Part A: Explanatory notes pursuant to MFRS 134
For the period ended 30 June 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 30 June 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 30 June 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 cumulative to date.

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

	As at 30.06.2013 RM'000	As at 31.12.2012 RM'000
Total liabilities	51,030	51,706
Total equity	151,252	153,242
Total capital	60,000	60,000
Gearing ratio	34 %	34%

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 30.06.2013 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:

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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 30.06.2013	Biscuit manufacturing division RM'000	Beverage manufacturing division RM'000	Trading division RM'000	Total RM'000
Revenue	46,385	2,494	49,479	98,358
Profit for reportable segments	8,856	168	6,178	15,202
6 months cumulative to date				
Revenue	87,632	5,166	94,714	187,512
Profit for reportable segments	16,001	443	11,329	27,773

Reconciliation of profit or loss

Profit or loss for the financial period ended 30.06.2013	Quarter ended RM'000	Cumulative to date RM'000
Total profit for reportable segments	15,202	27,773
Profit from inter-segment sales	(15)	(45)
Other income	196	496
Unallocated expenses	(790)	(1,489)
Profit before tax	14,593	26,735

10. Profit before tax

Included in the profit before tax are the following items:

	Quarter ended		Cumulative to date	
	30.06.2013	30.06.2012	30.06.2013	30.06.2012
	RM'000	RM'000	RM'000	RM'000
Interest income	(589)	(566)	(1,224)	(1,132)
Rental income	(5)	(5)	(10)	(10)
Allowance for doubtful debts	24	1	35	19
Bad debts written off	7	6	7	6
Depreciation of property, plant and equipment	1,071	1,048	2,145	2,054
Depreciation of investment properties	-	1	-	1
Gain/(loss) on disposal of property, plant and equipment	1	60	(2)	(15)
Inventories written off	4	5	8	52
Impairment loss on property, plant and equipment	3	-	3	-
Property, plant and equipment written off	7	6	21	9
Realised exchange losses	34	20	83	203

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11. Cash and cash equivalents

Cash and cash equivalents comprised the following amounts:

	30.06.2013 RM'000	31.12.2012 RM'000
Cash at bank and in hand	6,119	9,436
Short term deposits	71,601	69,980
Total cash and cash equivalents	77,720	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

Authorized capital commitments not recognised in the interim financial statements as at 30 June 2013 are as follows:

	RM'000
Purchase of property, plant and equipment	
Contracted but not provided for	279

16. Related party transactions

	Current quarter ended 30.06.2013 RM	6 months cumulative to date 30.06.2013 RM
Rental of premises payable to:		
-Hup Seng Brothers Holdings Sdn. Bhd. #	30,000	60,000

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 30 June 2013 was almost flat at RM66,126,000 as compared to corresponding quarter ended 30 June 2012.

During the quarter, the Group managed to register a profit before tax of RM14,593,000 as compared to a profit before tax of RM12,835,000 in the preceding corresponding quarter, an increase of nearly 14%. The commendable result was achieved on the back of lower material input costs and reduced promotional expenses.

Revenue for the six months ended 30 June 2013 has decreased to RM125,999,000 as compared with the preceding year corresponding period of RM127,810,000 as a result of lower demand of groups' products from both export and local market.

Profit before tax, on the other hand, has improved strongly to RM26,735,000 when compared with the preceding year corresponding period of RM23,591,000. The surge in earnings came mainly from the cumulative effects of lower material input cost and optimal utilization of existing new operational facilities.

18. Comment of material change in profit before taxation

Group's revenue has increased by 10% to RM66,126,000 in the current quarter ended 30 June 2013 as compared to RM59,873,000 in the preceding quarter where sales were affected by festive seasons.

Profit before tax has improved by 20% to RM14,593,000 as compared to RM12,142,000 in the preceding quarter in line with higher revenue recorded.

19. Commentary of prospects

While economic recovery in U.S. and Euro zone remains fragile, there is a growing fear of China's economic health with more data pointing towards slowing growth. It still looks resilient domestically and expectation of GDP growth of 4% to 5% for the whole year should be within reach. Soft CPO prices have contributed largely to strong earnings for the Group in the first half of this year. Recent reports on forecasts for global supply and demand for oils and fats suggest a price recovery in second half of 2013 may not be afoot, barring any freak weather conditions. This bodes well for the Group's performance for the remaining part of the year. Notwithstanding that, the group will continue to build the competitiveness of our products and address the needs of consumers to sustain the performance.

20. Profit forecast or profit guarantee

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

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

21. Income tax expense

	Quarter ended		6 months cumulative to date	
	30.06.2013	30.06.2012	30.06.2013	30.06.2012
	RM'000	RM'000	RM'000	RM'000
Current income tax :				
-Malaysia income tax	3,873	3,615	7,181	6,299
-Deferred taxation	14	59	(56)	113
	3,887	3,674	7,125	6,412

Major components of tax expenses	Current quarter ended 30.06.2013 RM'000	6 months cumulative to date 30.06.2013 RM'000
Current tax expense	3,873	7,181
Deferred tax expense	14	(56)
	3,887	7,125
Profit before taxation	14,593	26,735
Taxation at the Malaysian statutory tax rate of 25%	3,648	6,684
Adjustments:		
-Non-deductible expenses	316	536
-Expenses with double deduction	(77)	(95)
Income tax expense	3,887	7,125
Effective tax rate	26.6%	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 21 August 2013.

25. Borrowings and debt securities

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

26. Derivative financial instruments

As at the reporting date of 30 June 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 30.06.2013 RM'000	At end of preceding quarter 31.03.2013 RM'000
Total retained profits		
Realised	118,952	108,223
Unrealised	918	931
	119,870	109,154
Less: Consolidation adjustments	(42,951)	(42,941)
Retained profits as per statement of financial position	76,919	66,213

29. Changes in material litigation

There were no material litigation not earlier than seven (7) days from 21 August 2013.

30. Dividend payable

Other than as disclosed in Note 8 above, the Board of Directors recommends the payment of single tier interim dividend of 15 sen per ordinary share of RM0.50 each for the financial quarter under review. The entitlement date will be announced in due course.

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

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.

	Current quarter ended 30.06.2013	6 months cumulative to date 30.06.2013
(a) Basic		
Profit for the period (RM'000)	10,706	19,610
Weighted average number of ordinary shares in issue ('000)	120,000	120,000
Basic earnings per share (sen)	8.92	16.34
(b) Diluted		
Basic earnings per share (sen)	8.92	16.34

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. Authorization for Issue

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the directors on 21 August 2013.

By Order of the Board

Leong Siew Foong
Company Secretary
Johor Bahru
Dated: 21 August 2013