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Heng Hup Holdings Limited

興合控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1891)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2018 amounted to RM894.4 million, representing an increase of 21.0% from RM739.4 million recorded in 2017.
- Gross profit for the year ended 31 December 2018 amounted to RM58.4 million, representing an increase of 8.6% from RM53.8 million recorded in 2017.
- Profit attributable to equity holders of the Company for the year ended 31 December 2018 amounted to RM24.6 million, representing an increase of 6.5% from RM23.1 million in 2017.
- The equity attributable to owners of the Group as at 31 December 2018 amounted to RM117.4 million, representing an increase of 67.7% from RM70.0 million in 2017.
- The Board does not recommend the payment of final dividend in 2018 (2017: Nil).

In this announcement, “we”, “us”, “our” and “Heng Hup” refer to the Company (as defined below) and where the context otherwise requires, the Group (as defined below).

The board (the “**Board**”) of directors (the “**Directors**”) of Heng Hup Holdings Limited 興合控股有限公司 (the “**Company**”) is pleased to announce the combined annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017 as follows:

COMBINED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 RM'000	2017 RM'000
Revenue	3	894,405	739,428
Cost of sales	6	<u>(836,011)</u>	<u>(685,637)</u>
Gross profit		58,394	53,791
Other income	4	129	1,073
Other gains, net	5	9,387	253
Distribution and selling expenses	6	(11,234)	(7,570)
Administrative expenses	6	<u>(24,198)</u>	<u>(15,905)</u>
Operating profit		32,478	31,642
Finance income		433	224
Finance costs		<u>(638)</u>	<u>(910)</u>
Finance costs, net	7	<u>(205)</u>	<u>(686)</u>
Profit before income tax		32,273	30,956
Income tax expenses	8	<u>(7,651)</u>	<u>(7,845)</u>
Profit and total comprehensive income for the year		<u>24,622</u>	<u>23,111</u>
Profit attributable to:			
Owners of the Company		24,622	22,835
Non-controlling interests		<u>—</u>	<u>276</u>
		<u>24,622</u>	<u>23,111</u>

* No earnings per share information is presented as its inclusion, for the purpose of this annual results announcement, is not considered meaningful due to the group reorganisation and the preparation of the results for each of the years ended 31 December 2017 and 2018 on a combined basis as disclosed in Note 1.2.

COMBINED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 RM'000	2017 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		18,657	17,386
Investment properties		4,052	3,654
Deferred income tax assets		53	—
		<u>22,762</u>	<u>21,040</u>
Current assets			
Inventories		8,794	8,542
Trade and other receivables	11	113,127	97,870
Amounts due from related parties		—	8,773
Pledged bank deposits		5,232	7,103
Cash and cash equivalents		5,572	14,140
		<u>132,725</u>	<u>136,428</u>
Assets classified as held for sale		—	1,686
Total assets		<u>155,487</u>	<u>159,154</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Combined capital		112,313	6,750
Capital reserve		(82,826)	—
Retained earnings		87,911	63,233
		<u>117,398</u>	<u>69,983</u>
Non-controlling interests		—	393
Total equity		<u>117,398</u>	<u>70,376</u>

	Notes	2018 <i>RM'000</i>	2017 <i>RM'000</i>
Non-current liabilities			
Finance lease liabilities		763	382
Borrowings		3,981	6,409
Deferred income tax liabilities		—	636
		<u>4,744</u>	<u>7,427</u>
Current liabilities			
Trade and other payables	12	26,536	28,346
Current income tax liabilities		841	3,761
Finance lease liabilities		371	196
Borrowings		5,597	5,525
Amounts due to related parties		—	6,382
Amounts due to directors		—	37,141
		<u>33,345</u>	<u>81,351</u>
Total liabilities		<u>38,089</u>	<u>88,778</u>
Total equity and liabilities		<u>155,487</u>	<u>159,154</u>

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1 REORGANISATION, BASIS OF PRESENTATION AND GENERAL INFORMATION

1.1 Reorganisation

In preparing for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, the following reorganisation activities were carried out.

Prior to the incorporation of the Company and the completion of the reorganisation as described below (the "**Reorganisation**"), the business of the Group was primarily carried out by Heng Hup Metal Sdn. Bhd., Heng Hup Paper Sdn. Bhd., Heng Hup Paper (Melaka) Sdn. Bhd., Heng Hup Hardware (M) Sdn. Bhd. (formerly known as Heng Hup Recycle Sdn. Bhd.) and Heng Hup Metal (Johor) Sdn. Bhd. (collectively, the "**Operating Companies**").

Pursuant to the Reorganisation, the Operating Companies were transferred to the Company through the following steps:

- (i) On 22 December 2017, Heng Hup Holdings (Malaysia) Sdn. Bhd. was incorporated in Malaysia. One share was allotted and issued, credited as fully paid, to each of the Sia Brothers (as defined below), all as initial subscribers.
- (ii) On 18 January 2018, Heng Hup Hardware (M) Sdn. Bhd. acquired 20% of the issued share capital of Heng Hup Metal (Johor) Sdn. Bhd. from Goh Eng Kiat for a cash consideration of RM337,000, which was based on 20% of the net asset value of Heng Hup Metal (Johor) Sdn. Bhd. as at 30 November 2017 and settled by Heng Hup Hardware (M) Sdn. Bhd. in cash in January 2018.
- (iii) On 10 April 2018, 5S Holdings (BVI) Limited was incorporated in the British Virgin Islands. 2,000 shares were allotted and issued, credited as fully paid at par, to each of the Sia Brothers as initial subscribers. On 13 April 2018, 5S Holdings (BVI) Limited allotted and issued 5,000 shares, 1,250 shares, 1,250 shares, 1,250 shares and 1,250 shares, all credited as fully paid at par, to Mr. Sia Kok Chin, Datuk Sia Keng Leong, Mr. Sia Kok Chong, Mr. Sia Kok Seng and Mr. Sia Kok Heong respectively.
- (iv) On 12 April 2018, the Company was incorporated in the Cayman Islands. One share was allotted and issued for cash at par to the initial third party subscriber and such share was transferred to 5S Holdings (BVI) Limited on the same date, and further allotted and issued 6,799 shares, for cash at par, to 5S Holdings (BVI) Limited and 640 shares, for cash at par, to each of the Sia Brothers.
- (v) On 17 April 2018, Heng Hup (BVI) Limited was incorporated in the British Virgin Islands. 10,000 shares were allotted and issued, credited as fully paid at par, to the Company as the initial subscriber.
- (vi) a) On 7 May 2018, Heng Hup Holdings (Malaysia) Sdn. Bhd. acquired the entire issued share capital of Heng Hup Paper Sdn. Bhd. from the Sia Brothers for an aggregate nominal consideration of RM5, which was satisfied by Heng Hup Holdings (Malaysia) Sdn. Bhd. by issuing and allotting one share to each of the Sia Brothers for RM1 per share (the "**Share Swap I**"). The Share Swap I was completed on 24 May 2018.

- b) On 7 May 2018, Heng Hup Holdings (Malaysia) Sdn. Bhd. acquired the entire issued share capital of Heng Hup Paper (Melaka) Sdn. Bhd. from the Sia Brothers for an aggregate nominal consideration of RM5, which was satisfied by Heng Hup Holdings (Malaysia) Sdn. Bhd. by issuing and allotting one share to each of the Sia Brothers for RM1 per share (the “**Share Swap II**”). The Share Swap II was completed on 24 May 2018.
- c) On 7 May 2018, Heng Hup Holdings (Malaysia) Sdn. Bhd. acquired the entire issued share capital of Heng Hup Metal (Johor) Sdn. Bhd. from Heng Hup Hardware (M) Sdn. Bhd. for an aggregate nominal cash consideration of RM1, which was paid by Heng Hup Holdings (Malaysia) Sdn. Bhd. in May 2018.
- d) On 1 June 2018, Heng Hup Holdings (Malaysia) Sdn. Bhd. acquired the entire issued share capital of Heng Hup Hardware (M) Sdn. Bhd. from the Sia Brothers for an aggregate nominal consideration of RM5, which was satisfied by Heng Hup Holdings (Malaysia) Sdn. Bhd. by issuing and allotting one share to each of the Sia Brothers for RM1 per share (the “**Share Swap III**”). The Share Swap III was completed on 13 June 2018.
- e) On 3 July 2018, Heng Hup Holdings (Malaysia) Sdn. Bhd. acquired the entire issued share capital of Heng Hup Metal Sdn. Bhd. from the Sia Brothers for an aggregate nominal consideration of RM5, which was satisfied by Heng Hup Holdings (Malaysia) Sdn. Bhd. by issuing and allotting one share to each of the Sia Brothers for RM1 per share (the “**Share Swap IV**”). The Share Swap IV was completed on 12 July 2018.

As a result of the above reorganisation steps, each of the Operating Companies became a wholly-owned subsidiary of Heng Hup Holdings (Malaysia) Sdn. Bhd.

- (vii) On 31 July 2018, Heng Hup Holdings (Malaysia) Sdn. Bhd. underwent a share sub-division such that every existing share in the capital of Heng Hup Holdings (Malaysia) Sdn. Bhd. was sub-divided into 50 shares.
- (viii) a) The debts due and owing by Heng Hup Metal Sdn. Bhd. to the Sia Brothers and a related company controlled by the Sia Brothers in the aggregate amount of RM27,989,000 as at 31 May 2018 were settled by way of:
 - (i) transfer of three properties for an aggregate consideration of RM7,845,000 to the Sia Brothers on 31 July 2018;
 - (ii) set-off of the debts owing by My Santuariee Sdn. Bhd., 5S Foods & Beverages Sdn. Bhd., 5S Battery Sdn. Bhd., Solid Lift Sdn. Bhd., 5S Resources Sdn. Bhd. and 5S Unity Properties Sdn. Bhd. (being companies owned by Sia Brothers) to Heng Hup Metal Sdn. Bhd. in the amount of RM8,817,000 as at 31 May 2018 after being novated to the Sia Brothers;
 - (iii) allotment and issue of 541,959 shares of Heng Hup Metal Sdn. Bhd. to Heng Hup Holdings (Malaysia) Sdn. Bhd. at an issue price of RM20.9 per share on 31 July 2018; and
 - (iv) allotment and issue of 31 shares of Heng Hup Holdings (Malaysia) Sdn. Bhd. to each of the Sia Brothers at an issue price of RM73,536 per share on 31 July 2018.

- b) The debt due and owing by Heng Hup Hardware (M) Sdn. Bhd. to the Sia Brothers in the aggregate amount of RM14,194,000 as at 31 May 2018 was settled by way of:
- (i) transfer of one property for a consideration of RM2,650,000 to the Sia Brothers on 31 July 2018;
 - (ii) set-off of the debt owing by 5S Unity Properties Sdn. Bhd. and Heng Hup Hardware (being entities owned by the Sia Brothers) to Heng Hup Hardware (M) Sdn. Bhd. in the amount of RM133,311 as at 31 May 2018 after being novated to the Sia Brothers;
 - (iii) allotment and issue of 1,558,774 shares of Heng Hup Hardware (M) Sdn. Bhd. to Heng Hup Holdings (Malaysia) Sdn. Bhd. at an issue price of RM7.32 per share on 31 July 2018; and
 - (iv) allotment and issue of 31 shares of Heng Hup Holdings (Malaysia) Sdn. Bhd. to each of the Sia Brothers at an issue price of RM73,536 per share on 31 July 2018.
 - (ix) On 13 February 2019, Heng Hup (BVI) Limited acquired the entire issued share capital of Heng Hup Holdings (Malaysia) Sdn. Bhd. from the Sia Brothers for an aggregate nominal cash consideration of RM5 and settled by Heng Hup (BVI) Limited in February 2019.

As a result of the above reorganisation step, Heng Hup Holdings (Malaysia) Sdn. Bhd. became the wholly-owned subsidiary of Heng Hup (BVI) Limited on 13 February 2019.

Upon completion of the above reorganisation steps on 13 February 2019, the Operating Companies became indirectly wholly-owned subsidiaries of the Company.

Upon the completion of the Reorganisation and as at the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Name of subsidiaries	Place and date of incorporation	Issued and paid up capital	Principal activities	Effective interest held by the Group		Note
				As at 31 December 2018	As at 31 December 2017	
Directly held:						
Heng Hup (BVI) Limited	British Virgin Islands, 17 April 2018	50,000 ordinary shares of US\$1 each	Investment holding	100%	N/A	(i)
Indirectly held:						
Heng Hup Holdings (Malaysia) Sdn. Bhd.	Malaysia, 22 December 2017	1,560 ordinary shares	Investment holding	100%	100%	(ii)
Heng Hup Metal Sdn. Bhd.	Malaysia, 3 July 2008	3,541,959 ordinary shares	Trading of scrap ferrous metals, used batteries and other scraps	100%	100%	(ii)
Heng Hup Paper Sdn. Bhd.	Malaysia, 3 July 2008	1,000,000 ordinary shares	Dealing with recycle paper and its related products	100%	100%	(ii)
Heng Hup Paper (Melaka) Sdn. Bhd.	Malaysia, 13 March 2009	250,000 ordinary shares	Trading and recycling of paper and other related products	100%	100%	(ii)
Heng Hup Hardware (M) Sdn. Bhd. (Formerly known as Heng Hup Recycle Sdn. Bhd.)	Malaysia, 24 March 2005	4,058,774 ordinary shares	Trading of scrap ferrous metals, used batteries and other scraps	100%	100%	(ii)
Heng Hup Metal (Johor) Sdn. Bhd.	Malaysia, 27 May 2009	100,000 ordinary shares	Trading of scrap ferrous metals, used batteries and other scraps	100%	80%	(ii)

Notes:

- (i) There is no statutory audit requirement for this company.
- (ii) The statutory auditor of these companies is PricewaterhouseCoopers PLT, Malaysia.

1.2 Basis of presentation

Immediately prior to and after the Reorganisation and during the years ended 31 December 2018 and 2017, the business of trading of scrap ferrous metals, used batteries, waste paper and other scraps (the “**Listing Business**”) was primary conducted by the Operating Companies. Pursuant to the Reorganisation, the Listing Business were transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and the transfer does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management and the ultimate owners of the Listing Business remain substantially the same.

Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Listing Business under the Operating Companies. The acquisitions of the equity interests owned by the Sia Brothers in the Operating Companies through cash considerations and share swaps as described in the Reorganisation steps in Note 1.1 have been accounted for as recapitalisation of the single business by pooling the interests of the Sia Brothers in the Listing Business.

The non-controlling interests in the Listing Business represented equity interests other than that of the Sia Brothers. During the Reorganisation, the Group acquired these non-controlling interests in the Listing Business.

For the purpose of this announcement:

- (a) the combined financial statements have been prepared and presented as a continuation of the combined financial statements of the Operating Subsidiaries, with the assets and liabilities of the Group recognised and measured at the carrying amounts of the Listing Business for all periods presented.
- (b) the excess of the cash consideration of RM56,000 over the carrying amount of the non-controlling interest acquired during the Reorganisation as described above has been accounted as an equity transaction.

The combined financial statements have been prepared by including the combined financial statements of the companies engaged in the Listing Business, under the common control of the Sia Brothers immediately before and after the Reorganisation and now comprising the Group as if the current group structure had been in existence throughout the periods presented, or since the date when the combining companies first came under the control of the Sia Brothers, whichever is a shorter period.

1.3 General information

The Company was incorporated on 12 April 2018 as an exempted company in the Cayman Islands under the Companies Law of the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business in Hong Kong is 21st Floor, CCB Tower, 3 Connaught Road Central, Central, Hong Kong.

The Company is an investment holding company and its subsidiaries (together, the “**Group**”) are principally engaged in trading of scrap ferrous metals, used batteries, waste paper and other scraps.

The Company’s ultimate holding company is 5S Holdings (BVI) Limited. The ultimate controlling party of the Group are Mr. Sia Kok Chin, Datuk Sia Keng Leong, Mr. Sia Kok Chong, Mr. Sia Kok Seng and Mr. Sia Kok Heong (collectively, the “**Sia Brothers**”).

These combined financial statements is presented in Malaysian Ringgit (“**RM**”) unless otherwise stated.

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the combined financial statements which are in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (“**IASB**”), the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange and the applicable disclosure requirements of the Hong Kong Companies Ordinance Cap. 622 for the years ended 31 December 2018 and 2017 set out below. The combined financial statements has been prepared under the historical cost convention.

The preparation of the combined financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the combined financial statements.

2.2 Adoption of New standards

Application of IFRS 9 and IFRS 15

IFRS 9 “Financial Instruments” addresses the classification, measurement and recognition of financial assets and financial liabilities, and introduces new rules of hedge accounting and a new impairment model for financial assets. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

IFRS 15, “Revenue from contracts with customers” replaces the previous revenue standards IAS 18 “Revenue” and IAS 11 “Construction Contracts” and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

The Group has applied IFRS 9 and IFRS 15 retrospectively.

2.3 New standards and amendments to standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretation have been issued but not effective during the year and have not been early adopted by the Group in preparing these combined financial statements:

		Effective for accounting periods beginning on or after
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
IAS 28 (Amendments)	Long-term Interest in Associates and Joint Ventures	1 January 2019
IAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement	1 January 2019
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
IFRS 16	Leases	1 January 2019
IFRIC Int-23	Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements Projects	Annual Improvements 2015-2017 cycle	1 January 2019
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
IAS 1 and IAS 8 (Amendments)	Definition of Material	1 January 2020
IFRS 3 (Amendments)	Definition of a Business	1 January 2020
IFRS 17	Insurance Contracts	1 January 2021

The above new standards, new interpretations and amended standards are not expected to have any impact on the combined financial statements of the Group, except those set out below:

(i) IFRS 16 “Leases”

Under IFRS 16, lessees are required to recognise a lease liability reflecting future lease payments and a right-of-use asset for all lease contracts in the statements of financial position. Lessees will also have to present interest expense on the lease liability and depreciation on the right-of-use asset in the income statement. In comparison with operating leases under IAS 17, this will change not only the allocation of expenses but also the total amount of expenses recognised for each period of the lease term. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. The new standard has included an optional exemption for certain short-term leases and leases of low-value assets. This exemption can only be applied by lessee.

The Group is a lessee of certain land and buildings and property, plant and equipment which are currently classified as operating leases. The Group’s current accounting policy for such leases is to record the rental expenses in Group’s combined statements of comprehensive income for the current year with the disclosure of related future minimum lease payments as operating lease commitments. As at 31 December 2018, the Group’s total non-cancellable operating lease commitments amounted to RM4,000. The new standard will therefore result in an increase in right-of-use assets and increase in lease liabilities in the combined statement of financial position. In the combined statements of comprehensive income, as a result, the annual rental will decrease while depreciation of right-of-use of assets and interest expense arising from the lease liabilities will increase. Given that the total non-cancellable operating lease commitments account for less than 0.1% of the total liabilities of the Group as at 31 December 2018, the directors of the Company expect that the adoption of IFRS 16 as compared with the current accounting policy would not result in significant impact on the Group’s financial results and positions. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

3. REVENUE AND SEGMENT INFORMATION

The Group is mainly engaged in trading of scrap ferrous metals, used batteries, waste paper and other scraps.

No segmental analysis is prepared as the Group has been operating in a single operating segment, i.e. trading of recycling materials. The Group as a whole is regarded as an operating segment.

The chief operating decision-makers have been identified as the executive directors and senior management led by the Group's chief executive officer. The executive directors and senior management review the Group's internal reporting to assess performance and allocate resources. A management approach has been used for the operating segment reporting.

The chief operating decision-makers assesses the performance of the operating segment based on a measure of profit before income tax. Hence, the information that is regularly provided to the key management is consistent with that presented in the combined financial statements.

(a) Revenue by location of goods delivery

During the year ended 31 December 2018, the Group mainly traded in Malaysia and most of the revenue were generated in Malaysia.

All revenue are recognised at a point in time upon delivery.

4. OTHER INCOME

	2018 <i>RM'000</i>	2017 <i>RM'000</i>
Compensation received (Note)	59	952
Rental income	10	19
Others	60	102
	<u>129</u>	<u>1,073</u>

Note:

Compensation received mainly include compensation from insurance claim. During the year ended 31 December 2017, an insurance compensation of RM453,000 was received in relation to the fire incident occurred in October 2016 at the Group's scrapyards in Melaka, which resulted in a loss of property, plant and equipment with a net book value of RM184,000 and inventory of RM370,000 during the year ended 31 December 2016.

During the year ended 31 December 2017, a compensation of RM314,000 was received from a vendor regarding the termination of a sale and purchase agreement of a piece of land by such vendor.

5. OTHER GAINS, NET

	2018 <i>RM'000</i>	2017 <i>RM'000</i>
Gain on disposal property, plant and equipment	145	225
Gain on disposal of assets held for sale	9,274	—
Property, plant and equipment written-off	(39)	(3)
Foreign exchange gains	7	31
	<u>9,387</u>	<u>253</u>

6. EXPENSES BY NATURE

	2018 <i>RM'000</i>	2017 <i>RM'000</i>
Cost of trading goods sold	829,227	679,679
Employee benefit expenses	15,985	15,548
Depreciation expenses	2,356	2,304
Auditors' remuneration		
– Audit services	137	172
– Non-audit services	—	30
Listing expenses	8,302	1,152
Transportation costs	7,052	4,363
Other expenses	8,384	5,864
	<u>871,443</u>	<u>709,112</u>

7. FINANCE COSTS, NET

	2018 <i>RM'000</i>	2017 <i>RM'000</i>
Interest income from bank deposits	<u>433</u>	<u>224</u>
Interest expense on loans	(538)	(801)
Interest expense on finance leases	(69)	(49)
Interest expense on bank overdrafts	(31)	(60)
	<u>(638)</u>	<u>(910)</u>
Finance costs, net	<u>(205)</u>	<u>(686)</u>

8. INCOME TAX EXPENSES

Malaysian corporate income tax has been provided at the rate of 24% (2017: 24%) of the estimated assessable profit for the year ended 31 December 2018.

Malaysian real property gains tax has been provided at the rate of 5% of the gains derived from disposal of real property investments for the year ended 31 December 2018.

	2018 <i>RM'000</i>	2017 <i>RM'000</i>
Current tax:		
Malaysian corporate income tax	7,639	7,695
Malaysian real property gains tax	464	—
	<u>8,103</u>	<u>7,695</u>
Under provision in prior year:		
Malaysian corporate income tax	201	—
	<u>8,304</u>	<u>7,695</u>
Deferred income tax	(689)	150
Under provision of deferred income tax in prior year	36	—
	<u>(653)</u>	<u>150</u>
Tax expenses	<u>7,651</u>	<u>7,845</u>

9. DIVIDENDS

No dividend was paid or proposed during 2018 and 2017, nor has any dividend been proposed by the Company since the end of the reporting period in respect of the year ended 31 December 2018 and 2017.

10. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this annual results announcement, is not considered meaningful due to the group reorganisation and the preparation of the results for each of the years ended 31 December 2017 and 2018 on a combined basis as disclosed in Note 1.2.

11. TRADE AND OTHER RECEIVABLES

	2018	2017
	<i>RM'000</i>	<i>RM'000</i>
Trade receivables	96,028	81,256
Other receivables	1,021	280
Deposits and prepayments	4,263	1,220
Downpayment to suppliers	11,654	15,114
Other tax receivables	161	—
	113,127	97,870

The Group generally grants credit terms ranging from 0 to 90 days to customers upon the approval of management according to the credit quality of individual customers. At 31 December 2018, the aging analysis of the trade receivables based on invoice date were as follows:

	2018	2017
	<i>RM'000</i>	<i>RM'000</i>
0 – 30 days	64,792	59,781
31 – 60 days	7,227	9,258
61 – 120 days	19,877	2,111
Over 120 days	4,132	10,106
	96,028	81,256

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group considers the credit risk characteristics and the days past due to measure the expected credit losses. During year 2018 and 2017, the expected losses rate for customers of sales of goods is minimal, given there is no history of significant defaults from customers. Therefore, there is no provision for trade receivables during year 2018 and 2017.

The carrying amounts of the trade and other receivables are denominated in RM and approximate their fair values.

12. TRADE AND OTHER PAYABLES

	2018 <i>RM'000</i>	2017 <i>RM'000</i>
Trade payables	10,692	14,681
Other tax payables	—	713
Accrued salaries	4,917	7,610
Other payables and accruals	10,927	5,342
	<hr/> 26,536 <hr/>	<hr/> 28,346 <hr/>

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2018 <i>RM'000</i>	2017 <i>RM'000</i>
– RM	10,692	13,200
– Renminbi	—	1,481
	<hr/> 10,692 <hr/>	<hr/> 14,681 <hr/>

The aging analysis of the trade payables based on invoice date was as follows:

	2018 <i>RM'000</i>	2017 <i>RM'000</i>
0 – 30 days	10,555	12,506
31 – 60 days	137	831
61 – 120 days	—	846
Over 120 days	—	498
	<hr/> 10,692 <hr/>	<hr/> 14,681 <hr/>

The carrying amounts of the trade and other payables approximate their fair values.

BUSINESS REVIEW

During the year ended 31 December 2018, we have achieved better performance both in terms of revenue and profitability. Our revenue exceeded RM894.4 million (2017: RM739.4 million), representing an increase of 21.0% as compared to the previous year. With regard to the profitability, we recorded a net profit of RM24.6 million (2017: RM23.1 million). Sales volume of the scrap ferrous metals for year ended 31 December 2018 was 580,911 tonnes (2017: 519,069 tonnes), representing an increase of 11.9% as compared to the previous year. Our performance in 2018 reflected the continuous growth of demand of our recycled products during the year.

On 15 March 2019, the Company's shares were successfully listed on The Stock Exchange of Hong Kong Limited. This marked a major milestone in the development of our Group. Net proceeds from the Listing amounted to approximately HK\$80.8 million and majority of the funds raised continued to be used for procurement of scrap ferrous metals, expansion of our scrapyards facilities, replacement our fleet of trucks and set up a new scrapyard.

2016/2017 was a watershed period of the steel industry in Malaysia. The PRC supply-side restructuring to eliminate excess steel manufacturing capacity in 2016 and the imposition of additional import duties on steel products by the Malaysian government in 2017 laid an encouraging macro backdrop for the revival of the steel industry in Malaysia. Average price of steel bar hit the bottom in 2016 and started to trade up in 2017. Correspondingly, the procurement price offered by steel mills for scrap ferrous metals also went up. Domestic crude steel production rose from 2.8 million tonnes in 2016 to 3.7 million tonnes in 2017 representing an increase of over 32%, whilst import volume of finished steel products was reduced from 7.5 million tonnes to 7.1 million tonnes during the same period. Going forward, the crude steel production by local steel mills is forecast to grow at a compound annual growth rate ("CAGR") of 10.2% from 2018 to 2022, whilst import volume of finished steel products is forecast to decrease at a CAGR of -2.1% for the same forecast period. In other words, the domestically manufactured steel products are going to play a much bigger role in the local steel consumption market and, to a certain extent, gradually replace part of the imported products.

As a result, the demands for domestic scrap ferrous metals will also grow in order to satisfy the increasing production needs from the local steel mills. The domestic supply volume of scrap ferrous metals is forecast to grow at a CAGR of 9.7% from 2018 to 2022. The demand for scrap ferrous metals always outstrips its supply in Malaysia. The shortfall in supply has been satisfied by import of scrap ferrous metals. Steel mills can always absorb the domestic scrap ferrous metals supply once it is made available to them. Therefore, scrap ferrous metals providers with financial resources, logistics support and suppliers network are in a better position to capture the expected growth of the scrap metal industry in Malaysia.

On 13 April 2018, the PRC government promulgated the “Announcement No. 6 [2018] of the Ministry of Ecology and Environment, the Ministry of Commerce, the National Development and Reform Commission and the General Administration of Customs — on Adjusting the Catalogue for the Management of the Import of Solid Wastes” (生態環境部、商務部、國家發展和改革委員會、海關總署公告2018年第6號 — 關於調整《進口廢物管理目錄》的公告) to formally ban the direct import of 32 types of scrap materials. The first round of ban took effect from 31 December 2018 for 16 categories of scrap materials, including steel slag, post-industrial plastics, compressed auto pieces, small electric motors, insulated wires and vessels. The second round will take effect from 31 December 2019, the scope of which includes the remaining categories such as wood pellets, stainless steel scrap, and non-ferrous scrap (excluding aluminium and copper) such as titanium and magnesium.

The aforesaid policy led to change in trade destinations of scrap materials from the PRC to the Southeast and South Asian countries. As a result, scrap materials recyclers with import and facilities in the PRC had moved into alternative locations such as Malaysia for processing and sales of scrap materials. Accordingly, Malaysian scrap ferrous metals traders in partnership with such scrap materials recyclers benefit from securing additional supply of scrap ferrous metals.

Hence, we believe the steel industry prospects will continue to provide a favourable background to the development of our business. In this regard, we have formulated our business strategies, not only to strengthen our leading position in the Malaysian scrap ferrous metal trading industry, but more importantly, to capture the business opportunities generated by the aforesaid favourable macro background of the steel industry in Malaysia.

The volume of used battery traded in Malaysia has recorded a robust growth at a CAGR of 18.6% from 2013 to 2017, which was mainly attributable to the increase in output of automobiles, electrical appliances and generation of end-of-life electronic products and scrap automobiles. With the continuous urbanisation, and launch and replacement of electrical appliance and automobiles, the used batteries traded in Malaysia is expected to grow at a CAGR of 11.0% from 2018 to 2022.

With economic growth and continuous rise in disposable income, the rising demand for consumer goods among Malaysia’s customers has fuelled the needs for paper-based packaging materials, which in turn contributes to the growth for waste paper trading industry. The volume of waste paper traded increased at a CAGR of 10.3%, from 501.5 thousand tonnes in 2013 to 743.2 thousand tonnes in 2017. Supported by the government incentives for resources recycling and rising demand for consumer goods, waste paper trading is likely to enjoy the growth. The volume of waste paper traded in Malaysia are forecasted to rise at a CAGR of 10.8% from 2018 to 2022.

Looking forward into 2019, the Group will continue to leverage off our core competitive advantages to achieve remarkable growth in our revenue and profitability. We plan to continue to strengthen our market leading position in the Malaysian scrap ferrous metal trading industry, by expanding our supplier and customer bases and increasing our business volume of scrap ferrous metals. We plan to achieve our objectives through implementing the following strategies:

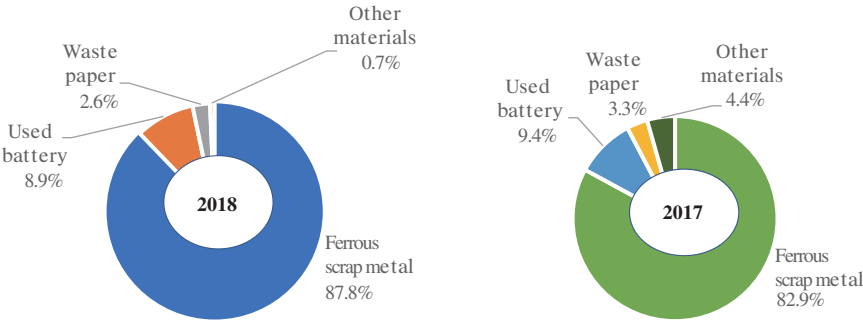
- a. Our Directors believe offer to mobilise our trucks to assist our suppliers under direct delivery sales serves as a value-added service to facilitate the delivery of scrap ferrous metals from our suppliers to our steel mill customers when needed and is conducive to the growth of our business as Direct Delivery Sales have been accounting for a significant portion of our revenue and it helps promote the loyalty of our suppliers. Therefore, we intend to utilise HK\$7.1 million or 8.8% of the net proceeds of the listing of the Company's shares on the Stock Exchanges of Hong Kong Limited on 15 March 2019 ("**Share Offer**") to purchase 12 new trucks (9 of them will replace the trucks which are over seven years old and fully depreciated in our accounts).
- b. Our largest customer, the Customers A, has agreed to offer us a higher procurement price for oversized scrap ferrous metals which are cut into the prescribed size. As such, we intend to utilise approximately HK\$5.7 million or approximately 7.1% of the net proceeds of the Share Offer to purchase two metal cutters, one for each of our Selangor scrapyards and Melaka scrapyard I.
- c. Given the favourable background of the steel industry for domestic steel mills in Malaysia, we believe our business will continue to grow and the amount of transaction data and financial records to be processed will also increase. Therefore, we intend to utilise HK\$1.9 million or 2.3% of the net proceeds of the Share Offer to set up our own enterprise resources planning system which would enable us to process such data and records on a timely basis, to improve our operational efficiency and to reduce our administrative costs in the long run.
- d. We were engaged by a new steel mill customer, Customers B, as its approved scrap metal provider in April 2018. Customers B is located in the state of Pahang, the east coast of Peninsular Malaysia, and we plan to utilise HK\$9.0 million or 11.1% of the net proceeds of the Share Offer to set up a new scrapyard to mainly serve this customer, as well as to expand our network of sourcing on the east coast of Peninsular Malaysia.
- e. With the aim of centralising the scrapyard operation and our administrative activities in the same location in Selangor and expanding our existing scrapyard in Selangor, we we plan to utilise HK\$12.6 million or 15.6% of the net proceeds of the Share Offer to construct a new scrapyard cum an office building on a piece of land, which is self-owned and adjacent to the existing Selangor Scrapyard.
- f. Cash flow is crucial to the scrap material trading business as working capital is needed to settle the buying price of the scrap materials shortly upon delivery or in some cases, in advance. Our Directors believe that our readiness for settling with our suppliers has boosted our suppliers' confidence in supplying scrap materials to us, both in terms of volume and priority. we intend to apply HK\$36.4 million or 45.1% of the net proceeds of the Share Offer as additional working capital for the purchase of scrap ferrous metals.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

Revenue of the Group for the year ended 31 December 2018 was RM894.4 million (2017: RM739.4 million), representing an increase of 21.0% as compared to last year. The breakdown of our total revenue by product types for the years under review are as below:



The increase in the Group’s revenue was mainly attributable to (a) the increase in sales volume of scrap ferrous metals of 11.9%; and (b) the increase in the average selling price of scrap ferrous metals of 14.4% as compared to the year ended 31 December 2017.

The increase in sales volume of scrap ferrous metals was primarily attributable to two reasons. Firstly, there was an increase in demand for the scrap ferrous metals in Malaysia for year ended 31 December 2018. Secondly, the shorten trade receivables turnover days which enhanced the Group’s capability to purchase more scrap ferrous metals from suppliers for trading purposes. The increase in average selling price of scrap ferrous metals was primarily attributable to the increase in the market price of steel products.

Our revenue from sales of scrap ferrous metal during the financial year under review are contributed by the following customers:

	Year ended 31 December			
	2018		2017	
	Volume sold <i>(tonnes)</i>	Revenue <i>(RM'000)</i>	Volume sold <i>(tonnes)</i>	Revenue <i>(RM'000)</i>
Customer A	513,588	686,799	514,107	607,613
Customer B	46,592	67,015	—	—
Export	9,677	15,762	—	—
Others	11,054	15,951	4,962	5,729
Total	580,911	785,527	519,069	613,342

Gross Profit

The Group's gross profit for year ended 31 December 2018 increased from RM53.8 million to RM58.4 million as compared with last year. The fluctuation in the Group's gross profit was in line with the change in the Group's revenue.

The Group's gross profit margin was declined to 6.5% for the year ended 31 December 2018 as compared to 7.3% for the year ended 31 December 2017. We do not consider the gross profit margin is a meaningful indicator to analyse our financial performance, as the pricing for scrap ferrous metals is basically dictated by our top steel mill customer, who determines the procurement price at which it agrees to take up scrap ferrous metals from us. Instead, our business objective is to maximise the gross margin between the procurement price set by our customer and the buying price we pay for scrap ferrous metals from our suppliers. The gross margin we earned was relatively stable, which improved from RM97 per tonne for year ended 31 December 2017 to RM98 per tonne for year ended 31 December 2018.

Other income

Other income decreased from RM1.1 million for year ended 31 December 2017 to RM0.1 million for year ended 31 December 2018, primarily due to a decrease in insurance compensation received.

Other gains, net

The Group's gain on disposal of assets classified as held for sale of RM9.3 million in the year ended 31 December 2018. In July and August 2018, our Group entered into certain agreements for the sale of investment properties located in Malaysia to our Directors for an aggregate consideration of RM11.0 million based on market valuation, of which RM10.5 million were offset by the amounts due to Directors pursuant to a settlement agreement dated 31 July 2018. As at December 2018, all transactions were completed.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased from RM7.6 million for year ended 31 December 2017 to RM11.2 million for year ended 31 December 2018, primarily due to the increase in truck hire expenses as the Group has engaged more external transporters for delivery of scrap materials.

Administrative Expenses

The increase in the Group's administrative expenses from RM15.9 million for year ended 31 December 2017 to RM24.2 million was mainly attributable to the increase in listing expenses of RM7.2 million for year ended 31 December 2018, which primarily consist of professional fees in connection with the Listing.

Taxation

Malaysian corporate income tax has been provided at the rate of 24% of the estimated assessable profit. Our effective tax rate for year ended 31 December 2018 was 23.7% (2017: 25.3%). The relatively lower effective tax rate of 23.7% was mainly attributable to the gain on disposal of assets classified as held for sale of RM9.3 million, which was subject to lower tax rate of 5%. Such effect was partially offset by the non-deductible listing expenses of RM8.3 million incurred during the year under review.

Profit Attributable to Owners of the Company

The Group's profit attributable to owners for year ended 31 December 2018 was RM24.6 million (2017: RM22.8 million), which is in tandem with the increase in profit before tax expenses.

Key Financial Ratios

The following table sets forth certain of our financial ratios as at the dates indicated.

Liquidity Ratios	As At 31 December	
	2018	2017
Current ratio	4.0 times	1.7 times
Gearing ratio	0.1 times	0.2 times
	For the year ended	
	31 December	
	2018	2017
Inventory turnover period	3.9 days	2.8 days
Trade receivables' turnover period	36.1 days	41.1 days
Trade payables' turnover period	5.5 days	8.2 days

Working Capital

The inventory turnover period of the Group was 3.9 days for the year ended 31 December 2018 as compared to 2.8 days for the previous year. The marginal increase was primarily due to increase in volume of inventories maintain at our scrapyards to satisfy the increasing needs of our customers.

The Group's trade receivables' turnover period was 36.1 days for the year ended 31 December 2018 as compared to 41.1 days for the previous year. Such decrease was mainly attributable to the prompt payment from our steel mill customers as a result of the improvement in the steel industry.

The Group's trade payables' turnover period was 5.5 days for year ended 31 December 2018 as compared to 8.2 days for the previous year.

Liquidity and Financial Resources

As at 31 December 2018, the Group's total equity funds attributable to owners amounted to RM117.4 million (2017: RM70.0 million) including retained earnings of RM87.9 million (2017: 63.2 million). The Group's working capital amounted to RM99.4 million (2017: RM55.1 million) of which cash and cash equivalents and bank deposits were RM10.8 million (2017: RM21.2 million).

Taking into account the cash and cash equivalents on hand, our operating cash flows, banking facilities available to us and the net proceeds from the share offer, the Group has adequate liquidity and financial resources to meet the working capital requirements as well as to fund its budgeted expansion plans in the next financial year. The Board will continue to follow a prudent treasury policy in managing its bank balances and cash and maintain a strong and healthy liquidity to ensure that the Group is well positioned to achieve its business objectives and strategies.

Total borrowings of the Group as at 31 December 2018 were RM10.7 million (2017: RM12.5 million). The borrowings were mainly used to finance the procurement of scrap ferrous metals and capital expenditure.

The Group's gearing ratio as at 31 December 2018 was 0.1 times (2017: 0.2 times). Gearing ratio is calculated based on total interest-bearing debts divided by total equity as at the end of the year.

Future Plans for Material Investments and Capital Assets

As at 31 December 2018, the Group did not have any other plans for material investments and capital assets except for those disclosed in the section headed "Future Plans and Use of Proceeds" of the Prospectus of the Company issued on 27 February 2019 (the "**Prospectus**").

Material Acquisitions and Disposals of Subsidiaries

During the year ended 31 December 2018, the Group did not have any material acquisitions and disposals of subsidiaries, saved as disclosed in Note 1.1.

Pledge of Assets

At 31 December 2018, the Group has pledged the following assets to banks to secure certain bank borrowings and general banking facilities granted to the Group:

	2018	2017
	<i>RM'000</i>	<i>RM'000</i>
Property, plant and equipment	10,470	10,618
Investment properties	3,412	3,654
Assets classified as held for sale	—	1,686
Pledged bank deposits	5,232	7,103
	<u>19,114</u>	<u>23,061</u>

Contingent Liabilities

The Group did not have any significant contingent liability as at 31 December 2018 (2017: Nil).

Capital Commitments

As at 31 December 2018, the Group has a total capital commitment in respect of acquisition of property, plant and equipment of RM2.4 million (2017: RM0.5 million).

Risk Management

The Group in its ordinary course of business is exposed to market risk such as market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group operates in Malaysia and the Group's transactions are mainly denominated in RM which is the functional and presentation currency for most of the Group's entities. The Group is not exposed to significant foreign currency risk.

The Group's interest rate risk mainly arises from borrowings. Borrowings excluding finance lease liabilities obtained at variable rates expose the Group to cash flow interest rate risk.

The credit risk of the Group mainly arises from cash and cash equivalents, trade and other receivables and amounts due from related parties. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

To manage this risk arising from cash and bank deposits, the Group only transacts with reputable commercial banks which are all high-credit-quality financial institutions. There has been no recent history of default in relation to these financial institutions. The expected credit loss of cash and bank balances is close to zero.

The Group has significant concentration of credit risk from customers for scrap ferrous metals such as steel mills and ferrous metal trading companies. At 31 December 2018, 78% (2017: 88%) of its total trade receivables was due from this group of customers. As the Group is the few approved scrap metal providers to the steel mill customers and based on the past repayment history and forward-looking estimates, our Directors believe that the credit risk inherent in the Group's outstanding trade receivables from this group of customers is low.

The Group monitors the outstanding debts from its customers individually due to the concentration of credit risk. Based on historical repayment trend, there is no correlation between the risk of default occurring and the collection past-due status as long as there is no significant change in the credit rating of the customers. Historically, the Group's loss arising from risk of default and time value of money is negligible.

Cash flow forecasting is performed by the operating entities of the Group and aggregated by group finance. The Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration of the Group's debt financing plans, covenant compliance, and if applicable external regulatory or legal requirements, such as currency restrictions.

Foreign Exchange Exposure

The Group has minimal exposure to foreign currency risk as most of the business transactions, assets and liabilities are principally denominated in RM. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The management monitors our foreign currency closely and will consider hedging significant foreign currency exposure should the need arise.

EVENTS OCCURRED SINCE THE END OF THE YEAR ENDED 31 DECEMBER 2018

On 30 January 2019, Heng Hup Metal Sdn. Bhd., a wholly-owned indirect subsidiary of the Company has entered into a joint venture agreement with Chiho Environmental Group Limited (“**Chiho**”), a company listed on the Main Board of the Hong Kong Stock Exchange (Stock code 976), to develop a processing facility to provide scrap motor dismantling services to Chiho in Malaysia with an initial startup cost of RM2.0 million.

In conjunction with the Share Offer, the Company has undertaken the public offering of 125,000,000 shares and the placing of 125,000,000 shares by the Company for subscription at the offer price.

USE OF PROCEEDS

The net proceeds raised by the Company from the Share Offer were approximately RM42.1 million (equivalent to approximately HK\$80.8 million) (based on the final Offer Price of HK\$0.50 per Offer Share). The Company intends to apply the net proceeds on a pro rata basis for the purposes as disclosed in the section headed “Future Plans and Use of Proceeds” of the Prospectus, which are as follows:

- (a) Approximately HK\$7.1 million or approximately 8.8% will be used for partially replacing our fleet of trucks;
- (b) Approximately HK\$5.7 million or approximately 7.1% will be used for enhancing our processing abilities;
- (c) Approximately HK\$1.9 million or approximately 2.3% will be used for setting up a new enterprise resource planning system;
- (d) Approximately HK\$9.0 million or approximately 11.1% will be used for setting up a new scrapyards in the east coast of Peninsular Malaysia;
- (e) Approximately HK\$12.6 million or approximately 15.6% will be used for expansion of our scrapyards in Selangor, Malaysia;
- (f) Approximately HK\$36.4 million or approximately 45.1% will be used as the Group’s working capital for our scrap ferrous metal trading business; and
- (g) Approximately HK\$8.1 million or approximately 10.0% will be used as our general working capital or for other general corporate purpose (excluding the purchase of scrap materials).

As at the date of this report, there were no changes of the business plans from those disclosed in the Prospectus.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had 109 (2017: 103) employees in Malaysia. For the year ended 31 December 2018, total staff costs and related expenses of the Group (including the Directors' remuneration) were RM16.0 million (2017: RM15.5 million), representing an increase of 2.8% as compared to the year ended 31 December 2017. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination.

Remuneration of the Group's employees includes basic salaries, allowances, bonus and other employee benefits, and is determined with reference to their experience, qualifications and general market conditions. The emolument policy for the employees of the Group is set up by the Board on the basis of their merit, qualification and competence. We provide regular training to our employees in order to improve their skills and knowledge. The training courses range from further educational studies to skill training to professional development courses for management personnel.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2018 (2017: Nil).

CLOSURE OF REGISTER OF MEMBERS FOR 2019 AGM

The register of members of the Company will be closed from 11 June 2019 to 15 June 2019, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting to be held on 15 June 2019 (the "2019 AGM"). In order to be eligible to attend and vote at the 2019 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 pm on 10 June 2019.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this annual report, the Company has maintained the public float as required under the Listing Rules.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Company has adopted the code provisions as set out in the Code of Corporate Governance (the “**Corporate Governance Code**”) as contained in Appendix 14 to the Listing Rules as its own code of corporate governance practices except for the deviation from the code provision A.2.1 of the Corporate Governance Code. Mr. Sia Kok Chin, as the chairman of the Board and the chief executive officer, has been managing our business since 2001. The Directors consider that vesting the roles of the chairman of the Board and the chief executive officer in Mr. Sia Kok Chin is beneficial to the management and business development of the Group and will provide strong and consistent leadership to the Group. The Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

The Board will continue to review and monitor its code of corporate governance practices of the Company with an aim to maintaining a high standard of corporate governance.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuer” (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company by the Directors and the Group’s senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company’s securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the year under review. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the year under review.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

Audit Committee

The Audit Committee of the Company (being Ms. Sai Shiow Yin, Mr. Puar Chin Jong and Mr. Chu Kheh Wee) has reviewed with management the consolidated financial information for the year ended 31 December 2018, including accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement. The Audit Committee has reviewed the annual results for the year ended 31 December 2018.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.henghup.com). The annual report of the Company for the year ended 31 December 2018 will be despatched to the shareholders of the Company and published on the aforesaid websites in due course.

By order of the Board
Heng Hup Holdings Limited
Sia Kok Chin
Chairman and Chief Executive Officer

Hong Kong, 27 March 2019

As at the date of this announcement, the directors of the Company are:

Executive Directors

Mr. Sia Kok Chin (*chairman and chief executive officer*)

Datuk Sia Keng Leong

Mr. Sia Kok Chong

Mr. Sia Kok Seng

Mr. Sia Kok Heong

Independent Non-Executive Directors

Ms. Sai Shiow Yin

Mr. Puar Chin Jong

Mr. Chu Kheh Wee