHY was also due to the increase in sales quantity arising from various sales strategies implemented by HSHY, such as quantity incentives and sales commission schemes for both agents and distributors.

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

(d) Subsidiary and Associated Companies

HSHY does not have any subsidiary or associated companies.

7.5 BUSINESS OVERVIEW

(i) History

Hup Seng was established in 1958 as Hup Seng Co., a partnership by the four founding Directors of the Group who are brothers. The principal activity of Hup Seng is the manufacturing of quality biscuits and snacks and trading of various food products.

Hup Seng Co. started its semi-automated manufacturing operations as early as 1964 in a factory located at Bukit Pasir, Batu Pahat, Johor Darul Takzim. The factory commenced operations with more than 50 workers operating two production lines. The variety of biscuits manufactured was later expanded to include cookies and other biscuit assortments.

Due to business expansion and increased capital requirements, the partnership, i.e. Hup Seng Co., was dissolved in 1974. All the assets and liabilities of the partnership were transferred to HSPM, a new private limited company founded in 1974.

7. INFORMATION ON HUP SENG (Cont'd)

In order to accommodate future factory expansion, the Group decided to relocate its factory from Bukit Pasir to Tongkang Pecah, Batu Pahat, Johor Darul Takzim in 1980. The Group's operations were completely rationalised to its present premises in Tongkang Pecah by the end of 1995.

In order to provide a clear demarcation between the manufacturing and marketing divisions, HSHY was incorporated in 1977 to manage the Hup Seng Group's trading activities.

As a result of this restructuring, the Hup Seng Group comprises the following two companies:

- HSPM, the manufacturing arm; and
- HSHY, the distributor and dealer of biscuits, confectionery and foodstuff manufactured by HSPM and other companies.

The Group is currently managed by the founding Directors who have more than 130 years of combined hands-on experience amongst them. The second generation of the founding Directors' family are currently being trained collectively with professionals employed and are actively involved in the key operational areas of biscuits production and marketing in order to ensure their smooth transition to senior management positions in the future.

(ii) Business Operations

HSPM presently manufactures all its products from its Tongkang Pecah factory located on 7.8 acres of industrial land. The factory was completed in 1981 covering over 47,600 square feet. Since then, additional production, storage and office space has been built giving a total floor space of 272,783 square feet.

The Tongkang Pecah factory currently operates five automated baking ovens, two rack ovens, one wafer roll machine and one wafer oven. The factory is installed with five major production lines in addition to production lines for the rack oven, wafer roll oven and wafer oven. The combined production of these machines in 1999 is 33,821 metric tonnes. As at 15 September 2000, the factory has a total workforce of 859 employees.

During the financial year ended 31 December 1999, the number of production shifts, production output and capacity of the Tongkang Pecah factory are as follows:

Description of oven	No. of shifts per annum	Production Output (metric tonne)	Production Capacity (metric tonne)
Oven 1	674	7,183	8,326
Oven 2	869	9,047	9,960
Oven 3	890	7,250	7,387
Oven 4	870	8,926	9,533
Rack oven	318	456	752
Wafer roll oven	581	184	268
Wafer oven	367	200	296
Auto cream	778	575	1,559
Total	<u>5,347</u>	<u>33,821</u>	<u>38,081</u>

Note:

A new oven was installed and commenced commercial production in January 2000

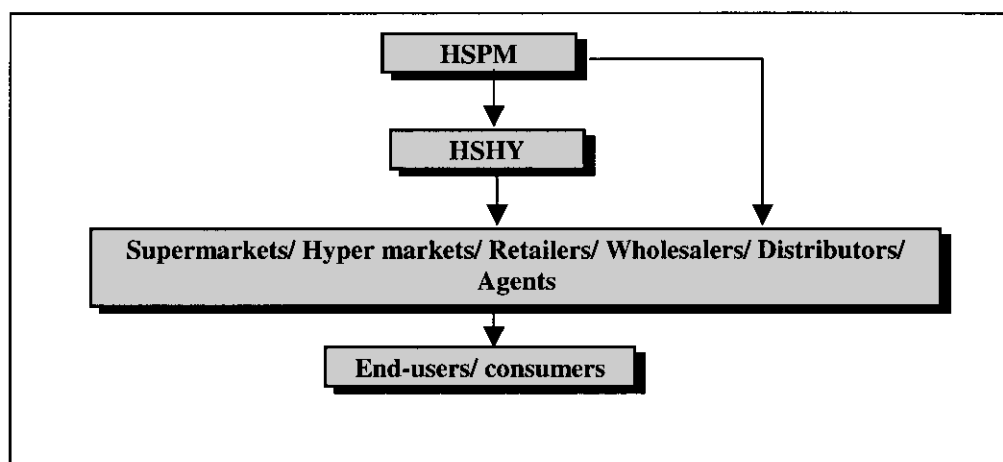
7. INFORMATION ON HUP SENG (Cont'd)

The main raw materials used to manufacture biscuits are flour, sugar, Refined Bleached Deodorised ("RBD") palm olein, RBD palm oil, biscuit tins, biscuit wrappers and cartons. Fuel is also required by the Group's sales fleet. These raw materials are sourced locally.

The production of HSPM is sold to HSHY for the Group's local distribution. HSHY has its own nation-wide sales network covering various regions in Peninsular Malaysia namely, the Klang Valley, Kota Bahru, Kuantan, Ipoh, Butterworth and Alor Setar. The Group's products are also marketed through a distributor in West Malaysia located in Kuala Lumpur and 8 other distributors in East Malaysia located in Tawau, Sandakan, Kuching, Bintulu, Miri and Sibul.

The Hup Seng Group has appointed 61 agents and distributors to market its products overseas. In 1999, approximately 25% of the Group's manufactured products are attributed to them. The agents and distributors play an important role in promoting Hup Seng products and it is envisaged that they would pave the way for greater brand awareness and customer loyalty.

The diagram below illustrates the distribution network utilised by the Hup Seng Group.



As at 15 September 2000, HSHY has a workforce of 386 employees, which include 58 salesmen and 73 promoters working out of the Tongkang Pecah head office and the 6 branch offices. These sales personnel operate a sales fleet of 77 cars, 67 lorries and 1 van to distribute the Group's products to approximately 10,529 retail outlets throughout Peninsular Malaysia.

The Hup Seng Group has the second largest market share in the biscuit market in West Malaysia based on total sales value between August 1998 and July 1999 for West Malaysia (Source: *Independent Market Report by ACNielsen (M) Sdn Bhd dated October 1999*) and employs over a thousand employees. Its manufacturing arm, HSPM, was accredited the ISO 9002 certification by the Standards and Industrial Research Institute of Malaysia (SIRIM) in 1995 and has since then maintained the ISO 9002 certification. The Group continuously seeks to improve its products' quality and expand its product range to meet the requirements of its customers.

One of the important factors for the Hup Seng Group's continuous success is its commitment to quality. The Group's Quality Control team is headed by its Quality Assurance ("QA") and Business Development ("BD") Director, who is primarily responsible for formulating and implementing the Group's Quality Management System according to ISO 9002 standards. The system would ensure high quality standards in Hup Seng's products prior to these products being transported out of the factory.

7. INFORMATION ON HUP SENG (Cont'd)

Besides the domestic market, Hup Seng currently exports to over 40 countries around the world. The Hup Seng Group has been honoured with 16 international gold medals, including the 1991 Taipei International Gourmet Appraisal Organisation and the 1994, 1995, 1996, 1997, 1998, 1999 and 2000 Monde Selection Awards from the International Institute for Quality Selections in Belgium. These awards exemplify the recognition and acceptance of Hup Seng products both in the local and international markets.

(iii) Products

The Hup Seng Group manufactures biscuits under two trademarks, "Cap Ping Pong" and "Kerk". Biscuits with the "Cap Ping Pong" trademark is targeted towards the middle and lower-end consumers whereas biscuits with the "Kerk" trademark targets the high and middle-end consumers. In general, Hup Seng's Directors estimate that biscuits sold under the "Cap Ping Pong" trademark contributes approximately 80% of the Group's annual turnover with the balance sold under the "Kerk" trademark.

On the whole, biscuits are differentiated into sweetened and unsweetened varieties. Unsweetened biscuits are mainly made up of savoury biscuits. Cream-sandwiched biscuits are manufactured by inserting cream between two pieces of biscuits or wafers. Assorted biscuits consist of a combination of sweetened, unsweetened and cream biscuits packaged together.

All the biscuits manufactured by the Hup Seng Group have been certified 'halal' by the Religious Department of Johor.

The current variety of biscuits manufactured by the Hup Seng Group can be broadly categorised into unsweetened, sweetened, cream sandwiched and assorted biscuits as follows:

Unsweetened Biscuits

(1) Cream Crackers	(2) Special Cream Crackers	(3) Whole Meal Crackers
(4) Biscuit Tawar	(5) Vitabis Biscuits	(6) Biscuit Mini Soda
(7) Tasty Cream Crackers	(8) Naturell Royal Crackers	(9) Deluxe Calcium Enriched Crackers (Vegetable)
(10) Cheese Deluxe	(11) Osborne	

Sweetened Biscuits

(1) Sugar Crackers	(2) Marie Biscuits	(3) Marie Biscuits (Coffee)
(4) Naiyu Crackers	(5) Flying Fish	(6) Lucky Pop
(7) Cookies (Coconut)	(8) Cookies (Honey and Milk)	(9) Butter Cookies
(10) Chocolate Cookies	(11) Sesame Biscuits	(12) Teddy (Cheese)
(13) Teddy (Chocolate)	(14) Biscuit Tawar Ping Pong	(15) Chips Chocolate
(16) Butter Coconut	(17) Masili Biscuits	(18) Lucky Rolls
(19) Potato Sticks	(20) Sesame Sticks	(21) Chips Cookies

7. INFORMATION ON HUP SENG (Cont'd)

Sweetened Biscuits (Cont'd)

- | | | |
|----------------|--|--------------------|
| (22) Mini Puff | (23) Deluxe Calcium Enriched Crackers (Original) | (24) Bunny Cookies |
|----------------|--|--------------------|

Assorted Biscuits

- | | | |
|------------------------------|-----------------------------|--------------------------|
| (1) Kerk's Assorted Biscuits | (2) P. P. Assorted Biscuits | (3) Happiness Assorted |
| (4) Frendi Assorted | (5) Lingo Assorted | (6) Wawasan Assorted |
| (7) Lovely Assorted | (8) Superior Assorted | (9) Fancy Assorted |
| (10) Golden Treats Assorted | (11) Top Point Assorted | (12) Sweetheart Assorted |
| (13) MerryLand | | |

Cream Sandwiched Biscuits

- | | |
|--|--|
| (1) Kerk Chocolate Fudge | (2) Chocolate and Orange Fudge |
| (3) Cream Sandwiched Biscuits (Corn) | (4) Cream Sandwiched Biscuits (Pineapple Jam) |
| (5) Cream Sandwiched Biscuits (Cappuccino) | (6) Cream Sandwiched Biscuits (Cherry Jam) |
| (7) Cream Sandwiched Biscuits (Cupid) | (8) Cream Sandwiched Biscuits (Banana) |
| (9) Cream Sandwiched Biscuits (Lemon) | (10) Cream Sandwiched Biscuits (Cocoa) |
| (11) Cream Sandwiched Biscuits (Orange) | (12) Cream Sandwiched Biscuits (Black currant) |
| (13) Cream Sandwiched Biscuits (Peanut) | (14) Cream Sandwiched Biscuits (Orange Marie) |
| (15) Cream Sandwiched Biscuits (Vanilla Marie) | (16) Cream Sandwiched Biscuits (Mango) |
| (17) Wafer Biscuit (Chocolate) | (18) Wafer Rolls (Strawberry) |
| (19) Wafer Rolls (Chocolate) | (20) Pisang Pop |
| (21) Pineapple Cookies | (22) Pineapple Tartlets |
| (23) Strawberry Tartlets | (24) Cream Sandwiched Biscuits (Taro Flavour) |
| (25) Cream Sandwiched Biscuits (Sesame Peanut) | |

7. INFORMATION ON HUP SENG (Cont'd)

The sales contribution of the biscuits produced by HSPM can be categorised into the following product categories:

(% of Annual Turnover)	1996	1997	1998	1999
Unsweetened biscuits	55.2	57.6	57.5	57.5
Sweetened biscuits	25.2	24.1	29.0	30.0
Cream-sandwiched biscuits	9.2	7.6	5.8	5.5
Assorted biscuits	10.4	10.7	7.7	7.0
	100.0	100.0	100.0	100.0

In addition to distributing biscuits, HSHY also acts as the distributor for other products, such as, "Super Coffeemix", "Wang Wang" rice cracker, "Ong Sam Yong" Chinese tea and "Sunsui" mineral water.

Accordingly, the turnover and the PAT contribution for the past five financial years of the products produced and distributed by the Hup Seng Group can be summarised as follows:

Turnover	←-----Financial year ended 31 December-----→									
	1995		1996		1997		1998		1999	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Biscuits	70,839	80.6	84,748	80.4	99,627	78.7	115,702	76.1	133,018	75.7
"Super" products	13,566	15.4	17,578	16.7	22,618	17.9	32,429	21.4	38,320	21.8
"Wang Wang" rice cracker	1,043	1.2	1,248	1.2	2,366	1.9	1,623	1.1	2,242	1.3
"Ong Sam Yong" tea	199	0.2	234	0.2	293	0.2	285	0.2	271	0.2
Mineral Water	133	0.2	68	0.1	50	-	40	-	44	-
Other agent products	2,065	2.4	1,504	1.4	1,620	1.3	1,805	1.2	1,802	1.0
	87,845	100.0	105,380	100.0	126,574	100.0	151,884	100.0	175,697	100.0

PAT	←-----Financial year ended 31 December-----→									
	1995		1996		1997		1998		1999	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Biscuits	4,970	90.8	8,504	92.2	10,274	92.8	10,263	91.2	14,364	86.0
"Super" products	360	6.6	576	6.2	610	5.5	834	7.4	2,005	12.0
"Wang Wang" rice cracker	51	0.9	69	0.7	117	1.1	76	0.7	189	1.1
"Ong Sam Yong" tea	9	0.2	12	0.1	14	0.1	12	0.1	22	0.2
Mineral Water	8	0.1	5	0.1	3	-	2	-	4	-
Other agent products	78	1.4	64	0.7	59	0.5	62	0.6	122	0.7
	5,476	100.0	9,230	100.0	11,077	100.0	11,249	100.0	16,706	100.0

(iv) Principal Markets

The Hup Seng Group's products are currently sold locally and exported to more than 40 countries around the world such as Seychelles, Ghana, Yemen, Taiwan, Myanmar, Bangladesh, Hong Kong, Cambodia, Brunei, Republic of Maldives, Papua New Guinea, Russia, Lebanon, Sri Lanka, India, Nigeria, Laos, USA, Bahrain, Congo, Vietnam, Singapore, Australia, New Caledonia, Guam, United Arab Emirates, Saudi Arabia, Indonesia, Honduras, Thailand, Nepal, Malta, Kuwait, New Zealand, Mauritius, Canada, China, Uganda, Tahiti, Philippines, Surinam, Ethiopia and Dominican Republic. For the financial year ended 31 December 1999, approximately 25% of Hup Seng Group's products were exported.

7. INFORMATION ON HUP SENG (Cont'd)

The following table shows the percentage of sales to the principal markets of HSPM's manufactured products for the financial year ended 31 December 1999:

	RM'000	%
Local Market		
- West Malaysia	72,834	64.3
- East Malaysia	12,070	10.7
Asia (excluding Malaysia)	22,772	20.1
USA	1,967	1.7
Europe	38	0.0
Africa	1,624	1.4
Pacific	2,021	1.8
	<u>113,326</u>	<u>100.0</u>

(v) Research and Development ("R&D")

The Hup Seng Group allocates about RM250,000 annually to improve its manufacturing process. For the financial year ended 31 December 1999, the Group incurred an amount of approximately RM353,000 on R&D. The Group has a dedicated R&D department located at its factory in order to achieve the following objectives:

- create new products in terms of variations in quality, taste and/or packaging; and
- improve existing products in terms of quality, taste and packaging based on market feedback from distributors, retailers, customers etc.

The Hup Seng Group's R&D team is made up of eight members headed by the QA and BD Executive Director. The QA and BD Executive Director will compile new product ideas from trade fairs and feedback obtained from customers, agents and distributors. When there is a proposal to produce a new product, the Group's R&D team will be assigned the task of liaising with the production department and/or the packing department as well as conducting a feasibility study on the new product.

The Group aims to introduce at least three new biscuit varieties annually. Currently, the R&D department has more than five new varieties of biscuits in its 'Concept Bank'. These new products will be released depending on the potential market demand for these new biscuit varieties. Among other new biscuit varieties introduced by the Hup Seng Group, are "Sultana Biscuits", "High Calcium Naturell Royal Crackers" and "Qutty Sandwiched Biscuits".

(vi) Health and Environmental Concerns

In accordance with the Group's Hygiene Policy, the Hup Seng Group practices the '5S' Japanese management policy as described below whereby machinery, facilities and production areas must be cleaned at scheduled intervals. Monthly inter-departmental '5S' competitions are held to encourage cleanliness in the workplace.

5S	Japanese Term	Meaning in English
1S	Seiri	Sort out unnecessary items in the workplace and discard them
2S	Seiton	Arrange necessary items in good order so that they can be easily picked for use

7. INFORMATION ON HUP SENG (Cont'd)

5S	Japanese Term	Meaning in English
3S	Seiso	Clean the workplace completely so that there is no dust on floor, machines and equipment
4S	Seiketsu	Maintain a high standard of housekeeping and workplace organisation at all times
5S	Shitsuke	Train people to follow good housekeeping disciplines autonomously

The Group controls fumes or smoke emission from its chimney. The Maintenance Department conducts periodical checks on burners to ensure minimal smoke and fume emission. The Group's waste disposal is contracted to a contractor. The contractor will collect waste materials such as plastic scraps and damaged cartons from the Group's premises daily for disposal at the Batu Pahat Town Council's designated disposal area.

In order to comply with the Occupational Safety and Health Act, 1989 the Hup Seng Group has set-up an Occupational Safety and Health Committee in 1995. This committee consists of representatives from Hup Seng and an external consultant, Industrial Safety Management Service. The main functions of the committee are to ensure the establishment of safety procedures and proper maintenance of the workplace so that a healthy working environment can be provided to all employees.

7.6 PROSPECTS OF THE INDUSTRY
(i) Overview of the Manufacturing and Biscuits Industry

In the second quarter of 2000, the economy registered a real growth of 8.8% following a 11.9% increase in the first quarter of 2000.

To further reduce the cost of doing business, the Government has proposed the following tax measures in the 2000 Budget:

- the exemption period of import duty and sales tax on spares and consumables given on a selected basis to the manufacturing sector is extended to 31 December 2000; and
- the classification and rate for annual capital allowances for plant and machinery to be reduced from the current sixteen classifications to three.

The Government has also provided assistance in the promotion of Malaysian products overseas in the form of an allocation of RM76.7 million, which can be used to subsidise official trade missions, organised or initiated by trade organisations.

Growth in Malaysian economy is expected to be at a rate of 5% in 2000. The growth will be mainly driven by the increase in domestic economic activities and the continued strengthening of world growth and trade as well as the recovery in regional economies.

7. INFORMATION ON HUP SENG (*Cont'd*)

The various measures proposed by the Government as mentioned above are expected to have a positive impact on the Malaysian food processing industry.

(Source: Bank Negara Malaysia Annual Report 1999, Budget 2000 and Bank Negara Malaysia Quarterly Bulletin, 2nd Quarter 2000)

Manufacturing Sector

The manufacturing sector experienced a turnaround in performance in 1999, with output growth of 12.7% from a contraction of 10.2% in 1998 due to strong growth in most of the industries. The sector's share of GDP was higher by 1.1%, while its share of exports expanded by 1.3%. Strong external demands, particularly from the USA, as well as increase in domestic demand, contributed to the favourable performance.

The manufacturing sector is expected to benefit from stronger domestic demand as well as stronger growth expected in world trade and a robust recovery in East Asian countries. The outlook for the manufacturing sector is therefore favourable with an expected double-digit growth in 2000.

(Source: International Trade and Industry Report, MITI 1999)

Food Processing Sector

The output of the food processing sector increased marginally by 0.8% to RM11.9 billion in 1999 (1998: RM11.8 billion). Only three food products recorded increases in output in 1999 compared to 1998, namely dairy products, for which output increased by 13.9%, followed by miscellaneous food products (increased by 13.1%) and processed cereals and cereals preparation (increased by 10.0%).

(Source: International Trade and Industry Report, MITI 1999)

Biscuits

The biscuit industry is closely related to the nation's per capita income and real private consumption per capita growth. Positive growth of the nation's economy stimulates an increase in per capita income and private consumption, which in turn increases the demand for snack food.

Some of the factors substantiating future growth of the biscuits industry include the cut in personal income taxes and the increase in personal relief, which will put money back into the pockets of consumers. This should continue to stimulate economic growth into the new millennium with the multiplier effect generated from the expected increase in consumer spending due to higher disposable income.

The reduction in import duty on flour, milk, butter, cheese, fresh and preserved citrus fruits, is favourable to the biscuits industry as it is dependent on imports for its raw materials.

(Source: Independent Market Report by ACNielsen (M) Sdn Bhd dated October 1999)

7. **INFORMATION ON HUP SENG (Cont'd)**

(ii) **Future Plans of the Hup Seng Group**

In order to strengthen the Group's overall market share and earnings in both the domestic and international markets, the Group plans to focus on the following strategies:

- *Plant Expansion*

The Group plans to invest in new ovens and packaging units in order to meet with the increasing demand in the foreseeable future. Investment in new machines is required so as to improve the efficiency of the production flow as well as quality control process while allowing the production of a variety of biscuits including 'premium' biscuits.

Furthermore, the Group will expand its factory and warehouses in order to cope with its expected increase in sales. Additional lorries and motor vehicles would also be acquired to meet the increase in demand and to improve the efficiency of its distribution network.

- *Marketing*

The Group would be introducing the use of hand-held computers to its sales personnel in order to computerise the processing of sales orders. This is expected to improve production planning, reduce lead times for delivery of goods and reduce administration costs in the long run.

- *Product Development*

The Group would continuously develop new products in order to compete effectively in both the domestic and international markets. The Group plans to further expand its product range by developing new products and product packaging as well as introducing 'health' and 'premium' based biscuits. The R&D department has a target of introducing at least three varieties of new biscuits annually.

7. INFORMATION ON HUP SENG (Cont'd)

7.7 LANDED PROPERTIES

A summary of the landed properties of the Hup Seng Group is set out below:

Owner Location	Description/ Age of Building (if relevant)	Tenure of Land	Existing Use	Land Area / Build-up Area	Open Market Valuation RM	Valuation approved by the SC on 3.07.2000 RM	Net Book Value as at 31.12.99 RM	Approved Surplus/ (Deficit) RM
HSPM Lot No. 7009 (Formerly PTD 2650) No. 15, Jalan Kolek Taman Kapal Layar Tongkang Pecah 83010 Batu Pahat Johor Darul Takzim	Single-storey terrace house / 6 years	Freehold	Rented out tenanted building	143.0 sq. m/ 94.1 sq. m	85,000	85,000	73,606	11,394
Lot 1336 No. 14, Jalan Kilang Kawasan Perindustrian Tongkang Pecah 83010 Batu Pahat Johor Darul Takzim	Single-storey Detached Factory an annex with 3-storey office building incorporating a basement area / 1 year	Freehold	Owner occupied	9,940 sq. m/ 13,284.8 sq. m	13,000,000		8,619,934	
PTD 1858 No. 14, Jalan Kilang Kawasan Perindustrian Tongkang Pecah 83010 Batu Pahat Johor Darul Takzim	Single-storey Detached Factory an annex with 2-storey office building and other ancillary buildings / 17 years	60 years leasehold (Expiring 24.05.2040)	Owner occupied	20,234.11 sq. m/ 10,425.8 sq. m	12,280,000		5,848,675	
PTD 3727 No. 14, Jalan Kilang Kawasan Perindustrian Tongkang Pecah 83010 Batu Pahat Johor Darul Takzim	Fully covered with concrete driveway and underground drainage & piping system	60 years leasehold (Expiring 12.07.2055)	Owner occupied	1,416.38 sq. m	220,000		9,079	
					25,500,000	22,700,000	14,477,688	8,222,312
					25,585,000	22,785,000	14,551,294	8,233,706

Balance carried forward

7. INFORMATION ON HUP SENG (Cont'd)

Owner Location	Description/ Age of Building (if relevant)	Tenure of Land	Existing Use	Land Area / Build-up Area	Open Market Valuation RM	Valuation approved by the SC on 3-07-2000 RM	Net Book Value as at 31.12.99 RM	Approved Surplus/ (Deficit) RM
Balance brought forward					25,585,000	22,785,000	14,551,294	8,233,706
Lot 6770 11 Jalan Kesturi 3 Taman Bunga Raya Tongkang Pecah 83010 Batu Pahat Johor Darul Takzim	Double-storey semi- detached house / 9 years	Freehold	Foreign workers' hostel	275 sq. m / 169.1 sq. m	130,000		128,007	
Lot 6726 (Formerly GM766) 6 Jalan Kesturi 6 Taman Bunga Raya Tongkang Pecah 83010 Batu Pahat Johor Darul Takzim	Double-storey semi- detached house / 9 years	Freehold	Foreign workers' hostel	282 sq. m / 256.7 sq. m	150,000		127,839	
Lot 6457 No. 22 & 22A Jalan Timun Taman Anggerik Tongkang Pecah 83010 Batu Pahat Johor Darul Takzim	Double-storey shophouse / 20 years	Freehold	Vacant	163.5 sq. m / 281.3 sq. m	180,000	180,000	184,782	(4,782)
Total value of the properties held by HSPM					26,045,000	23,220,000	14,991,922	8,228,078

7. INFORMATION ON HUP SENG (Cont'd)

Owner/ Location	Description/ Age of Building (if relevant)	Tenure of Land	Existing Use	Land Area / Build-up Area	Open Market Valuation RM	Valuation approved by the SC on 3.07.2000 RM	Net Book Value as at 31.12.99 RM	Approved Surplus/ (Deficit) RM
HSHY								
P.T. No. 1820 No. 54, Jalan 7, Taman Maju Jalan Semenyih 43000 Kajang Selangor Darul Ehsan	Single-storey Link House / 9 years	Freehold	Vacant	3,138 sq. ft. / 760 sq. ft.	100,000	100,000	74,281	25,719
Lot 63763, 63775 & 63776 No. 4&4A, 28&28A and 30&30A, Jln Harilela, Taman Harilela, 31350, Ipoh, Perak	Double-storey shophouses / 10 years	Freehold	Owner occupied and rented out	5,226 sq. ft./ 10,078 sq. ft.	545,000	545,000	355,002	189,998
P.T. Nos. 46611 and 45689 Nos. A495 and A. 497 Taman Seri Pelindung Satu Jalan Berserah 25300 Kuantan Pahang Darulmakmur	2 contiguous units of Double-storey shophouses / 4 years	Freehold	Owner occupied	413 sq. m/ 483.7 sq. m	520,000	520,000	424,835	95,165
Lot Nos. 4107 & 4109 No. 1323 & 1325, Jalan Bukit Tengah, Taman Indah 14000 Bukit Mertajam Pulau Pinang	Double-storey shophouses / 10 years	Freehold	Owner occupied	371.7 sq. m/ 744.8 sq. m	575,000	575,000	458,697	116,303
Plot Nos. 128, 130 & 131, No. 128, 130, 131 Jalan Sagaria 2, Taman Saga Alor Mengkudu 05400 Alor Setar Kedah Darulaman	Double-storey shophouses / 9 years	Freehold	Owner occupied and rented out	362.4 sq. m/ 640.5 sq. m	386,000	365,229		
Plot Nos. 132 & 133, No. 132 & 133 Jalan Sagaria 2, Taman Saga Alor Mengkudu 05400 Alor Setar Kedah Darulaman	Double-storey shophouses / 4 years	Freehold	Owner occupied	241.55 sq. m / 481.9 sq. m	259,000	335,262		
Balance carried forward					645,000	645,000	700,491	(55,491)
					2,385,000	2,385,000	2,013,306	371,694

7. INFORMATION ON HUP SENG (Cont'd)

Owner/ Location	Description/ Age of Building (if relevant)	Tenure of Land	Existing Use	Land Area / Build-up Area	Open Market Valuation	Valuation approved by the SC on 3-07-2000	Net Book Value as at 31.12.99	Approved Surpluses/ Deficit)
					RM	RM	RM	RM
Balance brought forward								
Lot No. 6444 (Formerly PTID 693) No. 9, Jalan Timun, Taman Anengerik Tongkang Pecah 83010 Batu Pahat Johor Darul Takzim	Double-storey shophouse / 20 years	Freehold	Owner occupied	163.5 sq. m / 281.3 sq. m	2,385,000	2,385,000	2,013,306	371,694
Lot No. 305884, PNI149251 (Formerly PT 149442) 12 Hala Rapat Baru 18 Taman Perusahaan Ringan Kinta Jaya Ipoh, Perak Darul Ridzuan	1½ storey- detached factory / 1 year	99 years leasehold (expiring 25.06.2096)	Owner occupied	1,586 sq. m / 8,450 sq. ft.	1,000,000	1,000,000	1,175,128	(175,128)
Lot 11067 15 Jalan Pala 10 Kawasan Industries Ringan PMTG Tinggi 14000 Bukit Mertajam Pulau Pinang	1½ storey- detached Light Industrial Building / 1 year	Freehold	Owner occupied	1,770 sq. m / 577.5 sq. m	820,000		936,762	(116,762)
Lot 11068 11-A Jalan Pala 10 Kawasan Industries Ringan PMTG Tinggi 14000 Bukit Mertajam Pulau Pinang	1½ storey- detached Light Industrial Building / 1 year	Freehold	Owner occupied	1,208 sq. m / 577.5 sq. m	685,000		780,307	(95,307)
Lot 6574 Mukim of Linau District of Batu Pahat Johor Darul Takzim	Vacant industrial land	Freehold	Vacant	9,704.38 sq. m	2,000,000	1,700,000	1,752,295	(52,295)
Total value of the properties held by HSHY					7,080,000	6,760,000	6,828,303	(68,303)
Grand Total					33,125,000	29,980,000	21,820,225	8,159,775

7. INFORMATION ON HUP SENG (Cont'd)

Owner Location	Description/ Age of Building (if relevant)	Tenure of Land	Existing Use	Land Area / Build-up Area	Open Market Valuation RM	Valuation approved by the SC on 3.07.2000 RM	Net Book Value as at 31.12.99 RM	Approved Surplus/ (Deficit) RM
HSHY Lot No. 149514 * IGB International Industrial Park Jalan Kuala Kangsar Ipoh, Perak Darul Ridzuan	Agricultural land	Freehold	Vacant	0.4047 hectare	185,000	185,000	65,200	119,800

* Pursuant to a Deed of Assignment dated 10 May 2000, the land held under Lot 149514 at Mukim Hulu Kinta, Daerah Kinta, Perak Darul Ridzuan by HSHY ("Disposed Property") was disposed and assigned to HSBH for a sale consideration of RM185,000. The gain arising from the sale of the Disposed Property of RM119,800 which would be reflected in the accounts of HSHY for the financial year ending 31 December 2000 has not been included in the Flotation Scheme as approved by the SC vide their letter dated 3 July 2000.

In conjunction with its flotation on the Main Board of the KLSE, the Company undertook a revaluation exercise on the properties mentioned above performed by Colliers, Jordan Lee & Jaafar (JH) Sdn Bhd, a registered and independent professional valuer, where the properties were valued using the Comparison Method, Cost Method, Replacement Method, Investment Method and Income Approach on 11 October 1999.

The approved revaluation surplus of RM8,159,775 will be incorporated into the accounts of HSPM and HSHY for the financial year ending 31 December 2000.

8. DIRECTORS, MANAGEMENT AND STAFF

8.1 BOARD OF DIRECTORS

Kuo Choo Song, aged 68, was appointed as the Managing Director of HSPM on 13 October 1974 and as the Chairman of HSPM on 1 April 1977 and the Chairman of HSHY on 21 April 1977. He became a member of the Board of Directors of Hup Seng on 4 October 1991 and was appointed as the Executive Chairman of Hup Seng on 3 August 2000. He has over 41 years of experience in the biscuits industry at management and board levels. He is one of the founder of Hup Seng Co. in 1958 which was subsequently converted to HSPM in 1974. His job responsibilities include planning the Hup Seng Group's business development programs and representing the Group at various external functions.

Ke (Kek) Kim Soon @ Kerk Choo Soon, aged 60, was appointed as the General Manager of HSPM on 1 April 1977 and then the Vice-Chairman of HSPM on 1 January 1990 and the Managing Director of HSHY on 21 April 1977. He became a member of the Board of Directors of Hup Seng on 4 October 1991 and was appointed as the Executive Vice-Chairman of Hup Seng on 3 August 2000. He graduated in 1992 majoring in Business Administration, Marketing, Banking and International Trade from the Chung Hwa Correspondence School. As one of the founder of Hup Seng Co., he has over 41 years of experience in the biscuits industry specialising in the marketing of biscuits in both the domestic and international markets.

Keh (Kerk) Chu Koh, aged 57, was appointed as the Deputy Managing Director of HSPM on 13 October 1974 and then the Managing Director of HSPM on 1 April 1977. He was appointed as the Deputy Managing Director on 21 April 1977 and then Vice Chairman of HSHY on 1 January 1990. He became a member of the Board of Directors of Hup Seng on 4 October 1991 and was appointed as the Managing Director of Hup Seng on 3 August 2000. As one of the founders of Hup Seng Co., he has approximately 41 years of experience in the biscuits industry. He plans the Group's strategic business development, production development which includes the installation of various production facilities in the Group's factory and heads the research and development team which researches new varieties of biscuits. He travels abroad extensively to keep abreast with the latest development in the biscuits manufacturing industry and to assess new market prospects for the Group.

Kerk Chiew Siong, aged 47, was appointed as the Director of HSPM on 12 March 1981 and then as an Executive Director of HSPM on 1 January 1990. He was appointed as Director of HSHY on 15 February 1988 and then the Deputy Managing Director of HSHY on 1 January 1990. He became a member of the Board of Directors of Hup Seng on 4 October 1991 and was appointed as the Executive Director of Hup Seng on 3 August 2000. He has more than 24 years of experience in the manufacturing and marketing of biscuits. As head of the Quality Assurance and Business Development Department in HSPM, he devises strategies for market development and researches the potentials of the Group's products in existing as well as new markets. He also ensures the Group's biscuits manufacturing quality control system meets the ISO 9002 requirements.

Kerk Chian Tung, aged 29 became a member of the Board of Directors of Hup Seng on 15 November 1999 and was appointed as an Executive Director of Hup Seng on 17 August 2000. She graduated with a degree in Accounting from the University of Southern Queensland, Australia in 1991 and a degree in Manufacturing Management from the University of Monash, Australia in 1994. She joined an auditing firm, Messrs S.F. Yap & Co as an auditor in 1992 and subsequently joined Arthur Andersen HRM (Tax Services), a public accounting firm as a tax consultant in 1995. She joined Jaya Tiasa Holdings Bhd, an investment holding and provision of management services, extraction and sale of logs, as an Assistant Business Development Manager in 1997 and GKT Enterprise Sdn Bhd, a trader of construction materials such as industrial glass and consumer products such as mattress and foam products, as a Finance Manager in 1998. She was an investment analyst with SBB Securities Sdn Bhd, a company involved in stockbroking activities, from November 1999 to May 2000.

8. DIRECTORS, MANAGEMENT AND STAFF (Cont'd)

Datin Noorhayati bte Kamaluddin, aged 49, was appointed a Director of Hup Seng on 15 November 1999. She started her career as an Assistant Librarian with University Teknologi Malaysia from 1973 to 1982. Subsequently, she joined the Lembaga Kemajuan Wilayah Kedah, which functions to promote, stimulate, facilitate and undertake economic and social development, residential, agricultural, industrial and commercial development, and to control and co-ordinate the performance of the aforesaid activities in the areas designated as “Kawasan Lembaga Kemajuan Wilayah Kedah”, as a Director of Information and Public Relations for 2 years in 1982 before proceeding to hold the post of Senior Librarian at University Utara Malaysia from 1985 to 1986. She holds directorship in several private limited companies. She obtained a Bachelor of Arts (Honour) degree from University of Malaya in 1973.

Teo Lee Teck, aged 40, was appointed as a Director of HSPM on 20 March 1984 and then an Executive Director of HSPM on 1 January 1990. He was appointed as a Director of Hup Seng on 10 August 2000. He started his career with HSPM in 1977 as a Chocolate Wafer Section Supervisor and was promoted through various positions prior to his assuming the position of Project Manager in 1994. His job responsibilities include co-ordinating and monitoring projects assigned by the Managing Director, installing and improving plant and machinery and training personnel in the production department.

Norita bte Ja’afar, aged 28, was appointed as an Independent Non-executive Director of Hup Seng on 11 August 2000. She obtained a Bachelor of Arts (Hons.) majoring in Economics from the University of Nottingham, United Kingdom in 1994. She obtained a Master of Science majoring in Fiscal Policy in Economics from the University of Bath, United Kingdom in 1995. She joined Arthur Andersen HRM (Tax Services) as a Tax Assistant from 1996 to 1997. Subsequently, she joined KAF Group of Companies as a Financial Analyst from 1997 to 1999. She went on to join FIMA Securities Sdn Bhd as a Senior Investment Analyst and Assistant Vice-President of Research from 1999 and 2000. Currently, she is an Executive Director of Under 6’ers, a Child Enrichment Centre located in Desa Sri Hartamas, Kuala Lumpur and a Company Director of Sal’s Food Industries Sdn Bhd.

Wee Hoe Soon @ Gooi Hoe Soon, aged 40, was appointed as an Independent Non-executive Director of Hup Seng on 27 June 2000. He is a member of the Malaysian Association of Certified Public Accountants and Malaysian Institute of Accountants. He has more than ten years of accounting and corporate finance experience and has been a former Finance Director of a number of private and public listed companies on the Kuala Lumpur Stock Exchange. He is also a Corporate Nominee Director to a stockbroking company on the Kuala Lumpur Stock Exchange. He has been instrumental in the successful implementation of some corporate exercises such as the merger and acquisition of APMC & Kedah Cement Holdings Berhad by Malayan Cement Berhad/Blue Circle Group, the corporate debt restructuring of Tongkah Holdings Berhad in conjunction with Corporate Debt Restructuring Committee and the acquisition of MGI Securities Sdn Bhd from Pengurusan Danaharta Nasional Berhad.

Mazrina bte Arifin, aged 32, was appointed as an Independent Non-executive Director of Hup Seng on 27 June 2000. She obtained a Bachelor of Science majoring in Accounting from the University of Hull, United Kingdom in 1991. She is qualified as a Certified Chartered Accountant from the Chartered Association of Certified Accountants in England since 1993. She was attached with Arthur Andersen HRM (Tax Services) from 1995 to 1998 and was a Senior Tax Consultant prior to her leaving the firm. Currently, she is a Managing Director of Under 6’ers, a Child Enrichment Centre located in Desa Sri Hartamas, Kuala Lumpur.

8. DIRECTORS, MANAGEMENT AND STAFF (Cont'd)

8.2 SENIOR MANAGEMENT

Kuo Liong Yok, aged 47, was appointed as a Director of HSPM on 12 March 1981 and the Deputy Managing Director of HSPM on 1 January 1990 and he was appointed as a Director of HSHY on 21 September 1989 and an Executive Director of HSHY on 1 January 1990. He graduated with a Bachelor of Commerce from the National Chengchi University, Taiwan in 1980. He has approximately 18 years of experience in the biscuits industry with the Hup Seng Group. He manages the Group's corporate and company secretarial affairs and ensures all the Group's actions comply with relevant statutory requirements.

Quek Ah Kow, aged 51, is the Financial Controller of the Hup Seng Group. He joined HSPM in August 1992. He graduated from the Institute of Cost and Management Accountants in 1979. He is a Fellowship member of the Institute of Chartered Management Accountants and a member of the Malaysian Institute of Accountants. He started his career as an Assistant Accountant with Fraser & Neave (M) Sdn Bhd, a manufacturer and distributor of soft drinks, from 1979 to 1981. Following that, he was an Accountant with Sharp Roxy Electronics Corporation, a manufacturer of television sets, in 1982 and FIMA Metal Box Bhd, a manufacturer of tin cans and security printing, from 1983 to 1988. Prior to joining the Hup Seng Group, he was the Senior Accountant of Berjaya Textile Berhad, a manufacturer of textile, for 4 years.

Ma Keng Chu, aged 43, is the Assistant Human Resource Manager of the Hup Seng Group. She joined HSPM as a clerk in 1976 and was promoted through various positions before assuming her present position in 1996. Her job responsibilities include planning manpower requirements, handling employees' recruitment and conducting staff appraisals.

Kuo Lee Ai, aged 45, is the Assistant Finished Goods Warehouse Manager of the Hup Seng Group. She started her career as a clerk with Hup Seng Co. in 1973 before pursuing her further studies in 1975. She graduated from the National Chung Hsing University, Taiwan with a Bachelor of Law majoring in Economics in 1979. Upon graduation, she rejoined HSPM as an Administration Assistant in 1980 and was promoted as a Store Executive of the Hup Seng Group in 1985, a Finished Goods Warehouse Executive in 1994 and an Assistant Finished Goods Warehouse Manager in 1996.

Kuo Chee Ching, aged 43, was appointed as a Director of HSPM on 27 October 1978 and then as an Executive Director of HSPM on 1 January 1990. He joined HSPM in 1974 as Production Assistant and was promoted to his current position as the Factory Manager of HSPM in 1994. He has more than 24 years of experience in biscuits manufacturing, factory planning and personnel management and also more than 8 years or experience in the marketing of biscuits. His job responsibilities include preparing monthly production plans, arranging regular staff training and ensuring the Group's factory complies with ISO 9002 requirements.

Kuo Chee Joo, aged 39, was appointed as a Director of HSPM on 20 March 1984 and an Executive Director of HSPM on 1 January 1990. He obtained a Certificate from the Chung Hwa Correspondence School, Taiwan in 1993. He started his career as a Production Assistant with HSPM in 1976 and was appointed the Production Manager of HSPM in 1986 after progressing through various positions. He has more than 22 years of working experience in biscuits manufacturing with exposure to production planning, quality control, machinery maintenance and personnel management.

Teo Lay Gak, aged 38, was appointed as an Executive Director of HSPM on 1 March 1990. He graduated with a Diploma in Food Science from the National Pintung Institute of Agriculture, Taiwan in 1984. He started his career in biscuits manufacturing as a Laboratory Supervisor with HSPM in 1985 and was promoted through the positions of Packing Department Supervisor, Packing Department Executive and Assistant Packing Manager prior to assuming his present position as the Packing Manager of HSPM in 1996.

8. DIRECTORS, MANAGEMENT AND STAFF (Cont'd)

Lee Kia Hwa, aged 39, is the Quality Assurance and R&D Manager of HSPM. She graduated with a Bachelor of Food Science (Hons) from the National Chung-Hsing University, Taiwan in 1985. She is a professional member of the Malaysian Institute of Food Technology. She joined the Taiwan Asian Vegetable Research and Development Centre as a Laboratory Assistant in 1984. In 1985, she joined HSPM as a Chemist and progressed through various positions before being promoted as the Quality Assurance and R&D Manager in 1994. Her main responsibilities include leading the Quality Assurance and R&D task force and ensuring achievement of the Group's quality policy.

Teo Lian Hua, aged 37, is the Assistant Export Sales Manager of HSPM. She graduated with a Bachelor of Business Administration from the National Cheung Kung University, Taiwan in 1987. She started her career as a Costing cum Internal Audit Assistant of Perusahaan Chan Choo Seng Sdn Bhd, a manufacturer of garments, in 1988 before being promoted to Assistant Senior Shipping Officer in 1989. She joined HSPM in 1990 as an Export Sales Executive and was promoted to Assistant Export Sales Manager in 1996.

Teo Siew Hong, aged 38, is the Assistant Purchasing Manager of HSPM. She obtained a Bachelor of Business from the Fu Jen Catholic University, Taiwan in 1985. Prior to joining HSPM, she was a sales co-ordinator with Tong Fatt Shoes Manufacturers Sdn Bhd, a rubber footwear manufacturing company, for eight years. She joined HSPM as a Purchasing Officer in May 1993 and was promoted to Purchasing Executive in March 1995 and Assistant Purchasing Manager in March 1996.

Pang Yoke Theen, aged 48, is the Sales Manager of HSHY. He has more than 25 years of experience in food industry prior to joining the HSHY in 1988 as a Senior Sales Representative. He was subsequently promoted in 1994 to the position of Sales Manager.

8.3 EMPLOYEES

As at 15 September 2000, the Hup Seng Group has a total workforce of 1,245 employees out of which 209 are foreign workers. The relationship between management and employees is good and none of the employees of the Group are members of any union.

8.4 FAMILY RELATIONSHIPS

Kuo Choo Song, Ke (Kek) Kim Soon @ Kerk Choo Soon, Keh (Kerk) Chu Koh and Kerk Chiew Siong are brothers. Kuo Liong Yok, Kuo Chee Ching and Kuo Chee Joo are the sons of Kuo Choo Song. Kuo Lee Ai is the daughter of Kuo Choo Song. Teo Lee Teck and Teo Lay Gak are the nephews of Kuo Choo Song, Ke (Kek) Kim Soon @ Kerk Choo Soon, Keh (Kerk) Chu Koh and Kerk Chiew Siong. Kerk Chian Tung is the niece of Kuo Choo Song, Ke (Kek) Kim Soon @ Kerk Choo Soon, Keh (Kerk) Chu Koh and Kerk Chiew Siong. Ma Keng Chu is the wife of Teo Lee Teck.

Other than the above, there are no family relationships between the Directors and the Senior Management of the Hup Seng Group.