

HUP SENG INDUSTRIES BERHAD 199101015786 (226098-P)

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS**Condensed Consolidated Statement of Comprehensive Income****For the period ended 30 June 2024****The figures have not been audited**

	Note	<u>2024</u> CURRENT QUARTER ENDED 30 June RM'000	<u>2023</u> CURRENT QUARTER ENDED 30 June RM'000	<u>2024</u> 6 MONTHS CUMULATIVE TO DATE RM'000	<u>2023</u> 6 MONTHS CUMULATIVE TO DATE RM'000
Revenue		80,237	81,549	173,802	167,933
Cost of sales		(56,380)	(58,169)	(119,373)	(119,967)
Gross profit		23,857	23,380	54,429	47,966
Other income		911	921	2,051	1,691
Administrative expenses		(4,725)	(4,884)	(9,509)	(9,671)
Selling and marketing expenses		(7,889)	(7,773)	(16,152)	(15,251)
Operating profit		12,154	11,644	30,819	24,735
Finance cost		(4)	(4)	(7)	(8)
Profit before tax	10	12,150	11,640	30,812	24,727
Income tax expense	23	(3,122)	(2,920)	(7,812)	(6,342)
Profit for the period		9,028	8,720	23,000	18,385
Total comprehensive income for the period, net of tax		9,028	8,720	23,000	18,385
Profit attributable to :					
Owners of the Parent		9,028	8,720	23,000	18,385
Total Comprehensive Income for the period, net of tax attributable to :					
Owners of the Parent		9,028	8,720	23,000	18,385
Earnings per share attributable to Owners of the Parent (sen) :					
-Basic	32(a)	1.13	1.09	2.88	2.30
-Diluted	32(b)	1.13	1.09	2.88	2.30

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

	Note	As at 30/06/2024 RM'000	As at 31/12/2023 RM'000
<u>ASSETS:</u>			
Non-current assets:			
Property, plant and equipment		85,710	70,147
Investment properties		1,178	1,211
Right-of-use assets		4,762	4,807
Deferred tax assets		599	538
Prepayments for acquisition of property, plant and equipment		246	3,471
<i>Sub total</i>		92,495	80,174
Current assets:			
Inventories		30,541	30,126
Trade and other receivables	11	31,335	37,261
Prepayments		766	550
Tax recoverable		18	-
Cash and bank balances	12	82,227	90,506
<i>Sub total</i>		144,887	158,443
TOTAL ASSETS		237,382	238,617
<u>EQUITY AND LIABILITIES:</u>			
Equity attributable to			
Owners of the Company :			
Share capital		80,000	80,000
Retained earnings		89,187	82,187
TOTAL EQUITY		169,187	162,187
Non-current liabilities :			
Deferred tax liabilities		6,864	6,432
Lease liabilities		152	58
<i>Sub total</i>		7,016	6,490
Current liabilities:			
Trade and other payables		52,237	61,690
Lease liabilities		179	206
Refund liabilities		2,357	2,658
Income tax payable		6,406	5,386
<i>Sub total</i>		61,179	69,940
TOTAL LIABILITIES		68,195	76,430
TOTAL EQUITY AND LIABILITIES		237,382	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 30 June 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	-	23,000	23,000
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 2024	80,000	89,187	169,187

**For the corresponding 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

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

	Note	<u>2024</u> 6 months ended 30/06/2024 RM'000	<u>2023</u> 6 months ended 30/06/2023 RM'000
Cash flows from operating activities:			
Profit before tax		30,812	24,727
Adjustments for:			
(Reversal of)/allowance for doubtful debts		(29)	164
Bad debts written off		1	-
Depreciation of property, plant and equipment		2,566	2,575
Depreciation of investment properties		32	31
Depreciation of right-of-use assets		257	267
Interest expense on lease liabilities		7	8
Interest income		(1,301)	(853)
Inventories written off		28	43
Gain on disposal of property, plant and equipment		-	(104)
Property, plant and equipment written off		205	209
Total adjustments		1,766	2,340
Operating cash flows before changes in working capital		32,578	27,067
Changes in working capital			
(Increase)/decrease in inventories		(443)	1,077
Decrease in trade and other receivables		5,954	7,311
Decrease/(increase) in prepayments		3,009	(3,383)
Decrease in trade and other payables		(9,754)	(10,278)
Total changes in working capital		(1,234)	(5,273)
Cash flows generated from operations		31,344	21,794
Interest expense on lease liabilities paid		(7)	(8)
Income taxes paid		(6,439)	(2,968)
Net cash flows generated from operating activities		24,898	18,818
Cash flows from investing activities			
Interest income received		1,301	853
Proceeds from disposal of property, plant and equipment		-	104
Purchase of property, plant and equipment		(18,333)	(1,291)
Net cash flows used in investing activities		(17,032)	(334)
Cash flows from financing activity			
Repayment for lease liabilities		(145)	(155)
Dividends paid on ordinary shares		(16,000)	(8,000)
Net cash flows used in financing activity		(16,145)	(8,155)
Net (decrease)/increase in cash and cash equivalents		(8,279)	10,329
Cash and cash equivalents at beginning of financial period		90,506	62,442
Cash and cash equivalents at end of financial period	12	82,227	72,771

(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 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 30 June 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 30 June 2024

(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 121: The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability	1 January 2025
Amendments to MFRS 9 and MFRS 7: Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
MFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027
MFRS 19 Subsidiaries without Public Accountability: Disclosures	1 January 2027
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 standards 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 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 30 June 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 30 June 2024 and 31 December 2023, which are within the Group's objectives for capital management, are as follows:

	As at 30.06.2024	As at 31.12.2023
	RM'000	RM'000
Total liabilities	68,195	76,430
Total equity	169,187	162,187
Total capital	80,000	80,000
Gearing ratio	40%	47%

The decrease in the gearing ratio is mainly due to the decrease in trade and other payables.

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the financial period to date.

8. Dividends

	Date of payment	Cumulative to date 30.06.2024 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 30 June 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 30.06.2024				
Revenue *	60,874	791	62,610	124,275
Profit/(loss) for reportable segments	6,967	(118)	5,784	12,633
6 months cumulative to date				
Revenue *	129,918	2,875	136,228	269,021
Profit for reportable segments	17,555	57	14,111	31,723

Reconciliation of profit or loss

Profit or loss for the financial period ended 30.06.2024	Quarter ended RM'000	Cumulative to date RM'000
Total profit for reportable segments	12,633	31,723
Profit from inter-segment sales	(119)	(166)
Other income	334	603
Unallocated expenses	(698)	(1,348)
Profit before tax	12,150	30,812

* Revenue reported above represents revenue generated from the reportable segments. Inter-segment sales for the current quarter and 6 months cumulative to date are RM44,038,000 and RM95,219,000.

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 2024

10. Profit before tax

Included in the profit before tax are the following items:

	Quarter ended		Cumulative to date	
	30.06.2024	30.06.2023	30.06.2024	30.06.2023
	RM'000	RM'000	RM'000	RM'000
Interest income	(622)	(449)	(1,301)	(853)
Rental income	(83)	(85)	(166)	(171)
(Reversal of)/allowance for doubtful debts (Note 11)	(30)	158	(29)	164
Bad debts written off	1	-	1	-
Depreciation of property, plant and equipment	1,324	1,275	2,566	2,575
Depreciation of investment properties	16	16	32	31
Depreciation of right-of-use assets	128	130	257	267
Gain on disposal of property, plant and equipment	-	(104)	-	(104)
Interest expense on lease liabilities	4	4	7	8
Inventories written off	17	21	28	43
Property, plant and equipment written off	136	78	205	209
Realised exchange losses	104	97	180	212

11. Trade and other receivables

	As at	
	30.06.2024	31.12.2023
	RM'000	RM'000
Trade receivables		
Third parties	31,157	37,188
Less: Allowance for doubtful debts	(430)	(465)
Trade receivables, net	30,727	36,723
Other receivables	608	538
Total trade and other receivables	31,335	37,261

Part A: Explanatory notes pursuant to MFRS 134
For the period ended 30 June 2024

Trade receivables

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

	As at	
	30.06.2024	31.12.2023
	RM'000	RM'000
Neither past due nor impaired	23,208	25,842
1 to 30 days past due not impaired	6,860	9,817
31 to 60 days past due not impaired	608	1,015
61 to 90 days past due not impaired	42	48
91 to 120 days past due not impaired	9	1
	7,519	10,881
Impaired	430	465
	<u>31,157</u>	<u>37,188</u>

Receivables that are impaired

Movement in allowance accounts :

At 1 January	465	342
Written off	(6)	(4)
(Reversal)/charge for the period (Note 10)	(29)	127
	<u>430</u>	<u>465</u>

12. Cash and bank balances

Cash and bank balances comprised the following amounts:

	As at	
	30.06.2024	31.12.2023
	RM'000	RM'000
Cash and bank balances	7,827	5,296
Short-term deposits with licensed banks	74,400	85,210
Cash and cash equivalents	<u>82,227</u>	<u>90,506</u>

Part A: Explanatory notes pursuant to MFRS 134
For the period ended 30 June 2024

13. Foreign exchange exposure

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

	As at	
	30.06.2024	31.12.2023
	RM'000	RM'000
Trade and other receivables		
United States Dollars	25	41
Singapore Dollars	1,045	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 30 June 2024 are as follows:

	RM'000
Approved but not contracted for:	
-A new production line related facilities	337
Contracted but not provided for:	
-Purchase of a new production line related facilities	110
-Purchase of property, plant and equipment	1,089
	<u>1,536</u>

Part A: Explanatory notes pursuant to MFRS 134
For the period ended 30 June 2024

18. Related party transactions

	Current quarter ended 30.06.2024 RM	6 months cumulative to date 30.06.2024 RM
Rental of premises payable to:		
-Hup Seng Brothers Holdings Sdn. Bhd. #	24,150	48,300

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 30 June 2024

19. Performance review

Financial review for current quarter and financial year to date

	3 months Quarter ended		Changes		6 months cumulative to date		Changes	
	30.06.2024 RM'000	30.06.2023 RM'000	Amount RM'000	%	30.06.2024 RM'000	30.06.2023 RM'000	Amount RM'000	%
Revenue	80,237	81,549	(1,312)	(2)	173,802	167,933	5,869	3
Operating profit	12,154	11,644	510	4	30,819	24,735	6,084	25
Profit before interest and tax	12,154	11,644	510	4	30,819	24,735	6,084	25
Finance cost	(4)	(4)	-	0	(7)	(8)	1	13
Profit before tax	12,150	11,640	510	4	30,812	24,727	6,085	25
Profit after tax	9,028	8,720	308	4	23,000	18,385	4,615	25
Profit attributable to: Owners of the Parent	9,028	8,720	308	4	23,000	18,385	4,615	25

The Group's revenue for the current quarter ended 30 June 2024 has decreased by 2% to RM80,237,000 from RM81,549,000 in the quarter ended 30 June 2023. Export Market dropped 4% or RM0.8 million compared to previous corresponding period mainly from Thailand and Saudi Arabia. Domestic market saw a slight decrease of 1% or RM0.5 million compared to previous corresponding period mainly from East Malaysia.

The Group registered a profit before tax of RM12,150,000 as compared to a profit before tax of RM11,640,000 in the preceding corresponding quarter, an increase of about 4% as a result of lower input costs.

The Group's revenue for the six months ended 30 June 2024 has increased by 3% to RM173,802,000 from RM167,933,000 as compared with the preceding year corresponding period mainly due to increase in sales volume. Domestic sales grew by 2% or RM3.2 million were registered for all channels. Export sales has increased by 8% or about RM2.7 million mainly from Myanmar, Indonesia and Singapore.

The profit before tax has increased to RM30,812,000 when compared with the preceding year corresponding period of RM24,727,000 an increase of about 25%. The increase in profit before tax is mainly due to the improvement in contribution as a result of lower input costs of certain major materials.

Part B: Explanatory notes pursuant to Main Market Listing Requirements of
Bursa Malaysia Securities Berhad
For the period ended 30 June 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	
	30.06.2024 RM'000	31.03.2024 RM'000	Amount RM'000	%
Revenue	80,237	93,565	(13,328)	(14)
Operating profit	12,154	18,665	(6,511)	(35)
Profit before interest and tax	12,154	18,665	(6,511)	(35)
Finance cost	(4)	(3)	(1)	(33)
Profit before tax	12,150	18,662	(6,512)	(35)
Profit after tax	9,028	13,972	(4,944)	(35)
Profit attributable to:				
Owners of the Parent	9,028	13,972	(4,944)	(35)

The Group's revenue has decreased by 14% to RM80,237,000 in the current quarter ended 30 June 2024 as compared to RM93,565,000 in the preceding quarter mainly due to seasonal factor. The major contributors to this reduction mainly came from all channels in the domestic market of about 15% or RM11.3 million, and the Asia regions (both biscuits and beverages) of export markets of about 11% or RM2 million.

Profit before tax has decreased by about 35% to RM12,150,000 as compared to RM18,662,000 in the preceding quarter mainly due to lower sales.

21. Commentary of prospects

Whilst the Group's first half performance was encouraging, we remain cautious, in view of the highly competitive nature of the industry. The Group will continue to remain vigilant and adaptable to market shifts. We anticipate challenges with the rising cost of raw material such as cocoa powder and milk powder.

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 30 June 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		Cumulative	
	Quarter ended		to date	
	30.06.2024	30.06.2023	30.06.2024	30.06.2023
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
-Malaysia income tax	2,593	3,029	7,441	6,420
-Deferred taxation	529	(109)	371	(78)
	<u>3,122</u>	<u>2,920</u>	<u>7,812</u>	<u>6,342</u>

Major components of tax expenses

	Current	6 months
	quarter	Cumulative
	ended	to date
	30.06.2024	30.06.2024
	RM'000	RM'000
Current tax expense	2,593	7,441
Deferred tax expense	529	371
	<u>3,122</u>	<u>7,812</u>
Profit before taxation	<u>12,150</u>	<u>30,812</u>
Taxation at the Malaysian statutory tax rate of 24%	2,916	7,395
Adjustments:		
-Non-deductible expenses	209	424
-Expenses with double deduction	(3)	(7)
Income tax expense	<u>3,122</u>	<u>7,812</u>
Effective tax rate	25.7%	25.4%

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 30 June 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 7 August 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 30 June 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 7 August 2024.

31. Dividend payable

Other than as disclosed in Note 8 above, the Board of Directors recommends the payment of first interim single-tier dividend of 2 sen per ordinary share in respect of the year ending 31 December 2024 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 30 June 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 quarter ended		6 months cumulative to date	
	30.06.24	30.06.23	30.06.24	30.06.23
(a) Basic				
Profit for the period (RM'000)	9,028	8,720	23,000	18,385
Weighted average number of ordinary shares for earnings per share ('000)	800,000	800,000	800,000	800,000
Basic earnings per share (sen)	1.13	1.09	2.88	2.30
(b) Diluted				
Diluted earnings per share (sen)	1.13	1.09	2.88	2.30

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 7 August 2024.