

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 2024****The figures have not been audited**

	Note	<u>2024</u> CURRENT QUARTER ENDED 31 March RM'000	<u>2023</u> CURRENT QUARTER ENDED 31 March RM'000	<u>2024</u> 3 MONTHS CUMULATIVE TO DATE RM'000	<u>2023</u> 3 MONTHS CUMULATIVE TO DATE RM'000
Revenue		93,565	86,384	93,565	86,384
Cost of sales		(62,993)	(61,798)	(62,993)	(61,798)
Gross profit		30,572	24,586	30,572	24,586
Other income		1,140	770	1,140	770
Administrative expenses		(4,784)	(4,787)	(4,784)	(4,787)
Selling and marketing expenses		(8,263)	(7,478)	(8,263)	(7,478)
Operating profit		18,665	13,091	18,665	13,091
Finance cost		(3)	(4)	(3)	(4)
Profit before tax	10	18,662	13,087	18,662	13,087
Income tax expense	23	(4,690)	(3,422)	(4,690)	(3,422)
Profit for the period		13,972	9,665	13,972	9,665
Total comprehensive income for the period, net of tax		13,972	9,665	13,972	9,665
Profit attributable to :					
Owners of the Parent		13,972	9,665	13,972	9,665
Total Comprehensive Income for the period, net of tax attributable to :					
Owners of the Parent		13,972	9,665	13,972	9,665
Earnings per share attributable to Owners of the Parent (sen) :					
-Basic	32(a)	1.75	1.21	1.75	1.21
-Diluted	32(b)	1.75	1.21	1.75	1.21

(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 2024****The figures have not been audited**

	Note	As at 31/03/2024 RM'000	As at 31/12/2023 RM'000
<u>ASSETS:</u>			
Non-current assets:			
Property, plant and equipment		79,537	70,147
Investment properties		1,195	1,211
Right-of-use assets		4,745	4,807
Deferred tax assets		563	538
Prepayments for acquisition of property, plant and equipment		696	3,471
<i>Sub total</i>		86,736	80,174
Current assets:			
Inventories		29,314	30,126
Trade and other receivables	11	36,020	37,261
Prepayments		940	550
Cash and bank balances	12	87,791	90,506
<i>Sub total</i>		154,065	158,443
TOTAL ASSETS		240,801	238,617
<u>EQUITY AND LIABILITIES:</u>			
Equity attributable to Owners of the Company :			
Share capital		80,000	80,000
Retained earnings		80,159	82,187
TOTAL EQUITY <i>Sub total</i>		160,159	162,187
Non-current liabilities :			
Deferred tax liabilities		6,299	6,432
Lease liabilities		83	58
<i>Sub total</i>		6,382	6,490
Current liabilities:			
Trade and other payables		48,867	61,690
Lease liabilities		175	206
Refund liabilities		2,789	2,658
Income tax payable		6,429	5,386
Dividends payable		16,000	-
<i>Sub total</i>		74,260	69,940
TOTAL LIABILITIES		80,642	76,430
TOTAL EQUITY AND LIABILITIES		240,801	238,617

(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 2024**

	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 2024	80,000	82,187	162,187
Total comprehensive income for the period	-	13,972	13,972
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 2024	80,000	80,159	160,159

For the corresponding 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

(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 2024****The figures have not been audited**

	Note	2024 3 months ended 31/03/2024 RM'000	2023 3 months ended 31/03/2023 RM'000
Cash flows from operating activities:			
Profit before tax		18,662	13,087
Adjustments for:			
Allowance for doubtful debts		1	6
Depreciation of property, plant and equipment		1,242	1,300
Depreciation of investment properties		16	15
Depreciation of right-of-use assets		129	137
Interest expense on lease liabilities		3	4
Interest income		(679)	(404)
Inventories written off		11	22
Property, plant and equipment written off		69	131
Total adjustments		792	1,211
Operating cash flows before changes in working capital		19,454	14,298
Changes in working capital			
Decrease in inventories		801	544
Decrease in trade and other receivables		1,240	8,426
Decrease/(increase) in prepayments		2,385	(3,183)
Decrease in trade and other payables		(12,692)	(10,733)
Total changes in working capital		(8,266)	(4,946)
Cash flows generated from operations		11,188	9,352
Interest expense on lease liabilities paid		(3)	(4)
Income taxes paid		(3,805)	(1,500)
Net cash flows generated from operating activities		7,380	7,848
Cash flows from investing activities			
Interest income received		679	404
Purchase of property, plant and equipment		(10,701)	(496)
Net cash flows used in investing activities		(10,022)	(92)
Cash flows from financing activity			
Repayment for lease liabilities		(73)	(81)
Net cash flows used in financing activity		(73)	(81)
Net (decrease)/increase in cash and cash equivalents		(2,715)	7,675
Cash and cash equivalents at beginning of financial period		90,506	62,442
Cash and cash equivalents at end of financial period	12	87,791	70,117

(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 2024

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 2024, 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 2023. 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 2023.

3. Material accounting policy information

The material accounting policy information 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 2023, except for the adoption of the following which are applicable to the financial statements and are relevant to the operations:

(I) Adoption of amendments

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 107 and MFRS 7: Supplier Finance Arrangements	1 January 2024

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 31 March 2024

(II) 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 121: The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability	1 January 2025
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 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 2024.

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 2024

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 2024 and 31 December 2023, which are within the Group's objectives for capital management, are as follows:

	As at 31.03.2024 RM'000	As at 31.12.2023 RM'000
Total liabilities	80,642	76,430
Total equity	160,159	162,187
Total capital	80,000	80,000
Gearing ratio	50%	47%

The increase in the gearing ratio is mainly due to the increase in total liabilities arising from income tax payable and the dividend declared out of retained earnings.

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 31.03.2024 RM'000
Dividend on ordinary shares:		
- Third interim dividend of 1.5 sen per share and special dividend of 0.5 sen per share (single-tier) for 2023 declared on 5 March 2024	09.04.2024	<u>16,000</u>

Part A: Explanatory notes pursuant to MFRS 134
For the period ended 31 March 2024

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 31.03.2024				
Revenue *	69,044	2,084	73,618	144,746
Profit for reportable segments	10,588	175	8,327	19,090

Reconciliation of profit or loss

Profit or loss for the financial period ended 31.03.2024	Cumulative to date RM'000
Total profit for reportable segments	19,090
Profit from inter-segment sales	(47)
Other income	269
Unallocated expenses	(650)
Profit before tax	18,662

* Revenue reported above represents revenue generated from the reportable segments. Inter-segment sales for the current quarter is RM51,181,000.

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 31 March 2024

10. Profit before tax

Included in the profit before tax are the following items:

	Quarter ended	
	31.03.2024	31.03.2023
	RM'000	RM'000
Interest income	(679)	(404)
Rental income	(83)	(86)
Allowance for doubtful debts (Note 11)	1	6
Depreciation of property, plant and equipment	1,242	1,300
Depreciation of investment properties	16	15
Depreciation of right-of-use assets	129	137
Interest expense on lease liabilities	3	4
Inventories written off	11	22
Property, plant and equipment written off	69	131
Realised exchange losses	76	115

11. Trade and other receivables

	As at	
	31.03.2024	31.12.2023
	RM'000	RM'000
Trade receivables		
Third parties	36,026	37,188
Less: Allowance for doubtful debts	(463)	(465)
Trade receivables, net	35,563	36,723
Other receivables	457	538
Total trade and other receivables	36,020	37,261

Part A: Explanatory notes pursuant to MFRS 134
For the period ended 31 March 2024

Trade receivables

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

	As at	
	31.03.2024	31.12.2023
	RM'000	RM'000
Neither past due nor impaired	24,476	25,842
1 to 30 days past due not impaired	9,940	9,817
31 to 60 days past due not impaired	1,102	1,015
61 to 90 days past due not impaired	42	48
91 to 120 days past due not impaired	3	1
	11,087	10,881
Impaired	463	465
	<u>36,026</u>	<u>37,188</u>

Receivables that are impaired

Movement in allowance accounts :

At 1 January	465	342
Written off	(3)	(4)
Charge for the period (Note 10)	1	127
	<u>463</u>	<u>465</u>

12. Cash and bank balances

Cash and bank balances comprised the following amounts:

	As at	
	31.03.2024	31.12.2023
	RM'000	RM'000
Cash and bank balances	9,031	5,296
Short-term deposits with licensed banks	78,760	85,210
Cash and cash equivalents	<u>87,791</u>	<u>90,506</u>

Part A: Explanatory notes pursuant to MFRS 134
For the period ended 31 March 2024

13. Foreign exchange exposure

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

	As at	
	31.03.2024	31.12.2023
	RM'000	RM'000
Trade and other receivables		
United States Dollars	96	41
Singapore Dollars	1,925	2,518

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 2023.

17. Capital commitments

Approved capital commitments not recognised in the interim financial statements as at 31 March 2024 are as follows:

	RM'000
Approved but not contracted for:	
-A new production line related facilities	473
Contracted but not provided for:	
-Purchase of a new production line	3,254
-Purchase of property, plant and equipment	3,408
	<u>7,135</u>

Part A: Explanatory notes pursuant to MFRS 134
For the period ended 31 March 2024

18. Related party transactions

	3 months cumulative to date 31.03.2024 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 2024

19. Performance review

Financial review for current quarter and financial year to date

	3 months Quarter ended		Changes	
	31.03.2024 RM'000	31.03.2023 RM'000	Amount RM'000	%
Revenue	93,565	86,384	7,181	8
Operating profit	18,665	13,091	5,574	43
Profit before interest and tax	18,665	13,091	5,574	43
Finance cost	(3)	(4)	1	25
Profit before tax	18,662	13,087	5,575	43
Profit after tax	13,972	9,665	4,307	45
Profit attributable to: Owners of the Parent	13,972	9,665	4,307	45

The Group's revenue for the current quarter ended 31 March 2024 has increased by 8% to RM93,565,000 from RM86,384,000 in the quarter ended 31 March 2023. Domestic sales grew 5% or RM3.7 million compared to previous corresponding period mainly from modern and retail channel. Export market sales saw a strong increase of 22% or RM3.5 million mainly from Myanmar, Maldives and Singapore.

The Group registered a profit before tax of RM18,662,000 as compared to a profit before tax of RM13,087,000 in the preceding corresponding quarter, an increase of about 43%. The increase in profit is contributed by the effects of lower input cost of certain materials and higher sales recorded.

Part B: Explanatory notes pursuant to Main Market Listing Requirements of
Bursa Malaysia Securities Berhad
For the period ended 31 March 2024

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	
	31.03.2024 RM'000	31.12.2023 RM'000	Amount RM'000	%
Revenue	93,565	95,148	(1,583)	(2)
Operating profit	18,665	17,902	763	4
Profit before interest and tax	18,665	17,902	763	4
Finance cost	(3)	(5)	2	40
Profit before tax	18,662	17,897	765	4
Profit after tax	13,972	13,681	291	2
Profit attributable to: Owners of the Parent	13,972	13,681	291	2

The Group's revenue has decreased by 2% to RM93,565,000 in the current quarter ended 31 March 2024 as compared to RM95,148,000 in the preceding quarter as a result of lower sales from both domestic and export markets. Export market decreased by 6% or RM1.3 million mainly from Thailand and Indonesia. Domestic market slightly decreased by RM0.3 million as compared to the preceding quarter.

Profit before tax has increased by about 4% to RM18,662,000 as compared to RM17,897,000 in the preceding quarter mainly due to lower operating expenses.

21. Commentary of prospects

The Group envisages that the operating environment is expected to remain highly competitive. Nevertheless, the Group will focus on streamlining the operations and enhancing brand awareness as well as to continue to maintain and improve product quality. The Group will also focus on strengthening the domestic and export markets and strive to ensure a steady supply of products to satisfy the needs of consumers.

The Group will leverage operational efficiencies and cost saving initiative to ensure that a better performance is achieved.

Part B: Explanatory notes pursuant to Main Market Listing Requirements of
Bursa Malaysia Securities Berhad
For the period ended 31 March 2024

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	
	31.03.2024	31.03.2023
	RM'000	RM'000
Current income tax:		
-Malaysia income tax	4,848	3,391
-Deferred taxation	(158)	31
	<u>4,690</u>	<u>3,422</u>

Major components of tax expenses

	3 months
	Cumulative
	to date
	31.03.2024
	RM'000
Current tax expense	4,848
Deferred tax expense	<u>(158)</u>
	<u>4,690</u>
Profit before taxation	<u>18,662</u>
Taxation at the Malaysian statutory tax rate of 24%	4,479
Adjustments:	
-Non-deductible expenses	215
-Expenses with double deduction	<u>(4)</u>
Income tax expense	<u>4,690</u>
Effective tax rate	25.1%

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 2024

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 16 May 2024.

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 2024, 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 16 May 2024.

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 2024

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	
	31.03.24	31.03.23
(a) Basic		
Profit for the period (RM'000)	13,972	9,665
Weighted average number of ordinary shares for earnings per share ('000)	800,000	800,000
Basic earnings per share (sen)	1.75	1.21
(b) Diluted		
Diluted earnings per share (sen)	1.75	1.21

33. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2023 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 16 May 2024.