

**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 2023****The figures have not been audited**

	Note	<u>2023</u> CURRENT QUARTER ENDED 31 March RM'000	<u>2022</u> CURRENT QUARTER ENDED 31 March RM'000	<u>2023</u> 3 MONTHS CUMULATIVE TO DATE RM'000	<u>2022</u> 3 MONTHS CUMULATIVE TO DATE RM'000
Revenue		86,384	79,260	86,384	79,260
Cost of sales		(61,798)	(59,251)	(61,798)	(59,251)
<b>Gross profit</b>		<b>24,586</b>	<b>20,009</b>	<b>24,586</b>	<b>20,009</b>
Other income		770	642	770	642
Administrative expenses		(4,787)	(4,507)	(4,787)	(4,507)
Selling and marketing expenses		(7,478)	(6,950)	(7,478)	(6,950)
<b>Operating profit</b>		<b>13,091</b>	<b>9,194</b>	<b>13,091</b>	<b>9,194</b>
Finance cost		(4)	(6)	(4)	(6)
<b>Profit before tax</b>	10	<b>13,087</b>	<b>9,188</b>	<b>13,087</b>	<b>9,188</b>
Income tax expense	23	(3,422)	(2,417)	(3,422)	(2,417)
<b>Profit for the period</b>		<b>9,665</b>	<b>6,771</b>	<b>9,665</b>	<b>6,771</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>9,665</b>	<b>6,771</b>	<b>9,665</b>	<b>6,771</b>
Profit attributable to :					
Owners of the Parent		9,665	6,771	9,665	6,771
Total Comprehensive Income for the period, net of tax attributable to :					
Owners of the Parent		9,665	6,771	9,665	6,771
Earnings per share attributable to Owners of the Parent (sen) :					
-Basic	32(a)	1.21	0.85	1.21	0.85
-Diluted	32(b)	1.21	0.85	1.21	0.85

*( 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****The figures have not been audited**

	Note	As at 31/03/2023 RM'000	As at 31/12/2022 RM'000
<b><u>ASSETS:</u></b>			
<b>Non-current assets:</b>			
Property, plant and equipment		71,736	72,671
Investment properties		1,259	1,274
Right-of-use assets		5,130	5,258
Deferred tax assets		347	318
Prepayments for acquisition of property, plant and equipment		2,969	-
<i>Sub total</i>		81,441	79,521
<b>Current assets:</b>			
Inventories		29,375	29,941
Trade and other receivables	11	31,737	40,169
Prepayments		977	763
Cash and bank balances	12	70,117	62,442
<i>Sub total</i>		132,206	133,315
<b>TOTAL ASSETS</b>		<b>213,647</b>	<b>212,836</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		62,766	61,101
<b>TOTAL EQUITY</b>		<b>142,766</b>	<b>141,101</b>
<b>Non-current liabilities :</b>			
Deferred tax liabilities		6,721	6,661
Lease liabilities		149	191
<i>Sub total</i>		6,870	6,852
<b>Current liabilities:</b>			
Trade and other payables		48,236	58,320
Lease liabilities		271	301
Refund liabilities		2,103	2,752
Income tax payable		5,401	3,510
Dividends payable		8,000	-
<i>Sub total</i>		64,011	64,883
<b>TOTAL LIABILITIES</b>		<b>70,881</b>	<b>71,735</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>213,647</b>	<b>212,836</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 2023**

	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 2023	80,000	61,101	141,101
Total comprehensive income for the period	-	9,665	9,665
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 2023	80,000	62,766	142,766

**For the corresponding 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

*( 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 2023****The figures have not been audited**

	Note	<b>2023</b> <b>3 months</b> <b>ended</b> <b>31/03/2023</b> <b>RM'000</b>	<b>2022</b> <b>3 months</b> <b>ended</b> <b>31/03/2022</b> <b>RM'000</b>
<b>Cash flows from operating activities:</b>			
<b>Profit before tax</b>		13,087	9,188
Adjustments for:			
Allowance for doubtful debts		6	19
Depreciation of property, plant and equipment		1,300	1,521
Depreciation of investment properties		15	16
Depreciation of right-of-use assets		137	129
Interest expense on lease liabilities		4	6
Interest income		(404)	(266)
Inventories written off		22	158
Property, plant and equipment written off		131	61
Total adjustments		1,211	1,644
<b>Operating cash flows before changes in working capital</b>		14,298	10,832
Changes in working capital			
Decrease/(increase) in inventories		544	(851)
Decrease in trade and other receivables		8,426	1,232
Increase in prepayments		(3,183)	(342)
Decrease in trade and other payables		(10,733)	(9,445)
Total changes in working capital		(4,946)	(9,406)
<b>Cash flows generated from operations</b>		9,352	1,426
Interest expense on lease liabilities paid		(4)	(6)
Income taxes paid		(1,500)	(1,684)
<b>Net cash flows generated from/(used in) operating activities</b>		7,848	(264)
<b>Cash flows from investing activities</b>			
Interest income received		404	266
Purchase of property, plant and equipment		(496)	(2,182)
<b>Net cash flows used in investing activities</b>		(92)	(1,916)
<b>Cash flows from financing activities</b>			
Repayment for lease liabilities		(81)	(72)
<b>Net cash used in financing activities</b>		(81)	(72)
<b>Net increase/(decrease) in cash and cash equivalents</b>		7,675	(2,252)
<b>Cash and cash equivalents at beginning of financial period</b>		62,442	65,654
<b>Cash and cash equivalents at end of financial period</b>	12	70,117	63,402

*( 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 2023

## 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 2023, 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 2022. 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 2022.

## 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 2022, 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>
Amendments to MFRS 101: Presentation 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

The adoption of the above standards, amendments do 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 2023

(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>
Amendments to MFRS 16: Leases - Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101: Presentation of Financial Statements - Non-current Liabilities with Covenants	1 January 2024
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 2023.

**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 2023

## 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 2023 and 31 December 2022, which are within the Group's objectives for capital management, are as follows:

	As at 31.03.2023 RM'000	As at 31.12.2022 RM'000
Total liabilities	70,881	71,735
Total equity	142,766	141,101
Total capital	80,000	80,000
Gearing ratio	50%	51%

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 31.03.2023 RM'000
Dividend paid on per ordinary share:		
- Third interim dividend of 1 sen per share (single-tier) for 2022 declared on 28 February 2023	05.04.2023	<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 2023

	Biscuit manufacturing division RM'000	Beverage manufacturing division RM'000	Trading division RM'000	Total RM'000
<b>Quarter ended 31.03.2023</b>				
Revenue *	63,734	1,313	70,032	135,079
Profit/(loss) for reportable segments	5,660	(20)	7,871	13,511

Reconciliation of profit or loss

Profit or loss for the financial period ended 31.03.2023	Cumulative to date RM'000
Total profit for reportable segments	13,511
Profit from inter-segment sales	(2)
Other income	204
Unallocated expenses	(626)
Profit before tax	13,087

\* Revenue reported above represents revenue generated from the reportable segments. Inter-segment sales for the current quarter is RM48,695,000.

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	
	31.03.2023	31.03.2022
	RM'000	RM'000
Interest income	(404)	(266)
Rental income	(86)	(78)
Allowance for doubtful debts (Note 11)	6	19
Depreciation of property, plant and equipment	1,300	1,521
Depreciation of investment properties	15	16
Depreciation of right-of-use assets	137	129
Interest expense on lease liabilities	4	6
Inventories written off	22	158
Property, plant and equipment written off	131	61
Realised exchange losses	115	69



Part A: Explanatory notes pursuant to MFRS 134  
For the period ended 31 March 2023

**11. Trade and other receivables**

	As at	
	31.03.2023	31.12.2022
	RM'000	RM'000
Trade receivables		
Third parties	31,744	40,196
Less: Allowance for doubtful debts	(347)	(342)
Trade receivables, net	31,397	39,854
Other receivables	340	315
Total trade and other receivables	31,737	40,169

**Trade receivables**

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

	As at	
	31.03.2023	31.12.2022
	RM'000	RM'000
Neither past due nor impaired	24,106	27,718
1 to 30 days past due not impaired	6,669	10,229
31 to 60 days past due not impaired	501	1,125
61 to 90 days past due not impaired	69	779
More than 121 days past due not impaired	52	3
	7,291	12,136
Impaired	347	342
	31,744	40,196

Receivables that are impaired

Movement in allowance accounts :

At 1 January	342	467
Written off	(1)	(46)
Charge/(reversal) for the period (Note 10)	6	(79)
	347	342

Part A: Explanatory notes pursuant to MFRS 134  
For the period ended 31 March 2023

## 12. Cash and bank balances

Cash and bank balances comprised the following amounts:

	As at	
	31.03.2023	31.12.2022
	RM'000	RM'000
Cash and bank balances	33,317	7,042
Short-term deposits with licensed banks	36,800	55,400
Cash and cash equivalents	<u>70,117</u>	<u>62,442</u>

## 13. Foreign exchange exposure

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

	As at	
	31.03.2023	31.12.2022
	RM'000	RM'000
Trade and other receivables		
United States Dollars	388	820
Singapore Dollars	<u>1,574</u>	<u>3,447</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 2022.

Part A: Explanatory notes pursuant to MFRS 134  
For the period ended 31 March 2023

## 17. Capital commitments

Approved capital commitments not recognised in the interim financial statements as at 31 March 2023 are as follows:

	RM'000
Contracted but not provided for:	
-Purchase of a new production line	8,908
-Purchase of property, plant and equipment	<u>372</u>
	<u>9,280</u>

## 18. Related party transactions

	3 months cumulative to date 31.03.2023 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 2023

**19. Performance review**

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

	3 months Quarter ended		Changes	
	31.03.2023 RM'000	31.03.2022 RM'000	Amount RM'000	%
Revenue	86,384	79,260	7,124	9
Operating profit	13,091	9,194	3,897	42
Profit before interest and tax	13,091	9,194	3,897	42
Finance cost	(4)	(6)	2	33
Profit before tax	13,087	9,188	3,899	42
Profit after tax	9,665	6,771	2,894	43
Profit attributable to: Owners of the Parent	9,665	6,771	2,894	43

The Group's revenue for the current quarter ended 31 March 2023 has increased by 9% to RM86,384,000 from RM79,260,000 in the quarter ended 31 March 2022. Domestic sales grew 15% or RM9 million compared to previous corresponding period with increase from all channels. On the other hand, export market saw a decline of about 10% or RM1.9 million mainly due to lower offtakes from Thailand, Saudi Arabia, Vietnam and China.

The Group registered a profit before tax of RM13,087,000 as compared to a profit before tax of RM9,188,000 in the preceding corresponding quarter, an increase of about 42%. The improvement in profit before tax are mainly due to repricing of products.

Part B: Explanatory notes pursuant to Main Market Listing Requirements of  
Bursa Malaysia Securities Berhad  
For the period ended 31 March 2023

## 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	
	31.03.2023 RM'000	31.12.2022 RM'000	Amount RM'000	%
Revenue	86,384	94,933	(8,549)	(9)
Operating profit	13,091	16,768	(3,677)	(22)
Profit before interest and tax	13,091	16,768	(3,677)	(22)
Finance cost	(4)	(7)	3	43
Profit before tax	13,087	16,761	(3,674)	(22)
Profit after tax	9,665	12,437	(2,772)	(22)
Profit attributable to:				
Owners of the Parent	9,665	12,437	(2,772)	(22)

The Group's revenue has decreased by 9% to RM86,384,000 in the current quarter ended 31 March 2023 as compared to RM94,933,000 in the preceding quarter as a result of lower demand from both domestic and export markets. Export market decreased by 25% or RM5.3 million mainly from Myanmar, Saudi Arabia, Indonesia and Vietnam. Domestic market was slow as a result of seasonal factors during the current quarter, a reduction of 4% or RM3.2 million with poorer demand from all channels.

Profit before tax has decreased by about 22% to RM13,087,000 as compared to RM16,761,000 in the preceding quarter mainly due to lower sales volume recorded and under recovery of overheads.

## 21. Commentary of prospects

The Group believes that 2023 will be a year full of challenges and uncertainties. We anticipate that our performance in FY2023 to be affected by a number of domestic factors, including inflationary pressures, increase in electricity tariffs, and increase in operating costs. Despite these challenges, we remain optimistic and committed to providing affordable and high-quality products to Malaysian consumers.

The Group will continue to maintain and improve product quality, innovating products portfolio, reducing costs and broadening the distributor network to enhance the competitiveness of the products, increase market share and the popularity of Hup Seng in the industry.

Part B: Explanatory notes pursuant to Main Market Listing Requirements of  
Bursa Malaysia Securities Berhad  
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## 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	
	31.03.2023	31.03.2022
	RM'000	RM'000
Current income tax:		
-Malaysia income tax	3,391	2,446
-Deferred taxation	31	(29)
	<u>3,422</u>	<u>2,417</u>

### Major components of tax expenses

	3 months Cumulative to date 31.03.2023 RM'000
Current tax expense	3,391
Deferred tax expense	<u>31</u>
	<u>3,422</u>
Profit before taxation	<u>13,087</u>
Taxation at the Malaysian statutory tax rate of 24%	3,141
Adjustments:	
-Non-deductible expenses	284
-Expenses with double deduction	<u>(3)</u>
Income tax expense	<u>3,422</u>
Effective tax rate	26.2%

## 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 2023

**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 18 May 2023.

**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 2023, 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 18 May 2023.

**31. Dividend payable**

Other than as disclosed in Note 8 above, the Board of Directors recommends the payment of an interim single-tier dividend of 1 sen per ordinary share in respect of the year ending 31 December 2023 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  
For the period ended 31 March 2023

### 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	
	31.03.23	31.03.22
<b>(a) Basic</b>		
Profit for the period (RM'000)	9,665	6,771
Weighted average number of ordinary shares for earnings per share ('000)	800,000	800,000
Basic earnings per share (sen)	1.21	0.85
<b>(b) Diluted</b>		
Diluted earnings per share (sen)	1.21	0.85

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

The auditors' report on the financial statements for the year ended 31 December 2022 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 18 May 2023.