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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)**

### **ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019**

#### **FINANCIAL HIGHLIGHTS**

- Revenue for the six months ended 30 June 2019 amounted to RM499.0 million, representing an increase of 20.7% from RM413.5 million for the six months ended 30 June 2018.
- Gross profit for the six months ended 30 June 2019 amounted to RM29.1 million, representing a decrease of 0.4% from RM29.2 million for the six months ended 30 June 2018.
- Profit attributable to owners of the Company for the six months ended 30 June 2019 amounted to RM7.8 million, representing a decrease of 29.4% from RM11.1 million for the six months ended 30 June 2018.
- If excluding the listing expenses from the net profit attributable to owners of the Company, the adjusted profit attributable to owners of the Company for the six months ended 30 June 2019 would have been RM11.5 million, representing a decrease of 17.9% from RM14.0 million for the six months ended 30 June 2018.
- The equity attributable to owners of the Company as at 30 June 2019 amounted to RM179.9 million, representing an increase of 53.2% from RM117.4 million as at 31 December 2018.
- The Board does not declare the payment of any dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: 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 unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2019, together with the comparative figures for the corresponding period in 2018. The audit committee of the Company (the “**Audit Committee**”) has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2019.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019 and 2018

	Notes	For the six months ended 30 June	
		2019 RM'000 (Unaudited)	2018 RM'000 (Unaudited)
Revenue	3	498,973	413,496
Cost of sales	6	<u>(469,869)</u>	<u>(384,276)</u>
Gross profit		29,104	29,220
Other income	4	26	93
Other gains, net	5	264	111
Distribution and selling expenses	6	(7,118)	(4,043)
Administrative expenses	6	(10,327)	(9,128)
Finance costs, net	7	(248)	(200)
Share of post-tax loss of an associate		<u>(233)</u>	<u>–</u>
Profit before income tax		11,468	16,053
Income tax expenses	8	<u>(3,638)</u>	<u>(4,964)</u>
Profit for the period attributable to the owners of the company		7,830	11,089
Other comprehensive income for the period: Exchange differences on translation of foreign operations		<u>250</u>	<u>–</u>
Total comprehensive income for the period attributable to owners of the Company		<u><b>8,080</b></u>	<u><b>11,089</b></u>
Earnings per share attributable to owners of the Company for the period ( <i>expressed in sen per share</i> )			
– Basic earnings per share	9	0.87	1.48
– Diluted earnings per share	9	<u><b>0.87</b></u>	<u><b>1.48</b></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019 and 31 December 2018

	Notes	As at 30 June 2019 RM'000 (Unaudited)	As at 31 December 2018 RM'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		10,668	18,657
Right-of-use assets		12,072	–
Investment properties		4,039	4,052
Investment in an associate		783	–
Deferred income tax assets		53	53
		<u>27,615</u>	<u>22,762</u>
<b>Current assets</b>			
Inventories		17,512	8,794
Trade and other receivables	11	129,852	113,127
Fixed deposits and pledged bank deposits		24,464	5,232
Cash and cash equivalents		18,581	5,572
		<u>190,409</u>	<u>132,725</u>
<b>Total assets</b>		<u>218,024</u>	<u>155,487</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital/Combined capital		5,206	112,313
Share premium		49,306	–
Capital reserve		29,168	(82,826)
Foreign translation reserve		250	–
Retained earnings		95,932	87,911
		<u>179,862</u>	<u>117,398</u>

	Notes	As at 30 June 2019 <i>RM'000</i> <i>(Unaudited)</i>	As at 31 December 2018 <i>RM'000</i> <i>(Audited)</i>
<b>Non-current liabilities</b>			
Finance lease liabilities		–	763
Lease liabilities		2,666	–
Borrowings		3,739	3,981
		<u>6,405</u>	<u>4,744</u>
<b>Current liabilities</b>			
Trade and other payables	12	24,727	26,536
Current income tax liabilities		556	841
Finance lease liabilities		–	371
Lease liabilities		1,474	–
Borrowings		5,000	5,597
		<u>31,757</u>	<u>33,345</u>
<b>Total liabilities</b>		<u>38,162</u>	<u>38,089</u>
<b>Total equity and liabilities</b>		<u>218,024</u>	<u>155,487</u>

## NOTES TO THE CONDENSED CONSOLIDATED 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.
- (x) The ordinary shares of the Company has been increased by 749,992,560 shares by way of additional issue of 749,992,560 shares at HK\$0.01 each on 15 March 2019 (the “**Capitalisation Issue**”).

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.

On 15 March 2019, the Company’s shares were successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

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	
				As at 30 June 2019	As at 31 December 2018
Directly held:					
Heng Hup (BVI) Limited	British Virgin Islands, 17 April 2018	50,000 ordinary shares of US\$1 each	Investment holding	100%	100%
Indirectly held:					
Heng Hup Holdings (Malaysia) Sdn. Bhd.	Malaysia, 22 December 2017	1,560 ordinary shares	Investment holding	100%	100%
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%
Heng Hup Paper Sdn. Bhd.	Malaysia, 3 July 2008	1,000,000 ordinary shares	Dealing with recycle paper and its related products	100%	100%
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%
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%
Heng Hup Metal (Johor) Sdn. Bhd.	Malaysia, 27 May 2009	250,000 ordinary shares	Trading of scrap ferrous metals, used batteries and other scraps	100%	100%

## 1.2 Basis of presentation

Immediately prior to and after the Reorganisation and during the six months ended 30 June 2019 and 2018, the business of trading of scrap ferrous metals, used batteries, waste paper and other scraps (the “**Listing Business**”) was primarily 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, the unaudited condensed consolidated financial statements for the six months ended 30 June 2019 and 2018 have been prepared and presented as a continuation of the unaudited condensed consolidated 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.

The unaudited condensed consolidated financial statements have been prepared by including the unaudited condensed consolidated 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.

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Except for the Reorganisation, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former shareholders of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition- by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation are measured at either fair value or the present ownership interests’ proportionate share in the recognised amounts of the acquiree’s identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRSs.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group’s accounting policies.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

### 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 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 condensed consolidated financial statements are 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 unaudited condensed consolidated financial statements 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 six months ended 30 June 2019 and 2018 set out below. The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

The preparation of the unaudited condensed consolidated 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.

Except as described below, the accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the annual combined financial statements for the year ended 31 December 2018.

### 2.2 Adoption of New standards

In 2019, the Group has adopted the following new standard and interpretation which are pertinent to the Group’s operations and effective for accounting periods beginning on or after 1 January 2019:

Amendments to IFRS 9	Prepayment Features with Negative Compensation
IFRS 16	Leases
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
IFRIC-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Other than as explained below regarding the impact of IFRS 16 Leases, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial statements. The nature and impact of the new and revised IFRSs are described below:

IFRS 16 replaces IAS 17 Leases, IFRIC-Int 4 Determining whether an Arrangement contains a Lease, SIC-Int 15 Operating Leases – Incentives and SIC-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as adjustments to the opening balances at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

### ***New definition of a lease***

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC-Int 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g. property management services for leases of properties) as a single lease component.

### ***As a lessee – Leases previously classified as operating leases***

#### *Nature of the effect of adoption of IFRS 16*

The Group has lease contracts for properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g. photocopiers); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

### *Impacts on transition*

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the condensed consolidated statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the condensed consolidated statement of financial position.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application; and
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease.

### *Summary of new accounting policies*

	Carrying amount previously reported at 31 December 2018 <i>RM'000</i>	Changes <i>RM'000</i>	Carrying amount under IFRS 16 at 1 January 2019 <i>RM'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	18,657	(10,469)	8,188
Right-to-use assets	–	11,519	11,519
<b>Non-current liabilities</b>			
Lease liabilities	–	1,449	1,449
Finance lease liabilities	763	(763)	–
<b>Current liabilities</b>			
Lease liabilities	–	735	735
Finance lease liabilities	371	(371)	–
<b>Total lease liabilities</b>	<u>1,134</u>	<u>1,050</u>	<u>2,184</u>

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	<i>RM'000</i> (Unaudited)
<b>Operating lease commitments as at 31 December 2018</b>	1,101*
Incremental borrowing rates as at 1 January 2019	<u>6.81% to 7.37%</u>
<b>Lease liabilities as at 1 January 2019</b>	<u>1,050</u>

- \* Included in the operating lease commitments as at 31 December 2018 are cancellable operating leases in which the Group shall not early terminate the said leases and the Group shall exercise its options to extend the lease terms. Prior to the adoption of IFRS 16, the cancellable operating lease were not disclosed as operating lease commitments in the annual financial statements for the year ended 31 December 2018.

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

#### *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for investment properties.

#### *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rates at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

*Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss*

The carrying amounts of the Group's right-of-use assets and lease liabilities and the movement during the period under review are as follows:

	<b>Right-of-use assets</b> <i>RM'000</i>	<b>Lease liabilities</b> <i>RM'000</i>
As at 1 January 2019	11,519	1,050
Additions during the period	880	745
Depreciation	(327)	–
Interest expenses	–	23
Payments	–	(251)
<b>As at 30 June 2019</b>	<b>12,072</b>	<b>1,567</b>

### 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 for accounting periods beginning on or after 1 January 2019 and have not been early adopted by the Group in preparing the financial statements:

		<b>Effective for accounting periods beginning on or after</b>
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
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 financial statements of the Group.

### 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.

#### (a) Revenue by location of goods delivery

During the six months ended 30 June 2019, 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

	For the six months ended 30 June	
	2019	2018
	<i>RM'000</i>	<i>RM'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Compensation received	9	58
Rental income	1	3
Others	16	32
	<u>26</u>	<u>93</u>

### 5. OTHER GAINS, NET

	For the six months ended 30 June	
	2019	2018
	<i>RM'000</i>	<i>RM'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Gain on disposal of property, plant and equipment	–	139
Property, plant and equipment written-off	–	(38)
Foreign exchange gains	264	10
	<u>264</u>	<u>111</u>

## 6. EXPENSES BY NATURE

	For the six months ended 30 June	
	2019 <i>RM' 000</i> <i>(Unaudited)</i>	2018 <i>RM' 000</i> <i>(Unaudited)</i>
Cost of trading goods sold	466,574	381,346
Employee benefit expenses	5,331	5,600
Depreciation expenses	1,478	1,080
Auditors' remuneration		
– Audit services	134	146
– Non-audit services	176	2
Listing expenses	3,664	2,909
Transportation costs	5,092	1,650
Other expenses	4,865	4,714
	<u>487,314</u>	<u>397,447</u>
Total cost of sales, distribution and selling expenses and administrative expenses	<u>487,314</u>	<u>397,447</u>

## 7. FINANCE COSTS, NET

	For the six months ended 30 June	
	2019 <i>RM' 000</i> <i>(Unaudited)</i>	2018 <i>RM' 000</i> <i>(Unaudited)</i>
Interest income from bank deposits	<u>143</u>	<u>162</u>
Interest expense on loans	(278)	(303)
Interest expense on finance leases	(67)	(41)
Interest expense on bank overdrafts	(23)	(18)
Interest expense on lease liabilities	(23)	–
Finance costs	<u>(391)</u>	<u>(362)</u>
Finance costs, net	<u>(248)</u>	<u>(200)</u>

## 8. INCOME TAX EXPENSES

Malaysian corporate income tax has been provided at the rate of 24% (six months ended 30 June 2018: 24%) of the estimated assessable profit for the six months ended 30 June 2019.

	For the six months ended 30 June	
	2019 RM'000 (Unaudited)	2018 RM'000 (Unaudited)
Current tax:		
Malaysian corporate income tax	3,638	4,847
Deferred income tax	—	117
Income tax expenses	<u>3,638</u>	<u>4,964</u>

## 9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective periods. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the Reorganisation and the Capitalisation Issue as described in Note 1.1 had been effective on 1 January 2018. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	For the six months ended 30 June	
	2019 RM'000 (Unaudited)	2018 RM'000 (Unaudited)
<b>Earnings:</b>		
Profit for the periods attributable to owners of the Company	<u>7,830</u>	<u>11,089</u>
<b>Number of shares:</b>		
Weighted average number of shares in issue	<u>899,171,271</u>	<u>750,000,000</u>
Basic earnings per share (expressed in sen)	<u>0.87</u>	<u>1.48</u>

Diluted earnings per share is equal to basic earnings per share as the Group has no potentially dilutive shares outstanding during the six months ended 30 June 2019 and 2018.

## 10. INTERIM DIVIDEND

The Board does not declare the payment of any dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

## 11. TRADE AND OTHER RECEIVABLES

	As at <b>30 June</b> <b>2019</b> <i>RM' 000</i> <i>(Unaudited)</i>	As at 31 December 2018 <i>RM' 000</i> <i>(Audited)</i>
Trade receivables	107,232	96,028
Other receivables	1,616	1,021
Deposits and prepayments	5,129	4,263
Downpayment to suppliers	15,125	11,654
Amount due from an associate	644	–
Other tax receivables	106	161
	<u>129,852</u>	<u>113,127</u>

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. As at 30 June 2019, the ageing analysis of the trade receivables based on invoice date were as follows:

	As at <b>30 June</b> <b>2019</b> <i>RM' 000</i> <i>(Unaudited)</i>	As at 31 December 2018 <i>RM' 000</i> <i>(Audited)</i>
0 – 30 days	99,373	64,792
31 – 60 days	5,512	7,227
61 – 120 days	1,338	19,877
Over 120 days	1,009	4,132
	<u>107,232</u>	<u>96,028</u>

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 the six months ended 30 June 2019 and 2018, 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 the six months ended 30 June 2019 and 2018.

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

	As at <b>30 June</b> <b>2019</b> <i>RM' 000</i> <i>(Unaudited)</i>	As at 31 December 2018 <i>RM' 000</i> <i>(Audited)</i>
– RM	107,186	95,906
– United State Dollar	46	122
	<u>107,232</u>	<u>96,028</u>

Amount due from an associate is non-trade in nature, unsecured, non-interest bearing and are repayable on demand.

## 12. TRADE AND OTHER PAYABLES

	As at <b>30 June</b> <b>2019</b> <i>RM' 000</i> <i>(Unaudited)</i>	As at 31 December 2018 <i>RM' 000</i> <i>(Audited)</i>
Trade payables	14,436	10,692
Accrued salaries	3,523	4,917
Other payables and accruals	<u>6,768</u>	<u>10,927</u>
	<u><b>24,727</b></u>	<u><b>26,536</b></u>

The carrying amounts of the Group's trade payables are denominated in RM and approximate their fair values.

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

	As at <b>30 June</b> <b>2019</b> <i>RM' 000</i> <i>(Unaudited)</i>	As at 31 December 2018 <i>RM' 000</i> <i>(Audited)</i>
– RM	6,429	10,927
– United State Dollar	<u>339</u>	<u>–</u>
	<u><b>6,768</b></u>	<u><b>10,927</b></u>

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

	As at <b>30 June</b> <b>2019</b> <i>RM' 000</i> <i>(Unaudited)</i>	As at 31 December 2018 <i>RM' 000</i> <i>(Audited)</i>
0 – 30 days	14,436	10,555
31 – 60 days	<u>–</u>	<u>137</u>
	<u><b>14,436</b></u>	<u><b>10,692</b></u>

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

## BUSINESS REVIEW AND PROSPECTS

During the six months ended 30 June 2019, we have achieved better performance in terms of revenue. Our revenue exceeded RM499.0 million (six months ended 30 June 2018: RM413.5 million), representing an increase of 20.7% as compared to the same period of 2018. With regard to the profitability, we recorded a net profit for the period of RM7.8 million (six months ended 30 June 2018: RM11.1 million), representing a decrease of 29.3% as compared to the same period of 2018. If excluding the listing expenses from the net profit for the period of the Company, the adjusted net profit for the six months ended 30 June 2019 was RM11.5 million, representing a decrease of 17.9% from RM14.0 million for the same period of 2018. Sales volume of the scrap ferrous metals for six months ended 30 June 2019 was 333,270 tonnes (six months ended 30 June 2018: 265,864 tonnes), representing an increase of 25.4% as compared to the same period of 2018. Our performance in 2019 reflected the continuous growth of demand of our recycled products during the period under review.

On 15 March 2019, the Company's shares were successfully listed on the Main Board of the Stock Exchange, pursuant to which 250,000,000 shares were issued by the Company at the offering price of HK\$0.50 per share (the "**Share Offer**") with gross proceeds of HK\$125.0 million. This marked a major milestone in the development of the Group. Net proceeds from the Listing amounted to approximately HK\$78.8 million, after deduction of underwriting commission and estimated expenses in the amount of HK\$46.2 million, payable by the Company in connection with the Share Offer, and majority of the funds raised continued to be used for procurement of scrap ferrous metals, expansion of our scrapyards facilities, replacement of our fleet of trucks and setting up a new scrapyard.

The Group believes that we are still the market leader in the Malaysian scrap ferrous metal trading industry as demonstrated in the increase of our sales volume for scrap ferrous metals by 25.4% for the six months ended 30 June 2019 as compared with the same period in 2018. 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 the People's Republic of China (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.

With the continuous urbanisation, and launch and replacement of electrical appliance and automobiles, the used batteries traded in Malaysia is expected to continue grow in 2019.

With economic growth and continuous rise in disposable income, the rising demand for consumer goods among Malaysia's customers has fueled the needs for paper-based packaging materials, which in turn contributes to the growth for waste paper trading industry. Supported by the government incentives for resources recycling and rising demand for consumer goods, waste paper trading is likely to enjoy the growth.

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, to establish a Joint Venture Company, namely Heng Hup Chiho Recycling (Malaysia) Sdn Bhd (the "**JV**") to provide scrap motor dismantling services to Chiho in Malaysia with an initial start-up cost of approximately RM2.0 million and Heng Hup Metal Sdn Bhd holds 49% of equity interest in the JV.

Moving forward, 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:

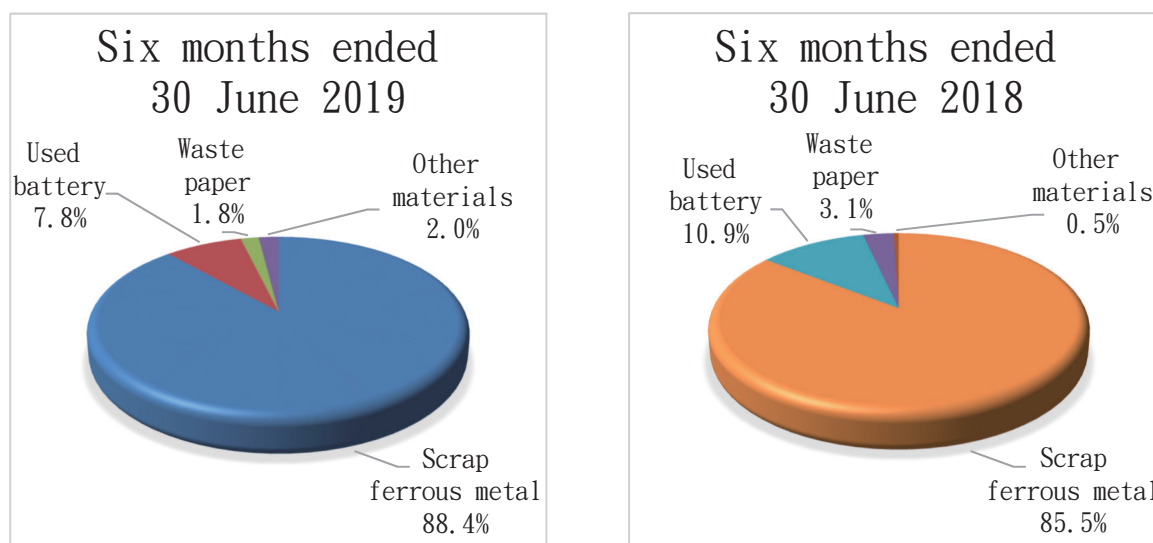
- a. Our Directors believe the offer to mobilise our trucks to assist our suppliers under direct delivery sales serves as a value-added service to facilitate the delivery of scrap ferrous metals from our suppliers to our steel mill customers when needed is conducive to the growth of our business as Direct 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\$6.9 million or 8.8% of the net proceeds of the 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). The Group has progressively placed the orders for the new trucks.

- b. Our largest customer, Customer 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\$5.6 million or approximately 7.1% of the net proceeds of the Share Offer to purchase two metal cutters. The two metal cutters had been delivered and are currently in used at our yards.
- 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\$1.8 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. The management has met the selected enterprise resources planning system vendor and the new system is estimated to be in used in first quarter of 2020.
- d. We were engaged by a new steel mill customer, Customer B, as its approved scrap metal provider in April 2018. Customer B is located in the state of Pahang, the east coast of Peninsular Malaysia, and we plan to utilise HK\$8.7 million or 11.1% of the net proceeds of the Share Offer to set up a new scrapyards to mainly serve this customer, as well as to expand our network of sourcing on the east coast of Peninsular Malaysia. The management is currently in the progress to look for a suitable location for the said new scrapyards.
- e. With the aim of centralising the scrapyards operation and our administrative activities in the same location in Selangor and expanding our existing scrapyards in Selangor, we plan to utilise HK\$12.3 million or 15.6% of the net proceeds of the Share Offer to construct a new scrapyards cum an office building on a piece of land, which is self-owned and adjacent to the existing scrapyards in Selangor. The Group has submitted the building plan for the new scrapyards cum an office building to the relevant government authorities and currently is pending for approval.
- 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\$35.5 million or 45.1% of the net proceeds of the Share Offer as additional working capital for the purchase of scrap ferrous metals. The proceeds allocated had been fully utilised.

## Financial Review

### Revenue

Revenue of the Group for the six months ended 30 June 2019 was RM499.0 million (six months ended 30 June 2018: RM413.5 million), representing an increase of 20.7% as compared to the same period of 2018. The breakdown of our total revenue by product types for the periods under review are as below:



The increase in the Group's revenue was mainly attributable to increase in sales volume of scrap ferrous metals of 25.4% as compared to the corresponding period in 2018.

The increase in sales volume of scrap ferrous metals was primarily attributable to three reasons. Firstly, the Group's business strategy to diversify its customer base by increasing the sales volume to Customer B during the six months ended 30 June 2019. Secondly, there was an increase in demand for the scrap ferrous metals in Malaysia for six months period ended 30 June 2019. Thirdly, the net proceeds from the Share Offer has enhanced the Group's capability to purchase more scrap ferrous metals from suppliers for trading purposes.

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

	Six months ended 30 June			
	2019		2018	
	Volume sold (tonnes)	Revenue (RM' 000)	Volume sold (tonnes)	Revenue (RM' 000)
Customer A	201,576	253,194	259,901	345,219
Customer B	124,224	177,622	1,653	2,252
Export	6,440	9,667	470	730
Others	1,030	782	3,840	5,222
<b>Total</b>	<b>333,270</b>	<b>441,265</b>	<b>265,864</b>	<b>353,423</b>

## ***Gross Profit***

The Group's gross profit for the six months ended 30 June 2019 decreased marginally from RM29.2 million to RM29.1 million as compared with the corresponding period in 2018 despite revenue increase by 20.7%. The decrease in gross profit of scrap ferrous metals was primarily attributable to decrease in gross margin for scrap ferrous metal from RM102 per tonne for the six months ended 30 June 2018 to RM87 per tonne for the six months ended 30 June 2019.

The Group's gross profit margin declined to 5.8% for the six months ended 30 June 2019 as compared to 7.1% for the six months ended 30 June 2018. 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 decrease in gross margin was mainly attributable to the increase in scrap ferrous metal purchase costs and also decrease in selling prices for scrap ferrous metal.

## ***Selling and Distribution Expenses***

The Group's selling and distribution expenses increased from RM4.0 million for the six months ended 30 June 2018 to RM7.1 million for the six months ended 30 June 2019, 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 RM9.1 million for the six months ended 30 June 2018 to RM10.3 million for the six months ended 30 June 2019 was mainly attributable to the increase in listing expenses of RM0.8 million for the six months ended 30 June 2019 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 the six months ended 30 June 2019 was 31.7% (six months ended 30 June 2018: 30.8%). The higher effective tax rate of 31.7% was mainly attributable to the non-deductible listing expenses of RM3.7 million incurred during the six months ended 30 June 2019.

## ***Profit Attributable to Owners of the Company***

The Group's profit attributable to owners for the six months ended 30 June 2019 was RM7.8 million (six months ended 30 June 2018: RM11.1 million). The decrease was mainly attributable to the increase in selling and distribution expenses as discussed above.

## ***Key Financial Ratios***

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

	<b>As at 30 June 2019</b>	<b>As at 31 December 2018</b>
<b>Liquidity Ratios</b>		
Current ratio	<b>6.0 times</b>	4.0 times
Gearing ratio	<b>0.07 times</b>	0.09 times
	<b>For the six months ended 30 June 2019</b>	<b>2018</b>
Inventories' turnover period	<b>5.0 days</b>	5.1 days
Trade receivables' turnover period	<b>36.7 days</b>	34.2 days
Trade payables' turnover period	<b>4.8 days</b>	5.6 days

## ***Working Capital***

The inventories' turnover period of the Group was 5.0 days for the six months ended 30 June 2019 as compared to 5.1 days for the six months ended 30 June 2018. The inventories' turnover period remained relatively stable for the six months ended 30 June 2019 and 2018.

The Group's trade receivables' turnover period was 36.7 days for the six months ended 30 June 2019 as compared to 34.2 days for the six months ended 30 June 2018. Such increase was mainly attributable to the slow payment from a steel mill customer.

The Group's trade payables' turnover period was 4.8 days for the six months ended 30 June 2019 as compared to 5.6 days for the six months ended 30 June 2018. The improved trade payables' turnover period was mainly attributable to the net proceeds from the Share Offer which has enhanced the Group's working capital to settle the purchase of scrap ferrous metals from suppliers at a faster pace.

## ***Liquidity and Financial Resources***

As at 30 June 2019, the Group's total equity funds attributable to owners amounted to RM179.9 million (as at 31 December 2018: RM117.4 million) including retained earnings of RM95.9 million (as at 31 December 2018: RM87.9 million). The Group's working capital amounted to RM158.7 million (as at 31 December 2018: RM99.4 million) of which cash and cash equivalents and bank deposits were RM43.0 million (as at 31 December 2018: RM10.6 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 12 months. 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 30 June 2019 were RM12.9 million (as at 31 December 2018: RM10.7 million). The borrowings were mainly used to finance the procurement of scrap ferrous metals and capital expenditure.

The Group's gearing ratio as at 30 June 2019 was 0.07 times (as at 31 December 2018: 0.09 times). Gearing ratio is calculated based on total interest-bearing debts divided by total equity as at the end of the period.

### ***Future Plans for Material Investments and Capital Assets***

As at 30 June 2019, 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 six months ended 30 June 2019, the Group did not have any material acquisitions and disposals of subsidiaries, saved as disclosed in Note 1.1.

### ***Pledge of Assets***

As at 30 June 2019, the Group has pledged the following assets to banks to secure certain bank borrowings and general banking facilities granted to the Group:

	<b>As at 30 June 2019 RM'000</b>	As at 31 December 2018 RM'000
Right-to-use assets	<b>10,515</b>	–
Property, plant and equipment	–	10,470
Investment properties	<b>3,405</b>	3,412
Pledged bank deposits	<b>5,310</b>	5,232
	<b>19,230</b>	19,114

### ***Contingent Liabilities***

The Group did not have any significant contingent liability as at 30 June 2019 (as at 31 December 2018: Nil).

### ***Capital Commitments***

As at 30 June 2019, the Group had no material capital commitment in respect of acquisition of property, plant and equipment (as at 31 December 2018: RM2.4 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 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.

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. As at 30 June 2019, 96% of its total trade receivables (as at 31 December 2018: 78%) was due from these 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.

## EVENTS OCCURRED SINCE THE END OF THE SIX MONTHS ENDED 30 JUNE 2019

The Board is not aware of any significant event affecting the Group and requiring disclosures that took place subsequent to 30 June 2019 up to the date of this announcement.

### USE OF PROCEEDS

The net proceeds raised by the Company from the Share Offer were approximately RM41.0 million (equivalent to approximately HK\$78.8 million) (based on the final Offer Price of HK\$0.50 per Offer Share), after deducting underwriting fees and all related expenses incurred in the amount of HK\$46.2 million. 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.

	<b>Available</b> <b>RM'000</b>	<b>Net proceeds</b> <b>Utilised</b> <b>RM'000</b>	<b>Unutilised</b> <b>RM'000</b>
Partially replacing our fleet of trucks	3,604	1,172	2,432
Enhancing our processing abilities	2,908	2,598	310
Setting up a new enterprise resource planning system	942	–	942
Setting up a new scrapyards in the east coast of Peninsular Malaysia	4,546	–	4,546
Expansion of our scrapyards in Selangor, Malaysia	6,389	163	6,226
The Group's working capital for our scrap ferrous metal trading business	18,471	18,471	–
General working capital or for other general corporate purpose (excluding the purchase of scrap materials)	4,096	–	4,096
<b>Total</b>	<b>40,956</b>	<b>22,433</b>	<b>18,523</b>

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

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2019, the Group had 112 (as at 30 June 2018: 109) employees in Malaysia. For the six months ended 30 June 2019, total staff costs and related expenses of the Group (including the Directors' remuneration) were RM5.3 million (six months ended 30 June 2018: RM5.6 million), representing a decrease of 4.8% as compared to the same period of 2018. 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 six months ended 30 June 2019.

## **INTERIM DIVIDEND**

The Board does not declare the payment of any dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

## **SUFFICIENCY OF PUBLIC FLOAT**

According to the information that is publicly available to the Company and within the knowledge of the Board, during the period from the date of listing to the date of this announcement, 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. During the period from the date of listing to the date of this announcement, the Board is of the opinion that the Company has complied with all the provisions in the Corporate Governance Code apart from the deviation above.

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 period 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 period 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 condensed consolidated financial information for the six months ended 30 June 2019, including accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This announcement is published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.henghup.com](http://www.henghup.com)). The interim report of the Company for the six months ended 30 June 2019 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, 24 August 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