

**HUP SENG INDUSTRIES BERHAD** 199101015786 (226098-P)

(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS****Condensed Consolidated Statement of Comprehensive Income****For the period ended 31 March 2022****The figures have not been audited**

	Note	<u>2022</u> CURRENT QUARTER ENDED 31 March RM'000	<u>2021</u> CURRENT QUARTER ENDED 31 March RM'000	<u>2022</u> 3 MONTHS CUMULATIVE TO DATE RM'000	<u>2021</u> 3 MONTHS CUMULATIVE TO DATE RM'000
Revenue		79,260	82,745	79,260	82,745
Cost of sales		(59,251)	(57,445)	(59,251)	(57,445)
<b>Gross profit</b>		<b>20,009</b>	<b>25,300</b>	<b>20,009</b>	<b>25,300</b>
Other income		642	637	642	637
Administrative expenses		(4,507)	(4,907)	(4,507)	(4,907)
Selling and marketing expenses		(6,950)	(7,720)	(6,950)	(7,720)
<b>Operating profit</b>		<b>9,194</b>	<b>13,310</b>	<b>9,194</b>	<b>13,310</b>
Finance cost		(6)	(3)	(6)	(3)
<b>Profit before tax</b>	10	<b>9,188</b>	<b>13,307</b>	<b>9,188</b>	<b>13,307</b>
Income tax expense	23	(2,417)	(3,439)	(2,417)	(3,439)
<b>Profit for the period</b>		<b>6,771</b>	<b>9,868</b>	<b>6,771</b>	<b>9,868</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>6,771</b>	<b>9,868</b>	<b>6,771</b>	<b>9,868</b>
Profit attributable to :					
Owners of the Parent		6,771	9,868	6,771	9,868
Total Comprehensive Income for the period, net of tax attributable to :					
Owners of the Parent		6,771	9,868	6,771	9,868
Earnings per share attributable to Owners of the Parent (sen) :					
-Basic	32(a)	0.85	1.23	0.85	1.23
-Diluted	32(b)	0.85	1.23	0.85	1.23

*( 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** 199101015786 (226098-P)

(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS****Condensed Consolidated Statement of Financial Position****As at 31 March 2022****The figures have not been audited**

	Note	As at 31/03/2022 RM'000	As at 31/12/2021 RM'000
<b><u>ASSETS:</u></b>			
<b>Non-current assets:</b>			
Property, plant and equipment		73,355	72,755
Investment properties		1,321	1,337
Right-of-use assets		5,534	5,554
Deferred tax assets		532	510
<i>Sub total</i>		80,742	80,156
<b>Current assets:</b>			
Inventories		28,905	28,212
Trade and other receivables	11	30,364	31,615
Prepayments		820	478
Cash and bank balances	12	64,441	66,693
<i>Sub total</i>		124,530	126,998
<b>TOTAL ASSETS</b>		<b>205,272</b>	<b>207,154</b>
<b><u>EQUITY AND LIABILITIES:</u></b>			
<b>Equity attributable to</b>			
<b>Owners of the Company :</b>			
Share capital		80,000	80,000
Retained earnings		57,791	59,020
<b>TOTAL EQUITY</b>	<i>Sub total</i>	<b>137,791</b>	<b>139,020</b>
<b>Non-current liabilities :</b>			
Deferred tax liabilities		6,705	6,712
Lease liabilities		337	326
Other payable		-	205
<i>Sub total</i>		7,042	7,243
<b>Current liabilities:</b>			
Trade and other payables		46,790	56,342
Lease liabilities		264	238
Refund liabilities		2,401	2,089
Income tax payable		2,984	2,222
Dividends payable		8,000	-
<i>Sub total</i>		60,439	60,891
<b>TOTAL LIABILITIES</b>		<b>67,481</b>	<b>68,134</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>205,272</b>	<b>207,154</b>

( 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** 199101015786 (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 2022**

	Attributable to owners of the parent		
	Non-distributable	Distributable	Total
	Share capital RM'000	Retained earnings RM'000	RM'000
Opening balance at 1 January 2022	80,000	59,020	139,020
Total comprehensive income for the period	-	6,771	6,771
Transaction with the owners			
Dividends on ordinary shares	-	(8,000)	(8,000)
Total transaction with the owners	-	(8,000)	(8,000)
Closing balance at 31 March 2022	80,000	57,791	137,791

**For the corresponding period ended 31 March 2021**

	Attributable to owners of the parent		
	Non-distributable	Distributable	Total
	Share capital RM'000	Retained earnings RM'000	RM'000
Opening balance at 1 January 2021	80,000	59,780	139,780
Total comprehensive income for the period	-	9,868	9,868
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 2021	80,000	53,648	133,648

*( 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** 199101015786 (226098-P)

(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS****Condensed Consolidated Statement of Cash Flows****For the period ended 31 March 2022****The figures have not been audited**

	Note	<b><u>2022</u></b> <b>3 months</b> <b>ended</b> <b>31/03/2022</b> <b>RM'000</b>	<b><u>2021</u></b> <b>3 months</b> <b>ended</b> <b>31/03/2021</b> <b>RM'000</b>
<b>Cash flows from operating activities:</b>			
<b>Profit before tax</b>		9,188	13,307
Adjustments for:			
Allowance for/(Reversal of) doubtful debts		21	(15)
Depreciation of property, plant and equipment		1,521	1,551
Depreciation of investment properties		16	16
Depreciation of right-of-use assets		129	122
Interest expense on lease liabilities		6	3
Interest income		(266)	(283)
Inventories written off		158	111
Property, plant and equipment written off		61	104
Total adjustments		1,646	1,609
<b>Operating cash flows before changes in working capital</b>		10,834	14,916
Changes in working capital			
Increase in inventories		(851)	(89)
Decrease in trade and other receivables		1,230	704
Increase in prepayments		(342)	(287)
Decrease in trade and other payables		(9,445)	(11,046)
Total changes in working capital		(9,408)	(10,718)
<b>Cash flows generated from operations</b>		1,426	4,198
Interest expense on lease liabilities paid		(6)	(3)
Income taxes paid		(1,684)	(2,975)
<b>Net cash flows (used in)/ generated from operating activities</b>		(264)	1,220
<b>Cash flows from investing activities</b>			
Interest income received		266	283
Purchase of property, plant and equipment		(2,182)	(357)
<b>Net cash flows used in investing activities</b>		(1,916)	(74)
<b>Cash flows from financing activities</b>			
Repayment for lease liabilities		(72)	(66)
Dividends paid on ordinary shares		-	(16,000)
<b>Net cash used in financing activities</b>		(72)	(16,066)
<b>Net decrease in cash and cash equivalents</b>		(2,252)	(14,920)
<b>Cash and cash equivalents at beginning of financial year</b>		65,654	77,514
<b>Cash and cash equivalents at end of financial year</b>	12	63,402	62,594

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

Part A: Explanatory notes pursuant to MFRS 134  
For the period ended 31 March 2022

## 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 2022, 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 2021. 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 2021.

## 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 2021, except for the adoption of the following which are applicable to the financial statements and are relevant to the operations:

### (I) Adoption of annual improvements and amendments

Description	Effective for annual periods beginning <u>on or after</u>
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 adoption of the above amendments did not have significant financial impact to the Group's consolidated financial statements for the current quarter.

Part A: Explanatory notes pursuant to MFRS 134  
For the period ended 31 March 2022

(II) Standards and amendments issued but not yet effective

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

Description	Effective for annual periods beginning <u>on or after</u>
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 101: Present 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 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The adoption of the standard and amendments 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 2022.

**6. Changes in estimates**

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

Part A: Explanatory notes pursuant to MFRS 134  
For the period ended 31 March 2022

## 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 2022 and 31 December 2021, which are within the Group's objectives for capital management, are as follows:

	As at 31.03.2022 RM'000	As at 31.12.2021 RM'000
Total liabilities	67,481	68,134
Total equity	137,791	139,020
Total capital	80,000	80,000
Gearing ratio	49%	49%

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 payment	Cumulative to date 31.03.2022 RM'000
Dividend paid on per ordinary share:		
- Interim dividend of 1 sen per share (single-tier) for 2021 declared on 28 February 2022	05.04.2022	<u>8,000</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.

Part A: Explanatory notes pursuant to MFRS 134  
For the period ended 31 March 2022

	Biscuit manufacturing division RM'000	Beverage manufacturing division RM'000	Trading division RM'000	Total RM'000
<b>Quarter ended 31.03.2022</b>				
Revenue *	59,028	1,823	60,994	121,845
Profit for reportable segments	2,798	3	6,825	9,626

Reconciliation of profit or loss

Profit or loss for the financial period ended 31.03.2022	Cumulative to date RM'000
Total profit for reportable segments	9,626
Profit from inter-segment sales	64
Other income	138
Unallocated expenses	(640)
Profit before tax	9,188

\* Revenue reported above represents revenue generated from the reportable segments. Inter-segment sales for the current quarter is RM42,585,000.

Trading division mainly comprises domestic sales. Biscuits remain the dominant range which represents about 94% of the total sales, while beverages and other agents' products make up the balance. The comments on Note 19 apply to the above three reportable operating segments.

**10. Profit before tax**

Included in the profit before tax are the following items:

	Quarter ended	
	31.03.2022	31.03.2021
	RM'000	RM'000
Interest income	(266)	(283)
Rental income	(78)	(78)
Reversal of impairment losses on trade receivable (Note 11)	(2)	(2)
Allowance for/ (Reversal of) doubtful debts (Note 11)	21	(15)
Depreciation of property, plant and equipment	1,521	1,551
Depreciation of investment properties	16	16
Depreciation of right-of-use assets	129	122
Interest expense on lease liabilities	6	3
Inventories written off	158	111
Property, plant and equipment written off	61	104
Realised exchange losses	69	58



Part A: Explanatory notes pursuant to MFRS 134  
For the period ended 31 March 2022

## 11. Trade and other receivables

	As at	
	31.03.2022	31.12.2021
	RM'000	RM'000
Trade receivables		
Third parties	30,505	31,257
Less: Allowance for doubtful debts	(486)	(467)
Trade receivables, net	30,019	30,790
Other receivables	345	825
Total trade and other receivables	30,364	31,615

### Trade receivables

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

	As at	
	31.03.2022	31.12.2021
	RM'000	RM'000
Neither past due nor impaired	21,307	23,555
1 to 30 days past due not impaired	7,534	6,743
31 to 60 days past due not impaired	1,121	448
61 to 90 days past due not impaired	57	43
More than 121 days past due not impaired	-	1
	8,712	7,235
Impaired	486	467
	30,505	31,257

### Receivables that are impaired

Movement in allowance accounts :

At 1 January	467	652
Charge/(reversal) for the period (Note 10)	21	(88)
Written off	-	(92)
Reversal of impairment losses (Note 10)	(2)	(5)
	486	467

Part A: Explanatory notes pursuant to MFRS 134  
For the period ended 31 March 2022

## 12. Cash and bank balances

Cash and bank balances comprised the following amounts:

	As at	
	31.03.2022	31.12.2021
	RM'000	RM'000
Cash and bank balances	13,402	6,154
Short-term deposits with licensed banks	50,000	59,500
Cash and cash equivalents	63,402	65,654
Long-term deposits of more than 3 months with licensed banks	1,039	1,039
	<u>64,441</u>	<u>66,693</u>

## 13. Foreign exchange exposure

The Group's exposures to foreign currency are as follows:

	As at	
	31.03.2022	31.12.2021
	RM'000	RM'000
Trade and other receivables		
United States Dollars	684	387
Singapore Dollars	1,952	3,938
	<u>1,952</u>	<u>3,938</u>

## 14. Events after the reporting period

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

## 15. 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.

## 16. 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 2021.

Part A: Explanatory notes pursuant to MFRS 134  
For the period ended 31 March 2022

## 17. Capital commitments

Approved capital commitments not recognised in the interim financial statements as at 31 March 2022 are as follows:

	RM'000
Capital expenditure:	
Approved but not contracted for property, plant and equipment	877
Contracted but not provided for property, plant and equipment	2,366
	<u>3,243</u>

## 18. Related party transactions

	3 months cumulative to date 31.03.2022 RM
Rental of premises payable to: -Hup Seng Brothers Holdings Sdn. Bhd. #	<u>24,150</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.

Part B: Explanatory notes pursuant to Main Market Listing Requirements of  
Bursa Malaysia Securities Berhad  
For the period ended 31 March 2022

**19. Performance review**

**Financial review for current quarter and financial year to date**

	3 months Quarter ended		Changes	
	31.03.2022 RM'000	31.03.2021 RM'000	Amount RM'000	%
Revenue	79,260	82,745	(3,485)	(4)
Operating profit	9,194	13,310	(4,116)	(31)
Profit before interest and tax	9,194	13,310	(4,116)	(31)
Finance cost	(6)	(3)	3	100
Profit before tax	9,188	13,307	(4,119)	(31)
Profit after tax	6,771	9,868	(3,097)	(31)
Profit attributable to: Owners of the Parent	6,771	9,868	(3,097)	(31)

The Group's revenue for the current quarter ended 31 March 2022 has decreased by 4% to RM79,260,000 from RM82,745,000 in the quarter ended 31 March 2021. Export market grew 5% or RM0.8 million compared to previous corresponding period mainly from Thailand and Saudi Arabia. On the other hand, domestic market saw a decline of about 7% or RM4.3 million mainly due to lower offtakes from all channels.

The Group registered a profit before tax of RM9,188,000 as compared to a profit before tax of RM13,307,000 in the preceding corresponding quarter, a decrease of about 31%. Despite a successful increase in selling prices of the Group's products, the result for the current quarter was adversely affected by a spike in costs of major raw materials.

Part B: Explanatory notes pursuant to Main Market Listing Requirements of  
Bursa Malaysia Securities Berhad  
For the period ended 31 March 2022

## 20. Comment of material change in profit before taxation

### Financial review for current quarter compared with immediate preceding quarter

	Current quarter	Immediate preceding quarter	Changes	
	31.03.2022 RM'000	31.12.2021 RM'000	Amount RM'000	%
Revenue	79,260	81,806	(2,546)	(3)
Operating profit	9,194	13,255	(4,061)	(31)
Profit before interest and tax	9,194	13,255	(4,061)	(31)
Finance cost	(6)	(15)	(9)	(60)
Profit before tax	9,188	13,240	(4,052)	(31)
Profit after tax	6,771	9,710	(2,939)	(30)
Profit attributable to:				
Owners of the Parent	6,771	9,710	(2,939)	(30)

The Group's revenue has decreased by 3% to RM79,260,000 in the current quarter ended 31 March 2022 as compared to RM81,806,000 in the preceding quarter. Domestic sales grew about 3% or RM1.5 million compared to previous corresponding period mainly from wholesale and modern channels. On the other hand, export market saw a decline of about 19% or RM4 million mainly from Myanmar and China.

Profit before tax has decreased by about 31% to RM9,188,000 as compared to RM13,240,000 in the preceding quarter. The continuous escalation of the prices of materials are the contributing factors.

## 21. Commentary of prospects

Although most countries have lifted Covid-19 restrictions and reopened their borders, most manufacturers were still struggling against supply chain delays and rising costs, it was further aggravated by the geopolitical uncertainty caused by the Russia-Ukraine conflict, putting pressure further on the already deteriorating commodity prices. With the continuous escalation of the prices of materials and energy costs, the selling prices to all domestic outlets which had been increased progressively with effect from January 2022 were not able to mitigate the impact. The operating environment is expected to be highly competitive and challenging and the Group will look into various alternatives to protect profit margins in the long run.

Nevertheless, the Group will continue to maintain and improve product quality, innovating products portfolio, reducing costs and broadening the distributor network to safeguard revenue and address the needs of consumers.

Part B: Explanatory notes pursuant to Main Market Listing Requirements of  
Bursa Malaysia Securities Berhad  
For the period ended 31 March 2022

## 22. 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.

## 23. Income tax expense

	3 months Quarter ended	
	31.03.2022	31.03.2021
	RM'000	RM'000
Current income tax:		
-Malaysia income tax	2,446	3,481
-Deferred taxation	(29)	(42)
	<u>2,417</u>	<u>3,439</u>

### Major components of tax expenses

	3 months Cumulative to date 31.03.2022 RM'000
Current tax expense	2,446
Deferred tax expense	(29)
	<u>2,417</u>
Profit before taxation	<u>9,188</u>
Taxation at the Malaysian statutory tax rate of 24%	2,205
Adjustments:	
-Non-deductible expenses	217
-Expenses with double deduction	(5)
Income tax expense	<u>2,417</u>
Effective tax rate	26.3%

## 24. Sale of unquoted investments and properties

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

Part B: Explanatory notes pursuant to Main Market Listing Requirements of  
Bursa Malaysia Securities Berhad  
For the period ended 31 March 2022

**25. Quoted securities**

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

**26. Corporate proposals**

There were no corporate proposals announced but not completed not earlier than seven (7) days from 19 May 2022.

**27. Borrowings and debt securities**

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

**28. Derivative financial instruments**

As at the reporting date of 31 March 2022, the Group has no outstanding derivative financial instruments.

**29. Gains/losses arising from fair value changes of financial liabilities**

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

**30. Changes in material litigation**

There were no material litigation not earlier than seven (7) days from 19 May 2022.

**31. Dividend payable**

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

Part B: Explanatory notes pursuant to Main Market Listing Requirements of  
Bursa Malaysia Securities Berhad  
For the period ended 31 March 2022

### 32. 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 cumulative to date	
	31.03.22	31.03.21
<b>(a) Basic</b>		
Profit for the period (RM'000)	6,771	9,868
Weighted average number of ordinary shares for earnings per share ('000)	800,000	800,000
Basic earnings per share (sen)	0.85	1.23
<b>(b) Diluted</b>		
Diluted earnings per share (sen)	0.85	1.23

### 33. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2021 was not qualified.

### 34. 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 2022.