HUP SENG INDUSTRIES BERHAD (226098-P)
(Incorporated in Malaysia)

Part A: Explanatory notes pursuant to MFRS 134
For the period ended 31 March 2013

1. Corporate information

Hup Seng Industries Berhad is a public limited liability company incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

2. Basis of Preparation

These condensed consolidated interim financial statements, for the period ended 31 March 2013, have been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the Group's annual audited financial statements for the year ended 31 December 2012. The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2012.

3. Significant accounting policies

The significant accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the annual financial statements for the year ended 31 December 2012 except for the adoption of the following which are applicable to its financial statements and are relevant to its operations:

(i). Adoption of standards and interpretations

MFRS 101 Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)
MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)
MFRS 10 Consolidated Financial Statements
MFRS 11 Joint Arrangements
MFRS 12 Disclosure of interests in Other Entities
MFRS 13 Fair Value Measurement
MFRS 119 Employee Benefits
MFRS 127 Separate Financial Statements
MFRS 128 Investment in Associate and Joint Ventures
MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets to and Financial Liabilities
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – Government Loans
Amendments to MFRS 10: Consolidated Financial Statements: Transition Guidance
Amendments to MFRS 11: Joint Arrangements: Transition Guidance
Amendments to MFRS 12: Disclosure of Interests in Other Entities: Transition Guidance

Amendment to MFRSs contained in the document entitled "Annual Improvements 2009-2011 Cycle"

The adoption of the above standards and interpretations does not have significant financial impact to the Group's consolidated financial statements of the current quarter.

(ii). Standards and interpretations issued but not yet effective

At the date of authorisation of these interim financial statements, the followings standards and interpretations were issued but not yet effective and have not been applied by the Group:

Description		Effective for annual periods beginning on or after
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS12 and MFRS 127	Investment Entities	1 January 2014
MFRS 9	Financial Instruments	1 January 2015

The adoption of these standards above will have no material impact on the financial statements in the year of initial adoption.

4. Comments about seasonal or cyclical factors

The Group's business operations are normally affected by seasonal factors occurring in certain periods of the financial year, such as Hari Raya Puasa, Chinese New Year, etc.

5. Unusual Items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows for the cumulative financial period ended 31 March 2013.

6. Changes in estimates

There were no changes in estimates that have had a material effect in the current quarter results except that the depreciation on other property, plant and equipment is computed using the straight line method over the estimated useful life of the assets with effective 1 January 2013, the change in depreciation method does not have significant financial impact to the Group's consolidated financial statements of the current quarter.

7. Capital management, debt and equity securities

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 March 2013 and 31 December 2012, which are within the Group's objectives for capital management, are as follows:

	As at 31.03.2013 RM'000	As at 31.12.2012 RM'000
Total liabilities	67,723	51,706
Total equity	140,546	153,242
Total capital	60,000	60,000
Gearing ratio	48 %	34%

The increase in the gearing ratio is mainly due to the decrease in equity through dividends declared in excess of net profits earned. The increase in total liabilities is mainly arising from dividend payables.

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the financial period to date.

8. Dividends paid

	Date of payment	Current quarter ended 31.03.2013 RM'000
Dividend paid on ordinary shares:		
-Interim dividend of 15 sen per share (single-tier) for 2012	24.04.2013	18,000
-Special dividend of 3 sen per share (single-tier) for 2012	24.04.2013	3,600
		21,600

9. Operating Segments

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.

Quarter ended 31.03.2013	Biscuit manufacturing division RM'000	Beverage manufacturing division RM'000	Trading division RM'000	Total RM'000
Revenue	41,247	2,672	45,235	89,154
Profit for reportable segments	7,145	275	5,151	12,571

Reconciliation of profit or loss

Profit or loss for the financial period ended 31.03.2013	Quarter ended RM'000
Total profit for reportable segments	12,571
Profit from inter-segment sales	(30)
Other income	300
Unallocated expenses	(699)
Profit before tax	12,142

10. Profit before tax

Included in the profit before tax are the following items:

	Quarter ended 31.03.2013 RM'000	Quarter ended 31.03.2012 RM'000
Interest income	(635)	(566)
Rental income	(5)	(5)
Allowance for doubtful debts	11	18
Depreciation of property, plant and equipment	1,074	1,006
Depreciation of investment properties	-	1
Gain on disposal of property, plant and equipment	(3)	(75)
Inventories written off	4	47
Property, plant and equipment written off	14	3
Realised exchange losses	49	183

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For the period ended 31 March 2013

11. Cash and cash equivalents

Cash and cash equivalents comprised the following amounts:

	31.03.2013 RM'000	31.12.2012 RM'000
Cash at bank and in hand	6,537	9,436
Short term deposits	79,760	69,980
Total cash and cash equivalents	86,297	79,416

12. Events after the reporting period

There were no material events subsequent to the end of the current quarter.

13. Changes in composition of the Group

There were no changes in the composition of the Group for the current quarter and financial period to date.

14. Changes in contingent liabilities and contingent assets

The Group has no contingent liabilities or contingent assets since the last annual date of the statement of financial position as at 31 December 2012.

15. Capital commitments

Authorised capital commitments not recognised in the interim financial statements as at 31 March 2013 are as follows:

	RM'000
Purchase of property, plant and equipment	
Contracted but not provided for	748

16. Related party transactions

	Current quarter ended 31.03.2013 RM
Rental of premises payable to:	
-Hup Seng Brothers Holdings Sdn. Bhd. #	30,000

Note: Certain directors of the Group are also directors and shareholders of Hup Seng Brothers Holdings Sdn. Bhd.

The Directors are of the opinion that the above transactions have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

Part B: Explanatory notes pursuant to Main Market Listing Requirements of
Bursa Malaysia Securities Berhad

17. Performance review

The Group's revenue for the current quarter ended 31 March 2013 has decreased by 3% to RM59,873,000 from RM61,794,000 in the quarter ended 31 March 2012 mainly due to softer local and export demand.

Despite slowing down in demand, the Group managed to register a profit before tax of RM12,142,000 as compared to a profit before tax of RM10,756,000 in the preceding corresponding quarter, an increase of nearly 13%. The commendable result was achieved on the back of lower material input costs.

18. Comment of material change in profit before taxation

Group's revenue has decreased by 5% to RM59,873,000 in the current quarter ended 31 March 2013 as compared to RM63,144,000 in the preceding quarter as a result of slower demand of biscuits for local and export market.

Profit before tax has improved by 8% to RM12,142,000 as compared to RM11,280,000 in the preceding quarter which included an amount of RM815,000 being property, plant and equipment written off.

19. Commentary of prospects

Given the stronger trade data recently and optimism on global economic recovery, Malaysia is widely expected to grow at more than 5% GDP in 2013. The Group is committed to maintaining the level of performance by undertaking various initiatives that will accomplish our business objectives and strategies. At the same time, the Group will continue to build the competitiveness of our products while remaining focused on operational efficiency and productivity so that satisfactory results are achieved in this year. We will continue to address the needs of consumers to sustain the Group's performance.

20. Profit forecast or profit guarantee

The disclosure requirements for explanatory notes for the variance of actual profit after tax and minority interest and forecast profit after tax and minority interest and for the shortfall in profit guarantee are not applicable.

Part B: Explanatory notes pursuant to Main Market Listing Requirements of
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21. Income tax expense

	Quarter ended	
	31.03.2013	31.03.2012
	RM'000	RM'000
Current income tax :		
-Malaysia income tax	3,308	2,684
-Deferred taxation	(70)	54
	3,238	2,738

Major components of tax expenses	Current quarter ended 31.03.2013 RM'000
Current tax expense	3,308
Deferred tax expense	(70)
	3,238
Profit before taxation	12,142
Taxation at the Malaysian statutory tax rate of 25%	3,036
Adjustments:	
-Non-deductible expenses	220
-Expenses with double deduction	(18)
Income tax expense	3,238
Effective tax rate	26.7%

22. Sale of unquoted investments and properties

There were no sale of unquoted investments and properties for the current quarter and financial year to date.

23. Quoted securities

There were no purchase and sale of quoted securities for the current quarter and financial year to date.

24. Corporate proposals

There were no corporate proposals announced but not completed not earlier than seven (7) days from 15 May 2013.

25. Borrowings and debt securities

There were no group borrowings and debt securities as at the end of the reporting period.

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26. Derivative financial instruments

As at the reporting date of 31 March 2013, the Group has no outstanding derivative financial instruments.

27. Gains / Losses arising from fair value changes of financial liabilities

There are no gains/losses arising from fair value changes of any financial liabilities.

28. Breakdown of realised and unrealised profit or losses of the Group

	At end of current quarter 31.03.2013 RM'000	At end of preceding quarter 31.12.2012 RM'000
Total retained profits		
Realised	108,223	120,965
Unrealised	931	861
	109,154	121,826
Less: Consolidation adjustments	(42,941)	(42,917)
Retained profits as per statement of financial position	66,213	78,909

29. Changes in material litigation

There were no material litigation not earlier than seven (7) days from 15 May 2013.

30. Dividend payable

The Board of Directors do not recommend the payment of any dividend for the financial quarter under review.

31. Earnings per share

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

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	Current quarter ended 31.03.2013	Preceding year corresponding quarter 31.03.2012
(a) Basic		
Profit for the period (RM'000)	8,904	8,018
Weighted average number of ordinary shares in issue ('000)	120,000	120,000
Basic earnings per share (sen)	7.42	6.68
(b) Diluted		
Basic earnings per share (sen)	7.42	6.68

32. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2012 was not qualified.

33. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 15 May 2013.

By Order of the Board

Leong Siew Foong
Company Secretary
Johor Bahru
Dated: 15 May 2013