

HUP SENG INDUSTRIES BERHAD 199101015786 (226098-P)

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS**For the period ended 30 June 2023****The figures have not been audited**

| | Note | <u>2023</u> CURRENT QUARTER ENDED 30 June RM'000 | <u>2022</u> CURRENT QUARTER ENDED 30 June RM'000 | <u>2023</u> 6 MONTHS CUMULATIVE TO DATE RM'000 | <u>2022</u> 6 MONTHS CUMULATIVE TO DATE RM'000 |
|---|-------|--|--|--|--|
| Revenue | | 81,549 | 73,807 | 167,933 | 153,067 |
| Cost of sales | | (58,169) | (59,481) | (119,967) | (118,732) |
| Gross profit | | 23,380 | 14,326 | 47,966 | 34,335 |
| Other income | | 921 | 841 | 1,691 | 1,483 |
| Administrative expenses | | (4,884) | (4,428) | (9,671) | (8,935) |
| Selling and marketing expenses | | (7,773) | (6,501) | (15,251) | (13,451) |
| Operating profit | | 11,644 | 4,238 | 24,735 | 13,432 |
| Finance cost | | (4) | (6) | (8) | (12) |
| Profit before tax | 10 | 11,640 | 4,232 | 24,727 | 13,420 |
| Income tax expense | 23 | (2,920) | (1,195) | (6,342) | (3,612) |
| Profit for the period | | 8,720 | 3,037 | 18,385 | 9,808 |
| Total comprehensive income for the period, net of tax | | 8,720 | 3,037 | 18,385 | 9,808 |
| Profit attributable to : | | | | | |
| Owners of the Parent | | 8,720 | 3,037 | 18,385 | 9,808 |
| Total Comprehensive Income for the period, net of tax attributable to : | | | | | |
| Owners of the Parent | | 8,720 | 3,037 | 18,385 | 9,808 |
| Earnings per share attributable to Owners of the Parent (sen) : | | | | | |
| -Basic | 32(a) | 1.09 | 0.38 | 2.30 | 1.23 |
| -Diluted | 32(b) | 1.09 | 0.38 | 2.30 | 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 30 June 2023****The figures have not been audited**

| | Note | As at 30/06/2023 RM'000 | As at 31/12/2022 RM'000 |
|---|------------------|-------------------------------|-------------------------------|
| <u>ASSETS:</u> | | | |
| Non-current assets: | | | |
| Property, plant and equipment | | 71,178 | 72,671 |
| Investment properties | | 1,242 | 1,274 |
| Right-of-use assets | | 5,030 | 5,258 |
| Deferred tax assets | | 366 | 318 |
| Prepayments for acquisition of property, plant and equipment | | 2,969 | - |
| <i>Sub total</i> | | 80,785 | 79,521 |
| Current assets: | | | |
| Inventories | | 28,821 | 29,941 |
| Trade and other receivables | 11 | 32,694 | 40,169 |
| Prepayments | | 1,177 | 763 |
| Cash and bank balances | 12 | 72,771 | 62,442 |
| <i>Sub total</i> | | 135,463 | 133,315 |
| TOTAL ASSETS | | 216,248 | 212,836 |
| <u>EQUITY AND LIABILITIES:</u> | | | |
| Equity attributable to | | | |
| Owners of the Company : | | | |
| Share capital | | 80,000 | 80,000 |
| Retained earnings | | 63,486 | 61,101 |
| TOTAL EQUITY | <i>Sub total</i> | 143,486 | 141,101 |
| Non-current liabilities : | | | |
| Deferred tax liabilities | | 6,631 | 6,661 |
| Lease liabilities | | 111 | 191 |
| <i>Sub total</i> | | 6,742 | 6,852 |
| Current liabilities: | | | |
| Trade and other payables | | 48,855 | 58,320 |
| Lease liabilities | | 264 | 301 |
| Refund liabilities | | 1,939 | 2,752 |
| Income tax payable | | 6,962 | 3,510 |
| Dividends payable | | 8,000 | - |
| <i>Sub total</i> | | 66,020 | 64,883 |
| TOTAL LIABILITIES | | 72,762 | 71,735 |
| TOTAL EQUITY AND LIABILITIES | | 216,248 | 212,836 |

(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 30 June 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 | - | 18,385 | 18,385 |
| Transaction with the owners | | | |
| Dividends on ordinary shares | - | (16,000) | (16,000) |
| Total transaction with the owners | - | (16,000) | (16,000) |
| Closing balance at 30 June 2023 | 80,000 | 63,486 | 143,486 |

For the corresponding period ended 30 June 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 | - | 9,808 | 9,808 |
| Transaction with the owners | | | |
| Dividends on ordinary shares | - | (8,000) | (8,000) |
| Total transaction with the owners | - | (8,000) | (8,000) |
| Closing balance at 30 June 2022 | 80,000 | 60,828 | 140,828 |

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

| | Note | 2023 6 months ended 30/06/2023 RM'000 | 2022 6 months ended 30/06/2022 RM'000 |
|---|------|--|--|
| Cash flows from operating activities: | | | |
| Profit before tax | | 24,727 | 13,420 |
| Adjustments for: | | | |
| Allowance for/(reversal of) doubtful debts | | 164 | (43) |
| Bad debts written off | | - | 3 |
| Depreciation of property, plant and equipment | | 2,575 | 3,053 |
| Depreciation of investment properties | | 31 | 32 |
| Depreciation of right-of-use assets | | 267 | 261 |
| Interest expense on lease liabilities | | 8 | 12 |
| Interest income | | (853) | (529) |
| Inventories written off | | 43 | 176 |
| Gain on disposal of property, plant and equipment | | (104) | (163) |
| Property, plant and equipment written off | | 209 | 117 |
| Total adjustments | | 2,340 | 2,919 |
| Operating cash flows before changes in working capital | | 27,067 | 16,339 |
| Changes in working capital | | | |
| Decrease/(increase) in inventories | | 1,077 | (4,889) |
| Decrease in trade and other receivables | | 7,311 | 1,306 |
| Increase in prepayments | | (3,383) | (303) |
| Decrease in trade and other payables | | (10,278) | (8,779) |
| Total changes in working capital | | (5,273) | (12,665) |
| Cash flows generated from operations | | 21,794 | 3,674 |
| Interest expense on lease liabilities paid | | (8) | (12) |
| Income taxes paid | | (2,968) | (3,493) |
| Net cash flows generated from operating activities | | 18,818 | 169 |
| Cash flows from investing activities | | | |
| Interest income received | | 853 | 529 |
| Proceeds from disposal of property, plant and equipment | | 104 | 163 |
| Purchase of property, plant and equipment | | (1,291) | (2,731) |
| Net cash flows used in investing activities | | (334) | (2,039) |
| Cash flows from financing activities | | | |
| Repayment for lease liabilities | | (155) | (149) |
| Dividends paid on ordinary shares | | (8,000) | (8,000) |
| Net cash flows used in financing activities | | (8,155) | (8,149) |
| Net increase/(decrease) in cash and cash equivalents | | 10,329 | (10,019) |
| Cash and cash equivalents at beginning of financial period | | 62,442 | 65,654 |
| Cash and cash equivalents at end of financial period | 12 | 72,771 | 55,635 |

(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 30 June 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 30 June 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 |
| Amendments to MFRS 112: Income Tax - International Tax Reform - Pillar Two Model Rules | 1 January 2023 |

The adoption of the above 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 30 June 2023

(II) Annual Improvements and Amendments issued but not yet effective

At the date of authorisation of these interim financial statements, the followings 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 107 and MFRS 7: Supplier Finance Arrangements | 1 January 2024 |
| 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 Annual Improvements 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 30 June 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 30 June 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 30 June 2023 and 31 December 2022, which are within the Group's objectives for capital management, are as follows:

| | As at 30.06.2023 RM'000 | As at 31.12.2022 RM'000 |
|-------------------|-------------------------------|-------------------------------|
| Total liabilities | 72,762 | 71,735 |
| Total equity | 143,486 | 141,101 |
| Total capital | 80,000 | 80,000 |
| Gearing ratio | 51% | 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 30.06.2023 RM'000 |
|--|--------------------|---|
| Dividend paid on ordinary share: | | |
| - Third interim dividend of 1 sen per share (single-tier) for 2022 declared on 28 February 2023 | 05.04.2023 | 8,000 |
| - First interim dividend of 1 sen per share (single-tier) for 2023 declared on 2 June 2023 | 12.07.2023 | 8,000 |
| | | <u>16,000</u> |

Part A: Explanatory notes pursuant to MFRS 134
For the period ended 30 June 2023

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.

| | Biscuit manufacturing division RM'000 | Beverage manufacturing division RM'000 | Trading division RM'000 | Total RM'000 |
|------------------------------------|--|---|-------------------------------|-----------------|
| Quarter ended 30.06.2023 | | | | |
| Revenue * | 60,694 | 1,923 | 62,941 | 125,558 |
| Profit for reportable segments | 6,310 | 203 | 5,712 | 12,225 |
| 6 months cumulative to date | | | | |
| Revenue * | 124,428 | 3,236 | 132,973 | 260,637 |
| Profit for reportable segments | 11,970 | 183 | 13,583 | 25,736 |

Reconciliation of profit or loss

| Profit or loss for the financial period ended 30.06.2023 | Quarter ended RM'000 | Cumulative to date RM'000 |
|--|----------------------------|---------------------------------|
| Total profit for reportable segments | 12,225 | 25,736 |
| Profit from inter-segment sales | (29) | (31) |
| Other income | 209 | 413 |
| Unallocated expenses | (765) | (1,391) |
| Profit before tax | 11,640 | 24,727 |

* Revenue reported above represents revenue generated from the reportable segments. Inter-segment sales for the current quarter and 6 months cumulative to date are RM44,009,000 and RM92,704,000.

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.

Part A: Explanatory notes pursuant to MFRS 134
For the period ended 30 June 2023

10. Profit before tax

Included in the profit before tax are the following items:

| | Quarter ended | | Cumulative to date | |
|---|---------------|------------|-----------------------|------------|
| | 30.06.2023 | 30.06.2022 | 30.06.2023 | 30.06.2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest income | (449) | (263) | (853) | (529) |
| Rental income | (85) | (79) | (171) | (157) |
| Allowance for/(reversal of) doubtful debts (Note 11) | 158 | (62) | 164 | (43) |
| Bad debts written off | - | 2 | - | 3 |
| Depreciation of property, plant and equipment | 1,275 | 1,532 | 2,575 | 3,053 |
| Depreciation of investment properties | 16 | 16 | 31 | 32 |
| Depreciation of right-of-use assets | 130 | 132 | 267 | 261 |
| Gain on disposal of property, plant and equipment | (104) | (163) | (104) | (163) |
| Interest expense on lease liabilities | 4 | 6 | 8 | 12 |
| Inventories written off | 21 | 18 | 43 | 176 |
| Property, plant and equipment written off | 78 | 56 | 209 | 117 |
| Realised exchange losses | 97 | 34 | 212 | 103 |

11. Trade and other receivables

| | As at | |
|------------------------------------|------------|------------|
| | 30.06.2023 | 31.12.2022 |
| | RM'000 | RM'000 |
| Trade receivables | | |
| Third parties | 32,772 | 40,196 |
| Less: Allowance for doubtful debts | (505) | (342) |
| Trade receivables, net | 32,267 | 39,854 |
| Other receivables | 427 | 315 |
| Total trade and other receivables | 32,694 | 40,169 |

Part A: Explanatory notes pursuant to MFRS 134
For the period ended 30 June 2023

Trade receivables

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

| | As at | |
|--|---------------|---------------|
| | 30.06.2023 | 31.12.2022 |
| | RM'000 | RM'000 |
| Neither past due nor impaired | 25,017 | 27,718 |
| 1 to 30 days past due not impaired | 6,709 | 10,229 |
| 31 to 60 days past due not impaired | 510 | 1,125 |
| 61 to 90 days past due not impaired | 28 | 779 |
| 91 to 120 days past due not impaired | 3 | - |
| More than 121 days past due not impaired | - | 3 |
| | 7,250 | 12,136 |
| Impaired | 505 | 342 |
| | <u>32,772</u> | <u>40,196</u> |

Receivables that are impaired

Movement in allowance accounts :

| | | |
|--|------------|------------|
| At 1 January | 342 | 467 |
| Written off | (1) | (46) |
| Charge/(reversal) for the period (Note 10) | 164 | (79) |
| | <u>505</u> | <u>342</u> |

12. Cash and bank balances

Cash and bank balances comprised the following amounts:

| | As at | |
|---|---------------|---------------|
| | 30.06.2023 | 31.12.2022 |
| | RM'000 | RM'000 |
| Cash and bank balances | 5,119 | 7,042 |
| Short-term deposits with licensed banks | 67,652 | 55,400 |
| Cash and cash equivalents | <u>72,771</u> | <u>62,442</u> |

Part A: Explanatory notes pursuant to MFRS 134
For the period ended 30 June 2023

13. Foreign exchange exposure

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

| | As at | |
|-----------------------------|------------|------------|
| | 30.06.2023 | 31.12.2022 |
| | RM'000 | RM'000 |
| Trade and other receivables | | |
| United States Dollars | 478 | 820 |
| Singapore Dollars | 1,952 | 3,447 |

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.

17. Capital commitments

Approved capital commitments not recognised in the interim financial statements as at 30 June 2023 are as follows:

| | RM'000 |
|--|---------------|
| Approved but not contracted for: | |
| -Purchase of property, plant and equipment | 1,489 |
| Contracted but not provided for: | |
| -Purchase of a new production line | 8,908 |
| -Purchase of property, plant and equipment | 1,081 |
| | <u>11,478</u> |

Part A: Explanatory notes pursuant to MFRS 134
For the period ended 30 June 2023

18. Related party transactions

| | Current quarter ended 30.06.2023 RM | 6 months cumulative to date 30.06.2023 RM |
|---|---|---|
| Rental of premises payable to: | | |
| -Hup Seng Brothers Holdings Sdn. Bhd. # | 24,150 | 48,300 |
| Sales of beverages to: | | |
| - Henan Ever Crown International Trg Co, Ltd. @ | 151,932 | 151,932 |

Note:

Certain directors of the Group are also directors and shareholders of Hup Seng Brothers Holdings Sdn. Bhd.

@ The son-in-law of the director of the Company, namely Kuo Liong Yok, is a director of Henan Ever Crown International Trg Co, Ltd.

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 30 June 2023

19. Performance review

Financial review for current quarter and financial year to date

| | 3 months Quarter ended | | Changes | | 6 months cumulative to date | | Changes | |
|---|---------------------------|----------------------|------------------|-----|--------------------------------|----------------------|------------------|----|
| | 30.06.2023 RM'000 | 30.06.2022 RM'000 | Amount RM'000 | % | 30.06.2023 RM'000 | 30.06.2022 RM'000 | Amount RM'000 | % |
| Revenue | 81,549 | 73,807 | 7,742 | 10 | 167,933 | 153,067 | 14,866 | 10 |
| Operating profit | 11,644 | 4,238 | 7,406 | 175 | 24,735 | 13,432 | 11,303 | 84 |
| Profit before interest and tax | 11,644 | 4,238 | 7,406 | 175 | 24,735 | 13,432 | 11,303 | 84 |
| Finance cost | (4) | (6) | 2 | 33 | (8) | (12) | 4 | 33 |
| Profit before tax | 11,640 | 4,232 | 7,408 | 175 | 24,727 | 13,420 | 11,307 | 84 |
| Profit after tax | 8,720 | 3,037 | 5,683 | 187 | 18,385 | 9,808 | 8,577 | 87 |
| Profit attributable to: Owners of the Parent | 8,720 | 3,037 | 5,683 | 187 | 18,385 | 9,808 | 8,577 | 87 |

The Group's revenue for the current quarter ended 30 June 2023 has increased by 10% to RM81,549,000 from RM73,807,000 in the quarter ended 30 June 2022. Domestic sales grew 11% or RM6.3 million compared to previous corresponding period with increase from all channels. Export market has increased by about 9% or RM1.4 million mainly from Singapore and Indonesia.

The Group registered a profit before tax of RM11,640,000 as compared to a profit before tax of RM4,232,000 in the preceding corresponding quarter, a significant increase of about 175%. The preceding corresponding quarter was adversely affected by the escalation of the input costs despite an increase in selling price.

The Group's revenue for the six months ended 30 June 2023 has also increased by 10% to RM167,933,000 from RM153,067,000 as compared with the preceding year corresponding period mainly due to increase in selling prices. Higher domestic sales which grew by 13% or RM15.3 million were registered for all channels. On the other hand, export sales has slightly decreased by 1% or about RM0.4 million mainly from Thailand and Maldives.

The profit before tax has increased to RM24,727,000 when compared with the preceding year corresponding period of RM13,420,000 an increase of about 84%. The increase in profit before tax is mainly due to the improvement in contribution as a result of cost reduction of certain major input materials.

Part B: Explanatory notes pursuant to Main Market Listing Requirements of
Bursa Malaysia Securities Berhad
For the period ended 30 June 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 | |
|--------------------------------|----------------------|-----------------------------|------------------|------|
| | 30.06.2023 RM'000 | 31.03.2023 RM'000 | Amount RM'000 | % |
| Revenue | 81,549 | 86,384 | (4,835) | (6) |
| Operating profit | 11,644 | 13,091 | (1,447) | (11) |
| Profit before interest and tax | 11,644 | 13,091 | (1,447) | (11) |
| Finance cost | (4) | (4) | 0 | 0 |
| Profit before tax | 11,640 | 13,087 | (1,447) | (11) |
| Profit after tax | 8,720 | 9,665 | (945) | (10) |
| Profit attributable to: | | | | |
| Owners of the Parent | 8,720 | 9,665 | (945) | (10) |

The Group's revenue has decreased by 6% to RM81,549,000 in the current quarter ended 30 June 2023 as compared to RM86,384,000 in the preceding quarter mainly due to slow offtakes in domestic market as a result of Hari Raya Puasa during the quarter, a reduction of 10% or RM7.1 million. Export market, on the other hand, increased by 14% or RM2.2 million mainly from United State, Ghana, Indonesia and Thailand.

Profit before tax has decreased by about 11% to RM11,640,000 as compared to RM13,087,000 in the preceding quarter mainly due to lower sales recorded.

21. Commentary of prospects

Despite the expected slowdown in economic growth due to global financial conditions and compounded by Malaysian subsidy rationalisation measures in the second half of the year, we expect biscuits market to grow as it is a popular and an alternative staple food. The Group envisages that the industry is poised to continue to grow and evolve to meet the changing demands of consumers and will strive to continue to maintain and improve product quality. The Group will focus on maintaining the market share and product competitiveness in order to increase the popularity of Hup Seng biscuits in the industry.

Taking into account of the aforesaid and barring any unforeseen circumstances, the Group is cautiously optimistic that the business operations for the remaining quarters of the financial year to be satisfactory.

Part B: Explanatory notes pursuant to Main Market Listing Requirements of
Bursa Malaysia Securities Berhad
For the period ended 30 June 2023

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 | | Cumulative | |
|----------------------|---------------|--------------|--------------|--------------|
| | Quarter ended | | to date | |
| | 30.06.2023 | 30.06.2022 | 30.06.2023 | 30.06.2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Current income tax: | | | | |
| -Malaysia income tax | 3,029 | 1,205 | 6,420 | 3,651 |
| -Deferred taxation | (109) | (10) | (78) | (39) |
| | <u>2,920</u> | <u>1,195</u> | <u>6,342</u> | <u>3,612</u> |

Major components of tax expenses

| | Current | 6 months |
|---|---------------|---------------|
| | quarter | Cumulative |
| | ended | to date |
| | 30.06.2023 | 30.06.2023 |
| | RM'000 | RM'000 |
| Current tax expense | 3,029 | 6,420 |
| Deferred tax expense | (109) | (78) |
| | <u>2,920</u> | <u>6,342</u> |
| Profit before taxation | <u>11,640</u> | <u>24,727</u> |
| Taxation at the Malaysian statutory tax rate of 24% | 2,794 | 5,935 |
| Adjustments: | | |
| -Non-deductible expenses | 132 | 416 |
| -Expenses with double deduction | (6) | (9) |
| Income tax expense | <u>2,920</u> | <u>6,342</u> |
| Effective tax rate | 25.1% | 25.6% |

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
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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 9 August 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 30 June 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 9 August 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
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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 quarter ended | | 6 months cumulative to date | |
|---|---------------------------|----------|--------------------------------|----------|
| | 30.06.23 | 30.06.22 | 30.06.23 | 30.06.22 |
| (a) Basic | | | | |
| Profit for the period (RM'000) | 8,720 | 3,037 | 18,385 | 9,808 |
| Weighted average number of ordinary shares for earnings per share ('000) | 800,000 | 800,000 | 800,000 | 800,000 |
| Basic earnings per share (sen) | 1.09 | 0.38 | 2.30 | 1.23 |
| (b) Diluted | | | | |
| Diluted earnings per share (sen) | 1.09 | 0.38 | 2.30 | 1.23 |

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 9 August 2023.