

HUP SENG INDUSTRIES BERHAD (226098-P)

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS

Condensed Consolidated Statement of Comprehensive Income

For the period ended 30 September 2016

The figures have not been audited

	Note	<u>2016</u> CURRENT QUARTER ENDED 30 September RM'000	<u>2015</u> CURRENT QUARTER ENDED 30 September RM'000	<u>2016</u> 9 MONTHS CUMULATIVE TO DATE RM'000	<u>2015</u> 9 MONTHS CUMULATIVE TO DATE RM'000
Revenue		64,588	64,443	202,848	206,789
Cost of sales		(39,368)	(37,323)	(120,246)	(119,766)
Gross profit		25,220	27,120	82,602	87,023
Other income		999	1,019	3,242	3,129
Administrative expenses		(4,889)	(4,669)	(15,482)	(14,072)
Selling and marketing expenses		(7,952)	(7,996)	(24,792)	(23,228)
Operating profit		13,378	15,474	45,570	52,852
Finance cost		-	-	-	-
Profit before tax	10	13,378	15,474	45,570	52,852
Income tax expense	21	(3,421)	(3,909)	(11,588)	(13,508)
Profit for the period		9,957	11,565	33,982	39,344
Total comprehensive income for the period, net of tax		9,957	11,565	33,982	39,344
Profit attributable to : Owners of the Parent		9,957	11,565	33,982	39,344
Total Comprehensive Income for the period, net of tax attributable to : Owners of the Parent		9,957	11,565	33,982	39,344
Earnings per share attributable to Owners of the Parent (sen) :					
-Basic	31(a)	1.24	1.45	4.25	4.92
-Diluted	31(b)	1.24	1.45	4.25	4.92

(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 30 September 2016****The figures have not been audited**

	Note	As at 30/09/2016 RM'000	As at 31/12/2015 RM'000
<u>ASSETS:</u>			
Non-current assets:			
Property, Plant and Equipment		79,014	64,653
Investment property		212	214
Deferred tax assets		66	37
<i>Sub total</i>		79,292	64,904
Current assets:			
Inventories		24,212	22,074
Trade and other receivables		29,937	37,261
Prepayments		659	786
Cash and cash equivalents	11	101,742	119,964
<i>Sub total</i>		156,550	180,085
TOTAL ASSETS		235,842	244,989
<u>EQUITY AND LIABILITIES:</u>			
Equity attributable to Owners of the Company :			
Share capital		80,000	80,000
Retained earnings		87,647	85,665
TOTAL EQUITY		167,647	165,665
Non-current liabilities :			
Deferred tax liabilities		7,069	7,306
<i>Sub total</i>		7,069	7,306
Current liabilities:			
Trade and other payables		41,295	49,072
Income tax payable		3,831	6,946
Dividends payable		16,000	16,000
<i>Sub total</i>		61,126	72,018
TOTAL LIABILITIES		68,195	79,324
TOTAL EQUITY AND LIABILITIES		235,842	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 30 September 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	-	33,982	33,982
Transaction with the owners			
Dividends on ordinary shares	-	(32,000)	(32,000)
Total transaction with the owners	-	(32,000)	(32,000)
Closing balance at 30 September 2016	80,000	87,647	167,647

**For the corresponding period
ended 30 September 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	-	39,344	39,344
Transaction with the owners			
Dividends on ordinary share	-	(28,000)	(28,000)
Total transaction with the owners	-	(28,000)	(28,000)
Closing balance at 30 September 2015	80,000	86,278	166,278

(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 30 September 2016****The figures have not been audited**

	Note	<u>2016</u> 9 months ended 30/09/2016 RM'000	<u>2015</u> 9 months ended 30/09/2015 RM'000
Cash flows from operating activities:			
Profit before tax		45,570	52,852
Adjustments for:			
Allowance for doubtful debts		29	82
Bad debts written off		5	61
Depreciation of property, plant and equipment		4,008	3,971
Loss on disposal of property, plant and equipment		106	140
Interest income		(2,611)	(2,646)
Reversal of impairment loss on property, plant and equipment		-	(15)
Inventories written off		39	49
Property, plant and equipment written off		32	129
Total adjustments		1,608	1,771
Operating profit before changes in working capital		47,178	54,623
Changes in working capital			
Increase in inventories		(2,177)	(801)
Decrease in trade and other receivables		7,290	3,870
Decrease/(increase) in prepayments		127	(516)
Decrease in trade and other payables		(7,777)	(9,373)
Total changes in working capital		(2,537)	(6,820)
Cash flows from operations		44,641	47,803
Taxes paid		(14,970)	(10,150)
Net cash flows from operating activities		29,671	37,653
Cash flows from investing activities			
Withdrawal/(deposit) of deposits for more than 3 months maturity with licensed bank		2,041	(2,500)
Interest received		2,611	2,646
Proceeds from disposal of property, plant and equipment		303	524
Purchase of property, plant and equipment		(18,808)	(2,297)
Net cash used in investing activities		(13,853)	(1,627)
Cash flows from financing activities			
Dividends paid on ordinary shares		(32,000)	(24,000)
Net cash used in financing activities		(32,000)	(24,000)
Net (decrease)/increase in cash and cash equivalents		(16,182)	12,026
Cash and cash equivalents at beginning of financial year		109,323	100,508
Cash and cash equivalents at end of financial period	11	93,141	112,534

(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 30 September 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 30 September 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

HUP SENG INDUSTRIES BERHAD (226098-P)

(Incorporated in Malaysia)

Part A: Explanatory notes pursuant to MFRS 134 For the period ended 30 September 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.

(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
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transaction	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 30 September 2016.

6. Changes in estimates

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

HUP SENG INDUSTRIES BERHAD (226098-P)

(Incorporated in Malaysia)

Part A: Explanatory notes pursuant to MFRS 134

For the period ended 30 September 2016

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

	As at 30.09.2016 <u>RM'000</u>	As at 31.12.2015 <u>RM'000</u>
Total liabilities	68,195	79,324
Total equity	167,647	165,665
Total capital	80,000	80,000
Gearing ratio	41%	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 30.09.2016 <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	16,000
-Interim dividend of 2 sen per share (single-tier) for 2016 declared on 30 August 2016	10.10.2016	<u>16,000</u>
		<u>32,000</u>

HUP SENG INDUSTRIES BERHAD (226098-P)

(Incorporated in Malaysia)

Part A: Explanatory notes pursuant to MFRS 134
For the period ended 30 September 2016

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 30.09.2016	Biscuit manufacturing division RM'000	Beverage manufacturing division RM'000	Trading division RM'000	Total RM'000
Revenue *	48,005	2,374	44,048	94,427
Profit for reportable segments	9,071	110	4,776	13,957
9 months cumulative to date				
Revenue *	148,556	7,387	146,615	302,558
Profit for reportable segments	30,027	491	16,994	47,512

Reconciliation of profit or loss

Profit or loss for the financial period ended 30.09.2016	Quarter ended RM'000	Cumulative to date RM'000
Total profit for reportable segments	13,957	47,512
Profit from inter-segment sales	8	(130)
Other income	184	657
Unallocated expenses	(771)	(2,469)
Profit before tax	13,378	45,570

* Revenue reported above represents revenue generated from the reportable segments. Inter-segment sales for the current quarter and 9 months cumulative to date are RM29,839,000 and RM99,710,000 respectively.

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

Part A: Explanatory notes pursuant to MFRS 134
For the period ended 30 September 2016

10. Profit before tax

Included in the profit before tax are the following items:

	Quarter ended		Cumulative to date	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Interest income	(827)	(977)	(2,611)	(2,646)
Rental income	(5)	(5)	(15)	(15)
Allowance for doubtful debts/ (write back of allowance for doubtful debts)	4	(5)	29	82
Bad debts written off	2	10	5	61
Depreciation of property, plant and equipment	1,347	1,356	4,008	3,971
Loss on disposal of property, plant and equipment	87	136	106	140
Inventories written off	19	25	39	49
Reversal of impairment loss on property, plant and equipment	-	-	-	(15)
Property, plant and equipment written off	28	20	32	129
Realised exchange loss/(gain)	50	(98)	422	(161)

11. Cash and bank balances

Cash and bank balances comprised the following amounts:

	30.09.2016	31.12.2015
	<u>RM'000</u>	<u>RM'000</u>
Cash at bank and in hand	8,406	5,764
Short-term deposits	84,735	103,558
Cash and cash equivalents	<u>93,141</u>	<u>109,322</u>
Short-term deposits of more than 3 months maturity period	8,601	10,642
Total cash and cash balances	<u>101,742</u>	<u>119,964</u>

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.

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

Part A: Explanatory notes pursuant to MFRS 134
For the period ended 30 September 2016

15. Capital commitments

Authorized capital commitments not recognised in the interim financial statements as at 30 September 2016 are as follows:

	RM'000
Contracted but not provided for:	
Purchase plant and equipment	<u>551</u>

16. Related party transactions

	Current quarter ended 30.09.2016 <u>RM</u>	9 months cumulative to date 30.09.2016 <u>RM</u>
Rental of premises payable to:		
-Hup Seng Brothers Holdings Sdn. Bhd. #	<u>30,000</u>	<u>90,000</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.

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

Part B: Explanatory notes pursuant to Main Market Listing Requirements of
Bursa Malaysia Securities Berhad
For the period ended 30 September 2016

17. Performance review

The Group's revenue for the current quarter ended 30 September 2016 has increased marginally to RM64,588,000 from RM64,443,000 in the quarter ended 30 September 2015.

The Group registered a profit before tax of RM13,378,000 as compared to a profit before tax of RM15,474,000 in the preceding corresponding quarter, a decrease of nearly 14% as a result of higher input costs, accelerating operating expenses and the volatility of the Ringgit against foreign currencies.

The Group's revenue for the nine months ended 30 September 2016 has decreased 2% to RM202,848,000 from RM206,789,000 as compared with the preceding year corresponding period as a result of lower revenue recorded for domestic and export market.

The profit before tax has decreased to RM45,570,000 when compared with the preceding year corresponding period of RM52,852,000. The lower revenue, unfavourable material costs, higher operating as well as advertisement and promotional expenses and the volatility of the Ringgit against foreign currencies had resulted in the fall of profit before tax.

18. Comment of material change in profit before taxation

Group's revenue has decreased 2% to RM64,588,000 in the current quarter ended 30 September 2016 as compared to RM65,853,000 in the preceding quarter, where sales were affected by festive seasons occurred during the quarter.

Similarly, profit before tax decreased by 4% to RM13,378,000 as compared to RM13,991,000 in the preceding quarter as a result of lower domestic revenue and higher input costs.

19. Commentary of prospects

While domestic demand is expected to continue to support Malaysia's economy, the path to recovery is still vulnerable to external factors. In view of the continuing challenging external factors for the remaining part of the year, the Group is expected not to achieve the same level of profit as the previous year, but will endeavour to sustain our existing market share. Notwithstanding that, the Group will continue with the ongoing efficiency programmes and to identify investment opportunities to grow its business.

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

Part B: Explanatory notes pursuant to Main Market Listing Requirements of
Bursa Malaysia Securities Berhad
For the period ended 30 September 2016

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.

21. Income tax expense

	Quarter ended		9 months cumulative to date	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Current income tax :				
-Malaysia income tax	3,637	4,079	11,854	13,830
-Deferred taxation	(216)	(170)	(266)	(322)
	<u>3,421</u>	<u>3,909</u>	<u>11,588</u>	<u>13,508</u>

Major components of tax expenses

	Current	9 months
	Quarter end	cumulative
	30.09.2016	to date 30.09.2016
	RM'000	RM'000
Current tax expense	3,637	11,854
Deferred tax expense	(216)	(266)
	<u>3,421</u>	<u>11,588</u>
Profit before taxation	13,378	45,570
Taxation at the Malaysian statutory tax rate of 24%	3,211	10,937
Adjustments:		
-Non-deductible expenses	308	877
-Expenses with double deduction	(98)	(226)
Income tax expense	<u>3,421</u>	<u>11,588</u>
Effective tax rate	25.6%	25.4%

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.

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

Part B: Explanatory notes pursuant to Main Market Listing Requirements of
Bursa Malaysia Securities Berhad
For the period ended 30 September 2016

24. Corporate proposals

There were no corporate proposals announced but not completed not earlier than seven (7) days from 14 November 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:

(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).

These transactions were announced to Bursa Malaysia Securities Berhad on 9 March 2016.

The proposed acquisitions had been completed on 6 September 2016.

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 September 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.

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

Part B: Explanatory notes pursuant to Main Market Listing Requirements of
Bursa Malaysia Securities Berhad
For the period ended 30 September 2016

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

	At end of current quarter 30.09.2016 <u>RM'000</u>	At end of preceding quarter 30.06.2016 <u>RM'000</u>
Total retained profits		
Realised	136,478	142,742
Unrealised	1,775	1,559
	<u>138,253</u>	<u>144,301</u>
Less: Consolidation adjustments	(50,606)	(50,611)
Retained profits as per statement of financial position	<u>87,647</u>	<u>93,690</u>

29. Changes in material litigation

There were no material litigation not earlier than seven (7) days from 14 November 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.

	Quarter ended		9 months cumulative to date	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
(a) Basic				
Profit for the period (RM'000)	<u>9,957</u>	<u>11,565</u>	<u>33,982</u>	<u>39,344</u>
Weighted average number of ordinary share for earnings per share ('000)	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>
Basic earnings per share (sen)	<u>1.24</u>	<u>1.45</u>	<u>4.25</u>	<u>4.92</u>
(b) Diluted				
Diluted earnings per share (sen)	<u>1.24</u>	<u>1.45</u>	<u>4.25</u>	<u>4.92</u>

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Bursa Malaysia Securities Berhad
For the period ended 30 September 2016

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 14 November 2016.