Hup Seng Industries Berhad

(199101015786 (226098-P)

Annual Report 2022

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Annual Report 2022

HUP SENG

Corporate Information

Directors

Kerk Kar Han
(Chairman)
(apppointed on 1 April 2023)

Kerk Chiew Siong
(Managing Director)

Kerk Chian Tung
(Executive Director)

Teo Lee Teck
(Non-Independent Non-Executive Director)

Kuo Liong Yok
(Non-Independent Non-Executive Director)

Kerk Shiang Yih
(Non-Independent Non-Executive Director)
(appointed on 1 March 2023)

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

Lim Poh Seong
(Independent Non-Executive Director)

Dr. Voon Yuen Hoong
(Independent Non-Executive Director)

Ho Wei Lih
(Independent Non-Executive Director)

Y.Bhg. Dato' Keh (Kerk) Chu Koh
(Chairman)
(resigned on 30 December 2022)

Secretaries

Lee Wai Ngan (LS0000184)
Tan Kok Aun (MACS01564)

Auditors

Ernst & Young PLT
(202006000003 (LLP0022760-LCA) & AF 0039)
Chartered Accountants

Registered Office

3A, Mezzanine Floor
Jalan Ipoh Kecil
50350 Kuala Lumpur
Tel : (03) - 4043 5750
Fax : (03) - 4043 5755

Principal Place of Business

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

Share Registrar

Tricor Investor & Issuing House Services Sdn Bhd
197101000970 (11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : (03) - 2783 9299
Fax : (03) - 2783 9222

Principal Bankers

RHB Bank Berhad
Malayan Banking Berhad
Public Bank Berhad
United Overseas Bank (Malaysia) Berhad
OCBC Al-Amin Bank Berhad
CIMB Islamic Bank Berhad

Stock Exchange Listing

Main Market of Bursa Malaysia Securities Berhad
Stock Code : 5024

Corporate Website

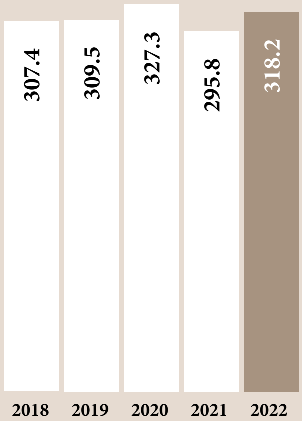
www.hsib.com.my

Corporate Structure

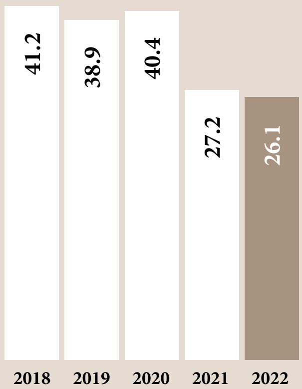
Hup Seng Industries Berhad
199101015786 (226098-P)

100%	100%	100%
Hup Seng Perusahaan Makanan (M) Sdn Bhd 197401002709 (19770-K)	**Hup Seng Hoon Yong Brothers Sdn Bhd** 197701000334 (31372-V)	**In-Comix Food Industries Sdn Bhd** 198901003447 (180753-V)

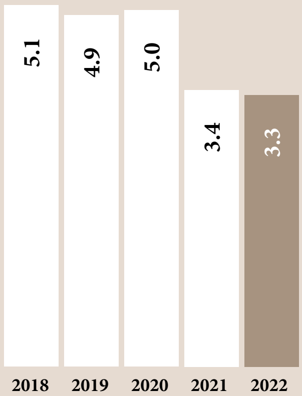
5-Year Group Financial Highlights



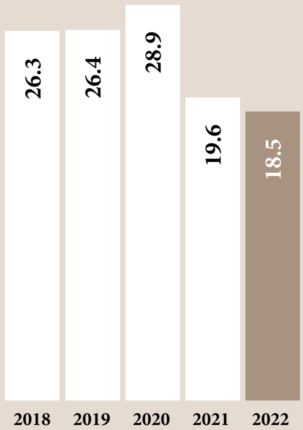
Revenue
(RM Million)



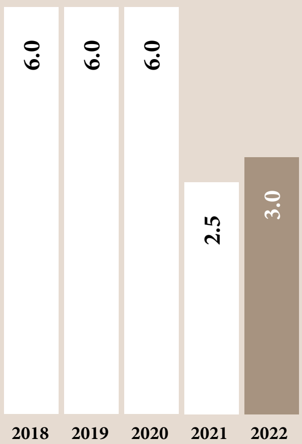
Profit After Tax
(RM Million)



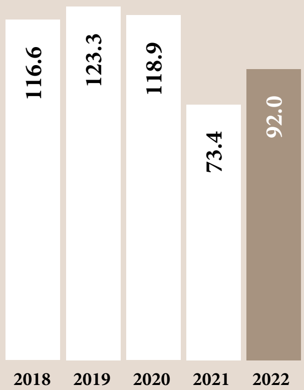
Earnings Per Share
(Sen)



Return On Equity
(ROE) (%)



Net Dividends Per Share
(Sen)



Dividends Payout
Ratio (%)

Financial Year Ended		31.12.2018 Restated	31.12.2019 Restated	31.12.2020	31.12.2021	31.12.2022
Key Results (RM)						
Revenue		307,372,915	309,539,034	327,325,449	295,832,845	318,194,335
Profit after Tax		41,154,364	38,933,843	40,380,506	27,240,004	26,080,914
Other Key Data (RM)						
Total Assets		236,464,405	234,205,813	228,779,958	207,153,461	212,835,948
Total Liabilities		79,998,926	86,806,491	89,000,130	68,133,625	71,735,198
Shareholders' Equity		156,465,479	147,399,322	139,779,828	139,019,836	141,100,750
Capital Expenditure		4,211,222	16,685,132	3,835,705	2,756,293	6,310,673
Financial Ratio (%)						
Revenue Growth		2.6	0.7	5.7	(9.6)	7.6
Net Profit Growth		(7.4)	(5.4)	3.7	(32.5)	(4.3)
Net Profit Margin		13.4	12.6	12.3	9.2	8.2
Return on Equity (ROE)		26.3	26.4	28.9	19.6	18.5
Share Information						
Earnings per Share	sen	5.1	4.9	5.0	3.4	3.3
Net Dividends per Share	sen	6.0	6.0	6.0	2.5	3.0
Dividends Payout Ratio	%	116.6	123.3	118.9	73.4	92.0
Net Assets per Share	RM	0.20	0.18	0.17	0.17	0.18
Other Information						
Segment Ratio	%					
- Domestic Market		71.8	72.2	74.5	76.6	77.5
- Export Market		28.2	27.8	25.5	23.4	22.5
Total		100.0	100.0	100.0	100.0	100.0

Directors' Profile

Kerk Kar Han

Kerk Kar Han, Malaysian aged 55, is the Chairman of the Company. He was appointed as a Non-Independent Non-Executive Director of the Company on 15 August 2006 and redesignated as Chairman on 1 April 2023. He has been a member of Remuneration Committee since 18 February 2014 until 1 April 2023. He is a member of Risk Management Committee.

He graduated with a Bachelor in Business Administration from The Tatung Institute of Technology (now known as Tatung University), Taiwan in 1995. He has over 28 years of experience in corporate administration, sales and marketing development, customer and suppliers relationship management, product and packaging design and operational execution.

He was appointed as Director of Hup Seng Perusahaan Makanan (M) Sdn Bhd ("HSPM") on 2 September 2013 and also a member of Company Development Committee since year 2020.

He joined Hup Seng Hoon Yong Brothers Sdn Bhd ("HSHY") on 20 September 1995 as a Management Executive. He was promoted to Admin Senior Executive in July 1997. On 10 March 1998, he was appointed as the Executive Director of HSHY. Subsequently, he was redesignated as Director cum Admin Senior Executive on 24 January 2003. On 1 January 2004, he was promoted to Director cum Assistant Admin Manager. On 1 January 2011, he was promoted to Director cum Sales and Admin Manager, fully responsible for maintaining and improving the organisational administration system, sales and marketing performance, ensuring the compliance of company policies, overseeing branches performance and participating in sales and marketing strategic planning and decision making as well as supervising, overseeing and co-ordinating operations of sales and marketing. Subsequently, he was redesignated as Executive Director on 16 July 2018. He reports directly to Managing Director.

He was appointed as a Director for In-Comix Food Industries Sdn Bhd ("ICFI") on 7 July 2009, fully responsible for administration, marketing & sales and material purchase of the company and provides full support to HACCP Management System. He meets with the Head of Operational Unit to discuss and resolve key operational, financial and other key management issues regularly, and highlights and discusses significant issues at Board meetings. He was appointed as management representative to oversee the implementation of the Halal Assurance Management System of ICFI on 1 January 2014.

He is the nephew of Kerk Chiew Siong and cousin of Kerk Chian Tung, Teo Lee Teck, Kuo Liong Yok and Kerk Shiang Yih. He does not have any conflict of interest with the Company. He has no convictions for any offences over the past 10 years.

Kerk Chiew Siong

Kerk Chiew Siong, Malaysian aged 70, is the Managing Director of the Company. He became a member of the Board of Directors on 4 October 1991 and was appointed as an Executive Director on 3 August 2000. He was redesignated as a Non-Executive Director on 1 February 2003 and then as a Non-Executive Vice Chairman on 17 August 2006. Subsequently, he was redesignated as the Managing Director of the Company on 1 January 2022.

He has more than 40 years of experience in business leadership, strategic planning, food safety management, business development, talent acquisition as well as product and packaging design.

He started his career as a Director with HSPM on 12 March 1981 and was then redesignated as an Executive Director and a Vice Chairman on 1 January 1990 and 1 February 2003 respectively. On 16 July 2018, he was redesignated as the Chairman of HSPM. Moreover, he was appointed as a Director of HSHY on 15 February 1988 and was then redesignated as a Deputy Managing Director and an Executive Director on 1 January 1990 and 1 February 2003 respectively. On 1 July 2016, he was redesignated as the Managing Director of HSHY. He was appointed as a Director of ICFI on 12 July 2005.

He is currently responsible for managing the Group's operations and overseeing the Quality Assurance, Research and Development and Business Development Department, primarily devising strategies for market expansion and researching the potential of the Group's products in existing and new markets. As well, he is the key management personnel for the company-wide food safety and quality management systems (i.e. ISO 9001:2015, HACCP, ISO 22000:2018, and FSSC 22000). In addition to the responsibilities listed above, he also serves as the Chairman of Anti-Bribery and Anti-Corruption Committee, advisor of COVID-19 Emergency Response Protocol Committee and Crisis Management Committee.

He is the uncle of Kerk Chian Tung, Teo Lee Teck, Kerk Kar Han, Kuo Liong Yok and Kerk Shiang Yih. He does not have any conflict of interest with the Company except for certain recurrent related party transactions of revenue or trading nature that is necessary for day-to-day operations of the Group. He has no convictions for any offences over the past 10 years.

Kerk Chian Tung

Kerk Chian Tung, Malaysian aged 52, became a member of the Board of Directors of the Company on 15 November 1999 and has been an Executive Director of the same since 17 August 2000. She is the niece of Kerk Chiew Siong and cousin of Teo Lee Teck, Kerk Kar Han, Kuo Liong Yok and Kerk Shiang Yih. She does not have any conflict of interest with the Company nor conviction for any offences over the past 10 years.

Kerk Chian Tung is a member of the Australian Society of Certified Practising Accountants. She has more than 15 years of experience in corporate finance.

She graduated with a bachelor degree in Accounting from the University of Southern Queensland, Australia in 1991 and a bachelor degree in Manufacturing Management from the University of Monash, Australia in 1994. She joined an accounting firm as an auditor in 1992 and later joined Arthur Andersen HRM (Tax Services) Sdn. Bhd., a public accounting firm as a Tax Consultant in 1995. In 1997, she was employed as an Assistant Business Development Manager in Jaya Tiasa Holdings Berhad, a public listed company involved in investment holding and provision of management services, extraction and sale of logs. She joined a trading company as a Finance Manager in 1998 and then resigned in 1999 to become an investment analyst in SBB Securities Sdn. Bhd., a company involved in stockbroking activities.

Teo Lee Teck

Teo Lee Teck, Malaysian aged 63, was appointed as a Non-Independent Non-Executive Director of the Company on 10 August 2000. He is a member of Risk Management Committee. He was appointed as Director of HSHY on 2 September 2013. He was a Director of HSPM on 20 March 1984 and became an Executive Director of the same since 1 January 1990.

He started his career with HSPM in 1977 as a Chocolate Wafer Section supervisor and was promoted numerously before assuming the position of Production Manager in 1987. In 1994 he was promoted to Project Manager, responsible for construction of factory and installation of new plant, machines and facilities, as well as the maintenance and inspection of the Fire Prevention System.

He has been appointed as HSPM's Quality Management Representative in formulating, implementing and ensuring the Company Quality Management System fulfilled the standard requirement. He was fully responsible for leading the task force towards the achievement of ISO 9001:2015 in 2017. In line with the increasing focus worldwide on food safety, to obtain ISO 22000:2018 Food Management System in 2019 and FSSC 22000 Food Safety Management System Certification in 2020. As well as working with HACCP team to obtain HACCP and GMP certification through Malaysia's Ministry of Health to demonstrate the company commitment towards food safety and quality to ensure consumer confidence and meet the export requirement for obtaining Health Certificate. He also was appointed as Chairman of Company Development Committee since year 2020.

He was appointed as a Director for ICFI on 7 July 2009, fully responsible for the product manufacturing, quality and hygienic assurance of the company. He was redesignated to Chairman of ICFI on 16 July 2018.

He is the nephew of Kerk Chiew Siong and cousin of Kerk Chian Tung, Kerk Kar Han, Kuo Liong Yok and Kerk Shiang Yih. He does not have any conflict of interest with the Company. He has no convictions for any offences over the past 10 years.

Kuo Liong Yok

Kuo Liong Yok, Malaysian aged 70, was appointed as a Non-Independent Non-Executive Director of the Company on 1 January 2022. He was appointed as a member of Risk Management Committee on 19 May 2022 and a member of Remuneration Committee on 1 April 2023.

He graduated with a Bachelor of Commerce in Accounting from National Chengchi University, Taiwan in 1980. He has over 40 years of experience in corporate administration, regulatory affairs, tax and treasury, logistics and transportation management within the manufacturing and trading sectors.

He began his career as a Director with HSPM on 12 March 1981. He was redesignated as a Deputy Managing Director and then an Executive Director on 1 January 1990 and 1 February 2003 respectively. On 16 July 2018, he was redesignated as a Vice Chairman of HSPM. In addition, he was appointed as a Director of HSHY on 21 September 1989. He was later redesignated as an Executive Director and a Director on 1 January 1990 and 1 February 2003 respectively. On 9 March 2022, he was redesignated as the Chairman of HSHY. He was appointed as a Director of ICFI on 15 December 2021.

Presently, he is responsible for overseeing the overall administrative operations of the Group. As well as the above, he is also tasked with leading the Occupational Safety and Health Committee, COVID-19 Emergency Response Protocol Committee, Sustainability Project Committee, as well as Malaysian and Indonesian Halal Management Systems.

He is the nephew of Kerk Chiew Siong and cousin of Kerk Chian Tung, Teo Lee Teck, Kerk Kar Han and Kerk Shiang Yih. He does not have any conflict of interest with the Company except for certain recurrent related party transactions of revenue or trading nature that is necessary for day-to-day operations of the Group. He has no convictions for any offences over the past 10 years.

Kerk Shiang Yih

Kerk Shiang Yih, Malaysian aged 50, was appointed as a Non-Independent Non-Executive Director of the Company on 1 March 2023.

She graduated with a Bachelor of Business Administration, majoring in Marketing and minoring in Management from Wichita State University, Kansas, United States in 1996.

She has more than 25 years of experience in business and strategy development, cross-country sales management, customer relationship management, product and packaging design, logistics management and operational execution. She began her career with HSPM as a Market Development Executive in 1996, and was subsequently promoted to Market Development Assistant Manager in 2004 and Market Development Manager in 2009. As well, she has served as a Director of HSPM and HSHY since 2 September 2013 and 10 March 1998 respectively.

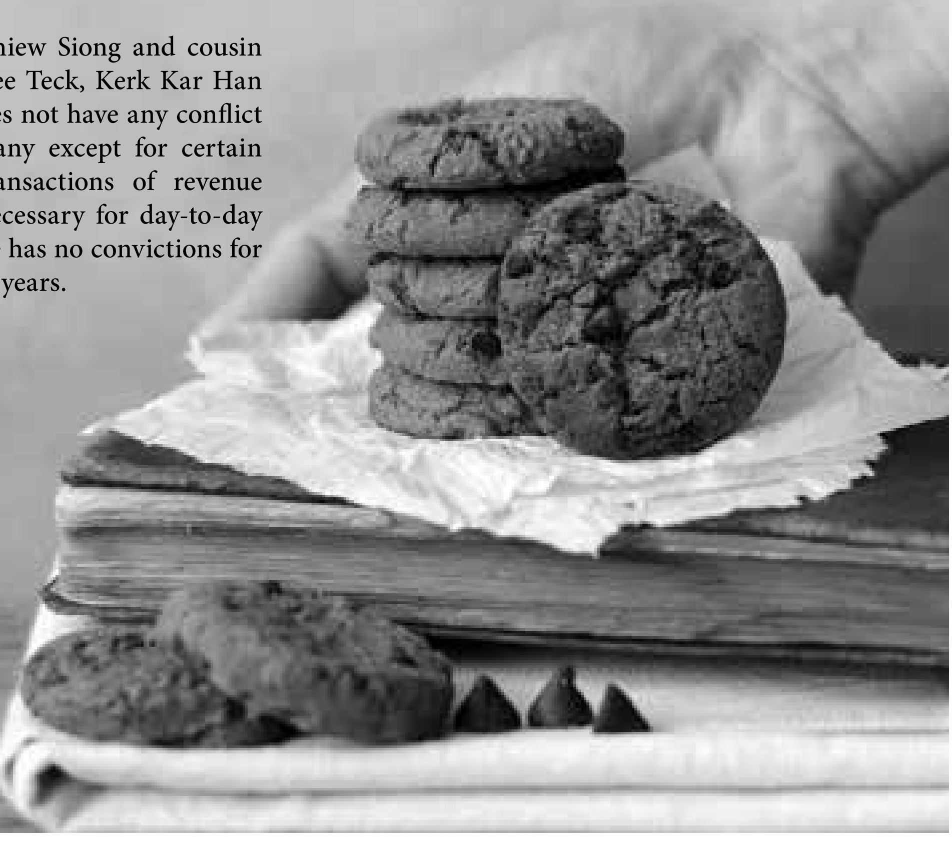
Currently, she is responsible for leading the market development division of HSPM, with a primary focus on identifying and developing new business opportunities as well as managing customer relationships and sales growth.

She is the niece of Kerk Chiew Siong and cousin of Kerk Chian Tung, Teo Lee Teck, Kerk Kar Han and Kuo Liong Yok. She does not have any conflict of interest with the Company except for certain recurrent related party transactions of revenue or trading nature that is necessary for day-to-day operations of the Group. She has no convictions for any offences over the past 10 years.

Raja Khairul Anuar Bin Raja Mokhtar

Raja Khairul Anuar Bin Raja Mokhtar, Malaysian aged 48, was appointed as a Non-Executive Director of the Company on 14 December 2000 and subsequently became an Independent Non-Executive Director on 15 March 2012. He is the Chairman of Remuneration Committee, a member of Audit Committee and Risk Management Committee. He does not have any family relationship with any director and/or major shareholder. He does not have any conflict of interest with the Company nor convictions for any offences over the past 10 years.

He holds a Bachelor of Commerce (majoring in Finance and Marketing) and a Diploma of Commerce from Curtin University of Technology, Perth Western Australia in 1998. He started his career as an Executive at L&M Corporate (M) Berhad from 1998 to 2000 and subsequently joined a Multinational IT company, Hewlett-Packard Sales (M) Sdn. Bhd., as a Business Analyst from 2001 to 2002. He was with EMKAY (Paradigma Intan Sdn. Bhd.) a property development company from 2004 to 2011. He now sits on the board of directors of several private companies.



Lim Poh Seong

Lim Poh Seong, Malaysian aged 57, was appointed as an Independent Non-Executive Director of the Company on 1 September 2018 and became the Independent Co-Chairman on 1 March 2019 until 31 August 2021. He is a member of Audit Committee, Remuneration Committee and Nomination Committee. He was appointed as the Chairman of Risk Management Committee on 31 March 2022.

He is a Fellow Member of The Association of Chartered Certified Accountants ("ACCA") and a member of Malaysian Institute of Accountants ("MIA"). He has over 25 years of experience in the fields of auditing, accounting, corporate finance and overall administration of business operations. He began his career as an auditor with a major accounting firm in Kuala Lumpur in 1989. Subsequently, he joined the commercial sector where he held various positions in the finance and operations divisions of several Malaysian public listed companies. He was appointed as an Executive Director of Pantai Holdings Berhad, a public listed company involved in healthcare and was put in charge of the group's overall operations and finance from April 2001 to September 2005. He left the group in February 2007 as the Group Chief Operating Officer. He was an Executive Director of Paos Holdings Berhad from April 2007 to April 2008 and Asia Poly Holdings Berhad from October 2007 to April 2008, respectively. Currently he is also the Independent Non-Executive Director and Audit Committee Chairman for Paos Holdings Berhad and Samaiden Group Berhad, both public listed companies. Mr Lim does not have any family relationship with any director and/or substantial shareholder of the Company or any conflict of interest with the Company. He has not been convicted of any offence within the past 15 years.

Dr. Voon Yuen Hoong

Dr. Voon Yuen Hoong, Malaysian aged 43, was appointed as an Independent Non-Executive Director of the Company on 31 March 2022. On 19 May 2022, she was appointed as the Chairperson of Audit Committee, and a member of Nomination Committee and Risk Management Committee.

Dr. Voon holds a Bachelor of Arts (Honours) in Management Accounting from Universiti Teknologi Malaysia, a Master of Business Administration ("MBA") from Universiti Kebangsaan Malaysia and a Doctor of Philosophy ("PhD") in Taxation from Universiti Malaya. She is a Fellow Member of Association of Chartered Certified Accountants ("ACCA"), a Member of Malaysian Institute of Accountants ("MIA"), a Member of Chartered Tax Institute of Malaysia ("CTIM") and a Member of Financial Planning Association of Malaysia ("FPAM"). Moreover, she is a Licensed Tax Agent under Section 153 of the Income Tax Act 1967, and has served as a Chief Examiner of the CTIM Examination Committee since 2019.

Dr. Voon has more than 20 years of combined experience in the fields of accounting, auditing, and taxation. She began her career as an audit and tax assistant at a local accounting firm in 2003. Upon completing her MBA and earning her professional qualification from ACCA, she joined an international accounting firm as a tax supervisor and was promoted to the position of Assistant Manager from 2007 to 2010. Subsequently, she joined Crowe Malaysia as a Tax Manager in 2010.

Dr. Voon is currently a Tax Partner at Crowe Malaysia and leads the firm's tax compliance practice, which serves clients ranging from small and medium-sized enterprises to publicly-listed companies as well as multinational corporations. Besides tax compliance engagements, she also engages in tax audits and investigations, as well as tax advisory services. Being a subject matter expert, she has served as an expert witness in a number of court proceedings. She is also a frequent speaker at chambers of commerce and universities.

Dr. Voon does not have any family relationship with any director and/or major shareholder, nor any conflict of interest with the Company. She has no convictions for any offences (other than traffic offences, if any) over the past 10 years.

Ho Wei Lih

Ho Wei Lih, Malaysian aged 41, was appointed as an Independent Non-Executive Director of the Company on 31 March 2022. On 19 May 2022, she was appointed as the Chairperson of Nomination Committee, and a member of Audit Committee and Risk Management Committee. She does not have any family relationship with any director and/or major shareholder, nor does she have any conflict of interest with the Company. She has no convictions for any offences (other than traffic offences, if any) over the past 10 years.

Wei Lih holds a first-class honours degree in law (LL.B.) from the University of Birmingham, United Kingdom and a master's degree in law (LL.M.), from the University College London, United Kingdom, specialising in commercial and corporate law. She was called to the Bar of England & Wales by the Middle Temple in 2006 and was admitted to the Malaysian Bar in 2007.

Wei Lih started her legal career with Shearn Delamore & Co., advising on resolution of corporate and commercial disputes from 2006 to 2010, prior to joining Rahmat Lim & Partners in 2011. From March to November 2016, she was seconded to the Hong Kong office of Slaughter & May, a leading international law firm. Wei Lih is currently a Partner and Head of the China Practice Group of Rahmat Lim & Partners, an associate firm of Allen & Gledhill LLP, Singapore.

Wei Lih possesses knowledge and experience in the legal, compliance and regulatory areas. Her areas of practice include public and private mergers and acquisitions, takeovers, general commercial contracts, and corporate advisory work. She represents private equity funds and multinational corporations as lead counsel for cross-border corporate transactions spanning the ASEAN region. Her advisory roles cover investments, privatisations, acquisitions and divestitures across a wide range of industries for both local and overseas clients. She also advises on private placements, joint ventures, distressed mergers and acquisitions ("M&As"), and corporate restructuring transactions. Well regarded for her experience, Wei Lih is recommended for corporate/M&A work by legal publications, such as Chambers Asia Pacific and IFLR 1000.

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

(resigned on 30 December 2022)

Y. Bhg. Dato' Keh (Kerk) Chu Koh, Malaysian aged 80, is the Chairman of the Company. He became a member of the Board of Directors on 4 October 1991 and was appointed as the Managing Director on 3 August 2000. Subsequently, he was redesignated as Chairman on 1 February 2003. He was appointed as the Deputy Managing Director of HSPM on 13 October 1974 and then the Managing Director of the same on 1 April 1977. He was appointed as the Deputy Managing Director on 21 April 1977 and subsequently the Vice Chairman of HSHY on 1 January 1990. He was appointed as a Director of ICFI on 12 July 2005. He is the brother of Kerk Chiew Siong, uncle of Kerk Chian Tung, Teo Lee Teck, Kerk Kar Han, Kuo Liong Yok and father of Kerk Shiang Yih. He does not have any conflict of interest with the Company except for certain recurrent related party transactions of revenue or trading nature that is necessary for day-to-day operations of the Group. He has no convictions for any offences over the past 10 years. He plans the Group's strategic business development and production development which includes the installation of various production facilities in the Group's factory and heads the research and development team which researches new varieties of biscuits. He contributed in obtaining the Certification of HACCP (Hazard Analysis Critical Control Point) & BRC (British Retail Consortium) for HSPM in year 2008 and ISO 22000:2005 in year 2012, to ensure that product safety and quality are in line with global standard. He travels abroad extensively to keep abreast with the latest developments in the biscuits manufacturing industry and to assess new market prospects for the Group.

Management Discussion and Analysis

1. Overview

Hup Seng Industries Bhd. ("HSIB") being the holding company of the Group, is one of the leading biscuits manufacturers in Malaysia.

Currently the Group has three wholly owned subsidiaries namely:

i. Hup Seng Perusahaan Makanan (M) Sdn Bhd ("HSPM") is principally engaged in the manufacture and distribution of biscuits for the Group at its factory located in Tongkang Pecah, Batu Pahat, Johor;

ii. In-Comix Food Industries Sdn Bhd ("ICFI") is involved in the manufacture and distribution of beverages for the Group at its factory located in Senai, Johor; and

iii. Hup Seng Hoon Yong Brothers Sdn Bhd ("HSHY") acts as the marketing and distribution arm for the biscuits and beverages manufactured by HSPM and ICFI respectively in Malaysia. HSHY's head office is located in Batu Pahat, Johor and six (6) nation-wide sales networks covering all parts of Peninsular Malaysia namely, the Klang Valley, Kota Bahru, Kuantan, Ipoh, Butterworth and Alor Setar.

2. Products and Brands

Hup Seng's biscuits has been brand guaranteed for 64 years. The products, especially "Cap Ping Pong Crackers" are distributed to cities and towns in the country. It is also a household name and has won the love of all ethnic groups. Apart from distributing domestically, the Group also exports its products to over 40 countries.

The products produced and distributed by the Group can be summarized into the following product ranges:

I.	Biscuits	:	Crackers, Cream Sandwich biscuits, Assorted biscuits, Cookies and other series.
II.	Beverages	:	Instant Coffeemix, Teas and Cereals.
III.	Other agent products	:	Rice crackers and other products.

Biscuits Range

Key iconic brands include a diversified brand portfolio spanning from savory to sweet biscuits and are marketed under "Cap Ping Pong" and "Hup Seng Cream Crackers" for all consumer groups; while the "Kerk" and "Naturell" brand products cater to those who wanted high-quality premium products and health-conscious consumer groups. The latter are the premium modern products of the Group.

"Hup Seng Cream Crackers" has been consecutively awarded the Gold Medal for years 1994 to 2003, 2020, 2021 and Grand Gold Medal for years 2004 to 2019 and Gold Quality Award in 2022. It garnered the "International High Quality Trophy" award in 2017 as well as 2020 and won the "25 Years Trophy" in 2018 by Monde Selection, Belgium.

Beverages Range

The Beverages range is marketed under the brand name "In-Comix". The three (3) main categories are namely "3 in 1 Instant Coffeemix", "Instant Teas" and "Nutritious Instant Cereal". The major selling category under this range is the "Instant Teas" and "3 in 1 Instant Coffeemix". The Group is engaged in blending coffee mix and other beverage mix and caters to both local and export markets.

2. Products and Brands (cont'd)

Other Agent Products

In addition to distributing biscuits and beverages, the Group is also the distributor for other agent products, such as, "Want Want" rice crackers, and others. The Group leverage on its distribution network throughout the country to sell agent products to increase the Group's revenue.

3. Overview of Business Operations

The 2022 financial year was marked by many changes in the operating environment. The continuation of COVID-19 adversely affected consumer demand, led to workforce shortages and created severe disruptions in domestic and global supply chains. These issues were compounded by global instability, for example the Russian-Ukraine war, which led to substantial increases in the cost of major input materials, as well as freight and transport charges and energy costs. Notwithstanding these challenges, the Group registered an increase in revenue of about 7.6% to RM318.2 million from RM295.8 million in the preceding year. The revenue improvements are mainly due to repricing in response to these global events.

On product mix, biscuits being the dominant range represent about 96.5% (2021: 96.2%) of the total sales and "Hup Seng Cream Crackers" contributed about two-thirds of the biscuits range. Beverages and other agent products make up the balance of 3.5% (2021: 3.8%) of the total sales.

Profit after tax, on the other hand, decreased 4.3% to RM26.1 million from RM27.2 million achieved in the previous year dragged down by commodity price pressures and fuel costs, as well as the increase in the minimum wage rate effective May 2022.

Major commodity prices were elevated and among them palm oil prices have exceeded those of preceding year on average by about 28.7%, flour by about 32.8%, corn starch by about 39.2% and milk powder by about 24.6%.

Consequently, the Group's earnings per share had decreased from 3.4 sen to 3.3 sen.

Total assets stood at RM212.8 million in FY2022 an increase of RM5.7 million from FY2021.

Total liabilities increased by RM3.6 million to RM71.7 million in FY2022. Net asset per share had increased from RM0.17 to RM0.18.

4. Operating Performance

Since the declaration of the Covid-19 pandemic, the Group observed strict operating procedures and standards which are aligned with Government mandates to ensure a safe and healthy environment for all its employees and during the year, there was no outbreak nor was there any production interruption due to infection.

To sustain and improve the Group's profit margin and operational efficiency, as far as it is commercially viable and financially possible, the Group will consider to invest and upgrade its plant and machineries in order to reduce the dependency of foreign workers, machines' downtime, and implements various systems and processes to increase productivity, efficiency and cost saving.

The Group will replace the last existing brick baking line fired by diesel to a new European baking line fired by natural gas. The new line with modern technology could improve the cost of production, such as reducing fuel cost, improve quality and hygiene, reduce waste and environmentally able to reduce carbon emission.

The Group will continuously review and improve the production processes and quality, reduce costs and wastages and the obligation to focus on environmental protection in the future moving forward.

5. Sales and Marketing

5.1. Domestic Market

During the year, the domestic market accounted for 77.5% of the Group's turnover, an increase of about RM19.9 million or 8.8% from all channels of distribution when compared to 2021.

Biscuits being the dominant range represent about 96.0% (2021: 95.4%) of the total domestic sales with the balance of about 2.7% (2021: 3.3%) on beverages and about 1.3% (2021: 1.3%) on other agent products.

The domestic business in Malaysia is handled by our own sales team. The Group has its own logistics team and few outsourced logistics companies to provide fast delivery to ensure customers receive the freshest products. The Group's sales team is responsible for domestic markets, such as super and hypermarkets, retails, wholesale and convenience stores. The distributors in East Malaysia are responsible for distributing products there. The revenue distribution among the three channels of the Group has been quite even.

During the first half of the year, the Group's performance was affected due to the slow sentiments of the domestic market as consumers need to prioritise in the face of rising living costs and supply chain interruption, and the Group's margin was eroded due to high operating costs.

Having said that, the Group's domestic revenue and margin picked up in the fourth quarter as costs of major raw materials stabilized and repricing of the Group's product was successfully implemented.

With the advancement of technology, the Group's sales team has launched a mobile phone application to provide customers with a convenient and fast "Goods return process" via paperless mechanism effective December 2022. The Group will be able to improve the efficiency of the sales team as well as to play the part in creating a more sustainable system for environmental protection and sustainable energy saving and paper reduction.

5. Sales and Marketing (cont'd)

5.2. Export Market

Export market accounted for 22.5% of the Group's turnover in 2022. It registered an increase of 3.6% or about RM2.5 million, mainly from the biscuits segment when compared to 2021. The improvement in revenue is mainly due to repricing in the third quarter.

Biscuits being the dominant range represent about 97.6% (2021: 97.9%) of the total export sales with the balance of about 2.4% (2021: 2.1%) on beverages.

The existing export market is still dominated by Asia, accounting for 87.2% of the Group's export turnover. The main export markets are Thailand, Indonesia, Singapore, Saudi Arabia and Myanmar.

The performance of the export market is less than satisfactory due to the combined effects of soaring global food and energy prices, the decline of currencies against the US dollar, and the problems of container shortages as well as port congestion in various countries.

Nevertheless, the Group managed to maintain market share and be competitive by working closely with our distributors to understand the general environment of their markets and when necessary, to assist distributors to overcome difficulties in order to enhance their sales.

6. Risk Overview

The Group is currently facing a few risk factors that might affect the Group's profitability. Those risks include the following:

6.1. Fluctuation of Raw Material Prices

The fluctuation costs of raw materials will directly impact the Group's profitability. The Group has taken steps to minimise the risk of price fluctuation by monitoring the cost of materials closely with suppliers to secure a more stable supply with reasonable prices and assures that the quality of raw materials is maintained.

6.2. Competition from Existing Players

Rivalry among industry players could affect profits through downward pressure on prices and declining profit margin. The Group will continue to improve the quality of its products, adhere to the importance of food safety to send the highest quality and safe food to consumers, and expand its manufacturing capacities to meet the market demand.

6.3. Changes in Consumer's Preferences

Consumers nowadays tend to be more health-conscious in terms of food. The Group is aware of this shift in consumer preferences and will be looking into this to meet the requirement of such consumers.

7. Dividend Policy

The Group has adopted a dividend policy that will distribute an annual dividend pay-out of at least 60% of the annual profit after tax to the shareholders. The dividend pay-out will be dependent on the Group's sufficiency of retained earnings and level of cash.

The Board of Directors declared and paid an interim single tier dividend of 3.0 sen per share for the financial year ended 31 December 2022. The total dividend paid for the year amounted to RM24 million.

8. Outlooks of Future Prospects

The outlook for the FY2023 remains challenging due to uncertainty for both domestic and export markets. The tension between the US-China and the Russia-Ukraine war have dealt a major shock to commodity markets and disrupted world production and trade. This in turn, may affect the demand for the Group's products. Nevertheless, the Group remains optimistic about the prospects of the biscuits industry given the effort by the government and the gradual recovery of global trade and economy where restrictions are relaxed and most economic sectors have reopened.

The Group will continue to be vigilant and will focus on securing sales in both domestic and export markets and to explore new markets to broaden its revenue and enhance the competitiveness of the products to drive for higher sales and growth in market share. The Group will take the necessary measures to manage and mitigate these uncertainties and will continue to implement any necessary action plans to maximise the Group's earnings.

1. About this Sustainability Statement

As part of Hup Seng Industries Berhad's ("HSIB" or "the Group") development of its sustainability journey, the Group is pleased to present its sixth annual sustainability statement ("the Statement"), which provides a comprehensive overview of the Group's approaches to sustainability.

The statement has been prepared in accordance with the Global Reporting Initiative ("GRI") Core Option Guidelines as the basis for the Group's economic, environmental and social ("EES") disclosures. Following the GRI guidelines, we address material issues that have a significant impact on our EES performance and stakeholders' assessments. The statement illustrates the progress of our sustainability performance for the period between 1st January 2022 and 31st December 2022 and adheres to the Sustainability Reporting Guide ("SRG") as well as the toolkit issued by Bursa Malaysia Securities Berhad ("Bursa Securities").

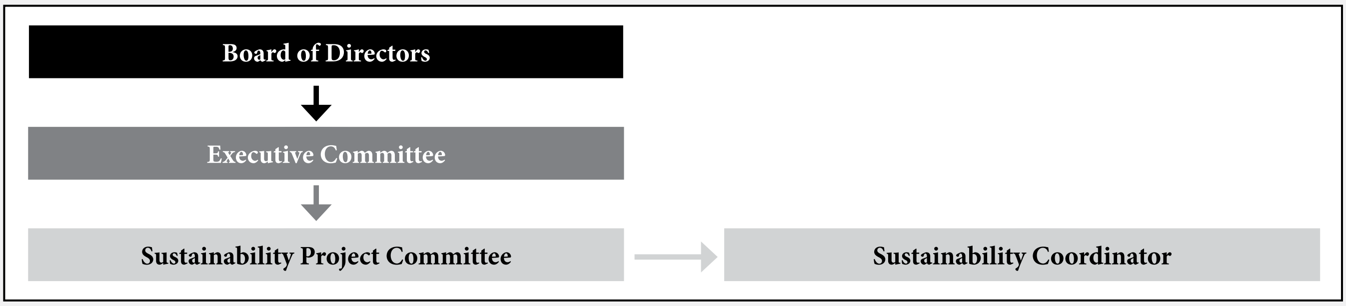
The statement encompasses four key companies within the Group, namely HSIB, Hup Seng Perusahaan Makanan (M) Sdn. Bhd., Hup Seng Hoon Yong Brothers Sdn. Bhd. and In-Comix Food Industries Sdn. Bhd. Each of these companies contributes to the overall environmental and social impact of the Group.

Full details of our Sustainability Report are available on our website at www.hsib.com.my.

2. Sustainability Governance Structure

An organization's sustainability requires a top-down approach in which the Board of Directors ("the Board") plays a pivotal role in leading the organization towards its goals and objectives. We have also established a governance structure to ensure that sustainability initiatives are overseen and implemented effectively. The sustainability project committee is formed to integrate sustainability into the Group's business processes and prepare the Group's sustainability reporting. A sustainability coordinator works closely with representatives from various business functions to implement sustainability programs and initiatives. There is a clear line of communication; with the sustainability project committee reporting to the executive committee which ultimately reports to the Board.

The Group's sustainability governance structure is outlined below:



The following are the core responsibilities of the sustainability project committee:

1. Conducts materiality assessments.
2. Identifies material sustainability issues and ensures effective stakeholder engagement.
3. Provides recommendations to the executive committee regarding the development and execution of strategies for material sustainability matters.
4. Establishes targets and performance indicators for approval by the executive committee and the Board.
5. Ensures smooth implementation of strategies formulated into the Group's business processes.
6. Monitors sustainability performance and maintains proper records to facilitate regular reviews.
7. Leads the preparation of sustainability statement and report, ensuring that applicable reporting requirements are met.

3. Risk Management and Sustainability

Risk management is a critical pillar of good corporate governance, and the Board is aware of the importance of establishing and maintaining a sound risk management and internal control system.

The Group has established and implemented a risk management framework for the identification, assessment, treatment, monitoring and reporting of significant risks. The Board oversees the management in the formulation, update and maintenance of an adequate and effective risk management framework. The Group's Enterprise Risk Management ("ERM") framework is based on an internationally recognized risk management framework (i.e., ISO 31000). The Group maintains a risk register which identifies the material risks faced by the Group and the internal controls in place to manage and mitigate those risks.

Throughout the year, we have reviewed and reevaluated our risk profile with reference to the current global standards and best practices. The Group's emerging and principal risks, together with its appetite with respect to each risk, were identified and agreed upon.

In addition, the Board increased its focus on environmental, social and governance ("ESG") matters and looked at how they can be embedded in our decision-making processes. In this regard, we have taken initial steps by integrating some ESG aspects into our ERM framework. Sustainability-related risks along ESG dimensions are part of the overall risk universe covered in the risk management framework and processes.

4. Stakeholder Engagement

As part of our continuous improvement efforts, we engage with our stakeholders in both formal and informal settings. Our engagements with our suppliers and consumers range from formal meetings to ongoing dialogues. Through our collaborations with external stakeholder partners, we were able to identify and address issues as soon as they arise. This approach allows us to better achieve our environmental, social and economic goals.

In FY2022, despite numerous COVID-19-related repercussions, we remained proactive in engaging various stakeholders through a variety of channels. We have summarized our key stakeholders and methods of engagement in the following table:

Stakeholders	Frequency	Types of Engagement	Focus
Customers	• Throughout the year • As needed	• Feedback surveys • Social media channels (e.g. Facebook and Instagram) • Corporate website	• Safe, nutritious and quality products • Regulatory compliance • Third party food certification • Customer satisfaction
Suppliers	• Annually • As needed	• Interviews • Face-to-face interactions • Supplier performance evaluation	• Regulatory compliance • Business continuity • Fair pricing • Responsive and timely communication
Employees	• Annually • As needed	• Learning and development programs • Employee performance appraisal • Team building activities • Sports and social events	• Respect for human rights • Safe and healthy workplace • Job security and supportive welfare • Equal opportunity and career development
Shareholders	• Quarterly • Annually • As needed	• Financial results • Press releases • Corporate website • Annual General Meeting	• Financial performance • Good corporate governance

4. Stakeholder Engagement (cont'd)

Stakeholders	Frequency	Types of Engagement	Focus
Regulators	• Throughout the year • As needed	• Statutory submissions • Site visits and conferences • Audits and assessments	• Ethical business practices • Product quality and safety • Halal certification • Occupational health and safety • GHG and other emissions • Effluent and waste
Media	• Throughout the year • As needed	• Media interviews • Press releases • Advertisements	• Business strategy and business growth • New product launches • Product quality and safety • Regulatory compliance
Non-Governmental Organizations	• As needed	• Corporate social responsibility activities	• Ethical business practices • Good corporate governance
Community	• Throughout the year	• Social media channels (e.g. Facebook and Instagram) • Corporate website • Community events	• Direct and indirect economic contribution • Responsible environmental management and contribution to society
Consumers	• Throughout the year	• Social media channels (e.g. Facebook and Instagram) • Corporate website • Product campaigns	• Brand awareness • Consumers preferences and market trends
Industry and Trade Associations	• As needed	• Association meetings • Trainings • Exhibitions	• Industry trends and standards • Knowledge and information sharing
Academia	• As needed	• Corporate website	• Knowledge and information sharing

5. Materiality Assessment

Identifying the Group's EES matters that have material impact is key to formulating and implementing sustainable strategies. The materiality matrix was developed based on the importance of material sustainability issues to key stakeholders and to the business operations. The matrix is as follows:

Importance to Stakeholders ↓ / Importance to the Group →	Low		High
High	• Anti-Bribery Anti-Corruption • Transportation Management	• Environmental Compliance • Ecological Footprint	• Food Safety • Nutrition Labelling • Quality and Healthy Food • Training and Development • Injury Minimization
	• Climate Change • Effluents and Waste Management	• Diversity and Equal Opportunities	• Business Performance • Energy Consumption
Low			

Material Topics and Risk Assessment

Our materiality assessment was conducted under the guidance of our risk management framework, and Bursa Securities's Sustainability Reporting Guide (3rd Edition) and Bursa Securities's Toolkit, in order to ensure that our economic, environmental, social and governance risk profile remains relevant.

In FY2022, we revisited our risk profile and integrated material sustainability matters into our Enterprise Risk Management ("ERM") framework in order to identify, shortlist, prioritize specific risks and opportunities. In addition, we took into consideration the views of internal stakeholders and our business environment and weighted them against our strategic priorities.

Sustainability risks can be identified and derived from a variety of perspectives, including:

- Conducting regular risk assessments and identifying new risks, both internally and externally;
- Evaluating the possible impacts of our operations and products on society and the environment;
- Assessing the potential risks associated with other factors, such as environmental trends and regulatory requirements.

In FY2022, we reviewed and retained all 46 material sustainability matters that were identified in the previous financial year since these matters continue to be relevant to our stakeholders and have a significant impact on our Group's business operations.

Having analyzed each of the assessment of the 46 material matters, we identified the following 10 matters as being material and significant to our Group's business operations. These material matters were then evaluated in terms of their sustainability risks and opportunities, and correlated with our Group's risk profile.

5. Materiality Assessment (cont'd)

Material Topics and Risk Assessment (cont'd)

Material Issues	Description	Potential Opportunities for HSIB if issue is addressed	Potential Risks for HSIB if issue is not addressed	Link to Our Corporate Risks
Business Performance *Corresponding United Nations Sustainable Development Goals ("UN SDGs"): 8*	• Return on equity and earnings per share.	• Sustainable financial performance creates long-term value for all stakeholders.	• Hinder business continuity.	Strategic: • Long Term Viability and Growth Rate Risk • Continuity Risk Financial: • Financial Performance Risk
Ecological Footprint *Corresponding UN SDGs: 12*	• The impact on environment caused by our business operations.	• Reducing wastage at source supports operational efficiency, which is cost saving. • Recycling also conserves diminishing natural resources.	• Environmental and reputational risk from the failure to meet stakeholders' expectations in managing our waste and production efficiency.	Operation: • Production Cost Overrun Risk
Energy Consumption *Corresponding UN SDGs: 7, 12, 13*	• Countering climate change has become a business priority and no longer an option.	• Reduce energy usage and emissions which saves costs.	• Waste of resources and affects production processes.	Operation: • Machinery Breakdown Risk
Environmental Compliance *Corresponding UN SDGs: 12*	• As a leader in food processing, environmental regulation compliance is vital to the community around our plants.	• Engaging with regulators allows HSIB to prepare for emerging legislation and ensure compliance.	• Reputational risk and unable to obtain certification or license renewal from regulatory bodies.	Compliance: • Non-Compliance with Regulatory Authority Requirements Risk
Injury Minimization *Corresponding UN SDGs: 3, 8*	• Minimize injury is our goal in workplace safety.	• Increased productivity and efficiency in HSIB operations.	• Injuries, occupational hazards, lost days and fatalities will result in productivity loss and reputational risk.	Operation: • Health and Safety Hazard Risk

5. Materiality Assessment (cont'd)

Material Topics and Risk Assessment (cont'd)

Material Issues	Description	Potential Opportunities for HSIB if issue is addressed	Potential Risks for HSIB if issue is not addressed	Link to Our Corporate Risks
Training and Development *Corresponding UN SDGs: 4, 8*	• Develop future leaders through training programs.	• Remain competitive with skilled and diverse employees. • Cultivate high-performance culture through effective training and upskilling programs.	• Loss of competent and experienced employees. • Financial implications when HSIB workforce is not developed to meet the evolving market demands.	Operation: • Knowledge/Competency Risk
Diversity and Equal Opportunities *Corresponding UN SDGs: 5, 8, 10*	• We are an equal opportunity employer who believes diverse background can contribute to making better decisions.	• Remain competitive with skilled and diverse employees.	• Challenge to attract and retain talent.	Operation: • Knowledge/Competency Risk • Dependence on Foreign Labor Risk
Quality and Healthy Food *Corresponding UN SDGs: 2, 3*	• We strive to continuously develop new products with healthier ingredients.	• Deliver HSIB's brand promise to consumers through product excellence. • Offer healthier options that contribute to consumers' well-being.	• Unable to meet consumers demand and compete in existing and new markets.	Strategic: • Innovation/R&D Risk
Nutrition Labelling *Corresponding UN SDGs: 3, 12*	• Correct labelling to be printed on packaging and is in compliance with respective countries' regulations.	• Meeting consumer demands for nutritional information which enable them to make informed decision on choice of products.	• Regulatory risks.	Compliance: • Non-compliance to Regulatory Standards Risk
Food Safety *Corresponding UN SDGs: 3*	• Our products have passed the various certification processes to ensure safety compliance.	• Deliver HSIB's brand promise to consumers through product quality and increase in customers' confidence.	• Reputational risk and branding damage.	Compliance: • Non-compliance to Regulatory Standards Risk Operation: • Product Quality Risk

6. Managing Sustainability

i. Economic / Economic performance

FY2022 was one of the most challenging periods in the history of our Group. Our operating costs were significantly impacted by the increase in commodity and food prices, global supply chain disruptions as well as the new Malaysian minimum wage. In addition, consumers were faced with rising costs of living and are therefore more cautious with their purchases.

Nevertheless, the Group generated RM318.2 million in revenue, representing an increase of 7.6% from FY2021. Detailed information regarding our financial performance can be found on pages on 70 and 72.

We have adopted a dividend policy that entails paying out at least 60% of the annual profit after taxes as dividends to shareholders. We believe that such a pay-out rate will be beneficial and well-received by the shareholders and investors.

ii. Environment / Materials

In order to manage waste effectively in Hup Seng, we focus on the following:

- Working closely with our suppliers to ensure that our raw materials and packaging materials conform to our purchasing policy and are of high quality.
- Track, measure and monitor any losses that occur during the manufacturing processes and identify key categories and waste streams.
- Reduce and recycle the generated waste by proper planning and monitoring.

In FY2022, approximately 472 tons of waste were disposed of by licensed waste contractors in accordance with local regulations and some of these wastes were repurposed and used as animal feeds.

	FY2020	FY2021	FY2022
Materials used by weight (thousand tons)	39	34	32
Recycled packaging materials as scrap sales (tons)	662	550	472

Besides the above, we have developed applications that enable storage and monitoring of data on a digital platform, thereby eliminating the need for paper-based records and procedures.

iii. Environment / Energy

We strive to use the most efficient mix of energy sources in order to reduce our operating costs, thereby improving our energy efficiency and contributing to the reduction of global warming. Moreover, in an effort to reduce our energy consumption, we have established an electrical energy management ("EEM") committee, which is responsible for reviewing and recommending energy-saving measures.

	FY2020	FY2021	FY2022
Energy consumption within the Group (mil kWh)	31	27	27
Energy intensity (kWh per ton)	844	830	875

6. Managing Sustainability (cont'd)

iii. Environment / Energy (cont'd)

In addition, we are aware that excessive use of lighting has a negative impact on the environment. Hence, we practice turning off the lights of our office buildings during lunch breaks as well as investing in eco-friendly and energy-saving lamps and light fixtures to reduce heat generation and energy consumption. We also reward employees for their innovative ideas regarding energy conservation.

Water Management

We ensure that wastewater generated from our facilities are treated and meets all regulatory requirements prior to its discharge into the environment. Our wastewater treatment system removes contaminants from wastewater and converts it into an effluent that can be returned to the water cycle. Furthermore, we have engaged an independent testing laboratory, accredited by the Department of Standards Malaysia, to monitor our industrial effluent discharge on a monthly basis.

For the past three financial years, we have not exceeded the acceptable conditions for discharge of industrial effluent set out in standard B.

	FY2020	FY2021	FY2022
Water consumption within the Group (m^3)	42,059	34,884	37,671

iv. Environment / Environmental compliance

As part of our commitment to the environment, we adhere to a formalized set of policies that provide guidance on environmental issues as well as all applicable regulations, including:

1. Environmental Quality (Scheduled Waste) Regulations 2005
2. Environmental Quality (Clean Air) Regulations 2014
3. Environmental Quality (Industrial Effluent) Regulations 2009
4. Other relevant local government regulations

Further, we ensure that our transportation team operates in a manner that minimizes the impact on the environment, particularly in terms of fuel consumption and carbon emissions. Presently, most of our trucks are equipped with environmentally friendly Euro 2 and 3 engines and are powered by Euro 5 diesel fuel. Also, to ensure the safety and roadworthiness of our trucks are in compliance with the Government's safety and emission regulations, we perform regular maintenance and service on our trucks in addition to sending them for periodic inspections by the Pusat Pemeriksaan Kenderaan Berkomputer ("Puspakom").

We have recorded zero incidents of non-compliance with environmental regulations for the last three financial years.

6. Managing Sustainability (cont'd)

v. Social / Occupational health and safety ("OHS")

In view of the significance of OHS, we adopt a zero-tolerance approach regarding OHS violations and adheres to the Occupational Safety and Health (Amendment) Act 2022 and other applicable regulations.

Our OHS policy is continuously reviewed and strengthened in order to safeguard the health and safety of all employees, including full-time and part-time, through daily workplace inspections and walkabouts, regular on-the-job training, safety awareness briefings, induction training for new employees, specific skill training for machine and forklift operators, as well as quarterly committee meetings due to the high level of labor intensity and complexity of machinery involved in our industry.

The establishment of an OHS committee also provides employees with a platform for identifying potential areas for improvement, providing feedback to the management and motivating employees to take responsibility of their own work environment.

Through continuous monitoring and supervision of our safety practices, we are pleased to report that we have made significant progress in our OHS performance for FY2022:

	FY2020	FY2021	FY2022
Number of work-related fatalities	0	0	0
Lost time injury frequency rate (in million man hours)	1.58	2.46	0.36
Number of accident cases	5	7	1

It is our objective to have all employees attend health and safety training and approximately 74.5% of our employees have completed the aforesaid training in FY2022.

COVID-19 health and safety

The Group's COVID-19 Emergency Response Protocol ("ERP") Committee is responsible for ensuring compliance with the COVID-19 regulations introduced by the Government and the ERP COVID-19 employee handbook from time to time. The ERP Committee also addresses critical issues relating to COVID-19 in a timely manner in order to protect our workforce to the greatest extent possible.

Preventive measures for COVID-19 have continued to be implemented, including daily monitoring of health status, wearing of a face mask, social distancing, self-isolation for those infected, etc. Additionally, the ERP Committee requires that foreign employees' accommodations be sanitized twice a week and the checklists and sanitization records must be properly maintained. Regular inspections of hostels are also conducted by the human resource department in an effort to reduce the risk of transmission of COVID-19.

6. Managing Sustainability (cont'd)

vi. Social / Training and development

Despite the challenges posed by the pandemic during the reporting period, we have maintained our unwavering commitment to developing the skills and capabilities of its employees. We are pleased to note that the Group has recorded a significant increase in total training hours in comparison with FY2021. There was a total of 13,274 training hours completed by our employees, representing a 118% increase from the previous financial year. This averaged out to 11.4 hours per employee higher than FY2021's 4.9 hours per employee.

Total Training Hours by Gender:

	FY2020	FY2021	FY2022
Male	6,244	3,918.5	8,759
Female	4.037	2,158.5	4,515
Total	**10,281**	**6,077**	**13,274**

Total Training Hours by Job Level:

	FY2020	FY2021	FY2022
Management	7,422	3,892	7,238
Non-Management	2,859	2,185	6,036
Total	**10,281**	**6,077**	**13,274**

vii. Social / Diversity and equal opportunity

We are committed to creating a work environment that values equality, openness and freedom from bias and discrimination. Additionally, to enrich the organization, we strive to attract and retain a diverse group of talent, regardless of their gender, age, ethnicity, disabilities, skills, experience, and cultural background.

As of 31 December 2022, we employ 1,167 people, of whom 83% are permanent employees and the remainder being contractors or temporary employees. We have also made significant progress in achieving gender equality in our workforce, with 37% of all our employees being female. Our current workforce is primarily comprised of 51.4% of individuals under the age of 39, who bring fresh ideas to the organization and provide a healthy pipeline of talent that may be nurtured into leadership positions in the future. 33.1% of our workforce are between the ages of 40 and 55, whom assist in providing on-the-job training and mentoring to our young talents. As for the remaining 15.5%, they are over the age of 55.

6. Managing Sustainability (cont'd)

vii. Social / Diversity and equal opportunity (cont'd)

Percentage of employees by gender and age group for each employee category

FY2020	Male			Female		
	Management	Executive	Non-Executive	Management	Executive	Non-Executive
Under 39 years old	0.00%	0.45%	37.91%	0.08%	0.68%	13.04%
40 to 55 years old	0.76%	1.52%	15.92%	0.23%	1.36%	11.68%
Over 55 years old	1.44%	0.68%	6.14%	0.83%	0.76%	6.52%
Total	**2.20%**	**2.65%**	**59.97%**	**1.14%**	**2.80%**	**31.24%**

FY2021	Male			Female		
	Management	Executive	Non-Executive	Management	Executive	Non-Executive
Under 39 years old	0.08%	0.49%	35.47%	0.08%	0.73%	14.85%
40 to 55 years old	0.81%	1.62%	16.40%	0.25%	1.38%	12.18%
Over 55 years old	1.46%	0.57%	5.68%	0.89%	0.81%	6.25%
Total	**2.35%**	**2.68%**	**57.55%**	**1.22%**	**2.92%**	**33.28%**

FY2022	Male			Female		
	Management	Executive	Non-Executive	Management	Executive	Non-Executive
Under 39 years old	0.08%	0.43%	35.13%	0.08%	0.68%	15.43%
40 to 55 years old	0.86%	1.80%	16.88%	0.26%	1.46%	11.65%
Over 55 years old	1.54%	0.60%	5.49%	0.95%	0.77%	5.91%
Total	**2.48%**	**2.83%**	**57.50%**	**1.29%**	**2.91%**	**32.99%**

6. Managing Sustainability (cont'd)

vii. Social / Diversity and equal opportunity (cont'd)

Percentage of directors by gender and age group

FY2020	Male	Female
Under 39 years old	0.00%	5.56%
40 to 55 years old	16.67%	27.77%
Over 55 years old	50.00%	0.00%
Total	**66.67%**	**33.33%**

FY2021	Male	Female
Under 39 years old	0.00%	5.56%
40 to 55 years old	11.11%	27.77%
Over 55 years old	55.56%	0.00%
Total	**66.67%**	**33.33%**

FY2022	Male	Female
Under 39 years old	0.00%	5.88%
40 to 55 years old	11.77%	29.41%
Over 55 years old	52.94%	0.00%
Total	**64.71%**	**35.29%**

6. Managing Sustainability (cont'd)

vii. Social / Diversity and equal opportunity (cont'd)

Percentage of employees that are contractors or temporary employees by gender and nationality

Due to our commitment to equal opportunity, we do not discriminate against employees based on their nationality or cultural background, and we are committed to complying with all key human rights and fair labor practices.

FY2020	Male		Female	
	Local	Foreigner	Local	Foreigner
Permanent	47.0%	0.0%	35.0%	0.0%
Contractors or Temporary Employees	0.0%	18.0%	0.0%	0.0%
Total	**47.0%**	**18.0%**	**35.0%**	**0.0%**

FY2021	Male		Female	
	Local	Foreigner	Local	Foreigner
Permanent	46.8%	0.0%	37.5%	0.0%
Contractors or Temporary Employees	0.0%	15.7%	0.0%	0.0%
Total	**46.8%**	**15.7%**	**37.5%**	**0.0%**

FY2022	Male		Female	
	Local	Foreigner	Local	Foreigner
Permanent	45.9%	0.0%	37.1%	0.0%
Contractors or Temporary Employees	0.0%	17.0%	0.0%	0.0%
Total	**45.9%**	**17.0%**	**37.1%**	**0.0%**

6. Managing Sustainability (cont'd)

vii. Social / Diversity and equal opportunity (cont'd)

Percentage of employee turnover by employee category

In order to remain competitive with our peers and be in line with the prevailing local market rates, we review our compensation packages on a regular basis and provide fair remuneration and working conditions to all employees. The benefits we provide for all full-time employees include medical benefits, maternity leave, parental leave, long-service awards, etc.

	FY2020	FY2021	FY2022
Management	0.00%	0.01%	0.00%
Executive	0.01%	0.02%	0.02%
Non-Executive	2.18%	1.48%	1.78%
Total	**2.19%**	**1.51%**	**1.80%**

Anti-Bribery and Anti-Corruption

In order to avoid bribery and corruption in our daily operations, we are committed to conducting business with integrity and complying with the Anti-Corruption Commission Act of Malaysia. We have also developed an anti-bribery and anti-corruption ("ABAC") committee and policy, as well as code of conduct and whistleblowing policy to assist our employees in understanding their roles and responsibilities.

As of 31 December 2022, all our directors and employees had read, acknowledged and agreed to comply with our ABAC policy. The following is the breakdown of the percentage of employees who have received ABAC training within each employee category over the past three financial years:

	FY2020	FY2021	FY2022
Management	32.52%	33.04%	25.71%
Non-Management	66.72%	63.15%	64.44%
Total	**99.24%**	**96.19%**	**90.15%**

We are pleased to report that there have been no incidents of corruption, discrimination, harassment, human rights violations, forced labor or child labor for the past three financial years.

6. Managing Sustainability (cont'd)

viii. Social / Supporting our community

Over the years, we have collaborated with non-governmental organizations, government agencies, and educational institutions to support community-based programs and initiatives, including food donations and fundraising campaigns.

In FY2022, we have invested RM79,423.52 in corporate social responsibility ("CSR") activities across 266 organizations, an increase of 147% compared to FY2021. The following are the amounts invested in the communities and the number of beneficiaries for the past three financial years:

	FY2020	FY2021	FY2022
Amount invested in the communities (RM)	43,303.92	32,120.64	79,423.52
Number of beneficiaries	181	99	266

Furthermore, we have contributed to local economic growth by creating employment opportunities and supporting local businesses that meet our standard requirements in the communities where we operate.

	FY2020	FY2021	FY2022
Number of new local hires	229	129	165
Spending on local suppliers (%)	75.09	78.27	77.61

ix. Social / Quality and healthy food

Our crackers, biscuits and cookies are developed and manufactured only with healthy ingredients and high-quality production processes as our primary focus is on providing products that are unrivaled in terms of quality.

As an official recognition of our products' quality excellence, we have received the International High Quality Award by Monde Selection, Belgium from FY1996 to FY2022 and the Gold Quality Award since FY1994. It is one of the world's most prestigious awards with regards to product quality.

The Group has always kept abreast with worldwide health concerns. As part of our continuous effort in producing healthier products, our research and development department is currently monitoring the use of only ingredients that are free of partially hydrogenated oils ("PHOs"), including new and alternative ingredients.

Presence in social media

To provide positive customer experiences, we believe that listening to customers' feedback and acting on them is critical. The use of digital and social media platforms, such as Facebook and Instagram, allows us to increase our brands' visibility as well as actively engage with customers and stakeholders for feedback on our products. This also allows us to gain a deeper understanding of customers' preferences and market trends.

For the past three financial years, we have not received any substantiated complaints concerning breaches of customer privacy or losses of customer data. We do not disclose or use personal customer information for any purposes other than those agreed upon.

6. Managing Sustainability (cont'd)

x. Social / Nutrition labelling

In order for our consumers to make informed purchasing decisions, we ensure that the product labeling is comprehensive, accurate, and easily understood.

All of our products contain information concerning the ingredients, recommended daily allowances, nutritional information per serving, storage instructions, expiration date and nutritional advice in five different languages: Malay, English, Chinese, French and Arabic.

The Halal logo is also displayed clearly on all of our products' packaging, making it easier for Muslim consumers to determine which products best meet their requirements.

xi. Social / Food safety

To ensure that only the highest quality products are delivered to our customers, we adhere to a rigorous food safety policy. From the procurement of ingredients to the research and development process prior to the manufacturing and packaging process, and finally to the storage and delivery of the products, a well-trained and experienced team is responsible for overseeing all aspects of the product's life cycle.

In addition to rigorous quality control procedures, our processes are regularly inspected by independent third-party auditors. Among the certifications that we have received, both locally and internationally, are:

1. FSSC 22000 Food Safety System Certification
2. ISO 22000:2018 Food Safety Management System Certification
3. ISO 9001:2015 Quality Management System Certification
4. Hazard Analysis Critical Control Point ("HACCP") Certification
5. Good Manufacturing Practices ("GMP") Certification
6. Safe Food Industry Responsibility ("MeSTI") Certification
7. Halal Certification from the Department of Islamic Development Malaysia ("JAKIM")
8. Halal Certification from the Halal Product Assurance Organizing Agency of Indonesia ("BPJPH")

Moreover, our suppliers are evaluated on an annual basis based on their performance in terms of quality, delivery, and customer service. Over the past three financial years, all active suppliers have participated in the performance evaluation process and received an overall satisfaction rating of over 90%.

7. Key Performance Data

Sustainability is an integral part of our value chain and we tailor our sustainability framework to meet the requirements of our markets. As part of our efforts to communicate effectively with our stakeholders and demonstrate accountability to them, we report our sustainability performance on an annual basis, as well as continually achieve sustainability milestones through feedback from our stakeholders and refinement of our business operations and processes. Our key performance indicators are as follows:

Aspect	GRI Standards	Details	FY 2020	FY 2021	FY 2022
Economic					
Performance (RM mil)	201-1	Direct economic value generated and distributed	327	296	318
Performance	201-1	Total number of factories	2	2	2
Performance (RM mil)	201-1	Operating costs	272	259	283
Performance (RM mil)	201-1	Taxes	15	10	9
Performance (RM mil)	201-1	Net profit	40	27	26
Performance (%)	201-1	Return on equity	28.9	19.6	18.5
Performance (RM)	201-1	Earnings per share	0.050	0.034	0.033
Performance (RM)	201-1	Net dividends per share	0.060	0.025	0.030
Environment					
Material (thousand tons)	301-1	Materials used by weight	39	34	32
Material (tons)	301-3	Recycled packaging materials as scrap sales	662	550	472
Energy (mil kWh)	302-1	Energy consumption within the Group	31	27	27
Energy (kWh per ton)	302-3	Energy intensity	844	830	875
Water (m^3)	303-5	Water consumption within the Group	42,059	34,884	37,671

7. Key Performance Data (cont'd)

Aspect	GRI Standards	Details	FY 2020	FY 2021	FY 2022
Social					
Supporting our community (%)	204-1	Proportion of spending on local suppliers	75.1	78.3	77.6
Diversity and equal opportunity	205-3	Confirmed incidents of corruption and actions taken	0	0	0
Diversity and equal opportunity (%)	401-1	Employee turnover rate	2.2	1.5	1.8
Supporting our community	401-1	Number of new local hires	229	129	165
Occupational health and safety	403-9	Number of work-related fatalities	0	0	0
Occupational health and safety	403-9	Number of accident cases	5	7	1
Occupational health and safety (in million man hours)	403-9	Lost time injury frequency rate	1.6	2.5	0.4
Training and development	404-1	Average number of hours each employee spent in training each year	7.8	4.9	11.4
Diversity and equal opportunity	406-1	Incidents of discrimination and corrective actions taken	0	0	0
Quality and healthy food	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	0	0	0

Principle A - Board Leadership and Effectiveness

The Board recognises its role in realising the best interests of the shareholders and other stakeholders while enhancing the financial performance of the Group. The Board believes that through good corporate governance, corporate accountability shall be enhanced and thus long term shareholders' values be realised. This CG Overview Statement is prepared by applying Malaysia Code on Corporate Governance 2021 ("MCCG 2021"), Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and Companies Act 2016. The application of Practices set out in the MCCG 2021 for the financial year 2022 is disclosed in the CG Report which can be downloaded at www.hsib.com.my.

During the year, the Board discharged its duties and responsibilities objectively as stated in the Board Charter. The Non-Executive Chairman has discharged his duties and responsibilities and applied Practice 1.2 of MCCG 2021 for financial year 2022.

In line with MCCG 2021 Practice 1.3, the roles and responsibilities of Chairman and Managing Director are separated. The responsibility of Chairman is primarily to ensure that conduct and working of the Board is in an orderly and effective manner whilst the Managing Director manages the daily running of business and implementation of Board and management policies. The Managing Director is accountable for the profitable operation and strategic development of the Group, and is obliged to refer major matters back to the Board.

Prior to Board meetings, the Company Secretary and management would provide agenda and board papers to the Board members at least five (5) working days before the Board and Committee meetings. The board papers include but not limit to, minutes of previous meeting, quarterly financial results, internal and external audit report(s), Enterprise Risk Management reports, supporting management reports, consultant reports and directors' interests. In addition, the Board also receives qualitative information from relevant departments of the Group, as needs arise. The Company Secretary helps the Board and Committees function effectively and in accordance with their terms of reference and best practices. The Company Secretary advises the Board and Committee on its roles and responsibilities, corporate disclosures and compliance with companies and securities regulations and Listing Requirements. Our Board members ensure that the minutes of meetings accurately reflect the deliberations and decisions of the Board and Committee, including whether any Director abstained from voting or deliberating on a particular matter.

Board Charter which sets out the structure, strategic intents and responsibilities of the Board as well as the whistleblowing policy is published at www.hsib.com.my. The Company applied Practice 2.1 of MCCG 2021 in maintaining its Board Charter. The Board Charter is reviewed periodically by the Board and as needs arise. The last review of the Board Charter was on 10 November 2021.

The Company meets the Listing Requirements Chapter 15.02(1) and (2) by having one-third (1/3) of its Board members being Independent Non-Executive Directors. This board structure provides an effective balance of corporate accountability to the Group, the Independent Directors contribute their independent judgment and knowledge to the management whilst the Executive Directors conduct their day-to-day duties. The Independent Non-Executive Directors on the Board were elected with the objective of safeguarding the shareholders' interests whilst contributing impartial and objective judgment to the decision making process of the Board. Through these years, these Independent Non-Executive Directors have provided invaluable advices to the Board and practised fair professional judgments while considering corporate matters.

Principle A - Board Leadership and Effectiveness (cont'd)

The Board assessed the independence of the Independent Non-Executive Directors by adopting the criteria used in defining "independent directors" in Main Market Practice Note 13 and concluded that all the Independent Non-Executive Directors continued to conduct and behave independently for the financial year ended 31 December 2022. Independence criteria such as whether each of the Independent Non-Executive Directors is independent of the Company's management and free from any business or other relationship which could interfere with the exercise of independent judgment or the ability to act in the best interest of the Company and shareholders, have all been considered and assessed. The Board is of the view that the Independent Non-Executive Directors have remained independent and objective throughout their years of services and most importantly, they discharged their duty with integrity and competence.

In financial year 2022, the Board has departed Practice 5.3 of MCCG 2021. It was stated in the Board Charter of the Company that if tenure of the independent director exceeded a cumulative term of nine (9) years, the Board must justify and seek annual shareholders' approval through a two-tier voting process to retain this independent director. One (1) Independent Non-Executive Director, namely Raja Khairul Anuar Bin Raja Mokhtar, has been with the Board for more than nine (9) years and the Board holds the opinion that his independence has not been compromised or impaired in any way. The Board noted that it was because of the cumulative years of being in the industry that gave the Independent Non-Executive Director greater in-sight and in-depth knowledge of the Group and therefore contributed to the Board more effectively and relevantly.

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

The Board members possess professional expertise, industrial knowledge and working experience in various fields that contribute effectively to the formulating as well as the achieving of corporate goals and strategic plans of the Group. The terms of reference of the Board Committees clearly stated that all the committees have the authority to act on behalf of the Board or to examine a particular issue and report back to the Board with recommendation.

The Company has embedded gender diversity in its corporate culture and maintained one-third (1/3) of its board composition in opposite gender since the day it was listed. The Board considered its members composition as having a healthy mix of genders, professional skills, working experience and age group and would continue to upkeep such diversity. The diversity policy can be found at the company website (www.hsib.com.my).

Principle A - Board Leadership and Effectiveness (cont'd)

Seven (7) board meetings were conducted in the financial year 2022, discussing and reviewing quarterly and annual financial results, internal audit reports, dividend proposals, risk management matters, tax matters, investment proposals and considerations, corporate strategy and corporate exercises. The composition of the Board and the attendance of the individual directors during the financial year ended 31 December 2022 are as follows:-

Name of Director	Designation	No. of meetings attended (out of the total 7 meetings held)
Y. Bhg. Dato' Keh (Kerk) Chu Koh (resigned on 30/12/2022)	Non-Executive Chairman	7/7
Kerk Chiew Siong	Managing Director	7/7
Kerk Chian Tung (f)	Executive Director	7/7
Teo Lee Teck	Non-Independent Non-Executive Director	7/7
Kerk Kar Han	Non-Independent Non-Executive Director	7/7
Kuo Liong Yok (appointed on 01/01/2022)	Non-Independent Non-Executive Director	7/7
Lim Poh Seong	Independent Non-Executive Director	7/7
Raja Khairul Anuar Bin Raja Mokhtar	Independent Non-Executive Director	7/7
Dr. Voon Yuen Hoong (f) (appointed on 31/03/2022)	Independent Non-Executive Director	4/4
Ho Wei Lih (f) (appointed on 31/03/2022)	Independent Non-Executive Director	4/4
Mazrina Binti Arifin (f) (resigned on 31/03/2022)	Senior Independent Non-Executive Director	3/3
Norita Binti Ja'afar (f) (resigned on 31/03/2022)	Independent Non-Executive Director	3/3

Principle B - Effective Audit and Risk Management

The Chairperson of Audit Committee member has been an Independent Director since this committee was first set up and this requirement is part of the Terms of Reference of Audit Committee.

The Terms of Reference of the Audit Committee clearly specified that a cooling off period of at least three (3) years needed to be fulfilled before a former partner of the external audit firm can be considered to be appointed as a member of the Audit Committee.

Principle B - Effective Audit and Risk Management (cont'd)

The Audit Committee has the necessary knowledge about accounting and finance and demonstrates an appropriate level of vigilance and scepticism towards detecting financial anomalies or irregularities in the financial statement and comprehensive management information. The Audit Committee also probed the management and external auditors on significant matters and ascertained whether the financial statements are consistent with operational and other information known and acquired.

The Board is aware of the importance of establishing and maintaining a sound system in Risk Management and Internal Control in the Company and its subsidiaries to safeguard shareholders' interest and Group's assets. Hence, the Group started an Enterprise Risk Management ("ERM") system based on an internationally recognised risk management framework ISO 31000 in 2015. In ERM, the levels of risk tolerance were determined and reviewed periodically, key business risks were identified, detected, assessed, minimised and monitored. Then, risk profiles of the individual companies would be discussed, reviewed and updated every six (6) months.

Audit Committee and the Board reviewed and examined the effectiveness and efficiency of internal control system on finance, production, sales, human resources, procurement and compliance; addressed any shortcomings in internal control to enable timely rectification and improvement; reviewed existing internal policies, procedures and practices with the objective of putting in place robust surveillance mechanisms to prevent operational abuse behaviour.

The engagement of internal auditors is one of the many ways of reviewing and assessing the effectiveness of the risk management and internal control system of the Group. Both the Board and Management will rectify the weaknesses detected by the internal auditors through either adopting the recommendations made by the internal auditors or developing its own alternatives to eliminate such weaknesses. The role and function of the internal auditors are outlined in the Audit Committee Report.

Principle C – Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

The Annual Report, press release as well as disclosures and announcements to Bursa Securities, such as quarterly and annual financial results are the primary means of communication between the Company and shareholders. The Board acknowledges the importance of disseminating information adhering to the disclosure requirements of the Bursa Securities to the shareholders on a timely basis and consequently ensures that the investors are well informed of any major developments of the Group. Notice of the AGM is issued to the shareholders at least 28 days prior to the date of AGM, in which separate resolutions to be proposed at the AGM for each distinct issue are provided.

The AGM serves as the primary forum to foster dialogue with shareholders. The Board noted that Section 195(1) of the Companies Act 2016 requires the Chairperson of a meeting to allow a reasonable opportunity for shareholders at the AGM to question, discuss, comment or make recommendation on the management of the Company and the Board ensures that adequate time is allocated for the question and answer session so that shareholders can clarify matters in relation to resolutions being proposed at the meeting as well as operational and corporate affairs. By applying Practice 13.2 of MCCG 2021, the Chairperson of the Board and the Committees are prepared to address questions from the floor during the General Meetings. By complying with Paragraph 8.29(a) of the Listing Requirements, the Company has facilitated electronic voting by poll and votes were scrutinised by independent scrutineers. Upon request, the Executive Director will meet up with the investors, press and investment analysts, and disseminate information adhering to the disclosure requirements of Bursa Securities.

In line with MCCG 2021, the Company has a corporate website which provides information on corporate and group information, board charter, quarterly results and annual reports through a more user friendly and timely manner.

Principle C – Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders (cont'd)

Directors' Remuneration

Fee and benefits payable to directors are subject to annual approval of shareholders during the Annual General Meeting. Remuneration policy of the Group was developed in the year of 2019 and is subject to review periodically by the Board of Directors. This policy is available on www.hsib.com.my.

Listed below is a summary of the aggregate remuneration package of the Directors received/receivable from the Company and its subsidiaries for the financial year ended 31 December 2022, categorised into appropriate components.

Group							
	Fees RM	Allowances RM	Salaries RM	Bonuses RM	Benefits-in-kind RM	Other emoluments RM	Total RM
Executive							
Kerk Chiew Siong	160,000	8,000	724,680	241,560	12,255	272,358	1,418,853
Kerk Chian Tung	90,000	5,600	388,320	129,440	-	167,974	781,334
Non-Executive (but holding executive position in subsidiaries):							
Y. Bhg. Dato' Keh (Kerk) Chu Koh	159,758	8,000	724,680	241,560	19,455	272,358	1,425,811
Teo Lee Teck	160,000	8,000	391,140	130,380	8,920	221,308	919,748
Kerk Kar Han	160,000	8,500	351,840	117,280	14,272	215,277	867,169
Kuo Liong Yok	160,000	8,000	408,720	136,240	8,920	175,259	897,139
Non-Executive:							
Lim Poh Seong	100,000	7,600	-	-	-	-	107,600
Raja Khairul Anuar Bin Raja Mokhtar	100,000	6,600	-	-	-	-	106,600
Dr. Voon Yuen Hoong	75,269	4,500	-	-	-	-	79,769
Ho Wei Lih	75,269	4,500	-	-	-	-	79,769
Mazrina Binti Arifin	25,000	2,600	-	-	-	-	27,600
Norita Binti Ja'afar	25,000	2,600	-	-	-	-	27,600
TOTAL	1,290,296	74,500	2,989,380	996,460	63,822	1,324,534	6,738,992

Principle C – Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders (cont'd)

Directors' Remuneration (cont'd)

Company						
	Fees RM	Allowances RM	Salaries RM	Bonuses RM	Other emoluments RM	Total RM
Executive						
Kerk Chiew Siong	90,000	5,600	-	-	-	95,600
Kerk Chian Tung	90,000	5,600	388,320	129,440	167,974	781,334
Non-Executive (but holding executive position in subsidiaries):						
Y. Bhg. Dato' Keh (Kerk) Chu Koh	89,758	5,600	-	-	-	95,358
Teo Lee Teck	90,000	5,600	-	-	-	95,600
Kerk Kar Han	90,000	6,100	-	-	-	96,100
Kuo Liong Yok	90,000	5,600	-	-	-	95,600
Non-Executive:					-	
Lim Poh Seong	100,000	7,600	-	-	-	107,600
Raja Khairul Anuar Bin Raja Mokhtar	100,000	6,600	-	-	-	106,600
Dr. Voon Yuen Hoong	75,269	4,500	-	-	-	79,769
Ho Wei Lih	75,269	4,500	-	-	-	79,769
Mazrina Binti Arifin	25,000	2,600	-	-	-	27,600
Norita Binti Ja'afar	25,000	2,600	-	-	-	27,600
TOTAL	940,296	62,500	388,320	129,440	167,974	1,688,530

Directors' Training

Directors are encouraged to attend any form of training to enhance their knowledge and expertise in relations to the industry, laws and regulations, business environment and etc. To date, all existing Directors have attended the Mandatory Accreditation Programme ("MAP") and sufficient Continuing Education Programme ("CEP") as required by Bursa Securities. The Directors continue to attend relevant seminars and programmes to keep their knowledge and expertise updated.

In 2022, training programmes attended by directors of the Company are as follows:-

Name of Directors	Program Title	Date of Program	Organiser
Y.Bhg. Dato' Keh (Kerk) Chu Koh	• Environmental, Social And Governance (ESG)	09/04/2022	Kinaki Management Consultants Sdn Bhd
Kerk Chiew Siong	• Environmental, Social And Governance (ESG)	16/04/2022	Kinaki Management Consultants Sdn Bhd
	• MIRA Webinar: What Should Investor Relations Know About Section 17A – MACC Act 2009	17/08/2022	Malaysian Investor Relations Association
Teo Lee Teck	• Environmental, Social And Governance (ESG)	09/04/2022	Kinaki Management Consultants Sdn Bhd
Kerk Kar Han	• Environmental, Social And Governance (ESG)	16/04/2022	Kinaki Management Consultants Sdn Bhd
	• MIRA Webinar: Everything Investor Relations Managers Need To Know About ESG Reporting	26/04/2022	Malaysian Investor Relations Association
	• MIRA Webinar: What Should Investor Relations Know About Section 17A – MACC Act 2009	17/08/2022	Malaysian Investor Relations Association
Kuo Liong Yok	• Bursa Malaysia Mandatory Accreditation Programme (MAP)	15/03/2022 to 17/03/2022	Institute of Corporate Directors Malaysia
	• Environmental, Social And Governance (ESG)	09/04/2022	Kinaki Management Consultants Sdn Bhd
	• MIRA Webinar: Everything Investor Relations Managers Need To Know About ESG Reporting	26/04/2022	Malaysian Investor Relations Association
	• MIRA Webinar: What Should Investor Relations Know About Section 17A – MACC Act 2009	17/08/2022	Malaysian Investor Relations Association

Directors' Training (cont'd)

Name of Directors	Program Title	Date of Program	Organiser
Kerk Chian Tung (f)	• MIA Webinar Series: Conduct of Directors and Common Breaches of Listing Requirements	23/08/2022	Malaysian Institute of Accountants
	• The Corporate Governance Overview Statement, CG Report, Audit Committee Report, and Statement on Risk Management & Internal Control	17/10/2022	Malaysian Institute of Accountants
Lim Poh Seong	• Audit Oversight Board's Conversation with Audit Committee Members of Listed Companies	07/04/2022	Securities Commission of Malaysia
	• Virtual Tax Conference 2022	09/05/2022	Thannees Tax Consulting Services
	• Virtual MIA International Accountants Conference 2022: Leading ESG, Charting Sustainability	08/06/2022 & 09/06/2022	Malaysian Institute of Accountants
Ho Wei Lih (f)	• Bursa Malaysia Mandatory Accreditation Programme (MAP)	06/04/2022 to 08/04/2022	Institute of Corporate Directors Malaysia
Dr Voon Yuen Hoong (f)	• MIRA Webinar: Everything Investor Relations Managers Need To Know About ESG Reporting • Bursa Malaysia Mandatory Accreditation Programme (MAP)	26/04/2022 21/06/2022 to 23/06/2022	Malaysian Investor Relations Association Institute of Corporate Directors Malaysia
Raja Khairul Anuar Bin Raja Mokhtar	• Webinar on **The Audit Committee** "Unpacking the roles of the Committee & honing its effectiveness in discharging its responsibilities holistically"	19/10/2022	Malaysian Institute of Corporate Governance

Statement of Directors' Responsibilities in Relation to Financial Statements

The Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of the income statement and cash flows of the Company and the Group for the financial year. This financial statements of the Group and of the Company are prepared in accordance with Malaysian Financial Reporting Standards, International Financial Report Standards, the requirements of the Companies Act 2016 ("the Act") and pursuant to Paragraph 15.26(a) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

In preparing the financial statements, the Directors have:-

- adopted appropriate accounting policies and applied them consistently;
- made reasonable and prudent judgements and estimates; and
- prepared the financial statements on a going concern basis.

The Directors are responsible for ensuring that the Company and the Group keep adequate accounting records that disclose with reasonable accuracy the financial position of the Company and the Group, and hence enable them to ensure that the financial statements comply with the requirements of the Act.

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

This statement was approved by the Board on 8 March 2023.

Other Compliance Information

Utilisation of Proceeds

No proceeds were raised by the Company from any corporate proposal during the financial year.

Contracts Relating to Loan

There were no contracts relating to a loan by the Company and its subsidiaries in respect of the preceding terms.

Sanctions and Penalties

There were no sanctions or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies during the financial year.

Material Contracts

None of the Directors and major shareholders has any material contract with the Company and/or its subsidiaries during the financial year.

Non-Audit Fee

The amount of non-audit fees paid or payable to the External Auditors or a firm or corporation affiliated to the auditors' firm for the financial year ended 31 December 2022 are as follows:-

Particular	Group RM	Company RM
Non-Audit Fees paid or payable to External Auditor - Review of the Statement on Risk Management and Internal Control	6,000	6,000
Non-Audit Fees paid or payable to a firm or corporation affiliated to the auditors' firm - Taxation services	52,800	6,500

This Audit Committee Report was prepared in accordance with Paragraph 15.15(1) and (2) of the Main Market Listing Requirements ("LR") and provided information as required under Paragraph 15.15(3) of the LR.

COMPOSITION

The Committee comprised four (4) members, all of whom are Independent Non-Executive Directors. Such composition meets the requirement of Paragraph 15.09(1)(a) and Paragraph 15.10 of the LR. Dr. Voon Yuen Hoong and Lim Poh Seong are fellow members of the Association of Chartered Certified Accountants ("ACCA") and meet the requirements of Paragraph 15.09(1)(c)(ii) of the LR. In financial year 2022, the members of the Committee and their respective designations were as follows:-

- Dr. Voon Yuen Hoong (f) (appointed on 19/05/2022)
  (Chairperson of Audit Committee, Independent Non-Executive Director)
- Raja Khairul Anuar Bin Raja Mokhtar
  (Member, Independent Non-Executive Director)
- Lim Poh Seong
  (Member, Independent Non-Executive Director)
- Ho Wei Lih (f) (appointed on 19/05/2022)
  (Member, Independent Non-Executive Director)
- Norita Binti Ja'afar (f) (resigned on 31/03/2022)
  (Chairperson of Audit Committee, Independent Non-Executive Director)
- Mazrina Binti Arifin (f) (resigned on 31/03/2022)
  (Member, Senior Independent Non-Executive Director)

ACTIVITIES DURING THE YEAR

Meetings

The Audit Committee meets regularly, with six (6) meetings held during the financial year ended 31 December 2022. Prior to each Audit Committee meeting, a full set of Audit Committee papers and due notice of issues to be discussed are given on a timely basis. All meetings are attended with the presence of Company Secretary whereby all proceedings and conclusion from the Audit Committee meetings are minuted and signed by the Chairperson. The External Auditors and Group Financial Controller were invited to attend these meetings to advise and clarify the accounting issues and company matters. Chairperson of the Audit Committee maintained a constant flow of communication with Chairman of the Board, Managing Director, Group Financial Controller, Head of External and Internal Auditors, in order to be kept informed and updated with matters affecting the Group.

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

Attended by	Dates of Meeting						Total meetings attended
	16 Feb 2022	10 Mar 2022	19 May 2022	20 Jun 2022	10Aug 2022	9 Nov 2022	
Dr. Voon Yuen Hoong (f)	—	—	—	✓	✓	✓	3/3
Raja Khairul Anuar Bin Raja Mokhtar	✓	✓	✓	✓	✓	✓	6/6
Lim Poh Seong	✓	✓	✓	✓	✓	✓	6/6
Ho Wei Lih (f)	—	—	—	✓	✓	✓	3/3
Norita Binti Ja'afar (f) (resigned on 31/03/2022)	✓	✓	—	—	—	—	2/2
Mazrina Binti Arifin (f) (resigned on 31/03/2022)	✓	✓	—	—	—	—	2/2

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

- o Reviewed the quarterly unaudited financial reports before recommending them to the Board of Directors for subsequent consideration and approval.
- o Reviewed the audited financial statements before submitting them to the Board, ensuring that the financial statements were prepared in accordance with the applicable approved accounting standards and provisions of the Companies Act 2016.
- o Evaluated the performance of the External Auditors and made recommendations on their appointment to the Board.
- o Discussed and attended to the key aspects of business operations that would affect the profitability and growth of the Company and its subsidiaries.
- o Reviewed the risk management and internal control systems of the Group for the year.
- o Reviewed Internal Audit reports by outsourced Internal Auditors to ensure the effectiveness of internal controls.
- o Met with External Auditors, without the presence of management to discuss financial issues and other related matters thereof.
- o Reviewed the quarterly management reports, which provided the detailed breakdown of income statements of the three subsidiaries, revenue analysis, principal markets of manufactured products, analysis of sales outlets, production output and capacity, etc.
- o Reviewed and discussed Related Party Transactions ("RPT") and Recurrent Related Party Transactions ("RRPT") with the Group Financial Controller, the External Auditors and the Company Secretary, to ascertain if the transactions are conducted at arm's length and on normal commercial terms, and such transactions are not detrimental to the interest of minority shareholders.

Duties and responsibilities of the Committee were discharged according to its Terms of Reference.

Internal Audit activities during the year

Internal audit function was conducted by an outsourced professional firm with an objective that independent feedback and reviews will be provided to the Audit Committee and subsequently the Board of Directors. The Audit Committee reviewed through the findings of the internal auditors to ensure that any major weaknesses are recognised and rectified on a timely basis and an effective and efficient risk management and internal control systems are maintained.

Two (2) internal audit reports were provided to the Audit Committee this year. The internal auditors reported on their findings, recommended corrective measures to be taken by the management and the management responses thereto. During the financial year, there was no material internal control weakness that would have resulted in any significant loss to the Group.

Further review on internal control system was also done by the Audit Committee through discussion with relevant management personnel during the Board meeting whereby other concerns were addressed.

Nomination Committee

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

- Ho Wei Lih (f)
  (Chairperson of Nomination Committee, Independent Non-Executive Director)
  (appointed on 19/05/2022)
- Lim Poh Seong
  (Member, Independent Non-Executive Director)
- Dr. Voon Yuen Hoong (f)
  (Member, Independent Non-Executive Director)
  (appointed on 19/05/2022)
- Mazrina Binti Arifin (f)
  (Chairperson of Nomination Committee, Senior Independent Non-Executive Director)
  (resigned on 31/03/2022)
- Norita Binti Ja'afar (f)
  (Member, Independent Non-Executive Director)
  (resigned on 31/03/2022)

The Nomination Committee is responsible for:-

o Reviewing composition of the Board and making recommendation on the appointment of new Director and Board Committees member to the Board.

o Choosing suitable candidates for the Board and Board Committees by taking into consideration the recommendations from existing board members, management or shareholders and/or sourcing from a directors' registry and open advertisements or engaging independent search firms. The Committee will provide explanation if a director is chosen solely based on recommendations from directors, management or shareholders.

o Conducting annual review on the mix of skills, experience, core competencies, integrity and time commitment of the Directors, in order to determine if the Directors have effectively discharged their duties.

o Reviewing on an annual basis the appropriate balance and size of the Board for determination of the number and suitability of Directors on the Board.

o Recommending suitable orientation, educational and training programmes to continuously train and equip the existing and new Directors.

o Assessing the effectiveness of the Board, the Board Committees and the contribution of each individual director.

o Reviewing and assessing the gender diversity of the Board.

o Reviewing the succession plan of the Board.

o Assessing and recommending to the Board, the continuation of terms of office of Independent Directors while applying MCCG 2021.

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

Nomination Committee (cont'd)

Nomination Committee conducts annual assessment on the effectiveness of the Board as a whole, taking into consideration the contributions from the Board Committees and each individual director, including Independent Non-Executive Directors as well as the Managing Director. These assessments are properly documented. The Board has been maintaining diversity of gender, ethnicity and age since listed and has four female directors on the Board.

During the financial year, the Committee convened two (2) meetings, one on 23 February 2022 where Lim Poh Seong, Mazrina Binti Arifin and Norita Binti Ja'afar attended and the other one on 19 December 2022 with the presence of Ho Wei Lih, Lim Poh Seong and Dr. Voon Yuen Hoong.

Remuneration Committee

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

- Raja Khairul Anuar Bin Raja Mokhtar
  (Chairperson of Remuneration Committee, Independent Non-Executive Director)

- Lim Poh Seong
  (Member, Independent Non-Executive Director)

- Kerk Kar Han
  (Member, Non-Independent Non-Executive Director)

The Remuneration Committee is responsible for:-

o Assessing the performance and commitment of the Group's Directors and senior management officers and ensuring their remuneration package reflects their involvements, responsibilities undertaken, contributions and levels of performance for the year.

o Reviewing and approving recommendations of the management on the salary increment, bonus and other benefits of the Group's Directors and senior management officers, which should be made based on the individual's performance and responsibilities.

o Establishing and reviewing the component parts of remuneration by referring closely to the performance, business strategy and long-term objectives of the Company. Subsequently, Remuneration Committee will align rewards to individual performance and assess the needs of the Company for talent at all relevant levels at a particular time.

o Recommending to the Board on the appropriateness of the remuneration package of the Directors and senior management officers based on their assessment.

The individual Directors, including Executive Directors and Non-Executive Directors (including the Non-Executive Chairman) should abstain from the deliberations and voting on decisions in respect of their own remuneration package and entitlement.

In carrying out its duties and responsibilities, the Remuneration Committee shall have full, free and unrestricted access to the Group's records, properties and personnel, information and advices both from within the Group and externally as it deems necessary or appropriate in accordance with the procedures determined by the Board. The Remuneration Committee may, if it thinks fit, engage external advisers with relevant experience and expertise to consult on the appropriateness of the remuneration packages of Board members as well as senior management officers.

One (1) meeting was held on 13 December 2022 with full attendance.

Statement on Risk Management & Internal Control

Introduction

The Board of Directors ("the Board") is pleased to present the Statement on Risk Management and Internal Control ("this Statement") of Hup Seng Industries Berhad ("the Company") and its subsidiaries, namely Hup Seng Perusahaan Makanan (M) Sdn. Bhd., Hup Seng Hoon Yong Brothers Sdn. Bhd. and In-Comix Food Industries Sdn. Bhd. (hereinafter collectively referred to as "Hup Seng Group") which outlines the nature and scope of the risk management and internal control of Hup Seng Group for the financial year ended 31 December 2022 and up to the date of approval of this Statement for inclusion in the Annual Report.

This Statement has been prepared pursuant to Section 246 (1) of the Companies Act 2016, Paragraph 15.26 (b) of Bursa Malaysia Securities Berhad ("Bursa Securities")'s Main Market Listing Requirements ("Listing Requirements"), and guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines") and Principle B of the Malaysian Code on Corporate Governance 2021 ("MCCG 2021").

Board Responsibility

The Board acknowledges its responsibilities in maintaining a sound system of risk management and internal control to safeguard shareholders' investments and Hup Seng Group's assets as well as reviewing its adequacy and effectiveness.

In view of the limitations that are inherent in any system of risk management and internal control, the system is designed to manage and mitigate rather than eliminate the risk of failure to achieve Hup Seng Group's business objectives. Thus, the system of risk management and internal control can only provide reasonable, but not absolute assurance against material misstatement or loss.

Risk Management Process

A framework for Enterprise Risk Management ("ERM") has been established in accordance with the international standard for risk management, ISO 31000:2018, with the objective of setting clear guidelines in relation to the level of risks acceptable to Hup Seng Group. Moreover, the framework is designed to ensure effective risk management and promote the achievement of Hup Seng Group's objectives.

Hup Seng Group has in place an on-going process for identifying, evaluating and managing the principal risks that may affect the attainment of Hup Seng Group's business objectives. In addition, the directors, key management personnel and department heads of each subsidiary company have clear accountabilities to:

- Continuously identify, evaluate and manage risks relevant to the business in achieving Hup Seng Group's business objectives;
- Develop, implement and monitor the risk management framework in accordance with Hup Seng Group's strategic vision and overall risk appetite; and
- Identify changes in existing and emerging risks, initiate appropriate actions and promptly bring these to the attention of the Risk Management Committee ("RMC") and the Board.

Risk Management Process (cont'd)

The Board is assisted by the RMC, which is led by an Independent Non-Executive Director in overseeing Hup Seng Group's risk management efforts. The RMC comprises the following members, with half of the members are Independent Non-Executive Directors:-

Lim Poh Seong	Chairman, Independent Non-Executive Director
Raja Khairul Anuar Bin Raja Mokhtar	Member, Independent Non-Executive Director
Dr. Voon Yuen Hoong	Member, Independent Non-Executive Director
Ho Wei Lih	Member, Independent Non-Executive Director
Teo Lee Teck	Member, Chairman of Risk Working Committee ("RWC"), Non-Independent Non-Executive Director
Kerk Kar Han	Member, Non-Independent Non-Executive Director
Kuo Liong Yok	Member, Non-Independent Non-Executive Director
Quek Ah Kow	Member, Group Financial Controller

During the financial year under review, the professional consultant that had been engaged by the Company in the previous financial year conducted follow-up reviews on the new risks identified in Hup Seng Group's earlier risk registers, with nearly all of the management actions were successfully implemented. Furthermore, the RWC and department heads continue to review, discuss and update the risk registers of Hup Seng Group on a biannual basis. The risk profiles are divided into four major categories: strategic, financial, operational and compliance, which are regularly updated with appropriate mitigation plans and presented to the RMC for approval by the RWC.

The RMC held one meeting on 10 August 2022 with full attendance.

Internal Audit Function

The responsibility for reviewing the adequacy and effectiveness of the internal control system has been delegated by the Board to the Audit Committee ("AC"). In turn, the AC assesses the adequacy and effectiveness of the internal control system through independent reviews performed by the internal audit function, external auditors and management.

In order to ensure independence and avoid conflicts of interest, the internal audit function of Hup Seng Group is outsourced to a professional services firm that reports directly to the AC. The scope of internal audit is determined through inputs provided by the AC as well as assessments of Hup Seng Group's risk management and internal control practices. The internal auditors independently review the system of risk management and internal controls implemented by management within Hup Seng Group and report their findings and recommendations to the AC.

During the financial year ended 31 December 2022, the internal auditors executed the approved audit plan and performed internal control review for the following subsidiary company and functions:-

1. Procurement – cost management for Hup Seng Perusahaan Makanan (M) Sdn. Bhd.
    - Material cost planning and target;
    - Sourcing strategy for key material;
    - Approval of ordering process;
    - Monitoring of material cost; and
    - Detection, resolution and reporting to management.

2. Production management for Hup Seng Perusahaan Makanan (M) Sdn. Bhd.
    - Production planning;
    - Production execution;
    - Detection, resolution and reporting to management of production shortfalls and problems; and
    - Monitoring of production plant efficiency and performance.

The AC deliberated on the findings and recommendations for improvement that were presented by the internal auditors at its quarterly meetings in November 2022 and February 2023. Furthermore, the AC was satisfied with Hup Seng Group's overall risk management and internal control system, as well as the recommendations for addressing the internal audit findings. The minutes of the AC meetings were also made available to the Board for their attention and further action, if necessary.

The cost incurred for the internal audit function for the financial year ended 31 December 2022 amounted to RM40,000.

Key Elements of Internal Control System

Hup Seng Group's internal control system also includes the following key elements:-

- An organisation structure which formally defines lines of responsibility and delegation of authority.
- Policies and procedures of all operating units within Hup Seng Group are documented in the Standard Practice Instructions.
- Key functions such as corporate affairs, finance, tax, treasury and human resources are controlled centrally.
- Roles and responsibilities are properly segregated.
- Annual budgeting and target setting process which includes forecasts for each operating unit with detailed reviews at all levels of operations.
- Monetary limits are set up at different levels of authorised positions so that unauthorised transactions can be minimised.
- Effective reporting system in place to ensure timely generation of financial information for management review.
- Operating units meetings are conducted regularly to review financial performance, business development and deliberate on management issues.
- Managing Director and Executive Directors of Hup Seng Group meet with senior management/all operating units to discuss and resolve key operational, financial and other key management issues. Significant issues are highlighted and discussed at Board meetings.
- The AC has access to external auditors and their reports and meets with them to discuss on their findings and reports.
- Hup Seng Group has a policy on financial limits and approving authority for its operating and capital expenditure.

Whistleblowing Policy

Hup Seng Group has a whistleblowing policy, which provides an avenue for directors, employees, as well as external parties such as suppliers, customers and other stakeholders to raise genuine concerns and/or to disclose suspected and/or known improprieties, malpractices and misconduct in a safe and confidential manner.

The whistleblowing policy is available for reference at the Company's website at https://www.hsib.com.my.

Anti-Bribery and Anti-Corruption Policy

Hup Seng Group takes a zero-tolerance stance towards all forms of bribery and corruption in its daily operations, and is committed to conducting its business in an ethical, fair and transparent manner in compliance with Section 17A of the Malaysian Anti-Corruption Commission Act ("MACC Act") 2009.

The Anti-Bribery and Anti-Corruption ("ABAC") Committee oversees Hup Seng Group's ABAC activities and reports to the Company's Audit Committee and Directors. Furthermore, the ABAC Committee meets annually to review the adequacy and effectiveness of its control measures and ensure that all directors and employees exercise professionalism and integrity while performing their duties.

The ABAC Policy, Code of Conduct and Third-Party Code of Conduct can be found on the Company's website at https://www.hsib.com.my.

Assurance Provided by Managing Director and Group Financial Controller

The Board has identified the Managing Director as the CEO of the Company, as well as the Group Financial Controller as the Chief Financial Officer ("CFO") of the Company since 2013.

The Board has also obtained assurance from the Managing Director and CFO that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects.

Conclusion

During the financial year under review, the Board is of the view that Hup Seng Group's risk management and internal controls are adequate for achieving its business objectives and will maintain an ongoing commitment to continue taking appropriate measures to enhance Hup Seng Group's risk management and internal control environment and processes.

There were no material losses arising from any inadequacy or failure of the risk management and internal control system which would require a separate disclosure in the Company's Annual Report.

Review of the Statement by External Auditors

Pursuant to Paragraph 15.23 of the Listing Requirements of Bursa Securities, the external auditors have reviewed this Statement in accordance with the scope set out in the Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised): Assurance Engagements Other Than Audits or Reviews of Historical Financial Information, as well as Audit and Assurance Practice Guide 3 issued by the Malaysian Institute of Accountants ("MIA"), which does not require the external auditors to form an opinion on the adequacy and effectiveness of Hup Seng Group's risk management and internal control systems.

Financial Statements

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2022.

Principal activities

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are manufacture and sales of biscuits and coffee mix, and dealers in biscuits, confectionery and other foodstuff.

Results

	Group RM	Company RM
Profit net of tax	26,080,914	14,403,200
Profit net of tax attributable to owners of the parent	26,080,914	14,403,200

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

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

Dividends

The amount of dividends paid by the Company since 31 December 2021 were as follows:

	RM
In respect of the financial year ended 31 December 2021 as reported in the Directors' report of that year:	
Second Interim single-tier dividend of 1 sen on 800,000,000 ordinary shares, declared on 28 February 2022 and paid on 5 April 2022	8,000,000
In respect of the financial year ended 31 December 2022:	
First Interim single-tier dividend of 1 sen on 800,000,000 ordinary shares, declared on 29 August 2022 and paid on 7 October 2022	8,000,000
Second Interim single-tier dividend of 1 sen on 800,000,000 ordinary shares, declared on 23 November 2022 and paid on 29 December 2022	8,000,000
	24,000,000

On 28 February 2023, the Directors declared a third interim single-tier dividend of 1 sen in respect of the financial year ended 31 December 2022 on 800,000,000 ordinary shares, amounting to a dividend payable of RM8,000,000. Such dividend will be payable on 5 April 2023.

Directors

The names of the Directors of the Company in office since the beginning of the financial year to the date of this report are:

Y.Bhg. Dato' Keh (Kerk) Chu Koh**	(Chairman) Resigned on 30 December 2022
Kerk Chiew Siong**	(Managing Director)
Kerk Chian Tung	(Executive Director)
Teo Lee Teck**	(Non Independent Non-Executive Director)
Kerk Kar Han**	(Non Independent Non-Executive Director)
Norita Binti Ja'afar	(Independent Non-Executive Director) Resigned on 31 March 2022
Mazrina Binti Arifin	(Senior Independent Non-Executive Director) Resigned on 31 March 2022
Raja Khairul Anuar Bin Raja Mokhtar	(Independent Non-Executive Director)
Lim Poh Seong	(Independent Non-Executive Director)
Kuo Liong Yok**	(Non Independent Non-Executive Director) Appointed on 1 January 2022
Kerk Shiang Yih**	(Non Independent Non-Executive Director) Appointed on 1 March 2023
Voon Yuen Hoong	(Independent Non-Executive Director) Appointed on 31 March 2022
Ho Wei Lih	(Independent Non-Executive Director) Appointed on 31 March 2022

** These directors are also directors of the Company's subsidiaries.

The names of the Directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report (not including those directors listed above) are:

Y. Bhg. Dato' Keh (Kerk) Chu Koh
Kuo Chee Ching
Kuo Chee Joo
Teo Lay Gak
Kuo Chee Yoong
Kerk Han Meng
Kerk Ke Yee

Directors' benefits

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

Since the end of the previous financial year, no Director has received or become entitled to receive benefits (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which he/she is a member, or with a company in which he/she has a substantial financial interest, except as disclosed in Note 22 to the financial statements.

The directors' benefits are as follows:

	Group RM	Company RM
Salaries and bonuses	6,461,600	517,760
Other emoluments	1,436,487	157,102
Defined contribution plan	930,382	73,372
Fees	1,780,296	940,296
Benefits-in-kind	117,342	-
	10,726,107	1,688,530

Directors and Officers indemnity and insurance cost

During the financial year, the directors and officers of the Company are covered for the total amount of indemnity coverage of RM15,000,000, and insurance premium paid for directors and officers of the Company is RM17,100.

Directors' interests

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

	← Number of Ordinary Shares →				
The Company	**1 January 2022**	**Acquired**	**Sold**	**31 December 2022**	
Direct interest					
Teo Lee Teck	5,160,000	-	-	5,160,000	
Kerk Chian Tung	11,333,333	-	-	11,333,333	
Kerk Kar Han	6,446,666	-	-	6,446,666	
Kerk Chiew Siong	1,333,333	-	-	1,333,333	
Kuo Liong Yok**	4,133,333	100,000	-	4,233,333	
Deemed interest					
Teo Lee Teck	533,333	-	-	533,333	*
Kerk Kar Han	500,000	-	-	500,000	*
Kerk Chiew Siong	11,373,333	-	-	11,373,333	*
Kuo Liong Yok	3,316,666	-	-	3,316,666	*

Directors' interests (cont'd)

	Number of Ordinary Shares				
Holding company **HSB Group Sdn. Bhd.**	**1 January 2022**	**Acquired**	**Sold**	**31 December 2022**	
Direct interest					
Kerk Chiew Siong	2,856,871	-	-	2,856,871	
Teo Lee Teck	2,150,103	-	-	2,150,103	
Kerk Kar Han	2,194,192	-	-	2,194,192	
Kerk Chian Tung	1,714,482	-	-	1,714,482	
Kuo Liong Yok**	1,248,912	33,360	-	1,282,272	
Deemed interest					
Kerk Chiew Siong	900,000	-	-	900,000	*

* Deemed interested by virtue of their interests pursuant to Section 59(11)(c) of the Companies Act 2016.
** Kuo Liong Yok inherited 100,000 shares of Hup Seng Industries Berhad and 33,360 shares of HSB Group Sdn Bhd from his deceased father in 2022.

Teo Lee Teck, Kerk Chian Tung, Kerk Kar Han, Kerk Chiew Siong and Kuo Liong Yok, by virtue of their interests in the Company, are deemed interested in the shares of the subsidiary companies to the extent that the Company has an interest. The other Directors in office at the end of the financial year had no interest in shares in the Company and its related corporations during the financial year.

Holding company

The holding company is HSB Group Sdn. Bhd., which is incorporated and domiciled in Malaysia.

Other statutory information

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts have been written off and adequate allowance had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

(ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

Other statutory information (cont'd)

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

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

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the Directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet its obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Auditors

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

Auditors' remuneration is as follows:

	Group RM	Company RM
Ernst & Young PLT		
Statutory audit		
- Current year	167,000	47,000
- Underprovision in prior year	18,000	18,000
Other services	6,000	6,000
	191,000	71,000

Signed on behalf of the Board in accordance with a resolution of the Directors dated 8 March 2023.

Kerk Chiew Siong

Kerk Kar Han

Statement by Directors

Pursuant to Section 251(2) of the Companies Act 2016

We, Kerk Chiew Siong and Kerk Kar Han, being two of the Directors of Hup Seng Industries Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 70 to 126 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 8 March 2023.

Kerk Chiew Siong **Kerk Kar Han**

Statutory Declaration

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Quek Ah Kow, being the officer primarily responsible for the financial management of Hup Seng Industries Berhad, do solemnly and sincerely declare that the financial statements set out on pages 70 to 126 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared)
by the abovenamed Quek Ah Kow)
at Batu Pahat in the State of Johor)
Darul Ta'zim on 8 March 2023) **Quek Ah Kow**

Before me,

Chiang Ee Chin (J247)
Commissioner of Oaths

Independent Auditors' Report

to the members of Hup Seng Industries Berhad (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Hup Seng Industries Berhad, which comprise the statements of financial position as at 31 December 2022 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 70 to 126.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. We have determined that there are no key audit matters to communicate in our report on financial statements of the Company. The key audit matter for the audit of the financial statements of the Group is described below. This matter was addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis of our audit opinion on the accompanying financial statements.

Report on the audit of the financial statements (cont'd)

Key audit matters (cont'd)

Revenue recognition

The Group recognised revenue from sale of goods amounting to approximately RM318.19 million during the year. Given the nature of the operations of the Group, we identified revenue recognition in respect of sale of goods to be an area of audit focus as we consider the high volume of transactions for numerous types of finished goods produced and traded by the Group to be a possible cause of higher risk of material misstatements in respect of the timing and amount of revenue recognised. Furthermore, the key performance indicators for the key management personnel are measured based on the financial performance of the Group (revenue is one of the key determinants of the overall financial performance). Specifically, we focused our audit efforts to determine the possibility of overstatement of revenue.

In addressing this risk, we tested the Group's internal controls over the timing and amount of revenue recognised. We also inspected the terms of significant sales transactions to determine the transaction price and the point of customer obtains control of the goods and assessed whether revenue was recognised in accordance with the terms. In addition, we inspected documents which evidenced the delivery of goods to customers. We also focused on testing the recording of sales transactions close to the year end, including credit notes issued after year end, to establish whether the transactions were recorded in the correct accounting period. Using data analytics, we performed correlation analysis between revenue, trade receivables and cash and bank balances.

The notes relating to revenue are disclosed in Note 2.20, Note 3.1 and Note 4 to the financial statements.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the Annual Report, which is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining other information included in the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

Report on the audit of the financial statements (cont'd)

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the planning and performance of the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.

Report on the audit of the financial statements (cont'd)

Auditor's responsibilities for the audit of the financial statements (cont'd)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Lee Ming Li
02983/03/2024 J
Chartered Accountant

Johor Bahru, Malaysia
Date: 8 March 2023

Statements of Comprehensive Income

For the financial year ended 31 December 2022

		Group	
	Note	2022 RM	2021 RM
Revenue from contracts with customer	4	318,194,335	295,832,845
Cost of sales	5	(239,911,882)	(214,159,313)
Gross profit		78,282,453	81,673,532
Other items of income			
Interest income		1,214,232	1,060,334
Other income		1,717,330	1,486,788
Other items of expense			
Administrative expenses		(18,364,276)	(18,614,834)
Selling and marketing expenses		(27,382,803)	(28,286,383)
Finance cost		(25,782)	(26,972)
Profit before tax	6	35,441,154	37,292,465
Income tax expense	9	(9,360,240)	(10,052,461)
Profit net of tax, representing total comprehensive income for the year		26,080,914	27,240,004
Profit net of tax attributable to:			
Owners of the parent		26,080,914	27,240,004
Total comprehensive income attributable to:			
Owners of the parent		26,080,914	27,240,004
Earnings per share attributable to owners of the parent (sen per share):			
Basic	10	3.26	3.41
Diluted	10	3.26	3.41

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

		Company	
	Note	2022 RM	2021 RM
Gross dividends from subsidiaries Interest income		16,032,000 650,406	23,209,000 543,497
Revenue		16,682,406	23,752,497
Other income		400	-
Reversal of/(impairment loss) on investment in a subsidiary Administrative expenses Finance cost		600,000 (2,723,979) (2,653)	(1,400,000) (3,420,418) (3,325)
Profit before tax Income tax expense	6 9	14,556,174 (152,974)	18,928,754 (103,130)
Profit net of tax, representing total comprehensive income for the year		14,403,200	18,825,624
Profit net of tax attributable to: Owners of the parent		14,403,200	18,825,624
Total comprehensive income attributable to: Owners of the parent		14,403,200	18,825,624

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

Statements of Financial Position

As at 31 December 2022

		Group	
	Note	2022 RM	2021 RM
Assets			
Non-current assets			
Property, plant and equipment	11	72,670,982	72,754,840
Investment properties	12	1,273,740	1,337,086
Right-of-use assets	13(a)	5,258,099	5,554,109
Deferred tax assets	19	317,688	509,661
		79,520,509	80,155,696
Current assets			
Inventories	15	29,941,476	28,211,902
Trade and other receivables	16	40,168,825	31,614,935
Prepayments		763,206	477,672
Cash and bank balances	17	62,441,932	66,693,256
		133,315,439	126,997,765
Total assets		212,835,948	207,153,461
Equity and liabilities			
Current liabilities			
Trade and other payables	18	58,319,651	56,341,109
Lease liabilities	13(b)	301,159	238,138
Refund liabilities	4	2,752,283	2,088,702
Income tax payable		3,510,174	2,222,237
		64,883,267	60,890,186
Net current assets		68,432,172	66,107,579
Non-current liabilities			
Deferred tax liabilities	19	6,661,188	6,712,113
Lease liabilities	13(b)	190,743	325,915
Other payable	18	-	205,411
		6,851,931	7,243,439
Total liabilities		71,735,198	68,133,625
Equity attributable to owners of the parent			
Share capital	20	80,000,000	80,000,000
Retained earnings	21	61,100,750	59,019,836
Total equity		141,100,750	139,019,836
Total equity and liabilities		212,835,948	207,153,461

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

	Note	Company 2022 RM	Company 2021 RM
Assets			
Non-current assets			
Property, plant and equipment	11	6,136	6,020
Investment in subsidiaries	14	52,386,703	51,786,703
Right-of-use assets	13(a)	60,294	81,640
Deferred tax assets	19	11,691	11,691
		52,464,824	51,886,054
Current assets			
Trade and other receivables	16	55,663	43,354
Prepayments		5,450	6,038
Dividend receivable from subsidiaries		-	10,491,000
Cash and bank balances	17	30,513,271	30,213,861
		30,574,384	40,754,253
Total assets		83,039,208	92,640,307
Equity and liabilities			
Current liabilities			
Other payables	18	1,352,712	1,374,665
Lease liabilities	13(b)	22,040	21,346
Income tax payable		51,395	12,395
		1,426,147	1,408,406
Net current assets		29,148,237	39,345,847
Non-current liability			
Lease liabilities	13(b)	38,254	60,294
Total liabilities		1,464,401	1,468,700
Equity attributable to owners of the parent			
Share capital	20	80,000,000	80,000,000
Retained earnings	21	1,574,807	11,171,607
Total equity		81,574,807	91,171,607
Total equity and liabilities		83,039,208	92,640,307

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

Statements of Changes in Equity

For the financial year ended 31 December 2022

		◄— Attributable to owners of the parent —►		
	Note	Non-distributable Share capital RM	Distributable Retained earnings RM	Total RM
Group				
At 1 January 2021		80,000,000	59,779,828	139,779,828
Total comprehensive income		-	27,240,004	27,240,004
Transaction with the owners				
Dividends on ordinary shares	28	-	(27,999,996)	(27,999,996)
Total transactions with the owners		-	(27,999,996)	(27,999,996)
At 31 December 2021		80,000,000	59,019,836	139,019,836
At 1 January 2022		80,000,000	59,019,836	139,019,836
Total comprehensive income		-	26,080,914	26,080,914
Transaction with the owners				
Dividends on ordinary shares	28	-	(24,000,000)	(24,000,000)
Total transactions with the owners		-	(24,000,000)	(24,000,000)
At 31 December 2022		80,000,000	61,100,750	141,100,750

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

	Note	Non-distributable Share capital RM	Distributable Retained earnings RM	Total RM
Company				
At 1 January 2021		80,000,000	20,345,979	100,345,979
Total comprehensive income		-	18,825,624	18,825,624
Transaction with the owners				
Dividends on ordinary shares	28	-	(27,999,996)	(27,999,996)
Total transactions with the owners		-	(27,999,996)	(27,999,996)
At 31 December 2021		80,000,000	11,171,607	91,171,607
At 1 January 2022		80,000,000	11,171,607	91,171,607
Total comprehensive income		-	14,403,200	14,403,200
Transaction with the owners				
Dividends on ordinary shares	28	-	(24,000,000)	(24,000,000)
Total transactions with the owners		-	(24,000,000)	(24,000,000)
At 31 December 2022		80,000,000	1,574,807	81,574,807

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

Statements of Cash Flows

For the financial year ended 31 December 2022

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Operating activities				
Profit before tax	35,441,154	37,292,465	14,556,174	18,928,754
Adjustments for:				
Reversal of allowance for doubtful debts	(79,185)	(93,319)	-	-
Bad debts written off	5,651	1,096	-	-
Dividend income from subsidiaries	-	-	(16,032,000)	(23,209,000)
Depreciation of property, plant and equipment	6,119,077	6,187,867	4,280	4,190
Depreciation of investment properties	63,346	63,346	-	-
Depreciation of right-of-use assets	537,396	485,847	21,346	20,675
(Reversal of)/impairment loss on investment in a subsidiary	-	-	(600,000)	1,400,000
Interest expense on lease liabilities	25,782	26,972	2,653	3,325
Gain on disposal of property, plant and equipment	(216,645)	(219,194)	-	-
Interest income	(1,214,232)	(1,060,334)	(650,406)	(543,497)
Inventories written off	235,226	171,425	-	-
Property, plant and equipment written off	259,439	339,806	1,103	2
Operating cash flows before changes in working capital	41,177,009	43,195,977	(2,696,850)	(3,395,551)
(Increase)/decrease in inventories	(1,964,800)	1,358,909	-	-
(Increase)/decrease in trade and other receivables	(8,480,356)	514,144	(12,309)	5,496
(Increase)/decrease in prepayments	(285,534)	74,734	588	(588)
Increase/(decrease) in trade and other payables	2,436,712	(2,334,975)	(21,953)	(356,612)
Cash flows generated from/(used in) operations	32,883,031	42,808,789	(2,730,524)	(3,747,255)
Interest expense on lease liabilities paid	(25,782)	(26,972)	(2,653)	(3,325)
Income taxes paid	(7,931,255)	(12,905,519)	(113,974)	(119,071)
Net cash flows generated from/(used in) operating activities	24,925,994	29,876,298	(2,847,151)	(3,869,651)

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

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Investing activities				
Withdrawal of deposits for more than 3-months maturity with licensed banks	1,039,106	4,000,000	1,039,106	-
Dividend income received from subsidiaries	-	-	26,523,000	39,121,000
Interest received	1,214,232	1,060,334	650,406	543,497
Proceeds from disposal of property, plant and equipment	232,660	221,620	-	-
Purchase of property, plant and equipment	(6,310,673)	(2,756,293)	(5,499)	(3,709)
Net cash flows (used in)/ generated from investing activities	(3,824,675)	2,525,661	28,207,013	39,660,788
Financing activities				
Dividends paid on ordinary shares	(24,000,000)	(43,999,996)	(24,000,000)	(43,999,996)
Repayment for lease liabilities	(313,537)	(261,988)	(21,346)	(20,675)
Net cash flows used in financing activities	(24,313,537)	(44,261,984)	(24,021,346)	(44,020,671)
Net (decrease)/increase in cash and cash equivalents	(3,212,218)	(11,860,025)	1,338,516	(8,229,534)
Cash and cash equivalents at 1 January	65,654,150	77,514,175	29,174,755	37,404,289
Cash and cash equivalents at 31 December (Note 17)	62,441,932	65,654,150	30,513,271	29,174,755

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

Notes to the Financial Statements

31 December 2022

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at 3A, Mezzanine Floor, Jalan Ipoh Kecil, 50350 Kuala Lumpur. The principal place of business of the Company is located at 14, Jalan Kilang, Kawasan Perindustrian Tongkang Pecah, 83010 Batu Pahat, Johor Darul Ta'zim.

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

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are manufacture and sales of biscuits and coffee mix, and dealers in biscuits, confectionery and other foodstuff.

2. Summary of significant accounting policies

2.1 Basis of preparation

These financial statements for the year ended 31 December 2022 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

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

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

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the preceding year except as follows:

On 1 January 2022, the Group and the Company adopted the following Amendments mandatory for annual financial periods beginning on or after 1 January 2022:

Description	Effective for annual periods beginning on or after
Annual Improvements to MFRS Standards 2018-2020	1 January 2022
Amendments to MFRS 3: Business Combinations - Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116: Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022

The directors are of opinion that the Amendments above did not have any material impact on the financial statements.

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

2.3 Standards, Annual Improvements and Amendments issued but not yet effective

The Standards, Annual Improvements and Amendments that are issued but not yet effective up to the date of issuance of the Group's and of the Company's financial statements are disclosed below. The Group and the Company intend to adopt these Standards, Annual Improvements and Amendments if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 101: Presentation of Financial Statements	
- Classification of Liabilities as Current or Non-current	1 January 2023
- Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Income Tax - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 17: Insurance Contracts - Initial Application of MFRS 17 and MFRS 9 - Comparative Information	1 January 2023
Amendments to MFRS 101: Presentation of Financial Statements - Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 16: Leases - Lease Liability in a Sale Leaseback	1 January 2024
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The directors expect that the adoption of the above Standards, Annual Improvements and Amendments will have no material impact on the financial statements in the year of initial application.

2.4 Basis of consolidation

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

(i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

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

2.4 Basis of consolidation (cont'd)

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

(i) The contractual arrangement with the other vote holders of the investee;

(ii) Rights arising from other contractual arrangements; and

(iii) The Group's voting rights and potential voting rights.

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

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

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

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

2.5 Business combinations and goodwill

Business combinations involving entities under common control are accounted for by applying the merger method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as merger reserve. The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities have always been combined since the date the entities had come under common control.

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

2.5 Business combinations and goodwill (cont'd)

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

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

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

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

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

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

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

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

2.6 Current versus non-current classification

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

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

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

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

All other liabilities are classified as non-current.

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

2.7 Fair value measurement

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

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

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

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

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

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

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

2.7 Fair value measurement (cont'd)

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

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

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

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

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

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

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

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

2.8 Foreign currency

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations.

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

2.8 Foreign currency (cont'd)

(b) Foreign currency transactions (cont'd)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

2.9 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. Land and buildings are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Leasehold land is amortised over the lease term of 60 and 99 years on the straight line method. Capital work-in-progress are not depreciated as these assets are not available for use. Depreciation on other property, plant and equipment is computed on the straight line method over the following estimated useful lives of the assets:

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the income statement in the year the asset is derecognised.

2.10 Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at cost less accumulated depreciation and impairment losses. Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is computed on the straight line method over the following estimated useful life of the assets:

Buildings	50 years

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

2.10 Investment properties (cont'd)

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

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

2.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment assessment for an asset is required, the Group estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in the statement of profit or loss expense categories consistent with the function of the impaired assets.

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

2.12 Subsidiaries

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

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

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

2.13 Financial instruments

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

(a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do no contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent measurement

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

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Group's only financial assets are its financial assets at amortised cost (debt instruments).

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

2.13 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement (cont'd)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost comprise solely of its trade and other receivables balances.

Derecognition

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

- The rights to receive cash flows from the asset have expired or;

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

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

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

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

2.13 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(b) Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liability comprises trade and other payables which is classified as *Loans and borrowings.*

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

2.13 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

Subsequent measurement

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

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

This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

(c) Offsetting of financial instruments

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

2.14 Cash and bank balances

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

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

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a first-in first-out basis.

- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs. These costs are assigned on a first-in first-out basis.

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

2.15 Inventories (cont'd)

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

2.16 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

If the effect of the time value of money is material, provisions are discounted using a current pre tax-rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.17 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

2.18 Employee benefits

(a) Defined contribution plans

The Group makes contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Employee entitlements to annual leave are recognised as liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the reporting date.

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

2.19 Leases

(i) As lessee

The Group recognises a right-of-use asset and a lease liability at the commencement date of the contract for all leases excluding short-term leases or leases for which the underlying asset is of low value, conveying the right to control the use of an identified asset for a period of time.

The right-of-use assets are initially recorded at cost, which comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date of the lease, less any lease incentives received; and
- any initial direct costs incurred by the Group;

Subsequent to initial recognition, the right-of-use assets are measured at cost less any accumulated depreciation, accumulated impairment losses and adjusted for any remeasurement of lease liabilities.

Depreciation is computed on a straight-line basis over the estimated useful lives of the right-of-use assets.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the Group's incremental borrowing rate. Subsequent to the initial recognition, the Group measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications.

(ii) As lessor

The Group classified its leases as either operating lease or finance lease. Leases where the Group retains substantially all the risks and rewards of ownership of the leased assets are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

If the Group transfers substantially all the risks and rewards incidental to ownership of the leased assets, leases are classified as finance leases and are capitalised at an amount equal to the net investment in the lease.

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

2.20 Revenue from contracts with customers

The Group recognises revenue from contracts with customers for the provision of services and sale of information based on the five-step model as set out below:

(i) Identify contract with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

(ii) Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

(iii) Determine the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

(iv) Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

(v) Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group satisfies a performance obligation and recognise revenue over time if the Group's performance:

(i) Do not create an asset with an alternative use to the Group and have an enforceable right to payment for performance completed to-date; or

(ii) Create or enhance an asset that the customer controls as the asset is created or enhanced; or

(iii) Provide benefits that the customer simultaneously receives and consumes as the Group performs.

For performance obligations where any one of the above conditions is not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Revenue is measured at the fair value of consideration received or receivable.

(a) Sale of goods

The Group contracts with its customers for sales of biscuits and coffee mix, and dealers in biscuits, confectionery and other foodstuff. Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally upon the transfer of significant risk and rewards of ownership of the goods to the customer. Payment is generally due within 14 to 60 days from transfer of risk and rewards. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

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

2.20 Revenue from contracts with customers (cont'd)

(b) Delivery services

The Group provides delivery services that are bundled together with the sale of goods to a customer. The delivery services can be obtained from other providers and do not significantly customise or modify the goods sold.

Contracts for bundled sales of goods and delivery services are comprised of two performance obligations because the promises to transfer goods and provide delivery services are capable of being distinct and separately identifiable. Accordingly, the Group allocates the transaction price based on the relative stand-alone selling prices of the goods and delivery services.

The Group recognises revenue from delivery services over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. Payment is generally due within 14 to 60 days from delivery.

(c) Interest income

Interest income is recognised on an accrual basis using the effective yield method.

(d) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(e) Rental income

Rental income from investment property is recognised on a straight-line basis over the term of the lease.

2.21 Taxes

(a) Current income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

2.21 Taxes (cont'd)

(b) Deferred tax (cont'd)

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax items in relation to the underlying transaction that do not affect profit or loss are recognised either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

2.21 Taxes (cont'd)

(c) Sales tax

Expenses and assets are recognise net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the assets or as part of the expense item, as applicable.

- When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.22 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 27, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.23 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.24 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statement of financial position of the Group.

3. Significant accounting estimates and judgements

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Significant judgment

In the process of applying the Group's accounting policies, management has made the following judgement which have significant effect on the amounts recognised in the financial statements:

Revenue from contracts with customers

Determining method to estimate variable consideration

Certain contracts with customers include trade incentives and certain consideration payable to customers. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that the most likely amount methods is the appropriate methods to use in estimating the variable consideration for the sale of goods.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives of plant and equipment

The cost of plant and equipment are depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these plant and equipment to be within 3 to 15 years. These are common life expectancies applied in the food industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of this asset, therefore, future depreciation charges could be revised. The carrying amount of the Group's plant and equipment as at the reporting date is disclosed in Note 11.

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

3.2 Key sources of estimation uncertainty (cont'd)

(b) Provision for expected credit loss of trade and other receivables

The Group uses a provision matrix to calculate ECLs for trade and others receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

(c) Impairment of investment in subsidiaries

MFRS 136 Impairment of assets requires an entity to assess at the end of each reporting period whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have increased. As at 31 December 2022, the financial statements of the Company recorded investment in subsidiaries amounting to RM52.39 million. Included in this amount is the investment in In-Comix Food Industries Sdn. Bhd. ("ICFI") with carrying amount of RM7.85 million, on which impairment loss of RM16.13 million was recognized in prior year.

Due to the existence of indicators of impairment during the year as a result of weak demand in domestic and overseas market for its instant beverage products, the Company has performed an impairment assessment and resulted in a reversal of impairment loss on investment in ICFI of RM0.60 million for the current financial year (2021: impairment loss of RM1.4 million) and accordingly recorded accumulated impairment loss of RM15.53 million (2021: RM16.13 million) as at 31 December 2022. As disclosed in Note 14, the Company estimated the recoverable amount of the investment in ICFI based on the higher of fair value less costs of disposal and value in use (by estimating the future cash flows expected to be derived from the subsidiary and discounting these cash flows at an appropriate discount rate). The reversal of impairment loss was made based on the subsidiary's fair value less costs of disposal. The reversal of impairment loss is due to the increase in fair value of the leasehold land and building of ICFI based on comparable market transactions.

Further details of the impairment assessment on the investment in a subsidiary are disclosed in Note 14. The fair value hierarchy information for the fair value of its property, plant and equipment are disclosed in Note 24.

4. Revenue from contracts with customer

	Group	
	2022 RM	2021 RM
Types of income		
Sales of biscuit	70,529,856	68,481,239
Sales of trading goods	245,098,018	225,494,820
Sales of beverages	2,566,461	1,856,786
	318,194,335	295,832,845
Timing of revenue recognition		
Goods transferred at a point in time	318,194,335	295,832,845

Information about receivables and refund liabilities from contracts with customers is disclosed as follows:

	Group	
	2022 RM	2021 RM
Receivables from contracts with customers (Note 16)	39,854,212	30,790,346
Refund liabilities	2,752,283	2,088,702

Refund liabilities

Refund liabilities represent the expected trade incentives to be given to the customers. The Group provides trade incentives to certain customers based on the achievement of the performance criteria stated in the contracts. Trade incentives give rise to variable consideration. To estimate the variable consideration for the expected trade incentives, the Group applies the most likely amount method.

5. Cost of sales

Cost of sales represents cost of inventories sold.

6. Profit before tax

The following items have been included in arriving at profit before tax:

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Auditors' remuneration				
Statutory audits				
- Current year	167,000	160,000	47,000	45,000
- Underprovision in prior year	18,000	-	18,000	-
Other services	6,000	5,000	6,000	5,000
Bad debts written off	5,651	1,096	-	-
Employee benefits expenses excluding Directors' remuneration (Note 7)	51,938,484	50,655,119	510,723	455,716
Directors' fees (Note 8)				
- Current year	1,780,296	1,819,893	940,296	923,065
Directors' other emoluments (Note 8)	8,828,469	9,208,958	748,234	1,469,352
Depreciation of property, plant and equipment (Note 11)	6,119,077	6,187,867	4,280	4,190
Depreciation of right-of-use assets (Note 13)	537,396	485,847	21,346	20,675
Depreciation of investment properties (Note 12)	63,346	63,346	-	-
Impairment loss on investment in a subsidiary (Note 14)	-	-	-	1,400,000
Interest expense on lease liabilities (Note 13)	25,782	26,972	2,653	3,325
Inventories written off	235,226	171,425	-	-
Property, plant and equipment written off	259,439	339,806	1,103	2
Realised exchange losses	125,746	295,586	-	-
Unrealised exchange losses	12,090	-	-	-
and crediting:				
Dividend income	-	-	16,032,000	23,209,000
Interest income	1,214,232	1,060,334	650,406	543,497
Reversal of impairment loss on investment in a subsidiary (Note 14)	-	-	600,000	-
Reversal of allowance for doubtful debts (Note 16)	79,185	93,319	-	-
Reversal of provision of sales team target and team work incentive provided in prior year	1,404,108	-	-	-
Gain on disposal of property, plant and equipment	216,645	219,194	-	-
Rental income	319,050	281,100	-	-

7. Employee benefits expense

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Wages, salaries and allowances	45,865,204	44,816,283	452,753	403,959
Defined contribution plan	5,020,031	5,001,768	54,965	49,063
Employment Insurance System	54,888	54,983	308	277
Social security costs	514,201	430,453	2,697	2,417
Other staff related expenses	288,560	156,032	-	-
Other allowance	195,600	195,600	-	-
	51,938,484	50,655,119	510,723	455,716

8. Key management personnel compensation

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

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Directors of the Company				
Executive:				
Salaries and bonuses	1,484,000	1,097,390	517,760	1,097,390
Other emoluments	248,769	256,502	105,802	255,802
Defined contribution plan	205,163	70,460	73,372	70,460
Fees	250,000	219,893	180,000	163,065
Benefits-in-kind	12,255	4,902	-	-
	2,200,187	1,649,147	876,934	1,586,717
Non-Executive (but holding executive position in subsidiaries):				
Salaries and bonuses	2,501,840	2,786,099	-	-
Other emoluments	556,000	576,649	22,900	20,100
Defined contribution plan	360,702	399,418	-	-
Fees	639,758	640,000	359,758	360,000
Benefits-in-kind	51,567	47,703	-	-
	4,109,867	4,449,869	382,658	380,100
Non-Executive:				
Other emoluments	28,400	25,600	28,400	25,600
Fees	400,538	400,000	400,538	400,000
	428,938	425,600	428,938	425,600

8. Key management personnel compensation (cont'd)

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Directors of Subsidiaries				
Executive:				
Salaries and bonuses	2,475,760	2,879,124	-	-
Other emoluments	602,718	692,955	-	-
Defined contribution plan	364,517	424,161	-	-
Fees	420,000	490,000	-	-
Benefits-in-kind	53,520	62,441	-	-
	3,916,515	4,548,681	-	-
Non-Executive:				
Other emoluments	600	600	-	-
Fees	70,000	70,000	-	-
	70,600	70,600	-	-
Total	10,726,107	11,143,897	1,688,530	2,392,417
Directors' remuneration analysed by:				
Salaries and bonuses	6,461,600	6,762,613	517,760	1,097,390
Other emoluments	1,436,487	1,552,306	157,102	301,502
Defined contribution plan	930,382	894,039	73,372	70,460
Total Directors' remuneration (excluding benefits-in-kind) (Note 6)	8,828,469	9,208,958	748,234	1,469,352
Fees (Note 6)	1,780,296	1,819,893	940,296	923,065
Benefits-in-kind	117,342	115,046	-	-
Total Directors' remuneration	10,726,107	11,143,897	1,688,530	2,392,417

9. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2022 and 2021 are:

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Statements of comprehensive income:				
Current income tax:				
- Malaysian income tax	9,287,000	10,220,000	140,000	101,000
- (Over)/underprovision in prior years	(67,808)	(13,258)	12,974	2,130
	9,219,192	10,206,742	152,974	103,130
Deferred tax (Note 19):				
- Origination and reversal of temporary differences	50,000	(230,206)	-	-
- Underprovision in prior years	91,048	75,925	-	-
	141,048	(154,281)	-	-
Income tax expense recognised in profit or loss	9,360,240	10,052,461	152,974	103,130

Reconciliation between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2022 and 2021 are as follows:

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Profit before tax	35,441,154	37,292,465	14,556,174	18,928,754
Taxation at Malaysian statutory tax rate of 24% (2021: 24%)	8,505,877	8,950,192	3,493,482	4,542,901
Adjustments:				
Income not subject to tax	-	-	(3,991,680)	(5,570,160)
Non-deductible expenses	845,264	1,067,602	638,198	1,128,259
Expenses with double deduction	(14,141)	(28,000)	-	-
(Over)/underprovision of income tax expense in prior years	(67,808)	(13,258)	12,974	2,130
Underprovision of deferred tax in prior years	91,048	75,925	-	-
Income tax expense recognised in profit or loss	9,360,240	10,052,461	152,974	103,130

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2021: 24%) of the estimated assessable profit for the year.

10. Earnings per share

Earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2022	2021
Profit net of tax attributable to owners of the parent (RM)	26,080,914	27,240,004
Weighted average number of ordinary shares in issue	800,000,000	800,000,000
Basic earnings per share (sen)	3.26	3.41
Diluted earnings per share (sen)	3.26	3.41

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

11. Property, plant and equipment

Group	Freehold land and buildings RM	Long term leasehold land and buildings RM	Short term leasehold land and buildings RM	Plant and equipment RM	Motor vehicles RM	Other assets RM	Total RM
Cost							
At 1 January 2021	32,604,552	1,011,786	26,668,417	73,978,136	10,977,228	11,114,202	156,354,321
Additions	45,376	-	171,105	1,109,226	871,572	559,014	2,756,293
Reclassification	-	-	-	596,171	-	(596,171)	-
Disposals/written off	-	-	-	(497,292)	(623,261)	(68,829)	(1,189,382)
At 31 December 2021 and 1 January 2022	32,649,928	1,011,786	26,839,522	75,186,241	11,225,539	11,008,216	157,921,232
Additions	89,578	-	2,432,879	603,739	323,102	2,861,375	6,310,673
Reclassification	-	-	95,400	251,738	-	(347,138)	-
Disposals/written off	-	-	-	(359,850)	(802,232)	(221,343)	(1,383,425)
At 31 December 2022	32,739,506	1,011,786	29,367,801	75,681,868	10,746,409	13,301,110	162,848,480

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

Group	Freehold land and buildings RM	Long term leasehold land and buildings RM	Short term leasehold land and buildings RM	Plant and equipment RM	Motor vehicles RM	Other assets RM	Total RM
Accumulated depreciation and impairment loss:							
At 1 January 2021	5,840,707	270,428	9,516,248	47,837,764	8,236,919	8,123,609	79,825,675
Depreciation charge for the year (Note 6)	305,850	12,682	857,622	3,588,992	1,036,815	385,906	6,187,867
Disposals/written off	-	-	-	(158,654)	(623,253)	(65,243)	(847,150)
At 31 December 2021 and 1 January 2022	6,146,557	283,110	10,373,870	51,268,102	8,650,481	8,444,272	85,166,392
Depreciation charge for the year (Note 6)	310,973	12,682	885,154	3,449,897	1,005,657	454,714	6,119,077
Disposals/written off	-	-	-	(87,712)	(802,218)	(218,041)	(1,107,971)
At 31 December 2022	6,457,530	295,792	11,259,024	54,630,287	8,853,920	8,680,945	90,177,498
Net carrying amount:							
At 31 December 2021	26,503,371	728,676	16,465,652	23,918,139	2,575,058	2,563,944	72,754,840
At 31 December 2022	26,281,976	715,994	18,108,777	21,051,581	1,892,489	4,620,165	72,670,982

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

Group

Other assets include computer, office equipment, electrical installation, renovation, furniture and fittings and capital work-in-progress which comprises machinery under installation amounting to RM672,933 (2021: RM1,020,071).

Company	Office equipment RM	Furniture and fittings RM	Total RM
Cost			
At 1 January 2021	47,726	12,315	60,041
Additions	3,709	-	3,709
Written off	(4,698)	-	(4,698)
At 31 December 2021 and 1 January 2022	46,737	12,315	59,052
Additions	5,499	-	5,499
Written off	(13,949)	-	(13,949)
At 31 December 2022	38,287	12,315	50,602
Accumulated depreciation			
At 1 January 2021	42,558	10,980	53,538
Charge for the year (Note 6)	3,845	345	4,190
Written off	(4,696)	-	(4,696)
At 31 December 2021 and 1 January 2022	41,707	11,325	53,032
Charge for the year (Note 6)	3,941	339	4,280
Written off	(12,846)	-	(12,846)
At 31 December 2022	32,802	11,664	44,466
Net carrying amount:			
At 31 December 2021	5,030	990	6,020
At 31 December 2022	5,485	651	6,136

12. Investment properties

	Group	
	2022 RM	2021 RM
Cost		
At 1 January/ 31 December	2,220,569	2,220,569
Accumulated depreciation		
At 1 January	883,483	820,137
Depreciation charge for the year (Note 6)	63,346	63,346
At 31 December	946,829	883,483
Net book value		
At 1 January	1,337,086	1,400,432
At 31 December	1,273,740	1,337,086
Fair value of investment properties (Note 24)	3,230,000	3,230,000

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

13. Right-of-use assets and lease liabilities

(a) Right-of-use assets

Group	Prepaid land lease RM	Lease contracts RM	Total RM
Cost			
At 1 January 2021	8,169,801	669,049	8,838,850
Additions	-	498,360	498,360
Derecognition for lease termination	-	(48,045)	(48,045)
Reversal of cost upon expiry of lease contracts	-	(308,956)	(308,956)
At 31 December 2021 and 1 January 2022	8,169,801	810,408	8,980,209
Additions	-	241,386	241,386
Reversal of cost upon expiry of lease contracts	-	(165,395)	(165,395)
At 31 December 2022	8,169,801	886,399	9,056,200
Accumulated depreciation			
At 1 January 2021	2,955,886	315,437	3,271,323
Depreciation charge for the year (Note 6)	223,859	261,988	485,847
Derecognition for lease termination	-	(22,114)	(22,114)
Reversal of accumulated depreciation upon expiry of lease contracts	-	(308,956)	(308,956)
At 31 December 2021 and 1 January 2022	3,179,745	246,355	3,426,100
Depreciation charge for the year (Note 6)	223,859	313,537	537,396
Reversal of accumulated depreciation upon expiry of lease contracts	-	(165,395)	(165,395)
At 31 December 2022	3,403,604	394,497	3,798,101
Net carrying amount at 31 December 2021	4,990,056	564,053	5,554,109
Net carrying amount at 31 December 2022	4,766,197	491,902	5,258,099

13. Right-of-use assets and lease liabilities (cont'd)

(a) Right-of-use assets (cont'd)

Company	Lease contracts RM
Cost	
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	106,843
Accumulated depreciation	
At 1 January 2021	4,528
Depreciation charge for the year (Note 6)	20,675
At 31 December 2021 and 1 January 2022	25,203
Depreciation charge for the year (Note 6)	21,346
At 31 December 2022	46,549
Net carrying amount at 31 December 2021	81,640
Net carrying amount at 31 December 2022	60,294

(b) Lease liabilities

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Current liabilities				
Lease liabilities	301,159	238,138	22,040	21,346
Non-current liabilities				
Lease liabilities	190,743	325,915	38,254	60,294
Total lease liabilities	491,902	564,053	60,294	81,640

13. Right-of-use assets and lease liabilities (cont'd)

(b) Lease liabilities (cont'd)

The movement of lease liabilities during the financial year is as follows:

	Group	
	2022 RM	2021 RM
At 1 January	564,053	353,612
Interest expense on lease liabilities (Note 6)	25,782	26,972
Addition	241,386	498,360
Derecognition for lease termination	-	(25,931)
Payments of:		
- Principal	(313,537)	(261,988)
- Interest (Note 6)	(25,782)	(26,972)
At 31 December	491,902	564,053

	Company	
	2022 RM	2021 RM
At 1 January	81,640	102,315
Interest expense on lease liabilities (Note 6)	2,653	3,325
Payments of:		
- Principal	(21,346)	(20,675)
- Interest (Note 6)	(2,653)	(3,325)
At 31 December	60,294	81,640

14. Investment in subsidiaries

	Company	
	2022 RM	2021 RM
Unquoted shares, at cost	67,914,211	67,914,211
Less: Accumulated impairment loss	(15,527,508)	(16,127,508)
	52,386,703	51,786,703

14. Investment in subsidiaries (cont'd)

The subsidiary companies are:

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2022	2021
Hup Seng Perusahaan Makanan (M) Sdn. Bhd.	Malaysia	Manufacture and sales of biscuits	100%	100%
Hup Seng Hoon Yong Brothers Sdn. Bhd.	Malaysia	Sales and distribution of biscuits, confectionery and other foodstuff	100%	100%
In-Comix Food Industries Sdn. Bhd.	Malaysia	Manufacture and wholesale of coffee mix and all kinds of foodstuff	100%	100%

The investment in In-Comix Food Industries Sdn. Bhd. ("ICFI") carried cost of RM23.97 million (2021: RM23.97 million) and impairment loss of RM16.13 million was recognised in prior year. Due to the existence of indicators of impairment during the year as a result of weak demand in domestic and overseas market for its instant beverage products, the Company has performed an impairment assessment and resulted in a reversal of impairment loss on investment in ICFI of RM0.60 million for the current financial year (2021: impairment loss of RM1.4 million) and accordingly recorded accumulated impairment loss of RM15.53 million (2021: RM16.13 million) as at 31 December 2022. The reversal of impairment loss is due to the increase in fair value of the leasehold land and building of ICFI based on comparable market transactions.

The Company estimated the recoverable amount of the investment in ICFI based on the higher of fair value less costs of disposal and value in use (by estimating the future cash flows expected to be derived from the subsidiary and discounting these cash flows at an appropriate discount rate). The calculation is based on the net assets of ICFI adjusted for the fair value less costs of disposal of its leasehold land and building, by engaging the independent valuer to perform valuation of the ICFI's leasehold land and building. This represents the directors' estimation of fair value less costs of disposal for the investment in ICFI.

Description of valuation techniques used and key inputs to valuation on ICFI's leasehold land and building are as follows:

	Valuation technique	Significant unobservable inputs
Long term leasehold land	Comparison Method of Valuation	Comparing the property with comparable properties which have been sold and making adjustments for factors which affect value such as location and accessibility, market conditions, size, shape and terrain of land, tenurial interest and restrictions if any, occupancy status, built-up area building construction, finishes and services, age and condition of building and other relevant characteristics.
Buildings	Depreciated Replacement Cost Method	Aggregated amount of gross replacement cost of the buildings and other site works, from which appropriate deductions may then be made for the age, condition, economic or functional obsolescence and environmental factors.

15. Inventories

	Group	
	2022 RM	2021 RM
At cost		
Raw materials	13,212,676	13,342,408
Finished goods	7,059,389	5,538,306
Spares and fuel	4,028,826	4,041,985
Trading inventories	3,886,137	3,805,425
Work-in-progress	308,573	279,608
	28,495,601	27,007,732
At net realisable value:		
Containers	1,445,875	1,204,170
	29,941,476	28,211,902

Inventories of containers are stated at estimated net realisable value and based on the estimated quantity of tin containers in circulation at the financial year end.

16. Trade and other receivables

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Current				
Trade receivables				
Third parties	40,196,296	31,257,145	-	-
Less: Allowance for doubtful debts	(342,084)	(466,799)	-	-
Trade receivables, net	39,854,212	30,790,346	-	-
Other receivables				
Deposits	229,218	354,646	8,200	8,200
Interest receivable from fixed deposits	74,274	57,379	47,463	35,154
Sundry receivables	11,121	412,564	-	-
	314,613	824,589	55,663	43,354
Total trade and other receivables	40,168,825	31,614,935	55,663	43,354
Add: Cash and bank balances (Note 17)	62,441,932	66,693,256	30,513,271	30,213,861
Financial assets measured at amortised cost	102,610,757	98,308,191	30,568,934	30,257,215

16. Trade and other receivables (cont'd)

Trade receivables

Trade receivables are non-interest bearing and are generally on 14 to 60 days (2021: 14 to 60 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

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

	Group	
	2022 RM	2021 RM
Neither past due nor impaired	27,717,837	23,689,109
1 to 30 days past due not impaired	10,229,341	6,609,299
31 to 60 days past due not impaired	1,124,608	447,981
61 to 90 days past due not impaired	778,778	42,743
91 to 120 days past due not impaired	169	116
More than 121 days past due not impaired	3,479	1,098
	12,136,375	7,101,237
Impaired	342,084	466,799
	40,196,296	31,257,145

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

At the reporting date, trade receivables arising from export sales amounting to RM611,573 (2021: RM1,208,505) have been arranged to be settled via letters of credit issued by reputable banks in countries where the customers are based. The remaining balance of receivables are unsecured in nature. Although those balances are unsecured in nature, they are mostly due from creditworthy customers.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM12,136,375 (2021: RM7,101,237) that are past due at the reporting date but not impaired.

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

16. Trade and other receivables (cont'd)

Trade receivables (cont'd)

<u>Receivables that are past due but not impaired (cont'd)</u>

Movement in allowance accounts:

	Group	
	2022 RM	2021 RM
At 1 January	466,799	652,005
Written off	(45,530)	(91,887)
Reversal of allowance for doubtful debts (Note 6)	(79,185)	(93,319)
At 31 December	342,084	466,799

Trade receivables that are determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

17. Cash and bank balances

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Cash and bank balances	7,041,932	6,154,150	363,271	174,755
Short-term deposits with licensed banks	55,400,000	59,500,000	30,150,000	29,000,000
Cash and cash equivalents	62,441,932	65,654,150	30,513,271	29,174,755
Long-term deposits of more than 3 months maturity period with licensed banks	-	1,039,106	-	1,039,106
Total cash and bank balances	62,441,932	66,693,256	30,513,271	30,213,861

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day to three months depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates.

The weighted average effective interest rates (per annum) for deposits with licensed banks as at the reporting date were as follows:

	Interest rate	
	2022 %	2021 %
Group	2.57	1.75
Company	2.44	1.88

18. Trade and other payables

	Group	
	2022 RM	2021 RM
Non-current		
Other payable		
Sales tax payable	-	205,411
Current		
Trade payables		
Third parties	35,317,665	33,210,572
Other payables		
Payroll liabilities	10,613,588	9,585,465
Sales tax payable	1,776,948	2,699,871
Sundry suppliers	1,957,483	1,990,317
Accrued expenses	5,431,564	5,922,477
Containers refundable deposits	3,222,403	2,932,407
	23,001,986	23,130,537
Total trade and other payables (current)	58,319,651	56,341,109
Total financial liabilities carried at amortised cost	58,319,651	56,546,520

	Company	
	2022 RM	2021 RM
Other payables		
Payroll liabilities	53,593	102,883
Accrued expenses	1,299,119	1,271,782
Total other payables, representing total financial liabilities carried at amortised cost	1,352,712	1,374,665

Trade payables

Trade payables are non-interest bearing. Trade payables are normally settled on 30 to 90 days (2021: 30 to 90 days) terms.

19. Deferred tax liabilities/(assets)

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
At 1 January	6,202,452	6,356,733	(11,691)	(11,691)
Recognised in profit or loss (Note 9)	141,048	(154,281)	-	-
At 31 December	6,343,500	6,202,452	(11,691)	(11,691)
Presented after appropriate offsetting as follows:				
Deferred tax assets	(317,688)	(509,661)	(12,462)	(12,462)
Deferred tax liabilities	6,661,188	6,712,113	771	771
	6,343,500	6,202,452	(11,691)	(11,691)

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	Property, plant and equipment RM	Offsetting RM	Total RM
At 1 January 2022	7,442,184	(730,071)	6,712,113
Recognised in profit or loss	(46,219)	(4,706)	(50,925)
At 31 December 2022	7,395,965	(734,777)	6,661,188
At 1 January 2021	7,583,885	(828,578)	6,755,307
Recognised in profit or loss	(141,701)	98,507	(43,194)
At 31 December 2021	7,442,184	(730,071)	6,712,113

Deferred tax assets of the Group:

	Others RM	Offsetting RM	Total RM
At 1 January 2022	(1,239,732)	730,071	(509,661)
Recognised in profit or loss	187,267	4,706	191,973
At 31 December 2022	(1,052,465)	734,777	(317,688)
At 1 January 2021	(1,227,152)	828,578	(398,574)
Recognised in profit or loss	(12,580)	(98,507)	(111,087)
At 31 December 2021	(1,239,732)	730,071	(509,661)

19. Deferred tax liabilities/(assets) (cont'd)

Deferred tax liability of the Company:

	Property, plant and equipment	
	2022 RM	2021 RM
At 1 January/31 December	771	771

Deferred tax asset of the Company:

	Others	
	2022 RM	2021 RM
At 1 January/31 December	(12,462)	(12,462)

20. Share capital

	Number of ordinary shares		Amount	
	2022	2021	2022 RM	2021 RM
Issued and fully paid: At 1 January/31 December	800,000,000	800,000,000	80,000,000	80,000,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

21. Retained earnings

The Company may distribute dividends out of its entire retained earnings as at 31 December 2022 and 31 December 2021 under the single tier system.

22. Related party transactions

(a) For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(b) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

22. Related party transactions (cont'd)

	Note	2022 RM	2021 RM
Group Rental of premises payable to: - Hup Seng Brothers Holdings Sdn. Bhd.	(i)	96,600	90,600
Sales of beverages to: - Henan Ever Crown International Trg Co, Ltd.	(ii)	-	27,043
Company From subsidiary companies: Dividends received and receivable		16,032,000	23,209,000

The Directors are of the opinion that all the transactions above have been entered into the normal course of business and have been established under mutually agreed terms.

Note:

(i) Certain Directors of the Company and subsidiaries are also Directors and shareholders of Hup Seng Brothers Holdings Sdn. Bhd.

(ii) The son-in-law of the Director of the Company, namely Kuo Liong Yok, is a director of Henan Ever Crown International Trg Co, Ltd.

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

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Short-term employee benefits	9,795,725	10,249,858	1,615,158	2,321,957
Defined contribution plan	930,382	894,039	73,372	70,460
	10,726,107	11,143,897	1,688,530	2,392,417

23. Capital commitments

	Group	
	2022 RM	2021 RM
Capital expenditure:		
Approved but not contracted for property, plant and equipment	90,861	1,350,000
Contracted but not provided for property, plant and equipment	452,104	2,086,794
	542,965	3,436,794

24. Fair value

Determination of fair value

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

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

	Note
Trade and other receivables (current)	16
Trade and other payables (non-current and current)	18

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

Fair value hierarchy

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

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

As at 31 December 2022, the Group held the following assets of which fair value are disclosed:

	Total RM	Level 1 RM	Level 2 RM	Level 3 RM
At 31 December 2022				
Investment properties* (Note 12)	3,230,000	-	-	3,230,000
Property, plant and equipment of ICFI which is measured at fair value in determining the recoverable value for investment in a subsidiary:				
- Long term leasehold land ^	1,800,000	-	-	1,800,000
- Building ^	4,000,000	-	-	4,000,000
At 31 December 2021				
Investment properties* (Note 12)	3,230,000	-	-	3,230,000
Property, plant and equipment of ICFI which is measured at fair value in determining the recoverable value for investment in a subsidiary:				
- Long term leasehold land ^	1,700,000	-	-	1,700,000
- Building ^	3,700,000	-	-	3,700,000

* The valuation method for investment properties is based on comparable market transaction that considers sales of similar properties that have been transacted in the open market.

The fair value of the investment properties as at 31 December 2022 is determined by the directors based on their estimate. The estimation of the directors is derived based on the valuation report as at 31 December 2021.

^ The valuation method for the long term leasehold land and building are disclosed in Note 14.

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

25. Financial risk management objectives and policies

The Group is exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and foreign currency risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Financial Officer, Head of Treasury and Head of Credit Control. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken and do not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the Head of Credit Control.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

		Days past due				
	Current RM	1-30 days RM	31-60 days RM	61-90 days RM	>90 days RM	Total RM
31 December 2022						
Expected credit loss rate	0.01%	0.10%	0.75%	0.39%	98.87%	
Estimated total gross carrying amount at default	27,719,829	10,240,050	1,133,050	781,823	321,544	40,196,296
Expected credit loss	1,992	10,709	8,442	3,045	317,896	342,084
31 December 2021						
Expected credit loss rate	0.13%	0.25%	3.33%	4.41%	99.70%	
Estimated total gross carrying amount at default	23,719,904	6,625,644	463,435	44,713	403,449	31,257,145
Expected credit loss	30,795	16,345	15,454	1,970	402,235	466,799

25. Financial risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- the carrying amount of each class of financial assets recognised in the statement of financial position.
- an amount of RM1,069,950 (2021: RM971,120) relating to corporate guarantee provided by the Company to several banks for its subsidiaries. As at 31 December 2022 and 2021, the Company has not recognised any financial liability relating to the corporate guarantees given to its subsidiaries as the subsidiaries did not default on any credit facilities.

Information regarding credit enhancements for trade receivables is disclosed in Note 16.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date is as follows:

	Group			
	2022		2021	
	RM	% of total	RM	% of total
By country:				
Malaysia	34,540,766	86.67%	26,590,668	86.36%
Asia	5,172,340	12.98%	4,024,268	13.07%
Other countries	141,106	0.35%	175,410	0.57%
	39,854,212	100.00%	30,790,346	100.00%
By industry sectors:				
Biscuits manufacturing	5,138,243	12.89%	4,165,363	13.53%
Beverages manufacturing	372,229	0.94%	116,415	0.38%
Trading division	34,343,740	86.17%	26,508,568	86.09%
	39,854,212	100.00%	30,790,346	100.00%

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are disclosed in Note 16. Deposits with banks that are neither past due nor impaired are placed with or entered into with reputable banks with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 16.

25. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain sufficient levels of cash or cash convertible investments to meet its working capital requirements and maintain available banking facilities at a reasonable level to its overall debt position.

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Trade and other payables - On demand or within 1 year	58,319,651	56,341,109	1,352,712	1,374,665
Other payables - One to five years	-	205,411	-	-
	58,319,651	56,546,520	1,352,712	1,374,665

(c) Foreign currency risk

The Group is exposed to transactional currency risk primarily through sales that are denominated in a currency other than the functional currency of the operations to which they relate. Foreign exchange exposures in transactional currencies other than functional currency of the Group entities are kept to an acceptable level. The Group does not engage in any formal hedging activities.

Sensitivity analysis of foreign exchange rate changes

	As at 2022		As at 2021	
RM/United States Dollars (USD) exchange rate	+/-	2.00%	+/-	2.00%
USD denominated accounts receivable (RM)		820,472		386,762
Net income (RM)	+/-	16,409	+/-	7,735
RM/Singapore Dollars (SGD) exchange rate	+/-	2.50%	+/-	2.50%
SGD denominated accounts receivable (RM)		3,447,424		3,937,705
Net income (RM)	+/-	86,186	+/-	98,443

26. Capital management

The Group's objectives of managing capital are to safeguard the Group's ability to continue in operations as a going concern in order to provide fair returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain the optimal capital structure, the Group may, from time to time, adjust the dividend payout to shareholders, return capital to shareholders and issue new shares, where necessary. For capital management purposes, the Group considers shareholders' equity and total liabilities to be the key components in the Group's capital structure. The Group monitors capital on the basis of the gearing ratio. The ratio is calculated as the total liabilities to total equity. Total equity is the sum of total equity attributable to shareholders. The gearing ratio as at 31 December 2022 and 2021, which are within the Group's objectives for capital management, are as follows:

	2022 RM	2021 RM
Total liabilities	71,735,198	68,133,625
Total equity	141,100,750	139,019,836
Gearing ratio	51%	49%

27. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

I. The biscuit manufacturing segment is in the business of manufacture and sales of biscuits.
II. The beverage manufacturing segment is in the business of manufacture and wholesale of coffee mix and all kinds of foodstuff.
III. The trading division segment is in the business of sales and distribution of biscuits, confectionery and other foodstuff.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

27. Segment information (cont'd)

	Biscuit manufacturing division		Beverage manufacturing division		Trading division		Consolidated		
	2022 RM	2021 RM	2022 RM	2021 RM	2022 RM	2021 RM	2022 RM	2021 RM	
Revenue									
Revenue	236,827,984	216,206,837	6,836,649	7,000,863	245,098,360	225,495,285	488,762,993	448,702,985	(A)
Results									
Segment profit	11,513,402	14,399,385	125,074	367,573	25,977,983	25,355,828	37,616,459	40,122,786	(B)
Profit from inter-segment sales							(99,479)	49,925	
Other income							650,806	543,497	
Finance cost							(2,653)	(3,325)	
Unallocated expenses							(2,723,979)	(3,420,418)	
Profit before tax							35,441,154	37,292,465	
Income tax expense							(9,360,240)	(10,052,461)	
Profit net of tax							26,080,914	27,240,004	

(A) Revenue reported above represents revenue generated from the reportable segments. Inter-segment sales for the current year is RM170,568,658 (2021: RM152,870,140).

(B) Segment profit represents the profit earned by each segment without allocation of the central administration costs, investment income, financial costs and income tax expense. This is the measure reported to the decision maker for the purposes of resources allocation and assessment of segment performance.

27. Segment information (cont'd)

	Biscuit manufacturing division		Beverage manufacturing division		Trading division		Consolidated	
	2022 RM	2021 RM	2022 RM	2021 RM	2022 RM	2021 RM	2022 RM	2021 RM
Assets								
Segment assets	113,844,632	110,873,386	7,271,973	7,060,151	61,066,838	58,857,320	182,183,443	176,790,857
Unallocated assets							30,652,505	30,362,604
Total assets							212,835,948	207,153,461
Liabilities								
Segment liabilities	53,673,840	49,998,307	1,099,082	1,523,227	15,487,582	15,133,098	70,260,504	66,654,632
Unallocated liabilities							1,474,694	1,478,993
Total liabilities							71,735,198	68,133,625
Other segment information								
Depreciation	5,340,782	5,318,993	222,898	217,422	1,130,513	1,175,780	6,694,193	6,712,195
Unallocated expense							25,626	24,865
							6 ,719,819	6,737,060
Additions of non-current assets	3,674,664	2,015,022	7,697	4,811	2,622,813	732,751	6,305,174	2,752,584
Unallocated expense							5,499	3,709
							6,310,673	2,756,293
Non cash expense other than depreciation	401,344	474,224	29,802	3,035	(5,277)	(53,235)	425,869	424,024
Unallocated expense							1,103	2
							426,972	424,026

28. Dividends

	Group and Company	
	2022 RM	2021 RM
Recognised and paid during the financial year:		
Dividends paid on ordinary shares:		
- Third Interim single-tier dividend for 2020: 2 sen per share	-	16,000,000
- First Interim single-tier dividend for 2021: 1.5 sen per share	-	11,999,996
- Second Interim single-tier dividend for 2021: 1 sen per share	8,000,000	-
- First Interim single-tier dividend for 2022: 1 sen per share	8,000,000	-
- Second Interim single-tier dividend for 2022: 1 sen per share	8,000,000	-
	24,000,000	27,999,996
Declared but not recognised as a liability as at 31 December:		
- Second Interim single-tier dividend for 2021: 1 sen per share	-	8,000,000
- Third Interim single-tier dividend for 2022: 1 sen per share	8,000,000	-
	8,000,000	8,000,000

On 28 February 2023, the Directors declared a third interim single-tier dividend of 1 sen in respect of the financial year ended 31 December 2022 on 800,000,000 ordinary shares, amounting to a dividend payable of RM8,000,000. Such dividend will be payable on 5 April 2023.

29. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the Directors on 8 March 2023.

Top 10 Properties of the Group

For the financial year ended 31 December 2022

Location of Property	Description	Tenure of Land	Existing Use	Land Area/ Build-up Area	Approximate Age of Building	Net Book Value as at 31.12.22 RM
Hup Seng Perusahaan Makanan (M) Sdn. Bhd.						
Lot 1336 14-A, Jalan Kilang Kawasan Perindustrian Tongkang Pecah 83010 Batu Pahat Johor Darul Ta'zim	Single storey detached factory an annex with 3 storey office building incorporating a basement area	Freehold	Warehouse/ office	9,940 sq. m/ 13,285.27 sq. m	23 years	9,733,065
PTD 1858 14, Jalan Kilang Kawasan Perindustrian Tongkang Pecah 83010 Batu Pahat Johor Darul Ta'zim	Single storey detached factory an annex with 2 storey office building and other ancillary buildings	60 years leasehold (Expiring 24.05.2040)	Factory/ office	20,234.11 sq. m/ 14,829.52 sq. m	40 years	11,318,668
PTD 1127 HS(D) 38435 (Formerly HS(D) 7577) 4, Jalan Sampan Kawasan Perindustrian Tongkang Pecah 83010 Batu Pahat Johor Darul Ta'zim	Single storey detached factory	60 years leasehold (Expiring 07.11.2037)	Store	4,047.00 sq. m/ 2,091.40 sq. m	-	755,223
PTD 1853 HS(D) 10338 9, Jalan Perahu Kawasan Perindustrian Tongkang Pecah 83010 Batu Pahat Johor Darul Ta'zim	Single storey detached factory cum 2 storey office building	60 years leasehold (Expiring 23.03.2040)	Rented out (Expiring 30.09.2025)	6,647.03 sq. m/ 5,160.60 sq. m	34 years	1,069,145
PTD 1871 HS(D) 11676 1A, Jalan Kapal Kawasan Perindustrian Tongkang Pecah 83010 Batu Pahat Johor Darul Ta'zim	Single storey detached factory	60 years leasehold (Expiring 26.09.2040)	Factory/ warehouse	4,047.00 sq. m/ 1,880.38 sq. m	30 years	704,001

Top 10 Properties of the Group (cont'd)

For the financial year ended 31 December 2022

Location of Property	Description	Tenure of Land	Existing Use	Land Area/ Build-up Area	Approximate Age of Building	Net Book Value as at 31.12.22 RM
Hup Seng Perusahaan Makanan (M) Sdn. Bhd.						
PTD 1860 HS(D) 12111 3, Jalan Kapal Kawasan Perindustrian Tongkang Pecah 83010 Batu Pahat Johor Darul Ta'zim	3 storey office building cum single storey factory building	60 years leasehold (Expiring 21.10.2041)	Vacant	4,805.04 sq. m/ 4,264.29 sq. m	32 years	5,432,488
Lot 766 HS(M) 672 6, 18, 18.1, 18.2 & 18.3 Jalan Kilang Kawasan Perindustrian Tongkang Pecah 83010 Batu Pahat Johor Darul Ta'zim	4 storey factory building cum office and 4 single storey factory building	Freehold	6-Vacant 18-Store 18.1-Store 18.2-Store 18.3-Vacant	14,822 sq. m/ 11,492.22 sq. m	25 - 31 years	12,946,204
Hup Seng Hoon Yong Brothers Sdn. Bhd.						
Lot No. 305884, PN149251 (Formerly PT 149442) 12, Hala Rapat Baru 18 Taman Perusahaan Ringan Kinta Jaya 31350 Ipoh Perak Darul Ridzuan	1 1/2 storey detached factory	99 years leasehold (Expiring 25.06.2096)	Branch office/ warehouse	1,586 sq. m/ 12,050 sq. ft.	24 years	817,233
Lot 6574 Mukim of Linau District of Batu Pahat Johor Darul Ta'zim	Industrial land	Freehold	Car park	9,704.38 sq. m	-	2,023,429
In-Comix Food Industries Sdn. Bhd.						
Plo No.94 Kawasan Perindustrian Senai 3 Jalan Cyber 6 81400 Senai Johor Darul Ta'zim	Double storey detached factory	60 years leasehold (Expiring 08.06.2056)	Warehouse/ office/ factory	6,328.94 sq. m/ 5,059 sq. m	25 years	3,883,983

Statement of Shareholdings

As at 16 March 2023

Issued Share Capital	:	800,000,000
Paid-Up Share Capital	:	RM80,000,000.00
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per Ordinary Share on a poll

ANALYSIS BY SIZE OF HOLDINGS AS AT 16 MARCH 2023

Holdings	No. of Holders	% of Holders	No. of Shares	% of Shares
1 - 99	165	1.08	6,364	0.00
100 - 1,000	3,373	22.10	2,105,740	0.26
1,001 - 10,000	7,785	51.00	38,671,681	4.83
10,001 - 100,000	3,549	23.25	102,761,343	12.85
100,001 - 39,999,999 (*)	392	2.56	248,454,119	31.06
40,000,000 and above (**)	1	0.01	408,000,753	51.00
Total	15,265	100.00	800,000,000	100.00

* - Less than 5% of Issued Shares
** - 5% and above of Issued Shares

LIST OF TOP 30 SHAREHOLDERS AS AT 16 MARCH 2023

Name Of Shareholders	Holdings	Percentage %
1. HSB Group Sdn Bhd (HSB Group Sdn Bhd)	408,000,753	51.00
2. Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	19,503,900	2.44
3. Kerk Chian Tung	11,333,333	1.42
4. Chong Swee Ching	8,040,000	1.01
5. Kuo Chee Ching	7,322,666	0.92
6. Keh (Kerk) Chu Koh	7,306,666	0.91
7. Kerk Kar Han	6,446,666	0.81
8. Kerk Han Meng	5,226,666	0.65
9. Teo Lee Tong	5,173,333	0.65
10. Teo Lee Teck	5,160,000	0.65
11. Mary Kerk Beng Ley	4,666,666	0.58
12. Kuo Liong Yok	4,233,333	0.53
13. Kuo Chee Kian	3,793,333	0.47
14. Sim Guat Keow @ Sim Han Che	3,626,666	0.45
15. Kuo Chee Hau	3,560,000	0.45
16. Kuo Lee Yong	3,540,000	0.44
17. Kuo Chee Joo	3,500,000	0.44
18. Ng Ee Kim	3,443,333	0.43
19. Kuo Lee Ai	3,406,666	0.43
20. Kerk Ke Yee	3,333,333	0.42

LIST OF TOP 30 SHAREHOLDERS AS AT 16 MARCH 2023 (cont'd)

Name Of Shareholders	Holdings	Percentage %
21. Kuo Lee Hun	3,113,333	0.39
22. Wan Lay Hoon	3,066,666	0.38
23. Lem Leh Lee @ Lim Mok Lee	2,840,000	0.36
24. Kuo Chee Yoong	2,766,666	0.35
25. Tan Beng Hong	2,653,333	0.33
26. Tan Leong Choo	2,314,466	0.29
27. Chooi Yuen Theng	2,133,333	0.27
28. Kuo Chee Koon	2,013,333	0.25
29. Quah Kim Hiang	1,885,400	0.24
30. Teo Lay Gak	1,866,666	0.23

INFORMATION ON SUBSTANTIAL HOLDER'S HOLDINGS AS AT 16 MARCH 2023

Name Of Shareholder	Holdings	Percentage %
HSB Group Sdn Bhd (HSB Group Sdn Bhd)	408,000,753	51.00

LIST OF DIRECTORS WITH REGISTERED SHAREHOLDINGS AS AT 16 MARCH 2023

	Direct Interest		Deemed Interest	
Name Of Directors	No. of Shares	Percentage %	No. of Shares	Percentage %
1. Kerk Chiew Siong	1,333,333	0.17	11,373,333 #	1.42
2. Kerk Chian Tung	11,333,333	1.42	-	-
3. Teo Lee Teck	5,160,000	0.65	533,333 #	0.07
4. Kerk Kar Han	6,446,666	0.81	500,000 #	0.06
5. Kuo Liong Yok	4,233,333	0.53	3,316,666 #	0.41
6. Kerk Shiang Yih	653,333	0.08	-	-
7. Raja Khairul Anuar Bin Raja Mokhtar	-	-	-	-
8. Lim Poh Seong	-	-	-	-
9. Dr. Voon Yuen Hoong	-	-	-	-
10. Ho Wei Lih	-	-	-	-

Note:
\# Deemed interested by virtue of his interest pursuant to Section 59(11)(c) of the Companies Act, 2016.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Thirty-First Annual General Meeting ("31st AGM") of Hup Seng Industries Berhad ("the Company") will be held at the Mezzanine Floor, The Katerina Hotel, 8, Jalan Zabedah, 83000 Batu Pahat, Johor Darul Ta'zim on Thursday, 18 May 2023 at 9.00 a.m. for the following purposes:-

AGENDA

ORDINARY BUSINESS

1.	To receive the audited financial statements of the Company for the financial year ended 31 December 2022 together with the reports of the Directors and auditors thereon.	**Please refer to Explanatory Note A**
2.	To approve the payment of Directors' fees of RM1,780,296 for the financial year ended 31 December 2022.	*Resolution 1*
3.	To approve the payment of Directors' benefits in accordance with Section 230(1) of the Companies Act 2016 up to an amount of RM110,000 from 19 May 2023 until the next Annual General Meeting ("AGM") of the Company.	*Resolution 2*
4.	To re-elect the following Directors who retire by rotation in accordance with Article 103 of the Company's Constitution and being eligible, offer themselves for re-election:- i. Mr. Lim Poh Seong ii. Ms. Kerk Chian Tung iii. Mr. Teo Lee Teck	 *Resolution 3* *Resolution 4* *Resolution 5*
5.	To re-elect the following Director who retire in accordance with Article 112 of the Company's Constitution, being the first AGM after her appointment, and being eligible, offer herself for re-election:- i. Ms. Kerk Shiang Yih	*Resolution 6*
6.	To re-appoint Ernst & Young PLT, the retiring auditors, as the auditors of the Company until the conclusion of the next AGM and to authorise the Directors to fix their remuneration.	*Resolution 7*

AS SPECIAL BUSINESS

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

7.	**ORDINARY RESOLUTION** **CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR** "THAT approval be and is hereby given to Raja Khairul Anuar bin Raja Mokhtar, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next AGM of the Company."	*Resolution 8*
8.	To transact any other business that can be transacted in an annual general meeting of which due notice shall have been received.	

FURTHER NOTICE IS HEREBY GIVEN that for the purpose of determining a member who shall be entitled to attend this 31st AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to issue a Record of Depositors as at 9 May 2023 ("General Meeting Record of Depositors") and only a Depositor whose name appears on the General Meeting Record of Depositors as at 9 May 2023 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

BY ORDER OF THE BOARD

LEE WAI NGAN (LS0000184)
TAN KOK AUN (MACS01564)
Company Secretaries

Kuala Lumpur
20 April 2023

EXPLANATORY NOTE A

This Agenda item is meant for discussion only as under the provisions of Sections 248(2) and 340(1)(a) of the Companies Act 2016 and the Company's Constitution, the audited financial statements do not require the formal approval of shareholders. As such, this item is not put forward for voting.

EXPLANATORY NOTES ON ORDINARY AND SPECIAL BUSINESSES

(i) Resolution 2 – Directors' Benefits

Section 230(1) of the Companies Act 2016 requires that the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting. Pursuant thereto, shareholders' approval will be sought at this AGM for the payment of benefits payable to Directors for the period from 19 May 2023 up to the next AGM. The estimated amount of Directors' Benefits for the period from 19 May 2023 up to the next AGM amounts to RM110,000. The benefits is comprised of meeting allowances and overseas trip (if any). In the event that the proposed Directors' benefits payable are insufficient due to an enlarged size of the board of directors, approval will be sought at the next AGM for additional Directors' benefits to meet the shortfall.

(ii) Resolution 8 – Continuing in office as Independent Non-Executive Director

The Ordinary Resolution 8 proposed under Item No. 7 of the Notice of 31st AGM relates to the approval by shareholders for the named director to continue in office as an Independent Non-Executive Director. The Nomination Committee and the Board have assessed the independence of the director who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years. The Board is satisfied that the director has met the independence guidelines as set out in Chapter 1 of the Main Market Listing Requirements. The length of his service does not interfere with his ability and exercise of independent judgement as an Independent Director. Therefore, the Board has recommended that the approval of the shareholders be sought through a two-tier voting process for the continuing of office of Raja Khairul Anuar bin Raja Mokhtar as an Independent Non-Executive Director of the Company.

NOTES:

1. A member entitled to attend and vote at the AGM is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.

2. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

3. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus accounts it holds. Where a member is an authorised nominee as defined under SICDA, it may appoint one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

4. The instrument appointing a proxy must be deposited at the Registered Office, 3A Mezzanine Floor, Jalan Ipoh Kecil, 50350 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the AGM or any adjournment thereof. The last date and time for lodging the form of proxy is **Tuesday, 16 May 2023 at 9.00 a.m.**

5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation under its common seal or by signature in accordance with section 66(2) of the Companies Act 2016. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Registered Office of the Company at 3A, Mezzanine Floor, Jalan Ipoh Kecil, 50350 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the 31st AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

6. A corporate member who has appointed a representative, please deposit the **ORIGINAL** certificate of appointment with the Registered Office of the Company at 3A, Mezzanine Floor, Jalan Ipoh Kecil, 50350 Kuala Lumpur. The certificate of appointment should be executed in the following manner:

   (i) If the corporate member has a common seal, the certificate of appointment should be executed under seal in accordance to the Section 66(2) of the Companies Act, 2016.
   (ii) If the corporate member does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate member (if any) and executed by:
      (a) at least two (2) authorised officers, of whom one shall be a director; or
      (b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

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合成工業有限公司
Hup Seng Industries Berhad
199101015786 (226098-P)

Form Of Proxy

CDS Account No.	No. of Shares Held

I/We ______________________________ Tel: ______________
(Full name in block, NRIC/Passport/Company No)

of ______________________________
(Full address)

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

Full Name *(in Block)*	NRIC/Passport No.	**Proportion of Shareholdings**	
		No. of Shares	%
Address			

*and / or

Full Name *(in Block)*	NRIC/Passport No.	**Proportion of Shareholdings**	
		No. of Shares	%
Address			

or failing him, the Chairman of the Meeting, as my/our proxy/proxies to vote for *me/us and on *my/our behalf at the Thirty-First Annual General Meeting ("31st AGM") of the Company to be held at the Mezzanine Floor, The Katerina Hotel, 8, Jalan Zabedah, 83000 Batu Pahat, Johor Darul Ta'zim on Thursday, 18 May 2023 at 9.00 a.m. and at every adjournment thereof *for/against the resolutions to be proposed thereat.

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

No.	Resolutions	For	Against
Resolution 1	To approve the payment of Directors' fees for the financial year ended 31 December 2022.		
Resolution 2	To approve the payment of Directors' benefits up to an amount of RM110,000 from 19 May 2023 until the next AGM of the Company.		
Resolution 3	To re-elect Mr. Lim Poh Seong as a Director of the Company.		
Resolution 4	To re-elect Ms. Kerk Chian Tung as a Director of the Company.		
Resolution 5	To re-elect Mr. Teo Lee Teck as a Director of the Company.		
Resolution 6	To re-elect Ms. Kerk Shiang Yih as a Director of the Company.		
Resolution 7	To re-appointment Ernst & Young PLT as auditors of the Company.		
Resolution 8	Continuing in office of Raja Khairul Anuar bin Raja Mokhtar as Independent Non-Executive Director		

Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolutions. In the absence of such specific directions, your proxy will vote or abstain as he thinks fit.

Dated this __________ day of ____________ 2023

____
Signature of Member(s) or Common Seal

Notes:

1. *A member entitled to attend and vote at the AGM is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.*

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Please fold here

Stamp

Hup Seng Industries Bhd
199101015786 (Company No.226098-P)

3A, Mezzanine Floor
Jalan Ipoh Kecil
50350 Kuala Lumpur

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5. *The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation under its common seal or by signature in accordance with section 66(2) of the Companies Act 2016. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Registered Office of the Company at 3A, Mezzanine Floor, Jalan Ipoh Kecil, 50350 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the 31st AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.*

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   (ii) If the corporate member does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate member (if any) and executed by:
      (a) at least two (2) authorised officers, of whom one shall be a director; or
      (b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

Hup Seng Industries Berhad

199101015786 (26098-P)

Hup Seng Industries Berhad

199101015786 (26098-P)

Annual Report
2022

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