

HUP SENG INDUSTRIES BERHAD (226098-P)

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS

Condensed Consolidated Statement of Comprehensive Income

For the period ended 31 March 2016

The figures have not been audited

	Note	<u>2016</u> CURRENT QUARTER ENDED 31 March RM'000	<u>2015</u> CURRENT QUARTER ENDED 31 March RM'000	<u>2016</u> 3 MONTHS CUMULATIVE TO DATE RM'000	<u>2015</u> 3 MONTHS CUMULATIVE TO DATE RM'000
Revenue		72,407	71,106	72,407	71,106
Cost of sales		(41,453)	(42,239)	(41,453)	(42,239)
Gross profit		30,954	28,867	30,954	28,867
Other income		1,202	1,029	1,202	1,029
Administrative expenses		(5,323)	(4,717)	(5,323)	(4,717)
Selling and marketing expenses		(8,632)	(7,376)	(8,632)	(7,376)
Operating profit		18,201	17,803	18,201	17,803
Finance cost		-	-	-	-
Profit before tax	10	18,201	17,803	18,201	17,803
Income tax expense	21	(4,606)	(4,574)	(4,606)	(4,574)
Profit for the period		13,595	13,229	13,595	13,229
Total comprehensive income for the period, net of tax		13,595	13,229	13,595	13,229
Profit attributable to : Owners of the Parent		13,595	13,229	13,595	13,229
Total Comprehensive Income for the period, net of tax attributable to : Owners of the Parent		13,595	13,229	13,595	13,229
Earnings per share attributable to Owners of the Parent (sen) :					
-Basic	31(a)	1.70	1.65	1.70	1.65
-Diluted	31(b)	1.70	1.65	1.70	1.65

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements)

HUP SENG INDUSTRIES BERHAD (226098-P)

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS**Condensed Consolidated Statement of Financial Position****As at 31 March 2016****The figures have not been audited**

	Note	As at 31/03/2016 RM'000	As at 31/12/2015 RM'000
<u>ASSETS:</u>			
Non-current assets:			
Property, Plant and Equipment		63,884	64,653
Investment property		213	214
Deferred tax assets		49	37
<i>Sub total</i>		64,146	64,904
Current assets:			
Inventories		21,975	22,074
Trade and other receivables		38,765	37,261
Prepayments		1,046	786
Cash and cash equivalents	11	107,888	119,964
<i>Sub total</i>		169,674	180,085
TOTAL ASSETS		233,820	244,989
<u>EQUITY AND LIABILITIES:</u>			
Equity attributable to Owners of the Company :			
Share capital		80,000	80,000
Retained earnings		83,260	85,665
TOTAL EQUITY		163,260	165,665
Non-current liabilities :			
Deferred tax liabilities		7,214	7,306
<i>Sub total</i>		7,214	7,306
Current liabilities:			
Trade and other payables		39,774	49,072
Income tax payable		7,572	6,946
Dividends payable		16,000	16,000
<i>Sub total</i>		63,346	72,018
TOTAL LIABILITIES		70,560	79,324
TOTAL EQUITY AND LIABILITIES		233,820	244,989

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements)

HUP SENG INDUSTRIES BERHAD (226098-P)

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS**Condensed Consolidated Statement of Changes in Equity****The figures have not been audited****For the period ended 31 March 2016**

	Attributable to owners of the parent		
	Non-distributable	Distributable	Total
	Share capital RM'000	Retained earnings RM'000	
Opening balance at 1 January 2016	80,000	85,665	165,665
Total comprehensive income for the period	-	13,595	13,595
Transaction with the owners			
Dividends on ordinary shares	-	(16,000)	(16,000)
Total transaction with the owners	-	(16,000)	(16,000)
Closing balance at 31 March 2016	80,000	83,260	163,260

**For the corresponding period
ended 31 March 2015**

	Attributable to owners of the parent		
	Non-distributable	Distributable	Total
	Share capital RM'000	Retained earnings RM'000	
Opening balance at 1 January 2015	80,000	74,934	154,934
Total comprehensive income for the period	-	13,229	13,229
Closing balance at 31 March 2015	80,000	88,163	168,163

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements)

HUP SENG INDUSTRIES BERHAD (226098-P)

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS**Condensed Consolidated Statement of Cash Flows****For the period ended 31 March 2016****The figures have not been audited**

	Note	2016 3 months ended 31/03/2016 RM'000	2015 3 months ended 31/03/2015 RM'000
Cash flows from operating activities:			
Profit before tax		18,201	17,803
Adjustments for:			
Allowance for doubtful debts		18	91
Bad debts written off		1	36
Depreciation of property, plant and equipment		1,323	1,296
Loss on disposal of property, plant and equipment		-	4
Interest income		(911)	(778)
Inventories written off		10	16
Property, plant and equipment written off		2	94
Total adjustments		443	759
Operating profit before changes in working capital		18,644	18,562
Changes in working capital			
Decrease/(Increase) in inventories		89	(1,883)
(Increase)/Decrease in trade and other receivables		(1,523)	1,907
Increase in prepayments		(260)	(280)
Decrease in trade and other payables		(9,298)	(9,290)
Total changes in working capital		(10,992)	(9,546)
Cash flows from operations		7,652	9,016
Taxes paid		(4,085)	(2,466)
Net cash flows from operating activities		3,567	6,550
Cash flows from investing activities			
Interest received		911	778
Proceeds from disposal of property, plant and equipment		-	6
Purchase of property, plant and equipment		(555)	(973)
Net cash from/(used in) investing activities		356	(189)
Cash flows from financing activities			
Dividends paid on ordinary shares		(16,000)	(12,000)
Net cash used in financing activities		(16,000)	(12,000)
Net decrease in cash and cash equivalents		(12,077)	(5,639)
Cash and cash equivalents at beginning of financial year		109,323	100,508
Cash and cash equivalents at end of financial period	11	97,246	94,869

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements)

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

Part A: Explanatory notes pursuant to MFRS 134
For the period ended 31 March 2016

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 2016, 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 2015. 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 2015.

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 2015 except for the adoption of the following which are applicable to the financial statements and are relevant to the operations:

(i) Adoption of standards and interpretations

	Effective for annual periods beginning <u>on or after</u>
Annual Improvements to MFRSs 2012–2014 Cycle	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 101: Disclosure Initiatives	1 January 2016
MFRS 14 Regulatory Deferral Accounts	1 January 2016

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

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Part A: Explanatory notes pursuant to MFRS 134
For the period ended 31 March 2016

(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:

	Effective for annual periods beginning <u>on or after</u>
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
MFRS15 Revenue from Contracts with Customers	1 January 2018
MFRS 9 Financial Instruments (IFRS 9 Financial Instruments as issued by IASB in July 2014)	1 January 2018
MFRS 16 Leases	1 January 2019

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 2016.

6. Changes in estimates

There were no changes in estimates that have had a material effect in the current quarter results.

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 2016 and 31 December 2015, which are within the Group's objectives for capital management, are as follows:

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Part A: Explanatory notes pursuant to MFRS 134
For the period ended 31 March 2016

	As at 31.03.2016 <u>RM'000</u>	As at 31.12.2015 <u>RM'000</u>
Total liabilities	70,560	79,324
Total equity	163,260	165,665
Total capital	80,000	80,000
Gearing ratio	43%	48%

The decrease in the gearing ratio is mainly due to the decrease in trade and other 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

	Date of <u>payment</u>	Cumulative to date 31.03.2016 <u>RM'000</u>
Dividend paid on ordinary shares of RM0.10 each: -Interim dividend of 2 sen per share (single-tier) for 2015 declared on 7 March 2016	13.04.2016	<u>16,000</u>

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 31.03.2016	Biscuit manufacturing division RM'000	Beverage manufacturing division RM'000	Trading division RM'000	Total RM'000
Revenue *	52,100	2,662	54,318	109,080
Profit for reportable segments	11,575	327	6,889	18,791

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Part A: Explanatory notes pursuant to MFRS 134
For the period ended 31 March 2016

Reconciliation of profit or loss

Profit or loss for the financial period ended 31.03.2016	Quarter ended RM'000
Total profit for reportable segments	18,791
Profit from inter-segment sales	(60)
Other income	267
Unallocated expenses	(797)
Profit before tax	18,201

* Revenue reported above represents revenue generated from the reportable segments. Inter-segment sales for the current quarter is RM36,673,000.

10. Profit before tax

Included in the profit before tax are the following items:

	Quarter ended	
	31.03.2016 RM'000	31.03.2015 RM'000
Interest income	(911)	(778)
Rental income	(5)	(5)
Allowance for doubtful debts	18	91
Bad debts written off	1	36
Depreciation of property, plant and equipment	1,323	1,296
Loss on disposal of property, plant and equipment	-	4
Inventories written off	10	16
Property, plant and equipment written off	2	94
Realised exchange loss/(gain)	223	(71)

11. Cash and bank balances

Cash and bank balances comprised the following amounts:

	31.03.2016 RM'000	31.12.2015 RM'000
Cash at bank and in hand	5,235	5,764
Short-term deposits	92,011	103,558
Cash and cash equivalents	97,246	109,322
Short-term deposits of more than 3 months maturity period	10,642	10,642
Total cash and cash balances	107,888	119,964

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Part A: Explanatory notes pursuant to MFRS 134
For the period ended 31 March 2016

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 2015.

15. Capital commitments

Authorized capital commitments not recognised in the interim financial statements as at 31 March 2016 are as follows:

	RM'000
Contracted but not provided for:	
Purchase freehold land and buildings	9,880
Purchase leasehold land and building	3,320
Purchase plant and equipment	697
	<u>13,897</u>

16. Related party transactions

	Current quarter ended 31.03.2016 <u>RM</u>
Rental of premises payable to: -Hup Seng Brothers Holdings Sdn. Bhd. #	<u>30,000</u>

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.

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

The Group's revenue for the current quarter ended 31 March 2016 has slightly increased by 2% to RM72,407,000 from RM RM71,106,000 in the quarter ended 31 March 2015. Higher local market demand for biscuits mainly contributed to the positive growth in sales.

The Group registered a profit before tax of RM18,201,000 as compared to a profit before tax of RM17,803,000 in the preceding corresponding quarter, an increase of nearly 2% mainly driven by higher sales.

18. Comment of material change in profit before taxation

Group's revenue has decreased 10% to RM72,407,000 in the current quarter ended 31 March 2016 as compared to RM80,071,000 in the preceding quarter mainly as a result of drop in export sales due to seasonal factors.

Profit before tax has decreased by about 9% to RM18,201,000 as compared to RM20,103,000 in the preceding quarter mainly due to lower sales recorded and higher input costs incurred during the current quarter.

19. Commentary of prospects

The Group expects 2016 to be challenging. To prepare for tougher market conditions in the coming year, the Group will focus more on productivity improvement in all areas of operation. Notwithstanding that, the Group will continue to identify investment opportunities for expansion to grow its business. The Group's latest Cookies line was installed and commercial run started in year 2015, a strategy to diversify our product portfolio and keeping in line with the rest of the industry players. To create better awareness of this new range of products, the Group has invested on advertising and promotional campaigns in local markets.

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.

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

	3 months Quarter ended	
	31.03.2016	31.03.2015
	RM'000	RM'000
Current income tax :		
-Malaysia income tax	4,710	4,608
-Deferred taxation	(104)	(34)
	<u>4,606</u>	<u>4,574</u>

Major components of tax expenses

	3 months cumulative to date 31.03.2016 RM'000
Current tax expense	4,710
Deferred tax expense	<u>(104)</u>
	<u>4,606</u>
Profit before taxation	18,201
Taxation at the Malaysian statutory tax rate of 24%	4,368
Adjustments:	
-Non-deductible expenses	264
-Expenses with double deduction	<u>(26)</u>
Income tax expense	<u>4,606</u>
Effective tax rate	25.3%

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 19 May 2016, except for the following:

Hup Seng Perusahaan Makanan (M) Sdn Bhd (“HSPM”), a wholly owned subsidiary of the Company had on 9 March 2016 entered into the following agreements:

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(i). A sale and purchase agreement with Syarikat Koon Fuat Industries Sdn Bhd (“SKFI”) for the proposed acquisition of a piece of land in Mukim Linau, Daerah Batu Pahat, Negeri Johor measuring in aggregate approximately 1.1875 acre together with a 3 storey factory building cum office for a total cash consideration of RM4,399,000 (inclusive of Goods and Services Tax (“GST”)); and

(ii). A sale and purchase agreement with SKFI for the proposed acquisition of a piece of land in Mukim Linau, Daerah Batu Pahat, Negeri Johor measuring in aggregate approximately 15428.6156 square metres (3a.3r.10p.) together with 5 units of building for a total cash consideration of RM13,091,000 (inclusive of GST).

This transaction was announced to Bursa Malaysia Securities Berhad on 9 March 2016.

The proposed acquisition for (i) and (ii) are pending completion.

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 31 March 2016, 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 31.03.2016 RM'000	At end of preceding quarter 31.12.2015 RM'000
Total retained profits		
Realised	132,199	134,621
Unrealised	1,613	1,549
	<hr/>	<hr/>
	133,812	136,170
Less: Consolidation adjustments	(50,552)	(50,505)
Retained profits as per statement of financial position	<hr/> <hr/>	<hr/> <hr/>
	83,260	85,665

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Part B: Explanatory notes pursuant to Main Market Listing Requirements of
Bursa Malaysia Securities Berhad
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29. Changes in material litigation

There were no material litigation not earlier than seven (7) days from 19 May 2016.

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.

	3 months Quarter ended	
	31.03.2016	31.03.2015
(a) Basic		
Profit for the period (RM'000)	13,595	13,229
Weighted average number of ordinary share for earnings per share ('000)	800,000	800,000
Basic earnings per share (sen)	1.70	1.65
(b) Diluted		
Diluted earnings per share (sen)	1.70	1.65

32. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2015 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 19 May 2016.