



Heng Hup Holdings Limited

興合控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1891

INTERIM
REPORT
2023



CONTENTS

Corporate Information	2
Financial Highlights	4
Management Discussion and Analysis	5
Disclosure of Interests	11
Corporate Governance and Other Information	14
Condensed Consolidated Statement of Comprehensive Income	17
Condensed Consolidated Statement of Financial Position	18
Condensed Consolidated Statement of Changes in Equity	20
Condensed Consolidated Statement of Cash Flows	21
Notes to the Condensed Consolidated Financial Statements	22



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Datuk Sia Kok Chin
(chairman of the Board 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

AUDIT & RISK MANAGEMENT COMMITTEE

Ms. Sai Shiow Yin (Chairlady)
Mr. Puar Chin Jong
Mr. Chu Kheh Wee

REMUNERATION COMMITTEE

Ms. Sai Shiow Yin (Chairlady)
Mr. Puar Chin Jong
Mr. Chu Kheh Wee

NOMINATION COMMITTEE

Datuk Sia Kok Chin (Chairman)
Ms. Sai Shiow Yin
Mr. Chu Kheh Wee

COMPANY SECRETARY

Ms. Tsang Wing Man (ACG HKACG)

AUTHORISED REPRESENTATIVES

Datuk Sia Kok Chin
Mr. Sia Kok Heong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND CORPORATE OFFICE IN MALAYSIA

A-10-09, Oasis Square
Jalan PJU 1A/7A
Ara Damansara
47301 Petaling Jaya
Selangor
Malaysia

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40/F, Dah Sing Financial Centre
No. 248, Queen's Road East
Wanchai
Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest
Entity Auditor

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
17/F, Far East Financial Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKS

Hong Leong Bank Berhad
Level 8, Wisma Hong Leong
No. 18, Jalan Perak
50450 Kuala Lumpur
Malaysia

United Overseas Bank (M) Berhad
No. 48, Jalan PJU 5/8
Dataran Sunway, Kota Damansara
47810 Petaling Jaya
Selangor Darul Ehsan
Malaysia

STOCK CODE

Hong Kong Stock Exchange 1891

COMPANY WEBSITE

www.henghup.com

FINANCIAL HIGHLIGHTS

The table below sets out the summarised financial information of Heng Hup Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group", "we", "us" and "our"):

	Six months ended 30 June	
	2023 RM'000	2022 RM'000
Revenue	574,808	867,991
Gross profit	29,555	35,270
Profit before interest, tax, depreciation and amortisation	9,282	15,921
Depreciation	(3,439)	(2,804)
Finance costs, net	(1,396)	(974)
Profit before income tax	4,447	12,143
Income tax expenses	(1,995)	(4,453)
Profit for the period	2,452	7,690
Profit and total comprehensive income for the period attributable to:		
Owners of the Company	2,452	7,847
Non-controlling interest	-	(157)
	2,452	7,690

	As at	
	30 June 2023 RM'000	31 December 2022 RM'000
Total non-current assets	69,521	69,131
Total current assets	245,615	209,325
Total assets	315,136	278,456
Total non-current liabilities	19,042	14,369
Total current liabilities	89,860	60,307
Total liabilities	108,902	74,676
Net current assets	155,755	149,018
Equity attributable to owners of our Company	206,234	203,780
Non-controlling interest	975	977
Net assets	207,209	204,757

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

The first half of 2023 presented significant challenges for the Group, as it experienced lower revenue and net profit compared to the same period in 2022. These declines were primarily driven by the softening of the steel market. Furthermore, the pricing of scrap ferrous metal has remained consistently low since the latter half of 2022. Malaysia's domestic steel demand is projected to recover gradually through 2023. However, the consumption level is expected to remain below pre-Covid-19 levels, as forecasted by the Malaysia Iron and Steel Industry Federation. Geopolitical tension, global economic downturns, and stability of the financial market are also anticipated to influence the steel market's performance in 2023.

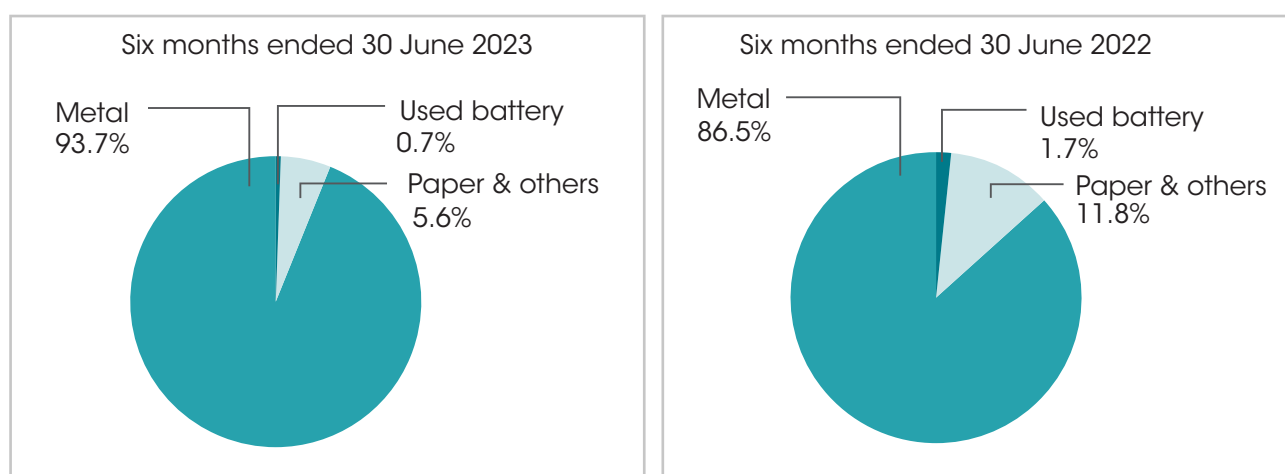
For the six months period ended 30 June 2023 ("**1H 2023**"), the Group recorded a total revenue of RM574.8 million. This marks a substantial decrease of approximately 33.8% compared to the corresponding period ended 30 June 2022 ("**1H 2022**") which recorded revenue of RM868.0 million. The decline in revenue was mainly due to lower sales volume and the decreased selling price of scrap ferrous metal. The sales volume of scrap ferrous metal during 1H 2023 and 1H 2022 was 308,891 tonnes and 384,646 tonnes, respectively, representing a decline of approximately 20%. Consequently, the Group's net profit after tax for 1H 2023 experienced a substantial decrease of about 68.1%, amounting to RM2.5 million, as compared to the RM7.7 million recorded in 1H 2022.

Considering the ongoing challenges in the steel market, the Group maintains a vigilant stance and a strong commitment to risk management. It aims to be responsive to market condition and optimize operational efficiency to enhance shareholders value.

FINANCIAL REVIEW

Revenue

Revenue of the Group for 1H 2023 was RM574.8 million (1H 2022: RM868.0 million), representing a decline of 33.8% as compared to the same period of 2022. The breakdown of our total revenue by product types for the periods under review are as below:



The sales of scrap ferrous metal remain the key contributor to the Group's revenue. Therefore, the decrease in sales volume and low selling price of scrap ferrous metal in the 1H 2023 were the main factors that contributed to lower Group's revenue as compared to 1H 2022. The average selling price of scrap ferrous metal during 1H 2023 was about RM1,740 per metric tonne, representing approximately 17% lower against the average selling price of RM2,095 per metric tonne during the corresponding period 1H 2022.

The Group's revenue and volume from the sales of scrap ferrous metal during the period under review are as follows:

Six months period ended 30 June			
2023		2022	
Volume sold (tonnes)	Revenue (RM'000)	Volume sold (tonnes)	Revenue (RM'000)
308,891	538,630	384,646	810,457

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit

The Group's gross profit for the 1H 2023 decreased by 16.1% from RM35.3 million to RM29.6 million as compared with the corresponding period in 1H 2022. The decrease in gross profit was primarily attributable to the lower sales volume and low selling price of scrap ferrous metal.

Nevertheless, the Group's gross profit margin has improved to 5.1% for the 1H 2023 as compared to 4.1% in the 1H 2022.

Distribution and Selling Expenses

In view of the lower sales volume recorded during 1H 2023, the Group recorded a lower distribution and selling expenses of RM11.3 million in the 1H 2023 as compared to RM13.2 million posted during 1H 2022, represented a decrease of approximately 14.4%.

Administrative Expenses

The Group's administrative expenses for 1H 2023 and 1H 2022 were recorded as RM13.4 million and RM11.6 million respectively, represented an increase of 15.5%. The increase was mainly attributable to the increase in head count on office and operation personnel, payroll adjustment and higher legal and professional expenses with regard to the additional bank facilities granted by a financial institution.

Share of Results of An Associate

The Group's share of results of an associate is nil for 1H 2023, same as the corresponding period in 2022. The Group has not recognised further losses related to the associate since the Group has no obligation in respect to these losses and the carrying amount of the investment is nil.

Taxation

Malaysian corporate income tax has been provided at the rate of 24% of the estimated assessable profit. Our effective tax rate for 1H 2023 was 42.8% (1H 2022: 36.7%). The higher effective tax rate was mainly due to higher non-deductible expenditures for tax purposes.

Profit Attributable to Owners of the Company

The Group's profit attributable to owners of the Company for 1H 2023 was RM2.5 million (1H 2022: RM7.8 million), which is in tandem with the decrease in profit before tax.

Key Financial Ratios

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

Liquidity Ratios	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
	Current ratio	2.7 times
Gearing ratio	37.6%	26.6%

	For the six months ended 30 June	
	2023	2022
Inventories' turnover period	16 days	12 days
Trade receivables' turnover period	38 days	27 days
Trade payables' turnover period	4 days	7 days

Working Capital

The inventories' turnover period of the Group was 16 days for 1H 2023 as compared to 12 days for 1H 2022. The increase was due to the lower sales volume recorded during the period under review.

The Group's trade receivables' turnover period was 38 days for 1H 2023 as compared to 27 days for 1H 2022. The increase was mainly attributable to the slow payment from steel mill customers.

The Group's trade payables' turnover period was 4 days for 1H 2023 as compared to 7 days for 1H 2022. The shorten of turnover period was mainly due to higher down payment to suppliers.

Liquidity and Financial Resources

As of 30 June 2023, the Group's total equity attributable to owners of the Company amounted to RM207.2 million (as at 31 December 2022: RM204.8 million) including retained earnings of RM123.2 million (as at 31 December 2022: RM120.8 million). The Group's working capital amounted to RM155.8 million (as at 31 December 2022: RM149.0 million) of which cash and bank balances, pledged bank deposits and fixed deposits were RM44.9 million (as at 31 December 2022: RM30.7 million).

Taking into account the cash and bank balances and banking facilities available to us, the Group has adequate liquidity and financial resources to meet the working capital requirements as well as to fund its budgeted expansion plans for the next 12 months. The Board will continue to follow a prudent treasury policy in managing its cash and bank balances 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 2023 were RM75.4 million (as at 31 December 2022: RM52.3 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 2023 was 37.6% (as at 31 December 2022: 26.6%). 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 2023, 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") and the announcements for change in use of proceeds dated 16 July 2020 and 12 July 2023.

Material Acquisitions and Disposals of Subsidiaries, Associates or Joint Ventures

During the first six months ended 30 June 2023, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

Pledge of Assets

As at 30 June 2023, the Group has pledged the following assets to banks to secure certain bank borrowings and general banking facilities granted to the Group:

	As at 30 June 2023 RM'000 (Unaudited)	As at 31 December 2022 RM'000 (Audited)
Property, Plant and Equipment	571	610
Right-of-use assets	19,164	19,577
Investment properties	5,418	5,365
Pledged bank deposits	5,494	5,437
	30,647	30,989

Contingent Liabilities

The Group did not have any significant contingent liability as at 30 June 2023 (as at 31 December 2022: Nil).

Capital Commitments

As at 30 June 2023, the Group has capital commitment to the bank in respect of the acquisition of property, plant and equipment of RM11.8 million (as at 31 December 2022: RM11.8 million).

Risk Management

The Group in its ordinary course of business is exposed to market risk (such as 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.

As most of the Group's operation subsidiaries are located in Malaysia and conduct their transactions in Malaysia Ringgit ("RM"), which is also the functional and presentation currency, the Group is not significantly exposed to foreign currency risk.

Since most of the Group's business transactions, assets and liabilities are denominated in RM, the Group has minimal exposure to foreign currency risk. While the Group currently does not have a foreign currency hedging policy for foreign currency transactions, assets and liabilities, the management closely monitors foreign currency exposure and may consider hedging significant exposure if necessary.

The Group's interest rate risk arises primarily from borrowing obtained at variable rates, which expose the Group to cash flow interest rate risk.

The credit risk of the Group mainly arises from cash and bank balances, 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 as at the date of initial recognition. The Group considers available reasonable and supportive forwarding looking information, especially the following indicators are incorporated:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of individual debtor;
- significant increases in credit risk on other financial instruments at the individual debtor; and
- significant changes in the expected performance and behaviour of the debtor, including changes in payment status of debtor in the Group and changes in the operating results of the debtor.

The Group manages credit risk associated with cash and bank depositors by only transacting with reputable commercial banks that are considered high-credit-quality financial institutions. There has been no recent history of default in relation to these financial institutions, and the expected credit loss of cash at banks is close to zero.

The Group applies the simplified approach prescribed by IFRS 9 to provide for expected credit losses for all trade receivables which permits the use of the lifetime expected loss provision. The Group considers the credit risk characteristics, days past due, and forward-looking information to measure the expected credit losses. During the six months ended 30 June 2023, the expected loss rate for trade receivable was 0.9% (1H 2022: 1.0%). The provision for trade receivables for 1H 2023 was nil (1H 2022: Nil).

The Group has no write-off of trade receivables during 1H 2023 and 1H 2022.

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 2023, 84% (as at 31 December 2022: 84%) of its total trade receivables was due from this group of customers. As the Group is one of the few approved scrap metal providers to the steel mill customers and based on the past repayment history and forward-looking estimates, the Directors believe that the credit risk inherent in the Group's outstanding trade receivables from this group of customers is low.

Our 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 of 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 our Group's liquidity requirements to ensure it has sufficient cash to meet operational needs, taking into consideration the Group's debt financing plans, covenant compliance, and if applicable external regulatory requirements, such as currency restrictions.

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SERVICES UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION

As at 30 June 2023, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code of Securities Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:

As at 30 June 2023, long position in our Shares, underlying Shares and Debentures are as below:

Name of Director	Nature of interest	Number and class of Shares (Note 1)	Approximate percentage of shareholding (Note 2)
Datuk Sia Kok Chin	Interest in controlled corporation/interests held jointly with another person/beneficial owner	581,680,000 (L)	58.17%
Datuk Sia Keng Leong	Interest in controlled corporation/interests held jointly with another person/beneficial owner	581,680,000 (L)	58.17%
Mr. Sia Kok Chong	Interest in controlled corporation/interests held jointly with another person/beneficial owner	581,680,000 (L)	58.17%
Mr. Sia Kok Seng	Interest in controlled corporation/interests held jointly with another person/beneficial owner	581,680,000 (L)	58.17%
Mr. Sia Kok Heong	Interest in controlled corporation/interests held jointly with another person/beneficial owner	581,680,000 (L)	58.17%

Notes:

- (1) The letter "L" denotes the entity's long position in the Shares.
- (2) As at 30 June 2023, the total number of issued Shares was 1,000,000,000 ordinary Shares.
- (3) The Sia Brothers entered into a deed of acting in concert confirmation and undertaking dated 20 August 2018. As such, each of the Sia Brothers, being parties to the deed of acting in concert confirmation and undertaking, is deemed under the SFO to be interested in the 341,680,000 Shares collectively held through 5S Holdings BVI Limited ("5S Holdings") and the 48,000,000 Shares held by each of the other Sia Brothers. In other words, each of the Sia Brother is interested in the 581,680,000 Shares, among which 341,680,000 shares are held in the capacity as interest in a controlled corporation, 192,000,000 shares are held in the capacity as interests held jointly with another person and 48,000,000 shares are held in the capacity as beneficial owner.

DISCLOSURE OF INTERESTS

As at 30 June 2023, interests in associated corporation were as below:

Name of Director	Associated corporation	Nature of interest	Number of shares	Approximate percentage of shareholding interest
Datuk Sia Kok Chin	5S Holdings	Beneficial owner	7,000	35.00%
Datuk Sia Keng Leong	5S Holdings	Beneficial owner	3,250	16.25%
Mr. Sia Kok Chong	5S Holdings	Beneficial owner	3,250	16.25%
Mr. Sia Kok Seng	5S Holdings	Beneficial owner	3,250	16.25%
Mr. Sia kok Heong	5S Holdings	Beneficial owner	3,250	16.25%

Save as disclosed above, as at 30 June 2023, none of the Directors and the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2023 was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING

As at 30 June 2023, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Nature of interest	Number and class of Shares (Note 1)	Approximate percentage of shareholding (Note 2)
5S Holdings	Beneficial owner	341,680,000 (L)	34.17%
Poon Ka Ho Stanley	Beneficial owner	58,320,000 (L)	5.83%
Ms. Koo Lee Ching	Interest of spouse	581,680,000 (L) (Note 3)	58.17%
Ms. Loh Hui Mei	Interest of spouse	581,680,000 (L) (Note 4)	58.17%
Ms. Peong Ai Teen	Interest of spouse	581,680,000 (L) (Note 5)	58.17%
Ms. Yang Mei Feng	Interest of spouse	581,680,000 (L) (Note 6)	58.17%
Ms. Juan Sook Fong	Interest of spouse	581,680,000 (L) (Note 7)	58.17%

DISCLOSURE OF INTERESTS

Notes:

- (1) The letter "L" denotes the entity's long position in the Shares.
- (2) As at 30 June 2023, the total number of issued Shares was 1,000,000,000 ordinary Shares.
- (3) Ms. Koo Lee Ching is the spouse of Datuk Sia Kok Chin. As such, Ms. Koo Lee Ching is deemed under the SFO to be interested in the Shares in which Datuk Sia Kok Chin is interested.
- (4) Ms. Loh Hui Mei is the spouse of Datuk Sia Keng Leong. As such, Ms. Loh Hui Mei is deemed under the SFO to be interested in the Shares in which Datuk Sia Keng Leong is interested.
- (5) Ms. Peong Ai Teen is the spouse of Mr. Sia Kok Chong. As such, Ms. Peong Ai Teen is deemed under the SFO to be interested in the Shares in which Mr. Sia Kok Chong is interested.
- (6) Ms. Yang Mei Feng is the spouse of Mr. Sia Kok Seng. As such, Ms. Yang Mei Feng is deemed under the SFO to be interested in the Shares in which Mr. Sia Kok Seng is interested.
- (7) Ms. Juan Sook Fong is the spouse of Mr. Sia Kok Heong. As such, Ms. Juan Sook Fong is deemed under the SFO to be interested in the Shares in which Mr. Sia Kok Heong is interested.

Save as disclosed above, and as at 30 June 2023, the Directors were not aware of any persons (who were not directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would required to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the "**Share Option Scheme**") pursuant to the written resolutions of our shareholders passed on 19 February 2019.

No share option has been granted under the Share Option Scheme since its adoption. Accordingly, as at 30 June 2023, there were no share option exercised, cancelled, lapsed or outstanding under the Share Option Scheme.

The number of options available for grant under the Share Option Scheme at the beginning and the end of the six months ended 30 June 2023 was 100,000,000.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 30 June 2023, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the businesses of the Group.

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Board has adopted the principles and the code provisions to the Code of Corporate Governance (the "**Corporate Governance Code**") contained in Appendix 14 to the Listing Rules to ensure that the Company's business activities and decision making processes are regulated in a proper and prudent manner, except for the deviation from the code provision C.2.1 of the Corporate Governance Code. Datuk 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 Datuk 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 under review, the Company has fully complied with the Corporate Governance Code apart from the deviation above.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code 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's 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.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group had 227 (as at 30 June 2022: 178) employees in Malaysia. For the six months ended 30 June 2023, total staff costs and related expenses of the Group (including the Directors' remuneration) were RM11.0 million (six months ended 30 June 2022: RM9.3 million), representing an increase of 18.3% as compared to the same period in 2022. The higher staff cost and related expenses of the Group (including the Directors' remuneration) for the six-month ended 30 June 2023 was mainly attributable to higher head count and salary adjustments during the period under review as compared to the corresponding period in 2022. 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.

FINANCIAL HIGHLIGHTS

A summary of the Group's results, assets and liabilities for the six months ended 30 June 2023 is set out on page 4 of this interim report. This summary does not form part of the unaudited consolidated financial statements.

CORPORATE GOVERNANCE AND OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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 2023.

CHANGES IN DIRECTORS' INFORMATION

As at 30 June 2023, there was no change in the information of the Company's directors.

USE OF PROCEEDS FROM SHARE OFFER

The net proceeds raised by the Company from the share offer on listing 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 RM24.0 million (equivalent to approximately 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 and the announcement dated 16 July 2020 and 12 July 2023 in relation to the change in use of the proceeds.

	Available (RM'000)	Change in use of proceeds ⁽¹⁾ (RM'000)	New allocation for net proceeds (RM'000)	Balance as at 31 December 2022 (RM'000)	Amount utilised during the six-month period ended 30 June 2023 (RM'000)	Balance as at 30 June 2023 (RM'000)	Change in use of proceeds ⁽²⁾ (RM'000)	New Allocation for unutilised amount of net proceeds (RM'000)	Expected timeline for fully utilising the remaining proceeds (taking into account of the new allocation) ⁽³⁾
Partially replacing our fleet of trucks	3,604	-	3,604	-	-	-	-	-	
Enhancing our processing abilities	2,908	-	2,908	-	-	-	-	-	
Setting up a new enterprise resource planning system	942	-	942	-	-	-	-	-	
Setting up a new scrapyard in the east coast of Peninsular Malaysia	4,546	(4,546)	-	-	-	-	-	-	
Expansion of our scrapyard in Selangor, Malaysia	6,389	-	6,389	5,349	-	5,349	(5,349)	-	
The Group's working capital for our scrap ferrous metal trading business	18,471	4,546	23,017	-	-	-	2,000	2,000	Fourth quarter of 2023
General working capital for other general corporate purpose (excluding the purchase of scrap materials)	4,096	-	4,096	-	-	-	2,649	2,649	Fourth quarter of 2023
Set up and renovation costs inclusive of furniture, fixture and fittings of our corporate office in Selangor							700	700	Third quarter of 2023
	40,956	-	40,956	5,349	-	5,349	-	5,349	

(1) The change in use of proceeds as per announcement dated 16 July 2020.

(2) The change in use of proceeds as per announcement dated 12 July 2023.

(3) The expected timeline for utilising the remaining proceeds was based on the best estimation of the future market conditions made by the Group. It would be subject to change based on the current and future development of market conditions.

As at the date of this interim report, there were no changes of the business plans save for variation in the utilisation of proceeds as disclosed above.

INTERIM DIVIDEND

The Board does not declare the payment of any dividend for 1H 2023 (1H 2022: Nil).

EVENTS OCCURRED SINCE THE END OF THE SIX MONTHS ENDED 30 JUNE 2023

Saved as disclosed in this interim report, the Board is not aware of any significant event affecting the Group and requiring disclosures that took place subsequent to 30 June 2023 up to the date of this report.

AUDIT AND RISK MANAGEMENT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit & Risk Management Committee of the Company (being Ms. Sai Shiow Yin, Mr. Puar Chin Jong and Mr. Chu Kheh Wee) has reviewed the condensed consolidated financial information for 1H 2023 with the management, including accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters.

PUBLICATION OF INTERIM REPORT

This report is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.henghup.com). The interim report of the Company for 1H 2023 will be despatched to the shareholders of the Company and published on the aforesaid websites in due course.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023 and 2022

	Note	For the six months ended 30 June 2023 RM'000 (Unaudited)	2022 RM'000 (Unaudited)
Revenue	3	574,808	867,991
Cost of sales	6	(545,253)	(832,721)
Gross profit		29,555	35,270
Other income	4	923	2,729
Other gain/(losses), net	5	56	(74)
Distribution and selling expenses	6	(11,282)	(13,197)
Administrative expenses	6	(13,409)	(11,611)
Operating profit		5,843	13,117
Finance income		232	139
Finance costs		(1,628)	(1,113)
Finance costs, net	7	(1,396)	(974)
Share of results of an associate		-	-
Profit before income tax		4,447	12,143
Income tax expense	8	(1,995)	(4,453)
Profit for the period		2,452	7,690
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		2,452	7,847
Non-controlling interest		-	(157)
		(2,452)	(7,690)
Earning per share attributable to the owners of the Company for the period (express in sen per share) – Basic and diluted earnings per share	10	0.25	0.78

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023 and 31 December 2022

	Note	As at 30 Jun 2023 RM'000 (Unaudited)	As at 31 Dec 2022 RM'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	23,519	22,760
Intangible asset		223	305
Investment properties	12	5,925	5,953
Deposits	13	17,636	17,636
Right of use assets	17	21,299	21,359
Deferred income tax assets	18	919	1,118
		69,521	69,131
Current assets			
Inventories		45,890	49,404
Trade and other receivables	13	149,351	125,091
Current income tax recoverable		5,432	4,175
Pledge bank deposits		5,494	5,437
Cash and bank balances		39,448	25,218
		245,615	209,325
Total assets		315,136	278,456
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Company			
Share capital	14	5,206	5,206
Share premium		49,306	49,306
Capital reserve		29,487	29,487
Retained earnings		123,210	120,758
		207,209	204,757
Non-controlling interest		(975)	(977)
Total equity		206,234	203,780

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2023 and 31 December 2022

	Note	As at 30 Jun 2023 RM'000 (Unaudited)	As at 31 Dec 2022 RM'000 (Audited)
Non-current liabilities			
Borrowings	16	17,224	12,894
Lease liabilities	17	990	829
Deferred income tax liabilities	18	828	646
		19,042	14,369
Current liabilities			
Trade and other payables	15	30,568	19,382
Current income tax liabilities		-	463
Borrowings	16	58,310	39,393
Lease liabilities	17	982	1,069
		89,860	60,307
Total liabilities		108,902	74,676
Total equity and liabilities		315,136	278,456

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023 and 2022

	Attributable to owners of the Company							
	Share capital (Note 14) RM'000	Share premium RM'000	Capital Reserve RM'000	Foreign translation reserve RM'000	Retained earnings RM'000	Total equity RM'000	Non-controlling interest RM'000	Total equity RM'000
	As at 1 January 2023 (Audited)	5,206	49,306	29,487	-	120,758	204,757	(977)
Profit and total comprehensive income for the period	-	-	-	-	2,452	2,452	2	2,454
Dividend	-	-	-	-	-	-	-	-
As at 30 June 2023 (Unaudited)	5,206	49,306	29,487	-	123,210	207,209	(975)	206,234

	Attributable to owners of the Company							
	Share capital (Note 15) RM'000	Share premium RM'000	Capital Reserve RM'000	Foreign translation reserve RM'000	Retained earnings RM'000	Total equity RM'000	Non-controlling interest RM'000	Total equity RM'000
	As at 1 January 2022 (Audited)	5,206	49,306	29,487	-	122,844	206,843	(71)
Profit and total comprehensive income for the period	-	-	-	-	7,847	7,847	(157)	7,690
Dividend	-	-	-	-	(4,467)	(4,467)	-	(4,467)
As at 30 June 2022 (Unaudited)	5,206	49,306	29,487	-	126,224	210,223	(225)	209,998

Note:

- (a) Capital reserve represents the difference between the fair value of shares issued and the aggregate value of the retained earnings and reserves of subsidiaries acquired pursuant to the reorganisation.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023 and 2022

	Note	For the six months ended 30 June 2023 RM'000 (Unaudited)	2022 RM'000 (Unaudited)
Cash flows from operating activities			
Cash used in operations	19	(192)	(4,278)
Tax paid		(3,333)	(3,439)
Net cash generated (used)/from in operating activities		(3,525)	(7,717)
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,525)	(2,656)
Proceeds from disposal of property, plant and equipment		260	26
Interest received		232	139
Placement of pledge bank deposits		(57)	(46)
Advances to an associate		-	(16)
Additions in right-of-use assets		(183)	(1,744)
Net cash used in investing activities		(3,273)	(4,297)
Cash flows from financing activities			
Interest paid		(1,628)	(1,113)
Drawdown of borrowings		24,568	17,530
Repayments of borrowings		(1,509)	(1,349)
Principal elements of lease payments		(417)	(409)
Net cash generated from/(use) in financing activities		21,014	14,659
Net increase in cash and cash equivalents		14,216	2,645
Effect of exchange rate changes		15	121
Cash and cash equivalents at beginning of the period		25,217	26,350
Cash and cash equivalents at end of period		39,448	29,116
Cash at bank and on hand		32,486	22,183
Short-term bank deposits with maturity of three months or less		6,962	6,933
Cash and bank		39,448	29,116
Bank overdraft (note 17)		-	-
Cash and cash equivalents		39,448	29,116

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION AND BASIS OF PRESENTATION

1.1 General information

Heng Hup Holdings Limited (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 in Malaysia.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (“**IASB**”) and the disclosure requirements of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with IFRS 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Adoption of New standards

The Group had applied the following amendments to standard and accounting guidelines for the first time for its annual period beginning on or after 1 January 2023:

IAS 1 and IFRS Practice Statement 2 (Amendments)	Disclosure of accounting policies
IAS 8 (Amendment)	Definition of accounting estimates
IAS 12 (Amendment)	Deferred income tax related to assets and liabilities arising from a single transaction
IFRS 17	Insurance Contracts
IFRS 17 (Amendment)	Initial application of IFRS 17 and IFRS 9 – comparative information

The application of the above new standards and amended standards did not have any material impact to the Group's financial positions and performance for the current and prior period and/or on the disclosures set out in these unaudited consolidated financial statements.

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 continuing period beginning on or after 1 January 2023 and have not been early adopted by the Group in preparing the financial statements:

		Effective for annual periods beginning on or after
IAS 1 (Amendment)	Classification of liabilities as current or non-current	1 January 2024
IAS 1 (Amendment)	Non-current liabilities with covenants	1 January 2024
IAS 7 and IFRS 7 (Amendments)	Supplier Finance Arrangements	1 January 2024
IFRS 16 (Amendment)	Lease liabilities in a sale and leaseback	1 January 2024
IFRS 10 and IAS 28 (Amendments)	Sales or contribution of assets between on investor and its associate or joint venture	To be determined

The above new standards, new interpretation and amended standards are not expected to have any significant impact on the consolidated 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, other scraps and provision for logistic servicers.

The Group has been operating in a single operating segment, i.e., trading of recycling materials.

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 assess 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 month ended 30 June 2023 and 2022, the Group mainly traded in Malaysia and most of the revenue were generated in Malaysia.

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

(b) Non-current assets

As at 30 June 2023, all non-current assets were all located in Malaysia.

4 OTHER INCOME

	For the six months ended 30 June	
	2023	2022
	RM'000	RM'000
	(Unaudited)	(Unaudited)
Compensation received	3	2
Rental income	275	222
Provision for logistic service income (note)	-	1,808
Others	645	697
	923	2,729

Note: The Group commenced to provide logistic services to its customers as part of the Group's ordinary activities in exchange for consideration during the financial period. As a result, logistic services income for the six months ended 30 June 2023 amounted to approximately RM2.09 million has been classified as revenue of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5 OTHER GAINS/(LOSSES), NET

	For the six months ended 30 June	
	2023 RM'000 (Unaudited)	2022 RM'000 (Unaudited)
Foreign exchange gain/(losses), net	73	(100)
(Loss)/gain on disposal of property, plant and equipment	(17)	26
	(56)	(74)

6 EXPENSES BY NATURE

	For the six months ended 30 June	
	2023 RM'000 (Unaudited)	2022 RM'000 (Unaudited)
Cost of trading goods sold	537,908	824,170
Employee benefit expenses	10,998	9,334
Depreciation expenses		
– Property, plant and equipment	2,669	2,213
– Investment properties	35	35
– Right of use assets	734	556
Amortisation expenses		
– Intangible assets	82	88
Auditors' remuneration		
– Audit services	591	205
– Non-audit services	39	25
Transportation costs	7,830	9,406
Lease expenses relating to:		
– low value assets	102	69
– short-term lease	55	123
Upkeep expenses	2,664	2,902
Legal and compliance fees	481	585
Secretarial fees	114	224
Other expenses	5,642	7,594
Total costs of sales, distribution and selling expenses and administrative expenses	569,944	857,529

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 FINANCE COSTS, NET

	For the six months ended 30 June	
	2023 RM'000 (Unaudited)	2022 RM'000 (Unaudited)
Interest income from bank deposits	232	139
Interest expense on loans	(1,445)	(882)
Interest expense on hire purchase liabilities	(129)	(152)
Interest expense on lease liabilities	(35)	(32)
Interest expense on bank overdraft	(9)	(47)
Finance costs	(1,628)	(1,113)
Finance costs, net	(1,396)	(974)

8 INCOME TAX EXPENSE

	For the six months ended 30 June	
	2023 RM'000 (Unaudited)	2022 RM'000 (Unaudited)
Current tax:		
Malaysia corporate income tax	1,614	3,997
Under provision in prior year	-	-
	1,614	3,997
Deferred income tax	381	456
	1,995	4,453

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8 INCOME TAX EXPENSE (Continued)

The reconciliations from the tax amount at the Malaysian corporate income tax rate of 24% (six months ended 30 June 2022: 24%) and the Group's tax expense are as follows:

	For the six months ended 30 June 2023 RM'000 (Unaudited)	2022 RM'000 (Unaudited)
Profit before tax	4,447	12,143
Tax at Malaysia corporate income tax rate	1,067	2,914
Tax effect of expenses not deductible for tax purposes	1,082	1,559
Effect of temporary differences not taken up in prior year	(139)	21
Effect of difference tax rate	(15)	(41)
Income tax expense for the period	1,995	4,453

9 INTERIM DIVIDEND

The Board does not declare the payment of any dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

10 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company for the current interim period by the weighted average number of ordinary shares issued during the period. Diluted earnings per share is calculated by dividing the profit for the period attributable to owners of the Company for the current interim period by the weighted average number of ordinary shares issued during the period for the dilutive effects of all potential ordinary shares.

	For the six months ended 30 June 2023 RM'000 (Unaudited)	2022 RM'000 (Unaudited)
Earnings:		
Profit for the period attributable to the owners of the Company	2,452	7,847
Number of shares:		
Weighted average number of shares in use	1,000,000,000	1,000,000,000
Basic earnings per share (<i>expressed in sen per share</i>)	0.25	0.78

The Company has no outstanding potentially dilutive shares during the six months ended 30 June 2023 and 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired and disposed property, plant and equipment with aggregate cost of RM3,525,247 and RM251,500, respectively. (six months ended 30 June 2022: RM2,656,854 and RM391,000, respectively).

12 INVESTMENT PROPERTIES

There were no additional investment properties acquired by the Group during the six months ended 30 June 2023 under review. (six months ended 30 June 2022: RM29.4 million). No investment properties were disposed during the six months ended 30 June 2023 (six months ended 30 June 2022: RM nil).

13 TRADE AND OTHER RECEIVABLES

	As at 30 June 2023 RM'000 (Unaudited)	As at 31 December 2022 RM'000 (Audited)
Non-current		
Deposits for acquisition of freehold land *	17,636	17,636
Current		
Trade receivables	134,343	111,809
Less: Provision for loss allowance	(1,232)	(1,232)
	133,111	110,577
Other receivables	703	527
Deposits and prepayments	2,917	3,003
Down payment to suppliers	12,521	10,885
Other tax receivables	99	99
	149,351	125,091
Total trade and other receivables	166,987	142,727

* On 4th March 2022, the Group entered into Sales and Purchase Agreement (the "Agreement") to acquire two (2) adjoining pieces of vacant land in Malaysia for a purchase consideration of RM29,392,981. The completion of the said acquisition is subject to the fulfilment of the terms and conditions stated in the Agreement. The said acquisition has yet to be completed as at the financial period under review and up to the date of this report.

13 TRADE AND OTHER RECEIVABLES (Continued)

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. The ageing analysis of the trade receivables based on invoice date were as follows:

	As at 30 June 2023 RM'000 (Unaudited)	As at 31 December 2022 RM'000 (Audited)
0 – 30 days	79,991	96,668
31 – 60 days	41,773	14,671
61 – 120 days	12,564	468
Over 120 days	15	2
	134,343	111,809

The carrying amounts of the Group's trade receivables are denominated in Ringgit Malaysia (RM).

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 grouped the trade receivables based on shared credit risk characteristic, open market credit rating and the days past due and the historical loss rate is also adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables to measure the expected credit losses.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13 TRADE AND OTHER RECEIVABLES (Continued)

Movement for provision of loss allowance for trade receivables are as follows:

	As at 30 June 2023 RM'000 (Unaudited)	As at 31 December 2022 RM'000 (Audited)
At 1 January	1,232	1,305
Provision for loss allowance	-	(73)
At 30 June/31 December	1,232	1,232

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

14 SHARE CAPITAL

	As at June 2023		As at 31 December 2022	
	Number of shares in thousand	Share capital RM'000	Number of shares in thousand	Share capital RM'000
Authorised:				
At beginning of the period (Audited)	2,000,000	10,406	2,000,000	10,406
At the end of the period	2,000,000	10,406	2,000,000	10,406
At beginning of the year	1,000,000	5,206	1,000,000	5,206
Issuance of ordinary shares relating to the initial public offering	-	-	-	-
At the end of the period	1,000,000	5,206	1,000,000	5,206

15 TRADE AND OTHER PAYABLES

	As at 30 June 2023 RM'000 (Unaudited)	As at 31 December 2022 RM'000 (Audited)
Trade payables	16,917	9,942
Accrued salaries	6,648	5,976
Other payables and accruals	7,003	3,464
	30,568	19,382

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

	As at 30 June 2023 RM'000 (Unaudited)	As at 31 December 2022 RM'000 (Audited)
- Ringgit Malaysia (RM)	16,917	9,026
- United State Dollar (USD)	-	916
	16,917	9,942

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15 TRADE AND OTHER PAYABLES (Continued)

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

	As at 30 June 2023 RM'000 (Unaudited)	As at 31 December 2022 RM'000 (Audited)
0 – 30 days	16,411	9,853
31 – 60 days	319	10
61 – 120 days	137	–
Over 120 days	50	79
	16,917	9,942

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

	As at 30 June 2023 RM'000 (Unaudited)	As at 31 December 2022 RM'000 (Audited)
– Ringgit Malaysia (RM)	16,917	9,026
– United State Dollar (USD)	–	916
	16,917	9,942

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

16 BORROWINGS

	As at 30 June 2023 RM'000 (Unaudited)	As at 31 December 2022 RM'000 (Audited)
Non-current		
Bank borrowings		
– Term loans (Note a)	14,879	10,178
Hire purchase liabilities (Note b)	2,345	2,717
	17,224	12,894
Current		
Bank borrowings		
– Term loans (Note a)	2,132	1,143
– Trust receipts facilities (Note c)	55,087	36,894
	57,219	38,037
Hire purchase liabilities (Note b)	1,091	1,356
	58,310	39,393
Total borrowings	75,534	52,287

Note: All borrowings are denominated in RM.

Certain bank borrowings are secured by property, plant and equipment, right-of-use assets, investment properties and pledged bank deposits of the Group of RM30.6 million as at 30 June 2023 (as at 31 December 2022: RM31.0 million).

As at 30 June 2023, the Group had aggregate banking facilities of approximately RM309.4 million (as at 31 December 2022: RM228.1 million). Unused facilities amounted to approximately RM210.5 million as at 30 June 2023 (as at 31 December 2022: RM174.5 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 BORROWINGS (Continued)

(a) Term loans

Term loans mature at various dates up to 2038.

As at 30 June 2023 and 31 December 2022, the Group's term loans were repayable as follows:

	As at 30 June 2023 RM'000 (Unaudited)	As at 31 December 2022 RM'000 (Audited)
Within 1 year	2,132	1,143
Between 1 and 2 years	2,997	1,151
Between 2 and 5 years	6,584	3,136
Over 5 years	5,298	5,891
	14,879	10,178
	17,011	11,321

The effective interest rates of term loans at the reporting dates are as follows:

	As at 30 June 2023 % (p.a.) (Unaudited)	As at 31 December 2022 % (p.a.) (Audited)
Interest rates	5.25 - 6.64	5.25 - 6.64

The carrying amounts of the term loans approximate their fair values.

16 BORROWINGS (Continued)

(b) Hire purchase liabilities

The Group has various items of plant and machinery and motor vehicles acquired under hire purchase agreement. The rights to the assets will revert to the financier only in the event of a default of the terms under these agreements.

	As at 30 June 2023 RM'000 (Unaudited)	As at 31 December 2022 RM'000 (Audited)
Gross hire purchase liabilities - minimum lease payments		
Not more than 1 year	1,260	1,559
Later than 1 year and not later than 5 years	2,507	2,933
	3,767	4,492
Future finance charges on hire purchase	(332)	(420)
	3,436	4,072
Total present value of hire purchase is as follow:		
Not later than 1 year	1,091	1,356
Later than 1 year but not later than 5 years	2,345	2,716
	3,436	4,072

(c) Trust receipt facilities

Trust receipt facilities mature within 1 year.

Trust receipt facilities are utilised by the Group to finance sales of goods to selected customers approved by the bank up to 80% of the documentary invoice values.

The effective interest rates of trust receipt loans at the reporting dates are as follows:

	As at 30 June 2022 % (p.a.) (Unaudited)	As at 31 December 2022 % (p.a.) (Audited)
Interest rates	4.22 - 5.12	4.20 - 4.90

The carrying amounts of the trust receipt facilities approximate their fair values.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 LEASES

- (i) Amounts recognised in the consolidated statement of financial position:

	As at 30 June 2023 RM'000 (Unaudited)	As at 31 December 2022 RM'000 (Audited)
Right of use ("ROU") assets		
Leasehold lands	21,079	21,137
Leasehold property	220	222
	21,299	21,359
Lease liabilities		
Non-current portion	990	829
Current portion	982	1,069
	1,972	1,898

- (ii) Movement of the carrying value of ROU assets:

	As at 30 June 2023 RM'000 (Unaudited)	As at 31 December 2022 RM'000 (Audited)
At 1 January	21,359	11,333
Addition to the ROU assets during the financial year	700	11,375
Purchase of a leasehold property	-	-
Depreciation charge	(734)	(1,349)
Remeasurement of leases	(25)	-
	21,299	21,359

As at 30 June 2023, leasehold lands with a net book value of approximately RM19.2 million (2022: RM 19.6 million) were pledged to the bank to secure the banking facilities granted to the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 LEASES (Continued)

(iii) Amounts recognised in the consolidated statement of comprehensive income:

	For the six months ended 30 June 2023 RM'000 (Unaudited)	2022 RM'000 (Unaudited)
Depreciation expense of ROU assets	734	556
Interest expense (included in finance cost)	35	32
Expenses relating to leases of low-value assets (included in distribution and selling expenses and administrative expenses)	102	69
Expenses relating to leases of short term lease (including in cost of sales)	55	123

(iv) The Group leases vacant leasehold lands as the scrap yards. Lease contracts are typically made for fixed periods of 2 to 4 years but may have extension options as described in (v) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

(v) Termination options

Termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of termination options held are exercisable only by the Group and not by the respective lessors.

18 DEFERRED INCOME TAX ASSETS/(LIABILITIES)

	As at 30 June 2023 RM'000 (Unaudited)	As at 31 December 2022 RM'000 (Audited)
Deferred income tax assets	919	1,118
Deferred income tax liabilities	(828)	(646)
	91	472

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 DEFERRED INCOME TAX ASSETS/(LIABILITIES) (Continued)

The movement in deferred income tax assets during the period/year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Accelerated tax depreciation RM'000	Provisions RM'000	Total RM'000
At 1 January 2022 (Audited)	(1,548)	1,869	321
(Charged)/Credited to the consolidated statements of comprehensive income	(425)	576	151
At 31 December 2022 (Audited)	(1,973)	2,445	472
(Charged)/Credited to the consolidated statements of comprehensive income (Note 8)	(321)	(60)	(381)
At 30 June 2023 (Unaudited)	(2,294)	2,385	91

19 CASH USED IN OPERATIONS

Reconciliation from profit before income tax to cash used in operations:

	For the six months ended 30 June 2023 RM'000 (Unaudited)	2022 RM'000 (Unaudited)
Cash flows from operating activities		
Profit before income tax	4,447	12,143
Adjustment for:		
Finance costs	1,628	1,112
Finance income	(232)	(139)
Provision for loss allowance on trade receivables	-	-
Depreciation expense	3,439	2,805
Amortisation expense	82	88
Loss/(Gain) on disposal of property, plant and equipment	17	(26)
Property, plant and equipment written off	-	-
Gain on foreign exchange - unrealised	(14)	(121)
	9,367	15,862
Changes in working capital		
Decrease in inventories	3,515	3,544
Increase in trade and other receivables	(24,260)	(28,209)
Increase in trade and other payables	11,186	4,525
	(192)	(4,278)

This section sets out an analysis of reconciliation of liabilities from financing activities for each of the periods presented.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19 CASH USED IN OPERATIONS (Continued)

	Bank borrowings RM'000	Hire purchase Liabilities RM'000	Lease Liabilities RM'000	Total RM'000
At 1 January 2022	29,463	3,939	1,218	34,620
Addition/Proceeds				
- Cash	21,260	-	-	21,260
- Non-cash	-	1,956	1,631	3,587
Repayments	(4,607)	(2,105)	(1,016)	7,728
Other non-cash movement	2,099	282	65	2,446
At 31 December 2022	48,215	4,072	1,898	54,185
At 1 January 2023	48,215	4,072	1,898	54,185
Addition/Proceeds				
- Cash	24,568	-	-	24,568
- Non-cash	-	188	491	679
Repayments	(2,148)	(954)	(452)	(3,554)
Other non-cash movement	1,464	129	35	1,628
At 30 June 2023	72,099	3,435	1,972	77,506

20 CAPITAL COMMITMENTS

The Group had capital expenditure contracted for but not yet provided as follows:

	As at 30 June 2023 RM'000 (Unaudited)	As at 31 December 2022 RM'000 (Audited)
Capital expenditure contracted for but not provided in respect of:		
- purchase of 2 adjoining pieces of vacant land	11,757	11,757

21 RELATED PARTY TRANSACTIONS

The Group is controlled by 5S Holdings (BVI) Limited which owns 58.17% of the Company's shares. The remaining 41.83% of shares are widely held. The ultimate controlling party of the Group are the five directors of the Company namely, Sia Kok Seng, Datuk Sia Kok Chin, Datuk Sia Keng Leong, Sia Kok Heong and Sia Kok Chong.

(a) Significant related party transactions

There were no significant related party transactions during the six month ended 30 June 2023 under review (six month ended 30 June 2022: Nil).

(b) Year-end balances

	As at 30 June 2023 RM'000 (Unaudited)	As at 31 December 2022 RM'000 (Audited)
Amount due to an associate	-	303

The amount due from an associate and a related party is unsecured, interest free with no fixed term of repayment.

22 SUBSEQUENT EVENTS

Other than as disclosed elsewhere in this report, the Board is not aware of any significant event affecting the Group and requiring disclosures that took place subsequent to 30 June 2023 up to the date of this report.