



Heng Hup Holdings Limited 興合控股有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code: 1891



ANNUAL REPORT
2023

CONTENTS

Corporate Information	2	Directors' Report	53
Five Years Financial Highlights	4	Independent Auditor's Report on Consolidated financial statements	74
Chairman's Statement	6	Consolidated Statement of Comprehensive Income	80
Company Profile	7	Consolidated Statement of Financial Position	81
Directors and Senior Management Team	9	Consolidated Statement of Changes in Equity	83
Management Discussion and Analysis	15	Consolidated Statement of Cash Flows	84
Corporate Governance Report	21	Notes to the Consolidated Financial Statements	85
Environmental, Social and Governance Report	34		



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

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

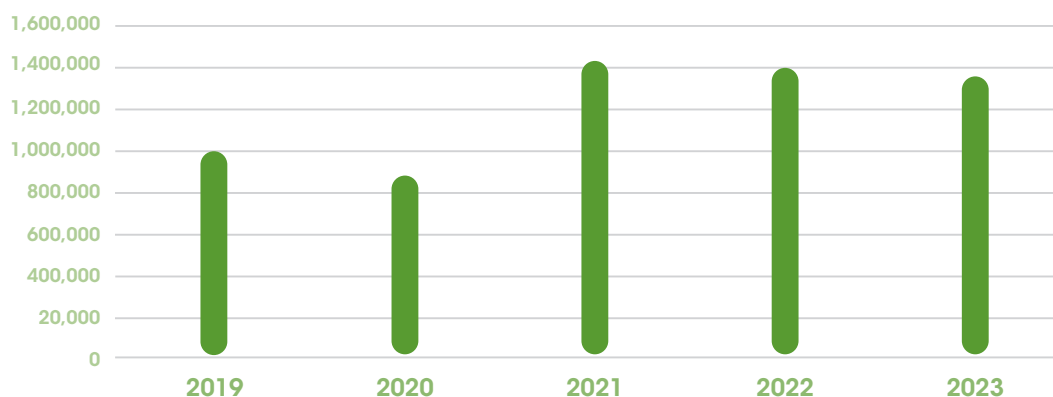
COMPANY WEBSITE

www.henghup.com

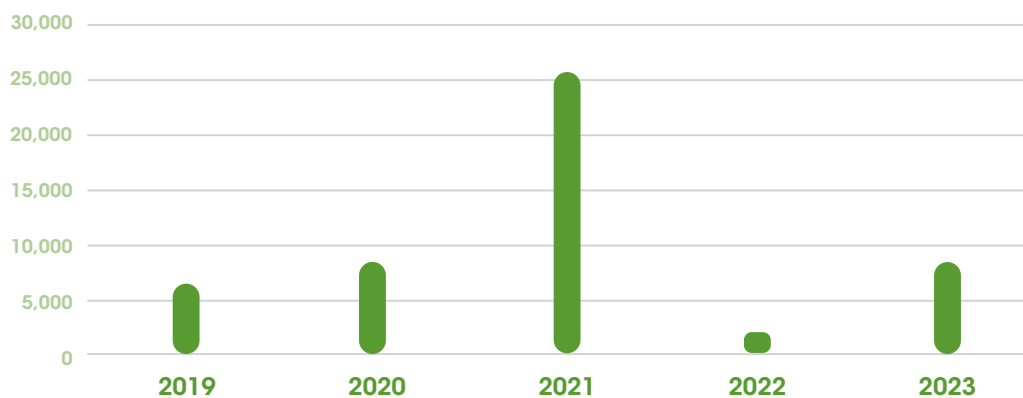
FIVE YEARS FINANCIAL HIGHLIGHT

	Year ended 31 December				
	2019	2020	2021	2022	2023
Revenue (RM'000)	990,604	868,312	1,418,239	1,404,575	1,346,983
Gross Profit (RM'000)	50,352	48,986	77,574	52,329	77,079
Profit Before Income Tax (RM'000)	11,886	12,677	35,546	4,275	14,349
Profit After Tax Attributable to Owner of the Company (RM'000)	6,672	8,392	25,485	2,381	8,540
Equity attributable to the owners of the Company (RM'000)	175,857	184,249	206,772	203,780	212,590
Total Assets (RM'000)	200,774	228,779	280,020	278,456	382,106
Total Liabilities (RM'000)	24,917	44,530	73,248	74,676	169,516

Revenue (RM'000)

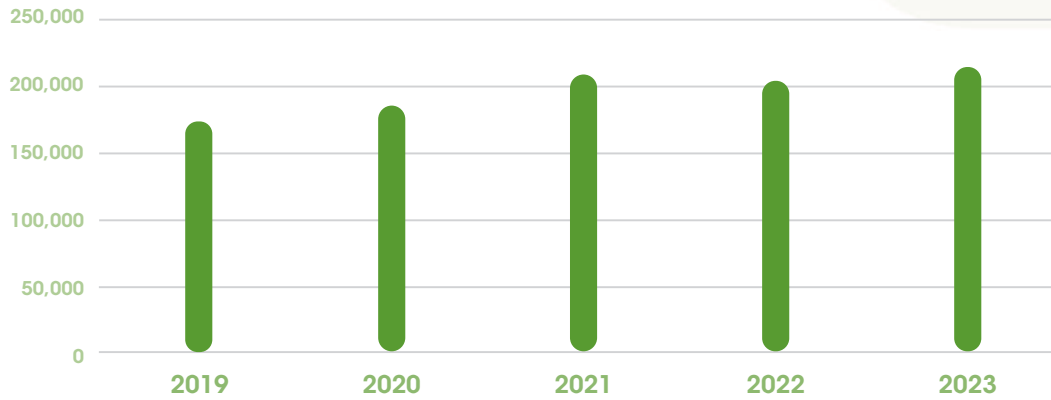


Profit After Tax Attributable to Owners of the Company (RM'000)

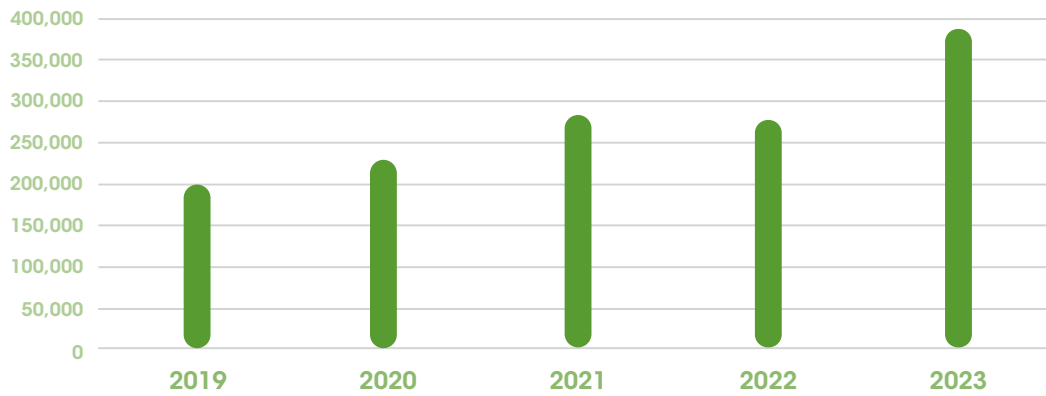


Five Years Financial Highlight

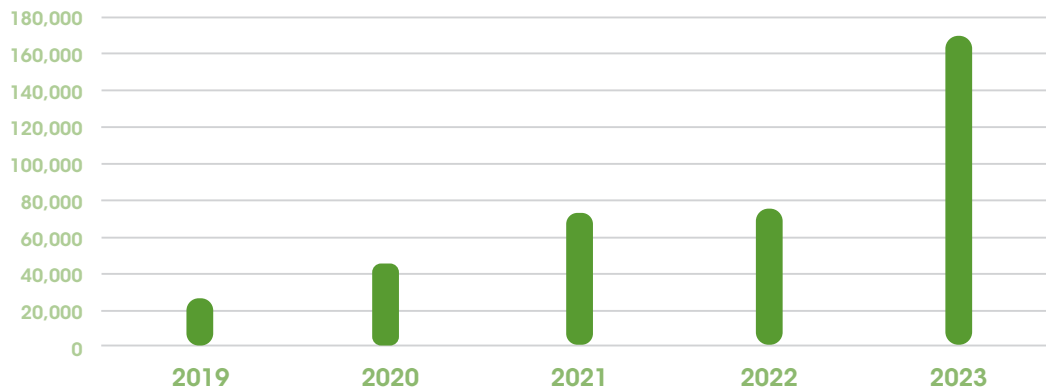
Equity attributable to the owners of the Company (RM'000)



Total Assets (RM'000)



Total Liabilities (RM'000)



CHAIRMAN'S STATEMENT

DEAR VALUED SHAREHOLDERS

ON BEHALF OF THE BOARD OF DIRECTORS OF HENG HUP HOLDINGS LIMITED ("**THE COMPANY**"), I AM PLEASED TO PRESENT THE ANNUAL REPORT & AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AND ITS SUBSIDIARIES ("**THE GROUP**") FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 ("**FYE 2023**").

In FYE 2023, the Group's revenue experienced a slight decline, dropping approximately 4.1%, from RM1.40 billion in the previous financial year ended 31 December 2022 ("**FYE 2022**") to RM1.35 billion. This decline was primarily attributed to lower average selling prices of scrap ferrous metal, a key revenue source for the Group.

Despite a slight decline in revenue, the Group achieved a significant improvement in financial performance of FYE 2023 compared to FYE 2022. The Group's profit after tax surged to RM8.24 million in FYE 2023, marking a fivefold increase from FYE 2022's RM1.48 million. This remarkable improvement were mainly attributable to enhancement in our procurement and operation efficiency, which lead to an increase in profit margin of scrap ferrous metal. The sales volume of scrap ferrous metal reached 725,577 tonnes in FYE 2023, approximately 7.5% higher than the 675,062 tonnes sold in FYE 2022, mitigating the impact of the revenue decline and leading to the Group's overall improved profit after tax for FYE 2023.

In 2023, the global steel industry faced challenges from high inflation, geopolitical risks, and slow economic growth, leading to decreased steel demand. The outlook for 2024, as predicted by the World Steel Association, suggests modest improvement but remains uncertain for the domestic steel market. Despite government efforts to stimulate the economy through investments and measures, the domestic steel industry is expected to continue facing difficulties, with any improvements likely to be moderate.

Looking ahead, the Group will remain vigilant and committed to mitigating risks while being responsive to market conditions. Additionally, our Group will continue to emphasise environmental, social and governance ("**ESG**") matters to enhance our sustainable value.

I would like to express my heartfelt appreciation to the Board of Directors, the management team, and all the dedicated employees of the Group for their commitment, dedication, and outstanding contributions throughout the year. To our valued business associates, customers, business partners, suppliers, financial institutions, and regulatory authorities, and shareholders; thank you for your continued invaluable support, confidence, and trust, that you have placed in us.

Thank you.

Yours faithfully

Datuk Sia Kok Chin

Chairman and Chief Executive Officer

Malaysia

28 March 2024

COMPANY PROFILE

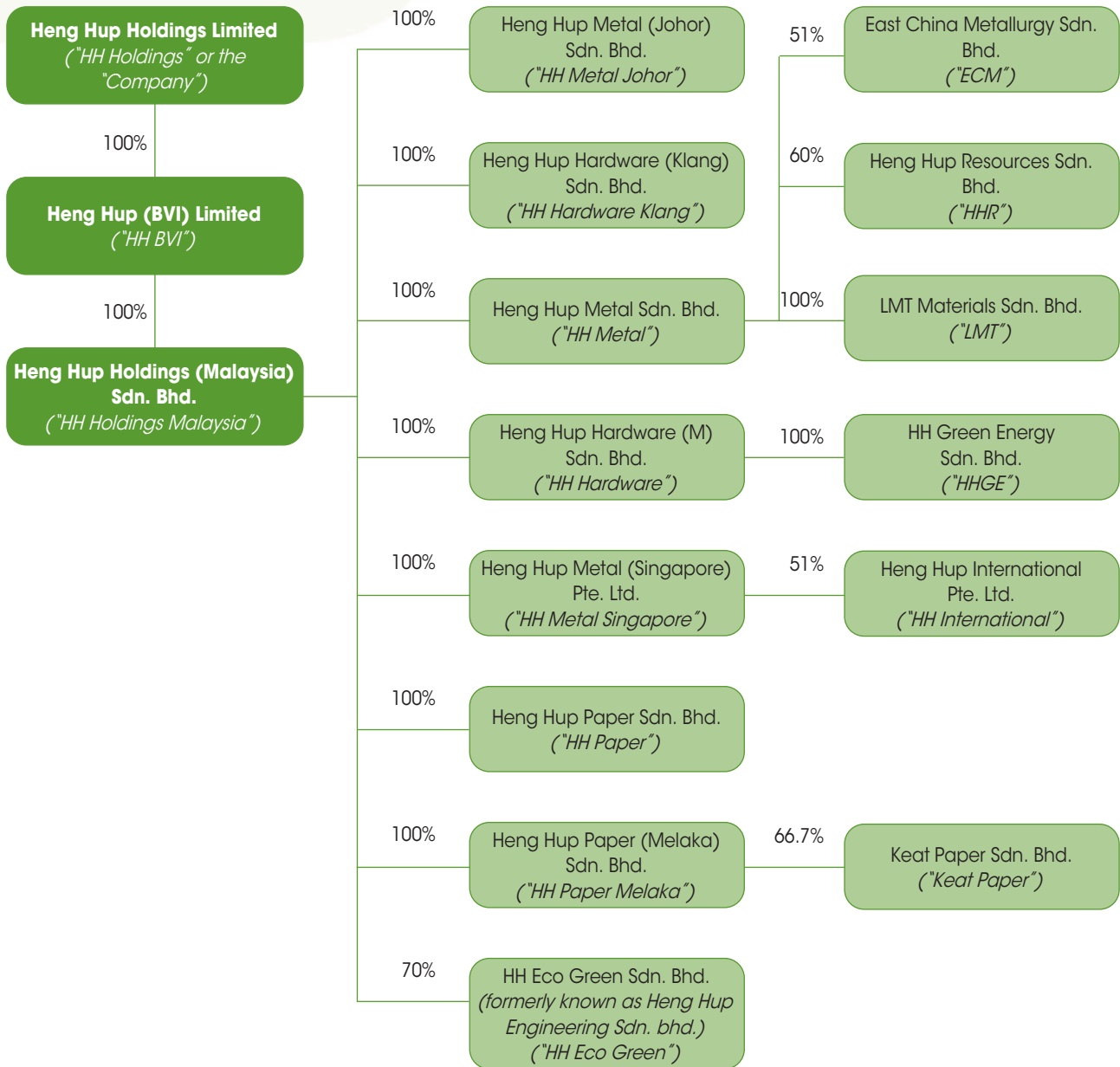
We are a leading scrap ferrous metal trader in Malaysia. Over the years, we have established a nationwide supplier base of feeder yards from which we source recyclable scrap ferrous metals for sales to steel mills in Malaysia. We also operate several scrapyards within the state of Selangor, Kedah, Malacca and Johor with an aggregate land area of approximately 61,000 sq.m., equipped with the processing machinery mainly for ferrous metals strategically located in areas where the availability of scrap ferrous metals can be assured and nearby our steel mill customers in the states of Trengganu, Pahang, Selangor and Penang.

In addition, supported by a fleet of 80 self-owned trucks among which, 55 are trucks with laden weight of 20 tonnes or above as at the date of this annual report, we can always respond to the logistics needs of our small and medium-sized suppliers, who have only limited logistics support, on a timely basis.

We always pride ourselves on our capability to source sizeable volume of scrap ferrous metals to meet the production needs of our steel mill customers. For FYE 2022 and FYE 2023, we sold 675,062 tonnes and 725,577 tonnes of scrap ferrous metal, respectively, which accounted for 92.8% and 93.4% of our revenue, respectively. Alongside with the scrap ferrous metal trading, to a lesser extent, we also trade used batteries, wastepaper and iron ore, which, in aggregate, accounted for 5.8% and 5.8% of our total revenue for FYE 2022 and FYE 2023, respectively. We also operate three wastepaper yard located in the state of Melaka and Johor, with aggregated land area of approximately 11,500 sq.m..

Company Profile

Heng Hup Holding Ltd Group Structure



DIRECTORS AND SENIOR MANAGEMENT TEAM



DIRECTORS

The Board currently consists of eight Directors, comprising five executive Directors and three independent non-executive Directors. The following table sets forth information regarding the Directors.

Name	Age	Position	Date of appointment as Directors
Executive Directors			
Datuk Sia Kok Chin	51	Chairman and chief executive officer	12 April 2018
Datuk Sia Keng Leong	61	Executive Director	12 April 2018
Mr. Sia Kok Chong	59	Executive Director	12 April 2018
Mr. Sia Kok Seng	55	Executive Director	12 April 2018
Mr. Sia Kok Heong	49	Executive Director	12 April 2018
Independent non-executive Directors			
Ms. Sai Shiow Yin	42	Independent non-executive Director	19 February 2019
Mr. Puar Chin Jong	54	Independent non-executive Director	19 February 2019
Mr. Chu Kheh Wee	54	Independent non-executive Director	19 February 2019

EXECUTIVE DIRECTORS

Datuk Sia Kok Chin, aged 51, was appointed as our Director in April 2018 and was appointed as the chairman of our Board and our chief executive officer, and designated as our executive Director in June 2018. Datuk Sia Kok Chin is the chairman of the nomination committee of the Company. Datuk Sia Kok Chin joined Heng Hup Hardware as the manager in August 2001. Datuk Sia Kok Chin is also a director of HH BVI, HH Holdings Malaysia, HH Metal, HH Paper, HH Paper Melaka, HH Hardware and HH Metal Johor, which are our subsidiaries. Datuk Sia Kok Chin has over 21 years of experience in the scrap material trading industry. Datuk Sia Kok Chin is primarily responsible for overall management, strategic planning and day-to-day business operations of our Group.

Datuk Sia Kok Chin completed his secondary education in Sekolah Menengah Jenis Kebangsaan Seg Hwa in Malaysia in December 1991. Datuk Sia Kok Chin has been the treasurer of Malaysia Metal Recyclers Association from 2016-2018, act as 2nd Vice President from 2018 – 2022. Datuk Sia Kok Chin has been newly appointed as President in October 2022.

Datuk Sia Kok Chin is a brother of Datuk Sia Keng Leong, Mr. Sia Kok Chong, Mr. Sia Kok Seng and Mr. Sia Kok Heong, all of which are our executive Directors and Controlling Shareholders, and a brother-in-law of Mr. Goh Eng Kiat, being our regional manager.

Datuk Sia Kok Chin had been conferred Darjah Pangkuan Seri Melaka (D.P.S.M) which carries the title "Datuk" since 9 October 2020.

Datuk Sia Kok Chin has not been a director of any listed company in the last three years.

DIRECTORS AND SENIOR MANAGEMENT TEAM



Datuk Sia Keng Leong, aged 61, was appointed as our Director in April 2018 and designated as our executive Director in June 2018. Datuk Sia Keng Leong became an owner of Heng Hup Hardware in May 2003. Datuk Sia Keng Leong is also a director of HH BVI, HH Holdings Malaysia, HH Metal, HH Paper, HH Paper Melaka, HH Hardware and HH Metal Johor, which are our subsidiaries. Since joining Heng Hup Hardware in 2003, Datuk Sia Keng Leong has accumulated over 19 years of experience in the scrap material trading industry. Datuk Sia Keng Leong is primarily responsible for the operations of HH Hardware and HH Paper Melaka.

Datuk Sia Keng Leong completed his secondary education in Sekolah Menengah Jenis Kebangsaan Seg Hwa in Malaysia in December 1981.

Datuk Sia Keng Leong is a brother of Datuk Sia Kok Chin, Mr. Sia Kok Chong, Mr. Sia Kok Seng and Mr. Sia Kok Heong, all of which are our executive Directors and Controlling Shareholders, and a brother-in-law of Mr. Goh Eng Kiat, being our regional manager.

Datuk Sia Keng Leong has not been a director of any listed company in the last three years.

Mr. Sia Kok Chong, aged 59, was appointed as our Director in April 2018 and designated as our executive Director in June 2018. Mr. Sia Kok Chong is one of the founders of Heng Hup Hardware. Mr. Sia Kok Chong is also a director of HH BVI, HH Holdings Malaysia, HH Metal, HH Paper, HH Paper Melaka, HH Hardware and HH Metal Johor, which are our subsidiaries. Since the formation of Heng Hup Hardware in 1996, Mr. Sia Kok Chong has accumulated over 25 years of experience in the scrap material trading industry. Mr. Sia Kok Chong is primarily responsible for the operations of HH Metal Johor.

Mr. Sia Kok Chong attended his secondary education in Sekolah Menengah Jenis Kebangsaan Seg Hwa in Malaysia.

Mr. Sia Kok Chong is a brother of Datuk Sia Kok Chin, Datuk Sia Keng Leong, Mr. Sia Kok Seng and Mr. Sia Kok Heong, all of which are our executive Directors and Controlling Shareholders, and a brother-in-law of Mr. Goh Eng Kiat, being our regional manager.

Mr. Sia Kok Chong has not been a director of any listed company in the last three years.

Mr. Sia Kok Seng, aged 55, was appointed as our Director in April 2018 and designated as our executive Director in June 2018. Mr. Sia Kok Seng is one of the founders of Heng Hup Hardware. Mr. Sia Kok Seng is also a director of HH BVI, HH Holdings Malaysia, HH Metal, HH Paper, HH Paper Melaka, HH Hardware and HH Metal Johor, which are our subsidiaries. Since the formation of Heng Hup Hardware in 1996, Mr. Sia Kok Seng has accumulated over 25 years of experience in the scrap material trading industry. Mr. Sia Kok Seng is primarily responsible for the operations of HH Paper and HH Metal.

Mr. Sia Kok Seng attended his secondary education in Sekolah Menengah Jenis Kebangsaan Seg Hwa in Malaysia.

Mr. Sia Kok Seng is a brother of Datuk Sia Kok Chin, Datuk Sia Keng Leong, Mr. Sia Kok Chong and Mr. Sia Kok Heong, all of which are our executive Directors and Controlling Shareholders, and a brother-in-law of Mr. Goh Eng Kiat, being our regional manager.

Mr. Sia Kok Seng has not been a director of any listed company in the last three years.

DIRECTORS AND SENIOR MANAGEMENT TEAM

Mr. Sia Kok Heong, aged 49, was appointed as our Director in April 2018 and designated as our executive Director in June 2018. Mr. Sia Kok Heong joined our Group as a director of HH Hardware in March 2005. Mr. Sia Kok Heong is also a director of HH BVI, HH Holdings Malaysia, HH Metal, HH Paper, HH Paper Melaka and HH Metal Johor, which are our subsidiaries. Mr. Sia Kok Heong has over 16 years of experience in the scrap material trading industry. Mr. Sia Kok Heong is primarily responsible for the operations of HH Hardware and HH Paper Melaka.

Mr. Sia Kok Heong received a diploma in electrical/electronic engineering from the Institut Teknologi Pertama in Malaysia in June 1995.

Mr. Sia Kok Heong is a brother of Datuk Sia Kok Chin, Datuk Sia Keng Leong, Mr. Sia Kok Chong and Mr. Sia Kok Seng, all of which are our executive Directors and Controlling Shareholders, and a brother-in-law of Mr. Goh Eng Kiat, being our regional manager.

Mr. Sia Kok Heong has not been a director of any listed company in the last three years.


INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Sai Shiew Yin, aged 42, was appointed as our independent non-executive Director on 19 February 2019 and is mainly responsible for providing independent judgement on our Group's strategy, performance, resources and standard of conduct. Ms. Sai is the chairlady of the audit and risk management committee and the remuneration committee; and a member of the nomination committee of the Company.

Ms. Sai received a Bachelor's Degree of Commerce in Accounting and Economics from Deakin University in Australia in April 2005 and a Master's Degree of Commerce in Financial Planning from the same university in April 2011. Ms. Sai was admitted as a member of CPA Australia in July 2010.

Ms. Sai has worked for Air Liquide Business Services Sdn Bhd., being the subsidiary of Air Liquide S.A (a French multinational company which supplies industrial gases and services to various industries including medical, chemical, and electronic manufacturers and listed on Europe Stock Exchange and Fortune 500 Company) since October 2020 and currently holds the position of APAC Finance Operations Control Director and is responsible for APAC shared service activities for the functions hosted in Malaysia. From September 2017 to September 2020, Ms. Sai worked for Atalian Global Services Sdn. Bhd. as Regional Performance Improvement Director in Asia Region, and is responsible for, among other things, improving the financial performance to the Asia region of the group. From December 2014 to August 2017, Ms. Sai worked for Jones Lang LaSalle Malaysia Sdn Bhd, being a subsidiary of Jones Lang LaSalle group (a multinational company provide professional services and investment management specializing in real estate and listed on the Big Board of NYSE and is a Fortune 500 Company), as a client accounting senior finance manager and was responsible for, among other things, client accounting transitions, and providing inputs into client finance strategy, data and people management. From April 2012 to October 2014, Ms. Sai worked for SunPower Solar Malaysia Sdn. Bhd., being an international solar energy leader and listed on the NASDAQ an American Stock Exchange, as the head of finance and was responsible for, among other things, providing accounting controllership oversight of Asia-Pacific, Europe regions, cash flow management and intercompany transaction of the same region and financial reporting. From March 2009 to June 2011, Ms. Sai worked for Jones Lang LaSalle (VIC) Pty Ltd. (in partnership with Telstra Limited – a company listed on the ASX20 in Australia as a blue chip company) as the senior accountant and was responsible for all financial assessment. From June 2006 to April 2009, Ms. Sai worked for Knight Frank Australia Pty Ltd., being an multinational property consultancies where the headquarters in UK, initially as an assistant accountant in property accounting services and then as an national accountant in corporate finance and was responsible for all accounting matters.

DIRECTORS AND SENIOR MANAGEMENT TEAM



Mr. Puar Chin Jong, aged 54, was appointed as our independent non-executive Director on 19 February 2019 and is mainly responsible for providing independent judgement on our Group's strategy, performance, resources and standard of conduct. Mr Puar is a member of the audit and risk management committee and the remuneration committee of the Company.

Mr. Puar obtained his Bachelor of Economics (Business Administration) from University Malaya in 1994. In 2001, he was admitted as an Associate Member of the Chartered Institute of Management Accountants.

He began his career in 1994 in FACB Capital Sdn Bhd, a company primarily involved in the business of investment holding, consultancy and money lending, a subsidiary of FACB Resorts Berhad (now known as Karambunai Corporation Berhad), a company primarily involved in the business of investment holdings and provision of management services where its subsidiary companies are principally involved in the leisure and tourism business, prior to its delisting from the Main Market of Bursa Malaysia Securities Berhad in November 2019, as a Management Trainee in the Corporate Strategy & Research department and was subsequently promoted to Executive in the same department in 1995.

In 1996, he was reassigned as an Executive in the Corporate Finance - Mergers & Acquisitions department and was subsequently promoted to Assistant Manager and Manager in the same department in 1997 and 1998 respectively. During his tenure with FACB Capital Sdn Bhd, he was responsible for managing financing and implementation of various mergers & acquisition exercises. Thereafter, he left FACB Capital Sdn Bhd in 1999.

In 2000, he joined Petaling Tin Berhad ("**PTB**"), a company primarily involved in the business of property development, property investment and investment holdings prior to its delisting from the Main Market of Bursa Malaysia Securities Berhad in August 2018, as a Senior Manager of Corporate Finance where he was responsible for overseeing end to end mergers and acquisition operations, identifying and reviewing potential deals to enhance the overall shareholders' value of PTB.

He subsequently left PTB in 2003 and joined Alliance Merchant Bank Berhad (now known as Alliance Investment Bank Berhad) ("**AIBB**"), an investment bank, as a Senior Manager in the Corporate Finance Department in the same year. In 2007, he was promoted to Vice President in the Corporate Finance department and Senior Vice President, Head of Capital Markets - Equity Execution in 2013. During his tenure with AIBB, he led the origination, structuring and management of deals while providing corporate and financial advice on a myriad of mergers & acquisitions, fund raising and takeover exercises as well as restructuring transactions and flotation.

In 2013, he joined RHB Investment Bank Berhad ("**RHBIB**"), an investment bank, as a Senior Vice President of Corporate Finance. He was involved in corporate finance advisory exercises such as mergers and acquisitions, fund raising and corporate restructuring.

DIRECTORS AND SENIOR MANAGEMENT TEAM

In 2016, he left RHBIB and joined S P Setia Berhad, a public listed company on the Main Market of Bursa Malaysia Securities Berhad primarily involved in the business of investment holdings, where its subsidiary companies are principally involved in property development and other property related business, as the Head of Corporate Affairs, Group Corporate Finance Division. During his tenure in S P Setia Berhad, he has been tasked to oversee the corporate finance, accounting, treasury, audit and taxation as well as investor relations for S P Setia Berhad group of companies. He left S P Setia Berhad as Divisional General Manager in 2022.

He is presently a Partner at ECore Synergy PLT where he provides business management consultancy services as well as focuses in providing guidance and knowledge-sharing opportunities to young professionals in the field of corporate finance.

Currently, he is the independent non-executive director of SCC Holdings Berhad, a public listed company on ACE Market of Bursa Malaysia Securities Berhad.

Mr. Chu Kheh Wee, aged 54, was appointed as our independent non-executive Director on 19 February 2019 and is mainly responsible for providing independent judgement on our Group's strategy, performance, resources and standard of conduct. Mr. Chu is a member of the audit and risk management committee, the remuneration committee and the nomination committee of the Company.

Mr. Chu received a diploma in cost accounting from the London Chamber of Commerce and Industry in 1990. Mr. Chu was admitted as a registered accountant and a chartered accountant of the Malaysian Institute of Accountants in December 1999 and June 2001, respectively, an associate member of the Chartered Institute of Management Accountants in August 1996 and a Chartered Global Management Accountant in May 2011.

Mr. Chu founded Executive ProSight Resources in February 2011 for the purpose of providing business and corporate advisory and employment services. From October 2007 to October 2008, Mr. Chu worked for D' Tiara Corp. Sdn. Bhd., being a company engaging in investment, development and sale of properties and resorts, as the chief financial officer and was responsible for the proposed listing application of such company on the Alternative Investment Market (currently known as AIM) of the London Stock Exchange. Mr. Chu founded K W Chu Trading Services in April 2006 for the purpose of providing management, accounting and other consulting works concerning trade and business. From October 2004 to September 2007, Mr. Chu worked for Oil-Line Engineering and Associates Sdn. Bhd., being a subsidiary of OilCorp Berhad, as a senior manager and was responsible for advising on corporate finance matters of the aforesaid company. From May 2002 to September 2004, Mr. Chu worked for Tenaga Nazar (M) Sdn. Bhd., being an affiliated company of OilCorp Berhad (a company engaging in the provision of engineering, procurement, construction, technical and contract related services in Malaysia, the Middle East and the ASEAN countries), as a senior manager of corporate finance and was responsible for managing corporate finance matters of the aforesaid company. From November 2000 to May 2002, Mr. Chu worked for Worthy Builders Sdn. Bhd., being a civil engineering company, and last held the position of senior finance manager. From August 1999 to October 2000, Mr. Chu worked for Chase Perdana Berhad, being a company engaging in the provision of construction and civil engineering services, as a finance manager. From January 1997 to August 1999, Mr. Chu worked for Golden Plus Builders Sdn. Bhd., being a subsidiary of Golden Plus Holdings Berhad (a company engaging in property development and construction businesses in Malaysia and the PRC), as a finance manager. Mr. Chu was responsible for managing the financial affairs of Worthy Builders Sdn. Bhd., Chase Perdana Berhad and Golden Plus Builders Sdn. Bhd.

DIRECTORS AND SENIOR MANAGEMENT TEAM

Since 31 December 2019, Mr. Chu has been appointed as executive director of SMRT Holdings Berhad, a Malaysian company listed on the Ace Market of Bursa Malaysia Securities Berhad.

SENIOR MANAGEMENT TEAM

The following table presents certain information concerning the senior management team of our Group:

Name	Age	Year of Join	Position
Mr. Goh Eng Kiat	65	2009	Regional Manager
Mr. Lim Yong Hwa	53	2022	Group CFO

Mr. Goh Eng Kiat, aged 65, joined our Group as a director of HH Metal Johor and our regional manager in May 2009 and is mainly responsible for managing our operations in the states of Melaka and Johor.

Mr. Goh completed his secondary education in Seg Hwa N. T. Secondary School in Malaysia in December 1977. Prior to joining our Group in January 2009, Mr. Goh worked for Seng Hiap Glass Sdn. Bhd., being a company engaging in the manufacture of glasses, as a contract manager from February 2000 to August 2008 and was responsible for administrative works, product costing, project contract tendering, and supervision of field works.

Mr. Goh is the brother-in-law of Datuk Sia Kok Chin, Datuk Sia Keng Leong, Mr. Sia Kok Chong, Mr. Sia Kok Seng and Mr. Sia Kok Heong (the "**Sia Brothers**"), all of which are our executive Directors and Controlling Shareholders.

Mr. Goh has not been a director of any listed company in the last three years.

Mr. Lim Yong Hwa, aged 53, joined our Group in August 2022. He is the Chief Financial Officer of the Group and is responsible for the overall financial and accounting functions of the Group.

Mr. Lim attained his Chartered Certified Accountants Qualification from the Associate of Chartered Certified Accountant, United Kingdom in 2002. He is currently a fellow member of the Association of Chartered Certified Accountants, United Kingdom and a member of Malaysian Institute of Accountants (MIA).

Prior to joining the Company, Mr. Lim was the Chief Financial Officer of Ingenieur Gudang Berhad (formerly known as Dynaciate Group Berhad), a public listed company on the Main Market of Bursa Malaysia Berhad, Malaysia since year 2019. Mr. Lim started his career in a public accounting firm in 1994 before he moved to the commercial environment where he held various senior positions with increasing scope of responsibilities in finance, project operation to business development functions on companies involved in plantation, property development, trading and building material activities.

Mr. Lim has not been a director of any listed company in the last three years.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a key player in Malaysia's scrap ferrous metal trading sector, largely attributable to our steadfast commitment to integrity, which underpins all our business interactions. We are dedicated to fulfilling our commitments and meeting our customers' needs.

The Group's revenue for FYE 2023 was recorded at RM1.35 billion, compared to RM1.40 billion for the financial year ended 31 December 2022 ("**FYE 2022**"), representing a decline of approximately 4.1%. This decline was primarily attributed to a lower average selling price of scrap ferrous metal, which is a key revenue source for the Group.

However, the sales volume of scrap ferrous metal for the Group in FYE 2023 reached 725,577 tonnes, approximately 7.5% higher than 675,062 tonnes in FYE 2022. This increase in sales volume indicates a sign of recovery in demand and is a common market phenomenon known as the price-volume effect. Despite this positive development, the year 2023 remain challenging for the Group as the average scrap ferrous metal prices for FYE 2023 remain low since the second half of 2022. The average scrap ferrous metal prices in FYE 2023 were recorded approximately 9.5% lower compared to FYE 2022 from the metal average trading price of RM1,891.00 per tonne to RM1,711.00 per tonne.

The Group recorded a profit after tax of RM8.24 million in FYE 2023, a remarkable improvement of approximately 459% compared to the profit after tax of RM1.48 million in FYE 2022. These favourable results were mainly attributable to enhancement in our procurement and operation efficiency, resulting in an improvement in the gross profit margin of scrap ferrous metal.

During the year, the Group undertook several initiatives to strengthen our market position in our core businesses. We expanded our geographical footprint to the northern region of Malaysia by establishing a new scrapyards at Sungai Petani, in the State of Kedah. This move enables the Group to capitalise on the vibrant economy and dynamic industry development in the northern part of Malaysia, which present abundant opportunities for securing scrap ferrous metal from suppliers to serve our customers in the northern region.

Additionally, during the second half of 2023, the Group ventured into steel slag recycling and trading of iron-ore businesses through its two new subsidiaries, namely East China Metallurgy Sdn. Bhd. and Heng Hup Resources Sdn. Bhd.. These ventures enabled the Group to expand its ferrous product portfolio to our downstream clientele and steel millers. The trading of iron-ore, in particular, has partially contributed to a higher profit margin for the Group during FYE 2023 under review.

The steel industry contends with persistent challenges stemming from market volatility attributed to a weakening construction sector, escalating inflation rates, elevated operational expenses, and the prevalent issues of overcapacity and underutilization, where domestic steel production exceeds current market demands. In light of these challenges, the Group will continue to maintain vigilance while remaining responsive to market changes. We will also focus on optimising operational efficiency to strengthen our market-leading position in the Malaysia scrap ferrous metal trading industry.

Management Discussion and Analysis

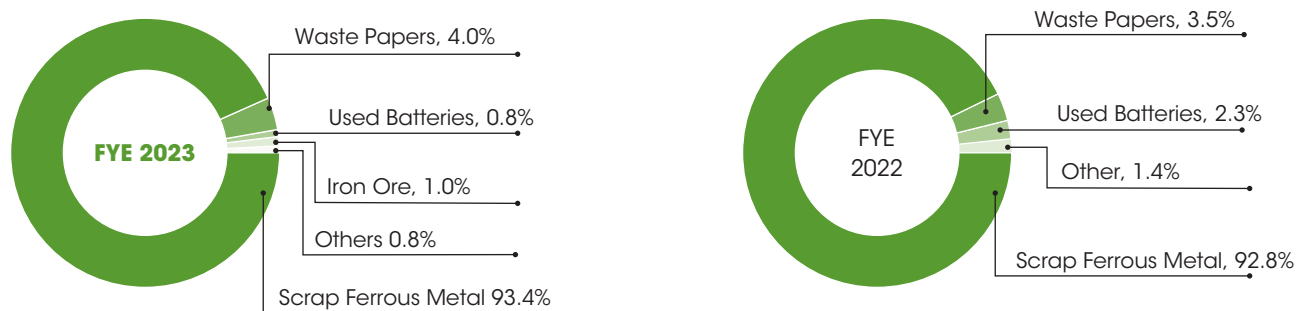
FINANCIAL REVIEW

Revenue

The Group recorded a total revenue of RM1,346.98 million for the FYE 2023 representing a marginal decrease of approximately 4.1% as compared to revenue of RM1,404.58 million in FYE 2022.

The decrease in the Group's revenue in FYE 2023 was mainly attributable to the lower average selling price of scrap ferrous metal. The average selling price of scrap ferrous metal in the first half of 2022 was approximately RM2,100.00 per tonne, while the average price in the second half of 2022 dropped to approximately RM1,700.00 per tonne. This decline in scrap metal selling price has been observed since the second half of 2022, contributing to the overall decrease in revenue for FYE 2023.

The breakdown of the total revenue of our Group by product types for the years under review is as follows:



Gross Profit

The Group's gross profit improved by RM24.75 million from RM52.33 million in FYE 2022 to RM77.08 million in FYE 2023. The increase was mainly attributable to the higher sales volume and lower procurement cost incurred which resulted in higher gross profit margin for scrap ferrous metal during the FYE 2023. Furthermore, the trading of iron ore since the second half of 2023 also partially contributed the favourable gross profit during the year under review.

Other income

Other income reduced from RM6.41 million for the FYE 2022 to RM1.61 million for the FYE 2023, mainly due to the reclassification of provisions of logistic services income from other income to revenue of the Group. The income generated from the provision of logistic services was RM6.21 million for FYE 2023 as compared to RM4.13 million recorded in FYE 2022.

Other losses, net

Our Group's other net losses was RM0.57 million for the FYE 2023, which represented a lower net loss of RM1.00 million compared to FYE 2022. The said decrease was mainly due to lower write-off of downpayment to suppliers during FYE 2023.

Management Discussion and Analysis



Distribution and Selling Expenses

The Group's distribution and selling expenses for FYE 2023 and FYE 2022 were recorded at RM31.68 million and RM25.76 million respectively, representing an increase of approximately 23%. The increase was primarily due to the increase in domestic transportation cost, such as, diesel cost, repair and maintenance costs of motor vehicle cost etc, resulting from the higher sales volume of scrap metal and newly iron-ore trading activities during the year.

Administrative Expenses

The Group recorded its administrative expenses of RM28.55 million for the FYE 2023, represented an increase of approximately 14.4% compared to RM24.95 million for FYE 2022. The increase was mainly due to higher staff cost, higher depreciation for property, plant and equipment and right-of-use assets.

Taxation

Malaysian corporate income tax has been provided at the rate of 24% (2022: 24%) of the estimated assessable profit. Our effective tax rate for the FYE 2023 was 42.6% (2022: 65.5%). The high effective tax rate was mainly attributable to the exist of non-deductible expenditures for tax purposes in FYE 2023.

Profit Attributable to Owners of the Company

The Group's profit attributable to owners for the FYE 2023 was RM8.54 million (2022: RM2.38 million), which is in tandem with the increase in profit before income tax.

Key Financial Ratios

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

Liquidity Ratios	As at 31 December	
	2023	2022
Current ratio	2.0 times	3.5 times
Gearing ratio	0.48 times	0.27 times

	For the year ended 31 December	
	2023	2022
Inventories' turnover period	17 days	14 days
Trade receivables' turnover period	40 days	32 days
Trade payables' turnover period	8 days	4 days

Working Capital

The inventories' turnover period of the Group was 17 days for FYE 2023 as compared to 14 days in the previous year. The increase in inventories turnover period was due to higher Group's inventories level as at 31 December 2023 resulted from the additional new category of inventories purchased during the year, such as iron-ore and steel slag.

The Group's trade receivables' turnover period was 40 days for FYE 2023 as compared to 32 days in the previous year. The increase mainly attributable to higher revenue generated during the last quarter of FYE 2023.

Management Discussion and Analysis

The Group's trade payables' turnover period increased to 8 days for FYE 2023, compared to 4 days in the previous year. The increase was due to longer payment term made to suppliers.

Liquidity and Financial Resources

As at 31 December 2023, the Group's total equity attributable to owners amounted to RM213.30 million (2022: RM204.76 million) including retained earnings of RM129.30 million (2022: RM120.76 million). The Group's working capital amounted to RM150.7 million (2022: RM149.0 million) of which cash and bank balances, and pledged bank deposits were RM25.29 million (2022: RM30.66 million).

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

Total borrowings of the Group as at 31 December 2023 were RM98.4 million (2022: RM52.3 million). The borrowings were mainly used to finance the procurement of scrap ferrous metals and capital expenditure such as new plant and machineries and motor vehicles.

The Group's gearing ratio as at 31 December 2023 was 0.48 times (2022: 0.27 times). Gearing ratio is calculated based on total debts divided by total equity as at the end of the year. The increase in gearing ratio was mainly attributable to the additional drawdown of term loan and increase in short-term banking facilities utilised.

Future Plans for Material Investments and Capital Assets

As of 31 December 2023, the Group has no plans for material investments or capital assets beyond those disclosed in the "Future Plans and Use of Proceeds" section of the Company's prospectus issued on 27 February 2019 (the "**Prospectus**") and the Company's announcement for change in use of proceeds dated 16 July 2020 and 12 July 2023.

Pledge of Assets

As at 31 December 2023 and 31 December 2022, the Group had pledged the following assets to banks in order to secure certain bank borrowings and general banking facilities granted to the Group:

	2023 RM'000	2022 RM'000
Property, plant and equipment	533	610
Right-to-use assets	19,017	19,577
Investment properties	5,320	5,365
Pledged bank deposits	5,561	5,437
	30,431	30,989

Contingent Liabilities

The Group did not have any contingent liabilities as at 31 December 2023 (2022: Nil).

Capital Commitments

As of 31 December 2023, the Group has capital commitment of RM11.76 million (2022: RM11.76 million) for the acquisition of property, plant and equipment.

Risk Management

The Group is exposed to market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk in its ordinary course of business. The management monitors and manages these risks to implement appropriate measures in a timely and effective manner.

As most of the Group's operating 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 exposures if necessary.

The Group's interest rate risk arises primarily from borrowings 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 and trade and other receivables. 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 an asset and assesses whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. In determining whether there is a significant increase in credit risk, the Group compares the risk of a default as at the date of initial recognition and considers available reasonable and supportive forward-looking information. The Group incorporates the following indicators in its assessment:

- 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 borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of individual property owner or the borrower;
- significant increases in credit risk on other financial instruments of the individual property owner or the same borrower; and/or
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

The Group manages credit risk associated with cash and bank deposits 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.

Management Discussion and Analysis

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, open market credit rating, and forward-looking information to measure the expected credit losses. As at 31 December 2023, the expected loss rate for trade receivables was 0.6% (2022: 1.1%). The provision for trade receivables as at 31 December 2023 was RM1 million (2022: RM1.2 million).

The trade receivables written off during the FYE 2023 amounted to RM0.031 million (2022: RM0.026 million).

The Group has a significant concentration of credit risk from customers for scrap ferrous metals such as steel mills and ferrous metal trading companies. As at 31 December 2023, 77% (2022: 84%) of its total trade receivables were due from these group of customers. As our Group is one of the few approved scraps 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 these 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 minimal.

EVENTS OCCURRED SINCE THE END OF THE FYE 2023

The Board is not aware of any significant events that have occurred subsequent to the FYE 2023 and up to the date of this annual report that would require disclosure.

CORPORATE GOVERNANCE REPORT

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 C1 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 year 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 set out in Appendix C3 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 team 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 and not aware of any non-compliance of the Model Code by the senior management team of the Group during the year under review.

BOARD OF DIRECTORS (THE "BOARD")

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management team of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the audit and risk management committee (the "**Audit and Risk Management Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") (together, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

Directors' and Senior Management's Liability Insurance and Indemnity

The Company has arranged appropriate liability insurance to indemnify the Group's Directors and senior management team for their liabilities arising out of corporate activities. The insurance coverage will be reviewed on an annual basis.

Corporate Governance Report

Board Composition

The Board currently comprises five (5) executive Directors, namely Datuk Sia Kok Chin, Datuk Sia Keng Leong, Mr. Sia Kok Chong, Mr. Sia Kok Seng and Mr. Sia Kok Heong and three (3) independent non-executive Directors, namely Ms. Sai Shiow Yin, Mr. Puar Chin Jong and Mr. Chu Kheh Wee.

During the year ended 31 December 2023 and up to the date of this annual report, the Board at all times met the requirements of the Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise. All the independent non-executive Directors have appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

BOARD DIVERSITY POLICY

Pursuant to the Rule 13.92 of the Listing Rules, listed issuers are required to adopt a board diversity policy. The policy specifies that in designing of the composition of the Board, board diversity shall be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The appointment of Directors will be based on meritocracy, and candidates will be evaluated against objective criteria, having due regard for the benefits of diversity of the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, culture, educational background, professional experience, knowledge and skills. The composition of the Board will be disclosed in the Corporate Governance Report every year and the Nomination Committee will supervise the implementation of this policy. The Nomination Committee will review the effectiveness of this policy, as appropriate, discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval. To further enhance gender diversity, the Board and the Nomination Committee will stay vigilant in identifying a pipeline of potential successors to the Board. The Company constantly implements policies which encourage and attract qualified incumbents to take up senior managerial and Board roles.

At present, the Board comprises eight members which provide favourable support and protection to ensure the good functioning of the Board. Among them, there are three independent non-executive Directors, representing one third of the Board. At the same time, one member of the Board is female, representing a 7:1 ratio of male to female. As a result of review, the Nomination Committee considers that the Board Diversity Policy is effective and will continue to ensure that there is at least one female on the Board. As at 31 December 2023, the ratio of male to female among all employees of the Company (including senior management team) was 9:1.

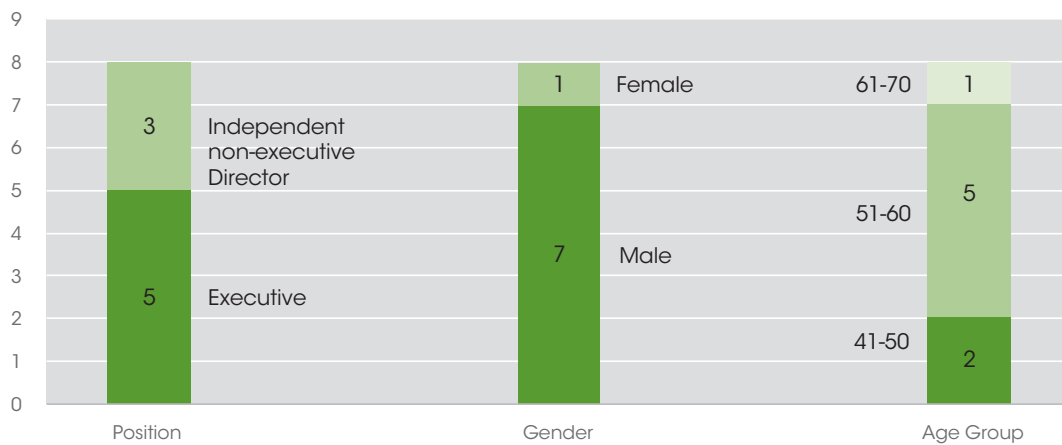
Corporate Governance Report

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness. At the same time, the Company will examine such objectives from time to time to review their appropriateness and effectiveness, and ensure the progress made towards achieving those objectives.

The five executive Directors, namely Datuk Sia Kok Chin, Datuk Sia Keng Leong, Mr. Sia Kok Chong, Mr. Sia Kok Seng and Mr. Sia Kok Heong are brothers. None of the other Directors has any relationship (including financial, business, family or other material or relevant relationship) with any other members of the Board.

Details on the biographies and experience of the Directors are set out on page 9 to page 14 of this annual report.

Diversity of the Board



The Nomination Committee has reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable the Company to maintain high standard of operation.

The Nomination Committee will continue to review the Board composition and diversity regularly to ensure that the Company has the right balance as the Company move forward. However, the Board appointment will continue to be made on the basis of merit and the potential contributions that selected candidates will offer to the Board.

Corporate Governance Report

Confirmation of Independence by the Independent Non-executive Directors

The Company has received written annual confirmation from each independent non-executive Director of his/her independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in Rule 3.13 of the Listing Rules. None of the independent non-executive Directors has any personal relationship (including financial, business, family or other material/relevant relationship), with any other Director. All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive directors are invited to serve on the Audit and Risk Management Committee, the Remuneration Committee and the Nomination Committee. In regards to the code provision C.1.5 of the Corporate Governance Code requiring directors to disclose the number and nature of offices held in public companies or organizations and other significant commitments as well as their identity and the time involved to the issuer, all Directors have agreed to disclose their commitments to the Company in a timely manner.

Mechanisms for ensuring independent views and input

The independent non-executive Directors of the Company duly attended the meetings of the Board of Directors and the Board Committees thereof, provided objective and independent advice on various matters discussed by the Board and the Board Committees played an active role in the decision-making of the Board. Directors could seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management team independently. Any Directors or any of their close associates who have material interest in the proposal raised during Board of Directors meeting must abstain from discussion and voting on such proposal.

The Board is committed in reviewing and assessing the mechanisms for ensuring independent views and input to the Board. The Board has satisfied that the independent views and input are available to the Board and will be reviewed annually.

Induction and Continuous Professional Development

Pursuant to code provision C.1.4 of the Corporate Governance Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Each newly appointed Director has been provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules and regulations.

During the year ended 31 December 2023, the Company organised a training in relation to the anti-money laundering and counter-terrorist compliance requirements for all Executive Directors, namely Datuk Sia Kok Chin, Datuk Sia Keng Leong, Mr. Sia Kok Chong, Mr. Sia Kok Seng and Mr. Sia Kok Heong.

All the Directors, namely Datuk. Sia Kok Chin, Datuk Sia Keng Leong, Mr. Sia Kok Chong, Mr. Sia Kok Seng, Mr. Sia Kok Heong, Ms. Sai Shiow Yin, Mr. Puar Chin Jong and Mr. Chu Kheh Wee, have been updated with the latest developments regarding the Listing Rules, anti-corruption and other applicable regulatory requirement to ensure compliance and enhance their awareness of the ESG requirement. In addition, continuing briefing and professional development to Directors will be arranged whenever necessary.

Chairman and Chief Executive Officer

Under the code provision C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer should be separated and performed by different individuals. There is deviation from the code provision C.2.1 of the Corporate Governance Code as the positions of chairman and chief executive officer are held by Datuk Sia Kok Chin who has 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 provides 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.

Appointment and Re-election of Directors

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from 19 February 2022. Each of the independent non-executive Directors has signed an appointment letter with the Company for a term of three years commencing from 19 February 2022.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

In accordance with Article 84(1) of the Company's article of association (the "**Articles**"), at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Datuk Sia Keng Leong, Mr. Puar Chin Jong and Mr. Chu Kheh Wee shall retire and being eligible, have offered themselves for re-election at the Company's forthcoming annual general meeting.

The procedures and process of appointment, re-election and removal of directors are set out in the Company's Articles. The Nomination Committee is responsible for reviewing the Board composition, monitoring and make recommendations to the Board on the appointment, re-election, diversification and succession planning of Directors, in particular the chairman and the chief executive officer.

Board Meetings

The Company adopts the practice of holding board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. For other Board and committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are dispatched to the Directors or committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings are kept by the Company with copies circulated to all Directors for information and records.

The Company has convened at least four regular board meetings in each financial year at approximately quarterly intervals in accordance with code provision C.5.1 of the Corporate Governance Code.

According to code provision C.2.7 of the Corporate Governance Code, the chairman of the Company has held a meeting with the independent non-executive directors without the presence of other directors.

Corporate Governance Report

Minutes of the board meetings and committee meetings are recorded with sufficient details on matters that were considered by the Board and the committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. The minutes of the board meetings are open for inspection by Directors.

During the year ended 31 December 2023, five (5) board meetings were held and the attendance of the individual Directors at these meetings is set out in the table below:

Directors	Attendance/ number of meetings held
Datuk Sia Kok Chin	5/5
Datuk Sia Keng Leong	5/5
Mr. Sia Kok Chong	5/5
Mr. Sia Kok Seng	5/5
Mr. Sia Kok Heong	5/5
Ms. Sai Shiow Yin	5/5
Mr. Puar Chin Jong	5/5
Mr. Chu Kheh Wee	5/5

Delegation by the Board

The Board reserves for its decision on all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

The daily management, administration and operation of the Group are delegated to the senior management team. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the senior management team.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision A.2.1 of the Corporate Governance Code. The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management team, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and written employee guidelines, and the Company's compliance with the Corporate Governance Code and disclosure in this Corporate Governance Report.

BOARD COMMITTEES

The Board has established three Board committees to strengthen its functions and corporate governance practices, namely, the Audit and Risk Management Committee, the Nomination Committee and the Remuneration Committee. The Audit and Risk Management Committee, the Nomination Committee and the Remuneration Committee perform their specific roles in accordance with their respective written terms of reference.

Audit and Risk Management Committee

The Audit and Risk Management Committee comprises three members, namely Ms. Sai Shiow Yin (Chairlady), Mr. Puar Chin Jong and Mr. Chu Kheh Wee, all of them are independent non-executive Directors. The primary duties of the Audit and Risk Management Committee include examining independently the financial positions of the Company, overseeing the Company's financial reporting system, risk management and internal control system, the audit process and proposals of internal management, communicating independently with, monitoring and verifying the work of internal audit and external auditors.

During the year ended 31 December 2023, five (5) meetings of the Audit and Risk Management Committee were held and the attendance record of the Audit and Risk Management Committee members is set out in the table below:

Directors	Attendance/ number of meetings held
Ms. Sai Shiow Yin	5/5
Mr. Puar Chin Jong	5/5
Mr. Chu Kheh Wee	5/5

The Audit and Risk Management Committee reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function), risk management systems and processes and the reappointment of the external auditor and fulfilled duties as required aforesaid. The Board had not deviated from any recommendation given by the Audit and Risk Management Committee on the selection, appointment, resignation or dismissal of external auditor.

They also reviewed the interim and final results of the Company and its subsidiaries for the interim period and fiscal year as well as the audit report prepared by the external auditor relating to accounting issues and major findings in course of audit. There are proper arrangements for employees, in confidential, to raise concerns about possible improprieties in financial reporting, internal control and other matters. The written terms of reference of the Audit and Risk Management Committee are available on the websites of the Company and the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Nomination Committee

The Nomination Committee currently comprises three members, namely Datuk Sia Kok Chin (Chairman), Ms. Sai Shiow Yin and Mr. Chu Kheh Wee, the majority of them are independent non-executive Directors.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, to make recommendation to the Board regarding candidates to fill vacancies on the Board and/or in the senior management team, and to assess the independence of the independent non-executive Directors.

The Nomination Committee will assess the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision. Their written terms of reference are available on the websites of the Stock Exchange and the Company.

Corporate Governance Report

During the year ended 31 December 2023, one (1) meeting of the Nomination Committee was held and the attendance record of the Nomination Committee members is set out in the table below:

Directors	Attendance/ number of meetings held
Datuk Sia Kok Chin	1/1
Ms. Sai Shiow Yin	1/1
Mr. Chu Kheh Wee	1/1

The Nomination Committee assessed the independence of independent non-executive Directors, considered the reappointment of the retiring Directors taking into account of their extensive experience, working profile and other experience, reviewed the time commitment required from the non-executive Director and fulfilled duties as required aforesaid.

The Board has adopted a Board diversity policy (the "**Policy**") in accordance with the requirements of the Listing Rules with effect from 29 March 2018 which sets out the approach to achieve diversity on the Board. All Board appointments shall be based on meritocracy, and candidates will be considered against selection criteria, having regard for the benefits of diversity on the Board. Selection of candidates will be based on range of diversity perspectives, which would include but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee will monitor the implementation of the Policy and will from time to time review the Policy, as appropriate, to ensure the effectiveness of the Policy.

Remuneration Committee

The Remuneration Committee comprises three members, namely Ms. Sai Shiow Yin (Chairlady), Mr Puar Chin Jong and Mr. Chu Kheh Wee, all of them are independent non-executive Directors. The primary duties of the Remuneration Committee are to recommend the Board on the Group's remuneration policy and structure for the Directors and senior management teams remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy, to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives, to make recommendations to the Board on the remuneration packages of the executive Directors and senior management team, and to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2023, two (2) meeting of the Remuneration Committee was held and the attendance record of the Remuneration Committee members is set out in the table below:

Directors	Attendance/ number of meetings held
Ms. Sai Shiow Yin	2/2
Mr. Puar Chin Jong	2/2
Mr. Chu Kheh Wee	2/2

Corporate Governance Report

The Remuneration Committee discussed and reviewed the remuneration policy for Directors and senior management team of the Company, made recommendations to the Board on the remuneration packages of individual executive Directors and senior management team and fulfilled duties as required aforesaid.

Details of the remuneration by band of the members of senior management team of the Company, whose biographies are set out on page 14 of this annual report, for the year ended 31 December 2023 are set out as below.

Remuneration band	Number of individual
RM135,000 – RM372,000 per annum	2

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the financial year ended 31 December 2023 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The senior management team has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with quarterly updates on Company's performance, positions and prospects.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statements by the auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on page 74 to page 79 of this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for maintaining an adequate risk management (including environmental, social and governance ("ESG") risk) and internal control systems to safeguard Shareholders' investments and Company's assets and with the support of the Audit and Risk Management Committee, reviewing the effectiveness of such systems on an annual basis. The Company has implemented various internal control and risk management policies, including Asset Depreciation Provision Management Policy, Inventory Management Policy and Financing and Guarantee Management Policy. The risk management and internal control policies are designed to help achieve business objectives, safeguarding assets against unauthorised use, and maintaining proper accounting records for the provision of reliable financial information for internal use and for publication. The establishment of risk management and internal control systems is to provide reasonable, but not absolute, assurance against material misstatement of financial statements or loss of assets and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

Corporate Governance Report

The Company has engaged external consultants to perform a review of the internal control and risk management systems of the Group. With the assistance of the external consultants, the Company is able to mitigate and undertaken remedial measures to address the identified risks and such actions and measures are integrated in the day-to-day activities of the Group and their effectiveness is closely monitored. The internal audit, internal control and risk management systems and policies are reviewed by the Board on an ongoing basis in order to make it practical and effective in providing reasonable assurance in relation to the identification of business risks.

The Company has put in place a policy on handling and dissemination of inside information which sets out the procedures and internal controls for handling and dissemination of inside information in a timely manner in such a way to avoid placing any person in a privileged dealing position. The inside information policy also provides guidelines to employees of the Group to ensure proper safeguards exists to prevent the Company from breaching the statutory and listing rule disclosure requirements. The Company has appropriate internal control and reporting systems to identify and assess potential inside information. Dissemination of inside information of the Company shall be conducted by publishing the relevant information on the websites of the Stock Exchange and the Company, according to the requirements of the Listing Rules.

The Audit and Risk Management Committee assists the Board in the review, which covers operational, financial and compliance controls, internal audit and risk management functions, to maintain an adequate and effective internal control system to safeguard the interests of the shareholders and the assets of the Group, The Board shall conduct an annual review of the effectiveness of the internal control system of the Group by, including but not limited to, considering a written report prepared by the external consultants to the Audit and Risk Management Committee covering the above aspects. The Board considers the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programme and budget. During the year ended 31 December 2023, a review of the effectiveness of the risk management (including ESG risk) and internal control systems has been conducted and the Company considers them effective and adequate.

AUDITOR'S REMUNERATION

For the year ended 31 December 2023, the Group had engaged the Group's external auditor, PricewaterhouseCoopers ("PwC"), to provide audit and non-audit services (tax compliance services). Aggregate fees in respect of audit and non-audit services provided by PwC and other external auditors during the year ended 31 December 2023 were set out as follows:

Category of Services	RM'000
Audit services	
– PwC	1,132
– Others	58
Non-audit Services	
– PwC	75
– Others	11

COMPANY SECRETARY AND PRIMARY CONTACT OF THE COMPANY

During the year ended 31 December 2023, Ms. Tsang Wing Man ("**Ms Tsang**"), who serves as a manager of SWCS Corporate Services Group (Hong Kong) Limited, has served as the company secretary of the Company. The primary contact person in the Company is Mr. Lim Yong Hwa, the chief financial officer. For the year ended 31 December 2023, Ms. Tsang has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

CONVENING OF GENERAL MEETING

The Board strives to maintain an on-going dialogue with the Shareholders of the Company. Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings. The process of the Company's general meeting is monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that Shareholders' needs are best served. The Company uses annual general meeting as one of the principal channels for communicating with the Shareholders. The Company ensures that Shareholders' views are communicated to the Board.

At the annual general meeting, each substantially separate issue has been considered by a separate resolution, including the election of individual Directors. The Chairman of the Board, chairmen of the respective Board Committees and the external auditor usually attend annual general meetings to communicate with and answer questions from the Shareholders.

During the year ended 31 December 2023, the Company held an annual general meeting ("AGM") on 17 June 2023. The attendance of individual Director at the aforesaid general meetings are set out in the table below.

Directors	Attendance/ number of meetings held
Executive Directors	
Datuk Sia Kok Chin	1/1
Datuk Sia Keng Leong	1/1
Mr. Sia Kok Chong	1/1
Mr. Sia Kok Seng	1/1
Mr. Sia Kok Heong	1/1
Independent non-executive directors	
Ms. Sai Shiow Yin	1/1
Mr. Puar Chin Jong	1/1
Mr. Chu Kheh Wee	1/1

All resolutions put to Shareholders at the AGM were passed. The Company's branch share registrar in Hong Kong, Tricor Investor Services Limited was appointed as scrutineer to monitor and count the poll votes cast at the AGM. The results of the voting by poll was published on the websites of the Company and the Stock Exchange.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable shareholders and investors to make the informed investment decisions. The annual general meeting of the Company provides opportunity for shareholders to communicate directly with the Directors. The Chairman of the Company and the chairman of the Board Committees of the Company will attend the annual general meetings to answer shareholders' questions. The external auditor of the Company will also attend the annual general meetings to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

Corporate Governance Report

To promote effective communication, the Company adopts a shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and its shareholders and maintains a website at www.henghup.com where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. The Company is of the view that the implementation of the shareholders' communication policy is effective. In 2024, the Company will focus more on the demands of investors and analysts, pay close attention to important policies of the environmental protection and energy conservation industry and allow timely access by the public to sufficient business information and recent developments of the Company. The Company continues to enhance the communication and relationship with its investors. Inquiries from investors are dealt with in an informative and timely manner.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution will be proposed for each issue at shareholders' meetings, including the election of individual directors. All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each shareholders' meeting.

Procedures for Shareholders to Convene an Extraordinary General Meeting

According to Article 58 of the Articles, any one or more Member(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may convene a physical meeting at only one location which will be the Principal Meeting Place, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Shareholders to Propose a Person for Election as a Director

If a shareholder of the Company wishes to propose a person other than a Director for election as a Director at the Company's general meeting ("**Proposal**"), he/she should lodge a written notice setting out the Proposal and his/her contact details at the principal place of business of the Company or the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited. The Proposal should include the biographical details of the proposed Director and a written notice signed by the proposed Director confirming his/her willingness to be elected, the accuracy and completeness of his/her biographical details.

Shareholders' inquiries

If you have any query in connection with your shareholdings, please write to or contact the Company's Hong Kong share registrar, Tricor Investor Services Limited, at:

17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
Tel: (852) 2980 1333
Fax: (852) 2810 8185
Email: is-enquiries@hk.tricorglobal.com

Investor Relations and Communications

The Company has set up a website at www.henghup.com as a channel to promote communication, publishing announcements, financial information and other relevant information of the Company. Shareholders are welcome to make enquiries directly to the Company at its principal place of business in Malaysia. The Company will deal with all enquiries in a timely and appropriate manner. The primary contacts of the Company are Datuk Sia Kok Chin and Mr. Sia Kok Heong (email: ir@henghup.com.my or tel: +603 7845 2292).

CHANGE IN CONSTITUTIONAL DOCUMENTS

During the financial year ended 31 December 2023, there has been no changes in the Articles of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT

This Environment, Social and Governance (the “**ESG**”) report (the “**Report**”) is the sixth ESG Report issued by Heng Hup Holdings Limited (“**Company**”) and its subsidiaries (“**the Group**” or “**We**”). It aims to report on the sustainability practices of the Group and highlighting the ESG initiatives and its impacts on the Group during 2023 and respond to material issues of concern to key stakeholders.

1.1 Reporting Standard and Boundary

The Report has been prepared in accordance with the principles of materiality, quantitative, balance and consistency as set out in Appendix C2 Environmental, Social and Governance Reporting Guide (the “**Guide**”) under the Listing Rules. The Report complies with the “comply or explain” provisions set out in the Guide and describes the environmental and social impacts arising from the business and operating activities of the Group.

Unless specified otherwise, the scope of disclosure of the Report covers the trading of scrap ferrous metals, used batteries, waste paper, iron ore and other scraps in Malaysia of the Group. This Report covers the reporting period between 1 January 2023 and 31 December 2023 (the “**Reporting Period**”).

1.2 Reporting Principles

Materiality: The Group identified material issues related to the Group through a materiality assessment procedure and made relevant disclosures in the Report. Please refer to the chapter headed “Stakeholder Engagement” in the Report.

Quantitative: To comprehensively assess the ESG performance of the Group during the Reporting Period, the Group disclosed the applicable quantitative key performance indicators as set out in the Guide, and explained the standards, methods, assumptions, and calculation tools adopted for such quantitative key performance indicators, including the source of key conversion factors.

Balance: This Report follows the principle of balance and objectively presents the Group’s ESG performance and management status during the Reporting Period.

Consistency: As far as is reasonably practicable, the Group has used consistent statistical methods for disclosure in preparing this Report to provide a meaningful comparison of our performance during the Reporting Period for all stakeholders. Changes to the methodologies will be presented and detailed in the corresponding chapters by the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. GOVERNANCE STRUCTURE AND OVERSIGHT RESPONSIBILITIES



To fulfill our commitment to sustainable development, the Group fully integrates the concept of sustainable development into its corporate governance framework. We establish an ESG governance structure led by the Board of Directors (“**Board**”) to address ESG matters. Directors are responsible for the ESG management approach and strategy of the Group, including the process used to evaluate, prioritize and manage material ESG-related issues and risks. The Board are also responsible for reviewing progress towards the environmental targets. In light of our current circumstances, the Board have established the environmental targets in the Reporting Period.

The Board is assisted by the Audit and Risk Management Committee in fulfilling its oversight role about risk management and internal control functions of the Group by reviewing and evaluating the effectiveness of the overall risk management and internal control systems, as well as ESG matters.

The working group is composed of members from multiple departments and the senior management team of the Group are responsible for executing, monitoring, and reporting on ESG matters. We believe that the current ESG governance structure will contribute to the ongoing promotion of sustainable development governance principles and strategies within the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2.1 Stakeholders Engagement

The Group is aware of the importance of stakeholder support in achieving corporate sustainable development. We highly value the opinions of our stakeholders and engage in communication with them through various channels to ensure that we timely understand their suggestions and expectations. Through a diverse communication channels, we interact and exchange opinions with internal and external stakeholders, aiming to improve our business operations and develop sustainable development strategies that benefit all stakeholders.

Communication Channels with Stakeholders

Stakeholder group	Correspondence method
Shareholders and investors	<ul style="list-style-type: none"> ● Announcements via the Stock Exchange of Hong Kong Limited ● Financial reports ● Annual General Meetings ● One-on-one meetings or dialogue sessions with fund analysts/investors ● Senior management meetings ● Regular teleconferences
Business partners and suppliers	<ul style="list-style-type: none"> ● Regular meetings ● Site visits
Customers	<ul style="list-style-type: none"> ● Regular meetings ● Site visits
Industry Associations	<ul style="list-style-type: none"> ● Routine meetings of industry experts ● Project cooperation
Employees	<ul style="list-style-type: none"> ● One-on-one meetings ● Employee engagement programs and initiatives ● Employee handbook ● Internal and external training ● Work performance assessment ● Employee activities and team building
Regulatory bodies	<ul style="list-style-type: none"> ● Regular meetings ● Periodic reporting and/or updates to regulators ● Official document release ● Participate in training organised by relevant departments and associations
Community and Public	<ul style="list-style-type: none"> ● Involvement in community programs such as festive celebrations/donations ● Public engagement sessions

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2.2 Materiality Assessment

In order to fully understand and respond to stakeholders' demands, opinions, and expectations regarding the ESG efforts of the Group, a materiality assessment was conducted during the Reporting Period. The Group evaluated past ESG materiality assessment results and took into account the Guide. The Board determined that the 11 identified material issues remain applicable for the Reporting Period.

The following are the identified material issues and related sections.

Sector	Material issues	Related sections
Environmental	Energy Efficiency	3.3 Energy Management
	Environmental Compliance	3. ADHERING TO GREEN OPERATIONS
Social	Employment	4.1 Employment Management
	Occupational Safety and Health	4.3 Employee Health and Safety
	Diversity and Equal Opportunity	4.1 Employment Management
	Local Community	5. CARING FOR SOCIETY AND STRIVING TO FULFIL SOCIAL RESPONSIBILITY
	Training and Education	4.2 Employee Training and Development
Governance	Corporate Governance Code	2. GOVERNANCE STRUCTURE AND OVERSIGHT RESPONSIBILITIES
	Anti-corruption	6.1 Anti-corruption and Anti-bribery
	Whistleblowing Policy	6.1 Anti-corruption and Anti-bribery
	Product and Service Responsibility	6.3 Providing High-Quality Products and Services

3. ADHERING TO GREEN OPERATIONS

We strive to minimise the negative impact on the natural environment and natural resources during our operations, ensuring a balance between business development and environmental protection.

We strictly adhere to laws and regulations related to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste, including the Environmental Quality Act 1974 of Malaysia.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.1 Reasonable Use of Trucks

During the Reporting Period, our emissions primarily come from our Group’s trucks in operation, which includes nitrogen oxides, sulphur oxides and particulate matter. We encourage green transportation and are committed to enhancing the management of official trucks while aiming to reduce carbon emissions from operations. We regularly replace trucks with newer models as part of our fleet replacement program to reduce carbon emissions. Additionally, we conduct regular tire inspections and avoid vehicle engine idling. An additional 4 trucks were purchased in 2023. In summary, we regularly maintain our Group fleet to reduce pollutant emissions.



Air Emissions	2020	2021	2022	2023
Nitrogen Oxides (NO _x)(kg)	3,605.11	8,643.95	11,927.78	13,301.14
Sulphur Oxides (SO _x)(kg)	5.82	18.83	21.78	29.20
Particulate Matter (PM)	255.74	638.26	864.52	968.27

3.2 Waste Management

During the Reporting Period, our non-hazardous waste primarily consists of office waste, including general waste, paper base, plastic base, and metals, among others. As the usage of materials other than paper is negligible, we only record the paper consumption, while the quantities of other materials are insignificant.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Regarding paper consumption, we encourage the employees to reuse paper or using on both sides and set the computer and printer to the duplex printer's toner-saving mode by default. We use electronic communication technology to reduce the use of paper when possible. We use recycle bins to collect paper documents such as waste paper, posters, letters, and envelopes. We use waste papers for notes. Except for papers printed with confidential information, all waste papers are sent to a waste paper recycling company for recycling. We installed electronic hand dryers to reduce paper towel usage. We use a timer or turn off the printer completely during non-working hours.

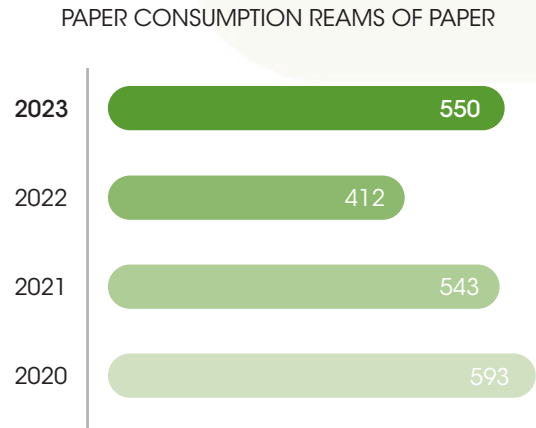
With the implementation of the enterprise resource planning ("ERP") system in 2021, most processes and data have since been successfully migrated to the system. The Management strongly believes the consumption of paper will further reduce upon the improvement or enhancement of the report generation and discontinuation of the old reporting process.

We use a waste sorting bin or other suitable device to recycle waste paper, metal, and plastic. We place used batteries in a recycling bin. We work with electronics companies to recycle old computers or other electronic waste for recycling. Used ink cartridges and toners will be returned to the vendors for recycling purposes. We aim to gradually improve our initiatives in recycling and reuse throughout the Group. Due to the nature of our business, we do not use any packaging materials.

3.3 Energy Management

The energy consumption of the Group includes electricity and diesel. Electricity is consumed in both our office and scrap yard infrastructure. The diesel consumption was primarily used as fuel for trucks. The Group aims to minimise the environmental impact of its operations through a series of energy-saving measures. We remind employees to turn off all unnecessary lights in the office and make maximum use of natural daylight. The office is divided into multiple different lighting areas, and independently controllable lighting switches are set up in different lighting areas.

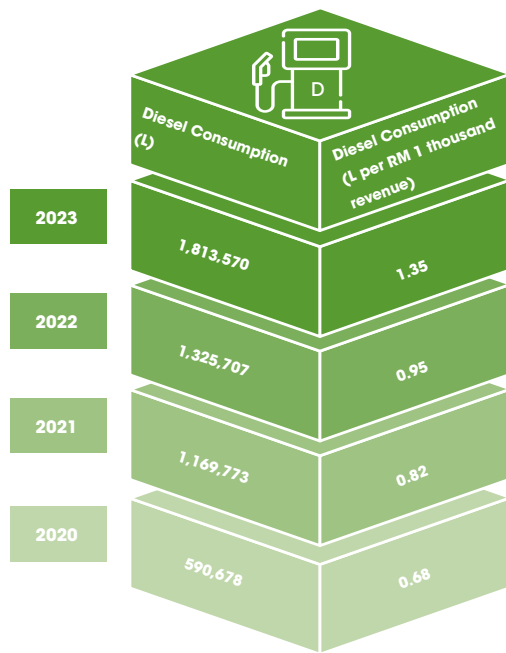
Regarding the air conditioning system, we turn off the air conditioner when not in the office. We use variable speed drives and adjust pump and fan systems according to the actual needs of the air conditioner. We adopt water-cooled air conditioning systems. We allow employees not to wear ties and full suits in hot weather to reduce the use of air conditioning and wear casual clothes to work every Friday when no client meeting is needed to reduce the use of air conditioning.



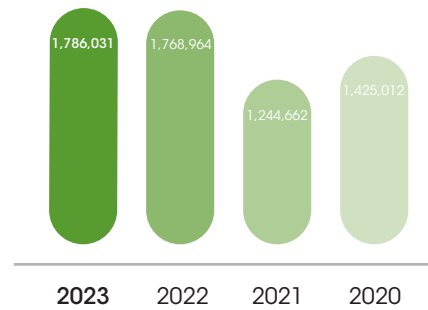
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Regarding the electronic equipment and appliances, we set the computer to enter the automatic standby or sleep mode when it is idle. We turn off electronic equipment completely during non-working hours. We pay attention to unplugging the electric water boiler and microwave oven, especially turning off the office power before holidays and holidays. We centralise multiple servers into a single higher-capacity server to reduce energy consumption and free up more office space.

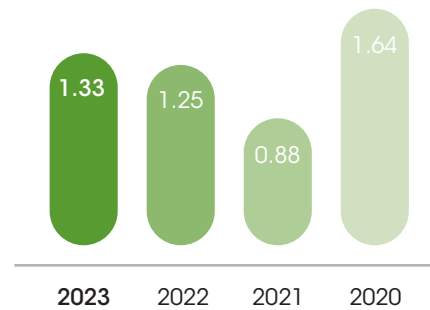
We also encourage employees to participate in environmental activities organised by environmental groups to enhance their awareness of the environment. The energy consumption and energy consumption intensity are 20,227,819 kWh¹ and 15.02 kWh per RM 1 thousand revenue in the Reporting period.



Electricity Consumption (including indirect consumption) (kWh)



Electricity Use Intensity (kWh per RM 1 thousand revenue)



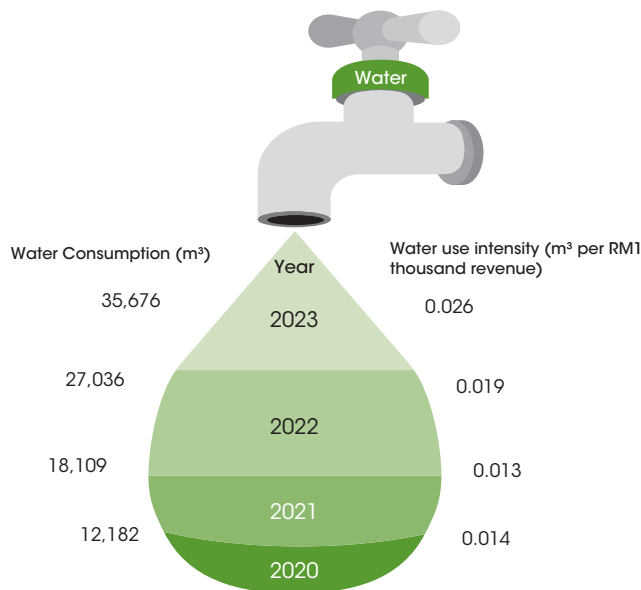
¹ Using the conversion factors provided in the "Energy Statistics Manual" of the International Energy Agency.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.4 Water Management

During the Reporting Period, to prevent water resource wastage, the Group implemented multiple water conservation measures. We reduce water pressure to the lowest possible level. We regularly conduct concealed water pipe leak tests and check for overflowing water tanks. We check water meter readings regularly and check for hidden leaks.

The Group will continue to implement various measures to conserve water. Management is committed to water consumption reducing and water saving. Our office water supply primarily comes from the municipal water system, and water usage is managed by the Group. Therefore, there are no difficulties in sourcing water during the Reporting Period.




3.5 Tackling Climate Change

The Group actively implements energy-saving and low-carbon measures to reduce greenhouse gas emissions generated during operations, in line with the trend towards a low-carbon economy. The Management acknowledged the need to meet the climate-related financial disclosures (a standard set by the Task Force on Climate-related Disclosures (“TCFD”) and a requirement made mandatory by the Stock Exchange). The Management is considering and evaluating the necessary measures that must be put in place to integrate these climate-related considerations into our governance, strategy, and risk management.

The Group’s greenhouse gas emissions primarily stem from diesel used in trucks and machinery (Scope 1) and purchased electricity (Scope 2). To achieve this, we have developed targeted emission reduction measures, including encouraging employees to conserve energy, reduce electricity usage, and improve the management of official trucks to minimise greenhouse gas emissions. We use video conferencing to replace unnecessary overseas business trips and choose direct flights for inevitable business trips. Besides, we encourage employees to share transportation to reduce emissions and promote green transportation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Emissions	Greenhouse Gas Emissions ²			
	2020	2021	2022	2023
Total emissions (tonnes of CO ₂)	945.64	4,041.07	4,917.66	5,727.76
Scope 1 – Direct emissions (trucks)	945.64	3,057.79	3,535.98	4,745.44
Scope 2 – Indirect emissions (electricity)	1,125.76	983.28	1,381.68	982.32
Intensity of CO ₂ emissions (CO ₂ per RM ¹ thousand revenue)	0.0011	0.0028	0.0035	0.0043



The Group has conducted an analysis based on various changes related to climate change, such as policy and legal risks, reputational risks and market risk as well as the environmental and geographical factors specific to our industry. From the perspectives of physical risks and transition risks, the potential impacts of these risks have been identified and relevant response measures have been formulated.

² GHG emissions data is presented in terms of carbon dioxide equivalent and is based on, but not limited to “How to prepare an ESG Report – Appendix II: Reporting Guidance on Environmental KPIs” issued by the Stock Exchange and the Sustainability Report 2022 published by Tenaga Nasional.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Risk		Potential consequences	Current response measures to mitigate risks
Physical Risks	Acute Physical Climate Risks	<ul style="list-style-type: none"> Supply chain disruptions and demand disruptions Increased operating costs due to the repair of damaged facilities 	<ul style="list-style-type: none"> Develop disaster response measures Provide disaster response training and escape drills to employees Avoid supply chain disruptions due to extreme weather by optimizing logistics
Transition risk	Legal and Policy Risks	<ul style="list-style-type: none"> With the improvement and implementation of management measures in climate change such as National Policy on Climate Change in Malaysia and Green Technology Master Plan Malaysia, both domestic and international stakeholders have raised higher requirements for emission reporting 	<ul style="list-style-type: none"> Seeking compliance advisory services to mitigate legal and policy risks

3.6 Environmental Targets

During the Reporting Period, the Group established environmental targets related to emission target, energy use efficiency target, water target and wastes target. Additionally, the Group implemented multiple environmental protection actions.

Scope of Targets	Environmental Targets	Progress
Emission	The Group will continue to implement various measures to reduce greenhouse gas emission.	The emission increased compared to last year. We will take relevant measures to reduce it. Please see the "3.5 Tackling Climate Change" chapter for more details.
Energy Use Efficiency	The Group will continue to implement various measures to reduce electricity consumption.	The electricity consumption increased compared to last year. We will take relevant measures to reduce it. Please see the "3.3 Energy Management" chapter for more details.
Water	The Group will continue to implement various measures to reduce water consumption and save water.	The water consumption increased compared to last year. We will take relevant measures to reduce it. Please see the "3.4 Water Management" chapter for more details.
Wastes	The Group will continue to implement various measures to reduce non-hazardous waste in amount.	The waste consumption mainly refers to papers consumption. The paper consumption increased compared to last year. We will take relevant measures to reduce it. Please see the "3.2 Waste Management" chapter for more details.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. TAKING CARE OF EMPLOYEES AND NURTURING TALENTS

The Group places great importance on its employees as their contributions and dedication are key to the sustainable business development of the Group. During the Reporting Period, we strictly adhere to various laws and regulations in Malaysia, including the Employment Act 1955, the Employment (Amendment) Act 2022, the Minimum Wages Order 2022, the Employment (Restriction) Act 1968, the Employees Provident Fund Act 1991, the Employees' Social Security Act 1969 and the Employment Insurance System Act 2017 of Malaysia. We have formulated the Employee Handbook related to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

4.1 Employment Management

The Group has always placed great emphasis on talent management and strives to establish a corporate culture that prioritizes holistic development. We respect and care for our employees and have developed competitive compensation plans in line with market conditions. We provide fair compensation based on employees' competencies, experience, skills, and job requirements. We conduct annual reviews of our compensation system to maintain the Group's competitiveness. Each year, we assess and appraise employees based on their job performance, skills, and future job requirements.

We respect the diversity of our employees and have zero tolerance for any discrimination or harassment. The human resources department will promptly and thoroughly investigate any complaints of harassment. Appropriate corrective action, including disciplinary action, will be taken when warranted. We are committed to enhancing the performance of all employees and strive to create an environment where employees can collaborate towards common goals. Recruitment and promotion are fair and open to all employees, regardless of factors such as age, gender, physical and mental health, marital and family status, race, color, nationality, religion, political position, and sexual orientation. We consider internal promotions first, then external hires. For external hires, we will rely on employee referrals, advisements, employment agencies to source suitable candidates for our organization. When we discover that employees have made false statements or misrepresentations, fabricated information, significant omissions, or provided false information regarding their citizenship, work experience, health condition, marital status, or any other aspect, we will take disciplinary actions.

We maintain a promotion policy to promote suitably qualified staff within the organization. The Group at its sole discretion may promote the most experienced and capable candidates based on his demonstrated ability to assume greater responsibility and perform essential job tasks to any position of the higher category as it deems fit. The Company can assign employees to different positions based on their career development and the operational needs of the Company to fully leverage their talents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As at the end of the Reporting Period, the Group had a total of 323 employees who are all full-time employees.

Employment status of the Group in 2023³

	Number of employees	Proportion (%)
Total	323	100.00%
Number and proportion of employees by gender		
Male	268	82.97%
Female	55	17.03%
Number of employees by age		
Under 30 years old	130	40.25%
30 to 50 years old	162	50.15%
Above 50 years old	31	9.60%
Number of employees by region		
Malaysia	323	100.00%
Number of employees by ethnicity		
Malaysian	196	60.68%
Others	127	39.32%
Number of employees by hierarchy		
Senior management	10	3.10%
Middle management	313	96.90%
Number of new hire employees by gender		
Male	82	56.16%
Female	64	43.84%

³ All statistics in relation to workforce of the Group are as of 31 December 2023.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

New employees are required to undergo new employee orientation provided by the human resources department upon joining the Group. The training covers an overview of the Group's history, corporate objectives, and an explanation of their job responsibilities. When an employee resigns, the person in charge of the human resources department will interview them to understand their reasons for leaving. All payments that need to be disbursed to departing employees will be issued after the employee returns the assets belonging to the Group to the human resources department.

Employees Turnover Rate of the Group in 2023⁴

By Gender	Male	17.91%
	Female	29.09%
By Geographical region	Malaysia	19.81%
By Age	Below 30	17.69%
	30 to 50	21.60%
	Above 50	19.35%

The Group does not engage in any form of illegal, forced, or child labor. We strictly prohibit the employment of child labor. We verify the age of candidates to prevent the employment of child labor. Job applicants are required to undergo background checks, including identity and age verification. If it is found that an applicant does not meet the legal age or is being forced to work, their application will be put on hold. If we encounter any issues related to illegal labor, forced labor, or child labor, the Group will take immediate action.

The Group understands that competitive compensation packages and good benefits and welfare can encourage employee retention and enhance a sense of belonging. The Group's compensation packages include basic salary and overtime pay (if any). Besides, the Group provide annual leaves, sick leave, hospitalization leave, maternity leave and allowance, paternity leave, marriage leave, bereavement leave, emergency leave and industrial accident leave and leave entitlement as mandated by relevant laws and regulations. In terms of benefits and allowance, we provide dental and optical benefit, periodical medical examination, discretionary bonuses, transportation subsidy, training reimbursement, accommodation reimbursement, study leave, annual subscriptions to professional association, examination leave and congratulatory and compassionate allowance.

For both office and non-office employees, we have established regulations regarding working hours. However, it is the responsibility of the management to determine the regular working hours of the employees in order to meet the Group's needs. The management reserves the right to change, modify, or adjust working hours based on the nature of the business and circumstances.

We provide a good working environment to our employees with in-house pantry equipped with microwave oven, fridge, thermos water dispenser, filtered water, free coffee and snacks. To alleviate employees' work pressure. Besides, we provide a series of activities during the Reporting Period to enhance their physical and mental well-being.

⁴ The employee turnover rate is calculated as: the number of employees who left/the total number of employees in the category*100%.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Chinese New Year Annual Dinner



Christmas Day Celebration



Monthly Birthday Celebration



Weekly Badminton Session

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Furthermore, we value the opinions of our employees and regularly communicate with them to understand their needs.



Employee Communication

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4.2 Employee Training and Development

We are committed to providing necessary training and development programs for employees to ensure that they can unleash their full potential. We encourage employees to participate in prestigious departmental training programs and provide financial assistance. Besides, we develop training programs and plans every year. We also encourage employees to participate in seminars and sharing sessions from external organizations to enrich their expertise. We has register for Human Resources Development Fund ("HRDF") with a 1% levy of the monthly wages (includes fixed allowance and basic salary) for each Malaysian employee. HRDF provides financial assistance in the form of training grants for a variety of training programmes tailored to the needs of the Company. During the Reporting Period, we provide multiple training courses to our employees to enhance their skills, such as the following courses:

Course Title	Course Content
Microsoft Excel Intermediate and Advanced	Different functions of Microsoft Excel
Basic Life Support Training Course	Knowledge and skill in basic life support skill such as CPR and AED
PwC Malaysia's Budget 2024 Seminar: Balancing economic growth and fiscal sustainability	Insights on the tax and economic landscape

Average Training Hours per Employee in 2023⁵

By Gender	Male	2.89
	Female	17.21
By Employee category	Senior Management Team	3.00
	Middle Management Team	15.14

Training & Development - Percentage of employees in 2023⁶

By Gender	Male	100%
	Female	100%
By Employee category	Senior Management Team	100%
	Middle Management Team	100%

⁵ The average training hours completed is calculated as: the total training hours completed/the total number of employees in the category.

⁶ The percentage of employees trained is calculated as: the number of employees trained in the category/the total number of employees in the category * 100%.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4.3 Employee Health and Safety

The Group prioritizes the safety and well-being of employees, and therefore, we strive to establish a safe and comfortable working environment that allows employees to focus on their work. During the Reporting Period, we strictly adhered to the Factories and Machinery Act 1967, Occupational Safety and Health Act 1994 and the Prevention and Control of Infectious Diseases Act 1988 of Malaysia. The Group has always placed great importance on workplace safety. Besides, we conduct comprehensive investigations in the event of any accidents. Our goal is to maintain a zero accident rate.

Besides, we deny entry into our premises to individuals who might pose a risk to the business of the Group. Our management is responsible for providing and strengthening a safe working environment, safe working system, and instruments and equipment in a safe state. We also provide guidance, training, and supervision needed to protect employees from work injuries. We provide employees with the necessary protective equipment for jobs deemed to be dangerous, such as safety spectacles, goggles and respirators. Replacement will be made only in case where the equipment become unserviceable due to wear and tear and will only be replaced when the old and unserviceable equipment are returned to the Group. All employees working in the customers' plant or factory must wear safety shoes to protect their legs from sharp metallic particles and other harmful foreign matter. All employees must observe the safety precautions displayed at various working areas and machines. The Group is committed to elimination of drug and or alcohol use and abuse in the workplace, in order to provide safe and productive work environment. The Group takes a very serious view of safety on the office premises and any employee breaking the safety rules will be subject to disciplinary action. In order to protect and enhance the Group indoor air quality and to contribute to the health and well-being of all employees, it is the policy of Group to prohibit smoking on all Group premises.

We provide general safety induction for new employees and employees for a new task, including company safety regulations and emergency measures. We also provide special training on the dangers that employees may encounter at work and how to protect themselves, such as first aid trainings. We have established emergency measures, such as fire or explosion contingency plans. We regularly rescue and fire drill practices to enhance fire safety awareness. During the Reporting Period, we experienced a casualty accident⁷. There was 0 day due to work injury in the Reporting Period. We did not receive any work-related fatalities in 2022 and 2021.



First Aid Training



Fire Safety Trainings

⁷ Accident happened at operation site. Heavy machinery lost the balance when a driver is reversing it on a downhill slope.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5. CARING FOR SOCIETY AND STRIVING TO FULFIL SOCIAL RESPONSIBILITY

While the Group is committed to developing its own business, it also closely monitors the needs of community sustainable development, hoping to share the achievements of our efforts with the community. During the Reporting Period, the Group contributed approximately RM124,000 in cash and in-kind donations during the year to various charity organisations in Malaysia and majority our donations went toward children, youth and elderly causes mainly for education and community programmes and activities.

6. STEADY OPERATION TO PURSUE EXCELLENCE

Achieving and maintaining high-quality project standards is crucial for the sustainable growth of the Group. The Group believes that providing products and services that meet or exceed customer expectations is of utmost importance to the Group.

6.1 Anti-corruption and Anti-bribery

The Group is committed to maintaining a high level of ethical corporate culture and strictly prohibits all forms of bribery, extortion, fraud, and money laundering. During the Reporting Period, we strictly adhere to the Anti-Corruption Commission Act 2009. We develop a code of conduct that includes conflict of interest, confidentiality, bribery, anti-corruption, and equal opportunity to prevent the occurrence of illegal situations.

The Group expects all employees, at every level to comply strictly with all legal and ethical obligations. Our philosophy can be implemented only if our employees recognize their responsibilities to treat everyone in an honest and fair manner. We have established a whistleblowing policy that welcomes anyone to report any suspected or actual violations of business conduct within the Group. We will keep the whistleblower's identity confidential and investigate the reported incidents. Employees who violate anti-corruption policies face penalties.

The Group has provided training to directors and employees on anti-bribery. During the Reporting Period, there is no incident brought to the Board's attention.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

6.2 Sustainable Supply Chain Management

The Group has established measures for selecting and assessing our suppliers. Before engaging any supplier, we evaluate all potential suppliers based on various factors, including their pricing, reputation, track record, compliance with local laws, policies on addressing environmental and social risks, and regulatory and professional knowledge in their respective fields. This ensures that all business units within the Group adhere to the same standards. We also conduct regular visits to the operational sites of potential suppliers to assess their business operations, sources of scrap metal, product quality, and logistics capabilities. For complex or high-financial-risk engagements, we conduct due diligence to verify their financial standing and records. Supplier assessments are conducted regularly. We purchase printing paper, toilet paper, and paper towels with recycled materials to promote green procurement during the Reporting Period. Besides, we adopt the buy first, use the first principle to avoid missing the period of use and result in wastage.

The Group has multiple suppliers worldwide providing a variety of products and services. Currently, we have 193 key suppliers, primarily located in the Asia Pacific region. Recognizing the environmental and social risks within the supply chain, management is committed to making reasonable efforts to assess and evaluate the background information of potential suppliers and communicate our expectations for promoting environmental and social responsibility. In the current fiscal year, the Group is not aware of any significant negative impact from key suppliers on business ethics, environmental protection, or labor practices.

6.3 Providing High-Quality Products and Services

The Group does not produce or manufacture any products and the scrap metals are not sold or consumed by the public at large. The Group's core operation is sourcing recyclable scrap metals, which will ultimately be sold to steel mills in Malaysia. Nevertheless, we are cognisant of the fact that there is a possibility that the steel mills may lodge complaints to us on the quality of our supplies to them. To date, there has not been any major complaint from the steel mills and there is no exposure to any product recall risk. As on information privacy front, the Group has established an internal confidentiality and non-disclosure policy that to protect the privacy of the Group and its stakeholders. Unauthorized disclosure of any personal data is strictly prohibited.

DIRECTORS' REPORT

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2023.

CORPORATE INFORMATION

Basic information about the Company is set out in the sections headed "Corporate Information" and "Company Profile" on page 2 to page 3 and page 7 to page 8 of this annual report.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 12 April 2018. The Company's shares were listed on the Stock Exchange on 15 March 2019.

The activities and particulars of the Company's subsidiaries are shown under note 36 to the consolidated financial statements. An analysis of the Group's revenue and profit for the year by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report and note 5 to the consolidated financial statements.

BUSINESS REVIEW

A review of the Group's business during the year, which includes a discussion of the principal risks and uncertainties facing by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year, and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairman's Statement" on page 6 and "Management Discussion and Analysis" from page 15 to page 20 in this annual report respectively. The financial risk management objectives and policies of the Group can also be found in note 3 to the consolidated financial statements. In addition, a discussion on relationships with its key stakeholders is included in the section headed "Environmental, Social and Governance Report" in this annual report. The review forms part of this directors' report.

RESULTS AND APPROPRIATIONS

The consolidated results of the Group for the year ended 31 December 2023 are set out on page 80 of this annual report.

Directors' Report

DIVIDEND

The Company may distribute dividends by way of cash or by other means that we consider appropriate. A decision to declare and pay any dividends would require the approval of our Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to shareholders' approval. Our Board will review dividend policy from time to time in light of our results of operations, our cash flows, our financial condition, our Shareholders' interest, our capital requirements, the general business conditions and strategies, and other factors our Board may deem relevant in determining whether dividends are to be declared and paid. Any declaration and payment as well as the amounts of dividends will be subject to the articles of associate of the Company and Cayman Companies Law. No dividend shall be declared or paid except out of our distributable profit and funds that are lawfully available for distribution under the Cayman Companies Law.

The Board has decided not to recommend the payment of final dividend in respect of the FYE 2023 (2022: Nil).

FIVE YEARS FINANCIAL HIGHLIGHTS

A summary of the Group's results, assets and liabilities for the last five financial years are set out on page 4 to page 5 of this annual report. This summary does not form part of the audited consolidated financial statements.

DONATIONS

The Group contributed approximately RM124,000 in cash and in-kind donations during the year to various charity organisations in Malaysia and majority our donations went toward children, youth and elderly causes mainly for education and community programmes and activities.

USE OF PROCEEDS FROM THE SHARE OFFER

The shares of the Company have been listed and traded on the Stock Exchange on 15 March 2019. 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 Company's announcement dated 16 July 2020 and 12 July 2023 in relation to the change in use of the proceed. As at 31 December 2023, the Company had fully utilised the net proceeds raised by the Company from the share offered.

Directors' Report



	Available (RM'000)	Change in use of proceeds ⁽¹⁾ (RM'000)	New allocation for net proceeds ⁽²⁾ (RM'000)	Balance as at 31 December 2022 (RM'000)	Change in use of proceeds ⁽³⁾ (RM'000)	New allocation for net proceeds ⁽⁴⁾ (RM'000)	Amount utilised during the year ended 31 December 2023 (RM'000)	Balance as at 31 December 2023 (RM'000)
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)	-	-	-
The Group's working capital for our scrap ferrous metal trading business	18,471	4,546	23,017	-	2,000	2,000	2,000	-
General working capital for other general corporate purpose (excluding the purchase of scrap materials)	4,096	-	4,096	-	2,649	2,649	2,649	-
Set up and renovation costs inclusive of furniture, fixture and fittings of our corporate office in Selangor	-	-	-	-	700	700	700	-
	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) New allocation after the change in use of proceeds as per announcement dated 16 July 2020.

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

(4) New allocation after the change in use of proceeds as per announcement dated 12 July 2023.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2023, the Group's largest customer accounted for 53.6% (2022: 43.6%) of the Group's total revenue. The Group's five largest customers accounted for 85% (2022: 86.8%) of the Group's total revenue.

For the year ended 31 December 2023, the Group's largest supplier accounted for 3.8% (2022: 7.0%) of the Group's total cost of procurement. The Group's five largest suppliers accounted for 13.7% (2022: 18.6%) of the Group's total cost of procurement.

None of the Directors or any of their associates (as defined under Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest suppliers or the Group's five largest customers.

Directors' Report

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year ended 31 December 2023 are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2023 are set out in note 21 to the consolidated financial statements.

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

Neither the Company nor any member of the Group has purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2023.

PRE-EMPTIVE RIGHTS AND TAX RELIEF OR EXEMPTION

There were no provisions for pre-emptive rights under the Articles, which requires the Company to offer new Shares on a pro-rata basis to existing Shareholders. The Company is not aware of any tax relief or exemption available to any existing shareholder by reason of his/her holding of the securities of the Company.

DISTRIBUTABLE RESERVES

The Company has no distributable reserve for the year ended 31 December 2023.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2023 are set out in note 23 to the consolidated financial statements.

DIRECTORS

The Directors who held office during the year ended 31 December 2023 and up to the date of this annual report were:

Executive Directors

Datuk Sia Kok Chin
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

Datuk Sia Keng Leong, Mr. Puar Chin Jong and Mr. Chu Kheh Wee shall retire and being eligible, have offered themselves for re-election at the Company's forthcoming annual general meeting.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT TEAM

Biographical details of the Directors and the senior management team of the Group as at the date of this annual report are set out on page 9 to page 14 in the section headed "Directors and Senior Management Team" in this annual report. Save as disclosed in this annual report, there are no other changes in the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules as at the date of this annual report.

EQUITY-LINKED AGREEMENTS

Save as the Share Option Scheme disclosed below, there were no equity-linked agreements entered into during the year or which subsisted at the end of the year.

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. The condition of which has been fulfilled.

(1) Purpose

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined below) have had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivating the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and (ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

Directors' Report

(2) Eligible Participants

Under the Share Option Scheme, the Board may, at its discretion, make an offer to any person belonging to the following classes of participants (the "**Eligible Participants**") share options to subscribe for shares of the Company: (i) any employee (whether full time or part time, including any executive director but excluding any non-executive director) of our Company, any subsidiary or any entity in which any member of our Group holds any equity interest (the "**Invested Entity**"); (ii) any non-executive director (including independent non-executive directors) of our Company, any subsidiary or any Invested Entity; (iii) any supplier of goods to any member of our Group or any Invested Entity; (iv) any customer of any member of our Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity; (vi) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity; (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and (viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group, and, for the purposes of the Share Option Scheme, the offer may be made to any company wholly owned by one or more Eligible Participants.

(3) Maximum number of shares available for issue

The maximum number of shares of the Company available for issue upon exercise of all share options which may be granted under the Share Option Scheme is 100,000,000, representing approximately 10% of the issued share capital of the Company as at the date of this annual report.

(4) Maximum entitlement of each Participant under the Share Option Scheme

The total number of shares of the Company issued and which may fall to be issued upon the exercise of share options to be granted under the 100,000,000 and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding share options) to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the issued share capital of the Company as at the date of grant. Any further grant of share options in excess of this 1% limit shall be subject to the issue of a circular by the Company and shareholders' approval in a general meeting. Any share options granted to a substantial shareholder or an independent non-executive Director of the Company, or to any of their associates, which would result in the shares of the Company issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the offer of such grant representing in aggregate over 0.1% of the shares of the Company in issue on the date of the grant; such further grant of options shall be subject to the issue of a circular by the Company and shareholders' approval in a general meeting on a poll at which the grantee, his/her associates and all core connected persons of the Company shall abstain from voting in favour of the resolution concerning the grant of such options, and/or such other requirements prescribed under the Listing Rules from time to time. Any grant of share options to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, is required to be approved by the Independent Non-executive Directors (excluding the Independent Non-executive Director who is the grantee of the options).

(5) The exercise period by the grantee under the share option scheme

The period during which a share option may be exercised will be determined by the Board at its absolute discretion, save that no share option may be exercised more than 10 years after it has been granted under the Share Option Scheme.

(6) The vesting period granted under the share option scheme

The options shall be vested to the grantees in accordance with the vesting schedule, which shall comprise a minimum period of twelve (12) months.

(7) The amount payable on application or acceptance of the option and the period within which payments must be made

Each of the grantees is required to pay HK\$1.00 as a consideration for his acceptance of the grant of share options in accordance with the Share Option Scheme. The offer of share options must be accepted within 21 days from the date of the offer.

(8) The basis of determining the exercise price of options granted

The exercise price in relation to each share option will be determined by the Board at its absolute discretion and shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange on the date of offer of share options; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of offer of share options; and (iii) the nominal value of a share of the Company on the date of offer of share options.

(9) The remaining life of the share option scheme

The Share Option Scheme shall be valid and effective for the period of ten years commencing on 19 February 2019, being the date on which the Share Option Scheme was conditionally, and ending on 19 February 2029 (both dates inclusive). As at the date of this annual report, the remaining life of the Share Option Scheme is 4 years and 11 months.

No share option has been granted under the Share Option Scheme since its adoption. Accordingly, as at 31 December 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 year ended 31 December 2023 was 100,000,000.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received a confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors were independent during the year ended 31 December 2023.

Directors' Report

DIRECTORS' SERVICE CONTRACT AND LETTER OF APPOINTMENTS

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from 19 February 2022.

Each of the independent non-executive Directors has signed an appointment letter with the Company for a term of three years commencing from 19 February 2022.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

No transaction, arrangement and contracts of significance in relation to the Group's business (including those to which the Company's subsidiaries, fellow subsidiaries of its parent company was a party) in which a director of the Company or an entity connected with a director had material interest, whether directly or indirectly, subsisted during the year ended 31 December 2023.

PERMITTED INDEMNITY

Pursuant to the Articles, every Director shall be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a director of the Company. The Company has arranged appropriate liability insurance to indemnify the Directors for their liabilities arising out of corporate activities.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business were entered into or subsisted during the year ended 31 December 2023.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save for the exempt continuing connected transactions and the non-exempt continuing connected transactions, there was no contract of significance to which the Company or its holding company or any of its subsidiaries was a party and in which any Controlling Shareholder had a material interest subsisted during the year ended 31 December 2023.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, the Group had 323 (2022: 209) employees in Malaysia. For the year ended 31 December 2023, total staff costs and related expenses of the Group (including the Directors' remuneration) were RM25.9 million (2022: RM20.5 million). The higher staff cost related expenses was mainly attributable to additional headcount, increase in executive directors' remuneration, staff salary and related expenditures. 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.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Our Directors and senior management team personnel receive remuneration in the form of fees, salaries and allowances, performance bonus, retirement benefit scheme contributions and other benefits. We determine the salaries of our Directors (including our independent non-executive Directors) and senior management team personnel based on their respective qualification, position and seniority. In addition to salaries, our Directors may receive performance bonuses.

Details of the emoluments of the Directors and five highest paid individuals are set out in notes 9 and 30 to the consolidated financial statements.

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 31 December 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 C3 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:

Directors' Report

Long position in our Shares, underlying Shares and Debentures were as below:

Name of Director	Nature of interest	Number and class of Shares (Note 1)	Approximate percentage of shareholding
Datuk Sia Kok Chin	Interest in controlled corporation/interest held jointly with another person/beneficial owner	681,680,000 (L)	68.17%
Datuk Sia Keng Leong	Interest in controlled corporation/interest held jointly with another person/beneficial owner	681,680,000 (L)	68.17%
Mr. Sia Kok Chong	Interest in controlled corporation/interest held jointly with another person/beneficial owner	681,680,000 (L)	68.17%
Mr. Sia Kok Seng	Interest in controlled corporation/interest held jointly with another person/beneficial owner	681,680,000 (L)	68.17%
Mr. Sia Kok Heong	Interest in controlled corporation/interest held jointly with another person/beneficial owner	681,680,000 (L)	68.17%

Notes:

- (1) As at 31 December 2023, the total number of issued shares was 1,000,000,000 ordinary shares.
- (2) The letter "L" denotes the entity's long position in the 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 441,680,000 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 681,680,000 Shares, among which 441,680,000 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.

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%
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 31 December 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 year ended 31 December 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 31 December 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 fall 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 of Shareholder	Nature of interest	Number and class of Shares (Ordinary shares)	Approximate percentage of shareholding (Note 1)
5S Holdings	Beneficial owner	441,680,000 (L)	44.17%
Ms. Koo Lee Ching	Interest of spouse	681,680,000 (L)	68.17%
Ms. Loh Hui Mei	Interest of spouse	681,680,000 (L) (Note 3)	68.17%
Ms. Peong Ai Teen	Interest of spouse	681,680,000 (L) (Note 4)	68.17%
Ms. Yang Mei Feng	Interest of spouse	681,680,000 (L) (Note 5)	68.17%
Ms. Juan Sook Fong	Interest of spouse	681,680,000 (L) (Note 6)	68.17%
		681,680,000 (L) (Note 7)	68.17%

Notes:

- (1) As at 31 December 2023, the total number of issued shares was 1,000,000,000 ordinary shares.
- (2) The letter "L" denotes the entity's long position in the 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.

Directors' Report

Save as disclosed above, and as at 31 December 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 fall 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.

COMPLIANCE WITH NON-COMPETITION DEED

Each of the Controlling Shareholders, namely 5S Holdings, Datuk Sia Kok Chin, Datuk Sia Keng Leong, Mr. Sia Kok Chong, Mr. Sia Kok Seng and Mr. Sia Kok Heong, has executed a deed of non-competition on 19 February 2019 (the "**Deed of Non-competition**") pursuant to which they have irrevocably and unconditionally undertaken to the Company (for the Company itself and on behalf of the members of the Group) that, during the period that the Non-Competition Deed remains effective, he/it/she shall not, and shall procure that his/its/her close associates (other than any member of the Company) shall not, directly or indirectly, develop, acquire, participate in, hold any right or interest or invest in or engage in, render any services for or otherwise be involved in any business in competition with or likely to be in competition with the existing business activities of the Company in Malaysia or any other area in which the Company carries on business.

The Company shall seek opinion and decision from the independent non-executive Directors who are responsible for reviewing and determining whether to accept or decline such new business opportunity provided by Controlling Shareholders or its associates.

The details of the Deed of Non-competition have been disclosed in the Prospectus under the section headed "Relationship with Controlling Shareholders".

The Controlling Shareholders have provided written confirmations to the Company confirming that they had fully complied with the Deed of Non-Competition during the year ended 31 December 2023 and that they did not conduct or acquire any competing business with the Group during the year ended 31 December 2023. The independent non-executive Directors have reviewed the confirmations from the Controlling Shareholders and are satisfied that the Deed of Non-Competition was fully complied with by Controlling Shareholders during the year ended 31 December 2023, and no competing business was reported by the Controlling Shareholders throughout the year ended 31 December 2023.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 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.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

(a) Tenancy Agreement in Respect of the Tenancy of Part of the Melaka Scrapyard I by HH Hardware

On 31 December 2021, HH Hardware renewed its tenancy agreement (the "**2022-2023 HH Hardware Tenancy Agreement**") with Datuk Sia Keng Leong, Mr. Sia Kok Chong, Mr. Sia Kok Seng, Datuk Sia Kok Chin and Mr. Sia Kok Heong, being our Directors, pursuant to which HH Hardware has agreed to rent PM 14, Lot 695, Mukim Cheng, Melaka, Malaysia, i.e. part of the Melaka Scrapyard I, from Datuk Sia Keng Leong, Mr. Sia Kok Chong, Mr. Sia Kok Seng, Datuk Sia Kok Chin and Mr. Sia Kok Heong as our scrap ferrous metal scrapyard in Melaka, Malaysia for a fixed term commencing from 1 January 2022 and expiring on 31 December 2023. The monthly rent payable by HH Hardware is RM11,000.

The aggregate annual caps for the transactions contemplated under the 2022-2023 HH Hardware Tenancy Agreement for the two years ended 31 December 2023 are listed below:

Annual caps for the year ended 31 December	
2022	2023
RM	RM
132,000	132,000

The total rental expenses incurred for the financial year ended 31 December 2023 was RM132,000 (2022: RM132,000).

On 12 October 2023, HH Hardware renewed its tenancy agreement (the "**2024-2025 HH Hardware Tenancy Agreement**") with Datuk Sia Keng Leong, Mr. Sia Kok Chong, Mr. Sia Kok Seng, Datuk Sia Kok Chin and Mr. Sia Kok Heong, being our Directors, pursuant to which HH Hardware has agreed to rent PM 14, Lot 695, Mukim Cheng, Melaka, Malaysia, i.e. part of the Melaka Scrapyard I, from Datuk Sia Keng Leong, Mr. Sia Kok Chong, Mr. Sia Kok Seng, Datuk Sia Kok Chin and Mr. Sia Kok Heong, as our scrap ferrous metal scrapyard in Melaka, Malaysia for a fixed term commencing from 1 January 2024 and expiring on 31 December 2025. The monthly rent payable by HH Hardware is RM16,375.

The aggregate annual cap for the transactions contemplated under the 2024-2025 HH Hardware Tenancy Agreement for the two (2) years ending 31 December 2025 are listed below:

Annual caps for the year ending 31 December	
2024	2025
RM	RM
196,500	196,500

Directors' Report

Reasons for the transactions

Our Group had been using the properties at PM 14, Lot 695, Mukim Cheng, Melaka, Malaysia as part of our scrap ferrous metal scrapyards in the state of Melaka. Having considered that the rent is comparable to the prevailing market rent of comparable properties in the locality, and additional renovation and associated costs which we may incur if we move out of the properties under the 2024-2025 HH Hardware Tenancy Agreement and relocate to another premises, our Directors consider that it is desirable and in the best interests of our Group and our Shareholders as a whole that our Group continues to use the properties under the 2024-2025 HH Hardware Tenancy Agreement as part of our scrap ferrous metal scrapyards in the state of Melaka, Malaysia.

(b) Tenancy Agreement in Respect of the Tenancy of the Melaka Scrapyard II by HH Paper Melaka

On 31 December 2021, HH Paper Melaka renewed its tenancy agreement (the "2022-2023 HH Paper Melaka Tenancy Agreement") with Datuk Sia Keng Leong, Mr. Sia Kok Chong, Mr. Sia Kok Seng, Datuk Sia Kok Chin and Mr. Sia Kok Heong, being our Directors, pursuant to which HH Paper Melaka has agreed to rent PN 20151, Lot 4862, Mukim Cheng, Melaka, Malaysia, i.e., the Melaka Scrapyard II, from Datuk Sia Keng Leong, Mr. Sia Kok Chong, Mr. Sia Kok Seng, Datuk Sia Kok Chin and Mr. Sia Kok Heong as our waste paper scrapyards in Melaka, Malaysia for a fixed term commencing from 1 January 2022 and expiring on 31 December 2023. The monthly rent payable by HH Paper Melaka is RM4,180.

The aggregate annual cap for the transactions contemplated under the 2022-2023 HH Paper Melaka Tenancy Agreement for the two years ended 31 December 2023 are listed below:

Annual caps for the year ended 31 December	
2022	2023
RM	RM
50,160	50,160

The total rental expenses incurred for the financial year ended 31 December 2023 was RM50,160 (2022: RM50,160).

On 12 October 2023, HH Paper Melaka renewed its tenancy agreement (the "**2024-2025 HH Paper Melaka Tenancy Agreement**") with Datuk Sia Keng Leong, Mr. Sia Kok Chong, Mr. Sia Kok Seng, Datuk Sia Kok Chin and Mr. Sia Kok Heong, being our Directors, pursuant to which HH Paper Melaka has agreed to rent PN 20151, Lot 4862, Mukim Cheng, Melaka, Malaysia, i.e. part of the Mekala Scrapyard II, from Datuk Sia Keng Leong, Mr. Sia Kok Chong, Mr. Sia Kok Seng, Datuk Sia Kok Chin and Mr. Sia Kok Heong, as our waste paper scrapyards in Melaka, Malaysia for a fixed term commencing from 1 January 2024 and expiring on 31 December 2025. The monthly rent payable by HH Paper Melaka is RM4,700.

The aggregate annual cap for the transactions contemplated under the 2024-2025 HH Paper Melaka Tenancy Agreement for the two years ending 31 December 2025 are listed below:

Annual caps for the year ending 31 December	
2024	2025
RM	RM
56,400	56,400

Reasons for the transactions

Our Group had been using the properties at PN 20151, Lot 4862, Mukim Cheng, Melaka, Malaysia as our wastepaper scrapyards in the state of Melaka. Having considered that the rent is comparable to the prevailing market rent of comparable properties in the locality, and additional renovation and associated costs which we may incur if we move out of the properties under the 2024-2025 HH Paper Melaka Tenancy Agreement and relocate to another premises, our Directors consider that it is desirable and in the best interests of our Group and our Shareholders as a whole that our Group continues to use the properties under the 2024-2025 HH Paper Melaka Tenancy Agreement as our waste paper scrapyards in the state of Melaka.

As the counterparty to the 2022-2023 HH Hardware Tenancy Agreement, being Datuk Sia Keng Leong, Mr. Sia Kok Chong, Mr. Sia Kok Seng, Datuk Sia Kok Chin and Mr. Sia Kok Heong, and the counterparty to the 2022-2023 HH Paper Melaka Tenancy Agreement, being Datuk Sia Keng Leong, Mr. Sia Kok Chong, Mr. Sia Kok Seng, Datuk Sia Kok Chin and Mr. Sia Kok Heong, are connected with each other, the transactions contemplated under the 2022-2023 HH Hardware Tenancy Agreement and the 2022-2023 HH Paper Melaka Tenancy Agreement are aggregated pursuant to Rules 14A.81 and 14A.82 of the Listing Rules.

As all the applicable percentage ratios (as defined in the Listing Rules) for the aggregate proposed annual cap for the transactions contemplated under the 2022-2023 HH Hardware Tenancy Agreement and the 2022-2023 HH Paper Melaka Tenancy Agreement are less than 5% and the aggregate proposed annual caps for each of the two years ended 31 December 2023 is less than HK\$3,000,000, the transactions contemplated under the 2022-2023 HH Hardware Tenancy Agreement and the 2022-2023 HH Paper Melaka Tenancy Agreement are fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

Directors' Report

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, the continuing connected transactions of the Group as set out below are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(a) Master Purchase Agreement in Respect of the Purchase of Scrap Ferrous Metals and Used Batteries from Long Hin Recycle & Trading Sdn. Bhd. ("Long Hin")

Our Group has from time to time purchased scrap ferrous metals and used batteries from Long Hin in the ordinary and usual course of business and it is anticipated that our Group will continue to purchase scrap ferrous metals and used batteries from Long Hin.

As of the date of this annual report, Long Hin remains a company 50% owned by Mr Sia Yin Hwee, being an uncle of the Sia Brothers, and 50% owned by Ms. Tan Ah Ngoo, being a spouse of Mr. Sia Yin Hwee. As the Sia Brothers are our executive Directors and Controlling Shareholders, Long Hin is a deemed connected person of the Company pursuant to Rules 14A.21(1)(a) and (b) of the Listing Rules; transactions of our Group with each of them are aggregated pursuant to the Listing Rules 14A.81 and 14A.82 of the Listing Rules.

On 7 March 2022, our Company entered into a new master purchase agreement (the "**2022 Long Hin Master Purchase Agreement**") with Long Hin, pursuant to which our Company may, but is not obliged to, purchase scrap ferrous metals and used batteries from Long Hin for a fixed term for the three financial year ending 2022, 2023 and 2024, subject to the proposed annual caps set out below.

The aggregate annual caps for the transactions contemplated under the 2022 Long Hin Master Purchase Agreement for the three years ending 31 December 2024 are listed below:

Annual caps for the year ending 31 December		
2022 RM	2023 RM	2024 RM
0.1 million	0.1 million	0.1 million

The total value of sales to the Group pursuant to 2022 Long Hin Master Purchase Agreement for the year ended 31 December 2023 was Nil (2022: Nil).

(b) Master Purchase Agreement in Respect of the Purchase of Scrap Ferrous Metals, Used Batteries and Waste Paper from Lek Seng and Lek Seng Metal Sdn. Bhd.

Our Group has from time to time purchased scrap ferrous metals, used batteries and waste paper from Lek Seng and Lek Seng Metal Sdn. Bhd. in the ordinary and usual course of business and it is anticipated that our Group will continue to purchase scrap ferrous metals, used batteries and waste paper from Lek Seng and Lek Seng Metal Sdn. Bhd.

As of the date of this annual report, Lek Seng remains a partnership owned by Mr. Lim Lai Wah and Mr. Lim Swee Seng, who are cousins of the Sia Brothers. As the Sia Brothers are our executive Directors and Controlling Shareholders, Lek Seng is a deemed connected person of the Company pursuant to Rule 14A.21(1)(a) of the Listing Rules.; and the transactions of our Group with each of them are aggregated pursuant to the Listing Rules 14A.81 and 14A.82 of the Listing Rules.

As of the date of this annual report, Lek Seng Metal Sdn. Bhd. remains a company 49.9988% owned by Mr Lim Lai Wah, 49.9988% owned by Mr. Lim Swee Seng and 0.0008% owned by each of the three sons of Mr. Lim Lai Wah. As such, Lek Seng Metal Sdn Bhd is a deemed connected person of the Company pursuant to Rules 14A.21(1)(a) and (b) of the Listing Rules; and the transactions of our Group with each of them are aggregated pursuant to the Listing Rules 14A.81 and 14A.82 of the Listing Rules.

On 7 March 2022, our Company entered into a new master purchase agreement (the "**2022 Lek Seng Master Purchase Agreement**") with Lek Seng and Lek Seng Metal Sdn. Bhd., pursuant to which our Company may, but is not obliged to, purchase scrap ferrous metals, used batteries and waste paper from Lek Seng and Lek Seng Metal Sdn. Bhd. for a fixed term for the three financial year ending 2022, 2023 and 2024, subject to the proposed annual caps set out below.

The aggregate annual caps for the transactions contemplated under 2022 Lek Seng Master Purchase Agreement for the three years ending 31 December 2024 are listed below:

Annual caps for the year ending 31 December		
2022 RM	2023 RM	2024 RM
50.0 million	50.0 million	55.0 million

The total value of sales to the Group pursuant to 2022 Lek Seng Master Purchase Agreement for the year ended 31 December 2023 was RM49.3 million (2022: RM43.9 million).

(c) Master Purchase Agreement in Respect of the Purchase of Scrap Ferrous Metals, Used Batteries and Waste Paper from Chye Seng Huat Trading, Chye Seng Huat Sdn. Bhd. and Soon Lee Metal Sdn. Bhd.

Our Group has from time to time purchased scrap ferrous metals, used batteries and waste paper from Chye Seng Huat Trading, Chye Seng Huat Sdn. Bhd. and Soon Lee Metal Sdn. Bhd. in the ordinary and usual course of business and it is anticipated that our Group will continue to purchase scrap ferrous metals, used batteries and waste paper from Chye Seng Huat Trading, Chye Seng Huat Sdn. Bhd. and Soon Lee Metal Sdn. Bhd.

Chye Seng Huat Trading is a sole proprietorship owned by Mr. Lim Ching Chan, who is a cousin of the Sia Brothers. By virtue of his relationship with the Sia Brothers who are the executive Directors and Controlling Shareholders of the Company, Mr Lim Ching Chan is a deemed connected person of the Company pursuant to Rule 14A.21(1)(a) of the Listing Rules.

Directors' Report

Chye Seng Huat Sdn. Bhd. is a company owned as to 50% by Mr Lim Soon Lee being the son of the late Mr. Lim Tian Fow, being a cousin of the Sia Brothers. The remaining shares held by Lim Kim Sing (25%) and Lim Tuan Ann (25%). As such, the Company has treated Chye Seng Huat Sdn. Bhd. as a deemed connected person of the Company pursuant to Rules 14A.21(1)(a) and (b) of the Listing Rules.

Soon Lee Metal Sdn. Bhd. is a company owned by as to 50% by Mr. Lim Soon Lee being the son of the late Mr. Lim Tian Fow, being a cousin of the Sia Brothers. The remaining shares held by Lim Kim Seng (25%) and Lim Tuan Ann (25%). As such, the Company treated Soon Lee Metal Sdn. Bhd. as a deemed connected person of the Company pursuant to Rules 14A.21(1)(a) and (b) of the Listing Rules.

As Chye Seng Huat Trading, Chye Seng Huat Sdn. Bhd. and Soon Lee Metal Sdn. Bhd. are connected with each other, the transactions of our Group with each of them are aggregated pursuant to Rules 14A.81 and 14A.82 of the Listing Rules.

On 7 March 2022, our Company entered into a new master purchase agreement (the "**2022 Chye Seng Huat Trading Master Purchase Agreement**") with Chye Seng Huat Trading, Chye Seng Huat Sdn. Bhd. and Soon Lee Metal Sdn. Bhd., pursuant to which our Company may, but is not obliged to, purchase scrap ferrous metals, used batteries and waste paper from Chye Seng Huat Trading, Chye Seng Huat Sdn. Bhd. and Soon Lee Metal Sdn. Bhd. for a fixed term for the three financial year ending 2022, 2023 and 2024, subject to the proposed annual caps set out below.

The aggregate annual caps for the transactions contemplated under the 2022 Chye Seng Huat Trading Master Purchase Agreement for the three years ending 31 December 2024 are listed below:

Annual caps for the year ending 31 December		
2022 RM	2023 RM	2024 RM
50.0 million	55.0 million	60.0 million

The total value of sales to the Group pursuant to 2022 Chye Seng Huat Trading Master Purchase Agreement for the year ended 31 December 2023 was RM17.7 million (2022: RM42.4 million).

For details of the information with respect to the continuing connected transactions mentioned above, please refer to the disclosure as set out in the section headed "Connected Transactions" of the Prospectus and the announcement of the Company dated 7 March 2022. The non-exempt continuing connected transactions in respect of the new Master Purchase Agreements has been obtained independent shareholders' approval at the extraordinary general meeting of the Company held on 14 May 2022.

CONFIRMATION BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors have reviewed each of the above mentioned continuing connected transactions and confirmed that:

1. the transactions stated in the section headed "–Exempt Continuing Connected Transactions" in this annual report have been generated during the Group's ordinary and usual course of business on normal commercial terms (or more favorable than normal commercial terms available for the Group), and that the terms of such transactions are fair and reasonable, and are in the interests of the Company and its shareholders as a whole; and
2. the transactions and annual caps/proposed annual caps stated in this section headed "–Non-exempt Continuing Connected Transactions" in this annual report have been generated during the Group's ordinary and usual course of business on normal commercial terms (or more favorable than normal commercial terms available for the Group), and that the terms of such transactions are fair and reasonable, and are in the interests of the Company and its shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules.

RELATED PARTY TRANSACTIONS

During FYE2023, the aggregate amount of unsecured loans provided by the directors of the Company's subsidiaries to the Group was RM5,652,000, as it is conducted on normal commercial terms or better and the Group's assets were not secured and therefore were fully exempted from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

Saved as disclosed in page 65 to 71 of this report and note 29(c) to the consolidated financial statements as mentioned above, the related party transactions disclosed in Note 29 to the consolidated financial statements do not constitute the connected transaction or continuing connected transaction of the Group. The Directors confirm that for connected transaction and continuing connected transaction, the Company has complied with disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Directors' Report

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 21 to 33 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued share capital, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, are held by the public at all times as of the date of this report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2023 have been audited by PricewaterhouseCoopers, Certified Public Accountants, who retire and being eligible, offer themselves for reappointment at the forthcoming annual general meeting.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the Group. During the year ended 31 December 2023, there was no material breach of, or non-compliance, with applicable laws and regulations by the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Due to the nature of our business that only sorting, bundling and shredding are involved in our processing, our Group does not generally generate industrial pollutants and had not incurred any cost of compliance with applicable Malaysian environmental protection laws, rules and regulations. Our Group had no material non-compliance issue in respect of any applicable Malaysian environmental protection laws, rules and regulations. As advised by our Malaysian Legal Advisers, our Directors do not expect any environmental issue in relation to the scrapyards where our Group carries out processing. The Group will continue to commit to its social responsibilities and exert its advantages as an environmental protection enterprise and make consistent efforts to forage an environment with blue sky and white clouds.

Details of the environment, social responsibilities and governance of the Company are set out in the Environmental, Social and Governance Report on page 34 to page 52 of this annual report.

CLOSURE OF REGISTER OF MEMBERS FOR 2024 AGM

The register of members of the Company will be closed from Tuesday, 11 June 2024 to Saturday, 15 June 2024, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting to be held on Saturday, 15 June 2024 (the "**2024 AGM**"). In order to be eligible to attend and vote at the 2024 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 pm on Friday, 7 June 2024.

On behalf of the Board

Datuk Sia Kok Chin

28 March 2024

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Heng Hup Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Heng Hup Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 80 to 136, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("**IESBA Code**"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition
- Expected credit loss of trade receivables

Key Audit Matters

Revenue recognition

Refer to notes 2.16 and 5 to the consolidated financial statements.

The Group recognised revenue of RM1,346,983,000 for the year ended 31 December 2023.

The revenue recognised from trading of recycling materials is recognised at the point in time when or as the control of the goods is transferred to the customers, being when the goods are delivered to the customers.

We focus on this area due to the relative significance and high volume of transactions involved for revenue recognised in the consolidated financial statements. As a result, significant audit effort and resources were devoted in this area.

How our audit addressed the Key Audit Matters

Audit procedures performed over this key audit matters were as follows:

We understood, evaluated and tested management's key internal controls in its revenue recognition process.

We performed data analytics in matching the revenue transactions with respective trade receivables and/or cash and bank balances in order to identify non-routine transactions. We inquired management of the rationale over non-routine transactions and assessed its reasonableness by examining relevant supporting documents.

We tested samples of sales transactions by tracing to relevant supporting documents such as goods delivery notes, invoices to customers, and bank statements for settlements of the sales transactions.

Performed cut-off testing on samples of revenue transactions before and after year end to assess whether revenue was recognised in the proper period.

On a sample basis, we circularised confirmations with customers to confirm the unsettled sales outstanding as at year end and performed customers' information verification to confirm their existence.

Based on our work performed, we considered that the revenue recognised are supportable by the available evidence.

Independent Auditor's Report (Continued)

Key Audit Matters

Expected credit loss of trade receivables

Refer to notes 2.6, 3.1(b)(ii) and 18 to the consolidated financial statements.

As at 31 December 2023, the Group had trade receivables of approximately RM187,006,000 which includes a provision of RM1,039,000.

The Group applies the simplified approach to assess the expected credit losses on trade receivables prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. Management applied significant judgment in performing assessment of expected credit losses for trade receivables which takes into account the external default rating of the customers, past repayment or default histories and ongoing business relationship with them. The loss rates are then adjusted to reflect forward-looking information affecting the ability of the customers to settle the receivables.

We focused on this area due to the relative significance of gross trade receivables balance at the year end date and the estimation of the expected credit loss involves significant judgement and estimate.

How our audit addressed the Key Audit Matters

Audit procedures performed over this key audit matter were as follows:

We understood and evaluated the management's internal controls and assessment process of expected credit losses of trade receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity, changes and susceptibility to management bias or fraud.

We performed retrospective review by evaluating the outcome of prior period assessment of expected credit losses of trade receivables to assess the effectiveness of management's estimation process.

We discussed with management to understand the significant judgement and assumptions used in calculating the expected credit losses of the trade receivables.

We assessed the appropriateness of the provision model and forward-looking information applied in the calculation of the expected credit losses, and held discussion with management to understand the factors they have considered.

We evaluated the basis of provision made by management with the assistance of our in-house valuation expert.

We tested mathematical accuracy of the provision model used.

Based on our work performed, we considered that the provision made by management in relation to the expected credit losses of trade receivables were supportable by the available evidence.

Independent Auditor's Report (Continued)

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon. We have obtained some of the other information including the Management Discussion and Analysis, Corporate Governance Report and Directors' Report prior to the date of this auditor's report. The remaining information, including Corporate Information, Five Years Financial Highlights, Chairman's Statement, Company Profile, Directors and Senior Management Team and Environmental, Social and Governance Report, are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining other information to be included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee and take appropriate action considering our legal rights and obligations.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report (Continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor's Report (Continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yuen Shin Fong.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 31 December 2023

	Notes	2023 RM'000	2022 RM'000
Revenue	5	1,346,983	1,404,575
Cost of Sales	8	(1,269,904)	(1,352,246)
Gross profit		77,079	52,329
Other income	6	1,605	6,411
Other losses, net	7	(572)	(1,568)
Distribution and selling expenses	8	(31,683)	(25,755)
Administrative expenses	8	(28,552)	(24,945)
Operating profit		17,877	6,472
Finance income		666	249
Finance cost		(4,194)	(2,446)
Finance cost, net	10	(3,528)	(2,197)
Profit before income tax		14,349	4,275
Income tax expense	11	(6,111)	(2,800)
Profit and total comprehensive income for the year		8,238	1,475
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		8,540	2,381
Non-controlling interest		(302)	(906)
		8,238	1,475
Earnings per share attributable to owners of the Company for the year (expressed in sen per share)			
- Basic and diluted earnings per share	13	0.85	0.24

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023



	Notes	2023 RM'000	2022 RM'000
Assets			
Non-current assets			
Goodwill	34	964	-
Property, plant and equipment	14	31,828	22,760
Intangible asset	15	276	305
Investment properties	16	5,895	5,953
Deposits	18	17,636	17,636
Right-of-use assets	24	23,980	21,359
Deferred income tax assets	25	876	1,118
		81,455	69,131
Current Assets			
Inventories	17	68,022	49,404
Trade and other receivables	18	204,024	125,091
Current income tax recoverable		3,319	4,175
Pledged bank deposits	19	5,561	5,437
Cash and bank balances	20	19,725	25,218
		300,651	209,325
Total assets		382,106	278,456
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	21	5,206	5,206
Share premium		49,306	49,306
Capital reserve		29,487	29,487
Retained earnings		129,298	120,758
		213,297	204,757
Non-controlling interest		(707)	(977)
Total Equity		212,590	203,780

Consolidated Statement of Financial Position (Continued)

As at 31 December 2023

	Notes	2023 RM'000	2022 RM'000
Non-current liabilities			
Borrowings	23	16,862	12,894
Lease liabilities	24	1,858	829
Deferred income tax liabilities	25	818	646
		19,538	14,369
Current Liabilities			
Trade and other payables	22	66,894	19,382
Current income tax liabilities		-	463
Borrowings	23	81,535	39,393
Lease liabilities	24	1,549	1,069
		149,978	60,307
Total liabilities		169,516	74,676
Total equity and liabilities		382,106	278,456

The consolidated financial statements on pages 80 to 136 were approved and authorised for issue by the Board of Directors on 28 March 2024 and are signed on its behalf by:

Datuk Sia Kok Chin
Director

Mr. Sia Kok Seng
Director

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year ended 31 December 2023

	Attributable to owners of the Company					Non-controlling interest	Total equity
	Share capital	Share premium	Capital reserve	Retained earnings	Total equity		
	(Note 21) RM'000	RM'000	RM'000	RM'000	RM'000		
As at 1 January 2022	5,206	49,306	29,487	122,844	206,843	(71)	206,772
Net profit and total comprehensive income for the year, net of tax	-	-	-	2,381	2,381	(906)	1,475
Dividends (Note 12)	-	-	-	(4,467)	(4,467)	-	(4,467)
As at 31 December 2022 and 1 January 2023	5,206	49,306	29,487	120,758	204,757	(977)	203,780
Net profit and total comprehensive income for the year, net of tax	-	-	-	8,540	8,540	(302)	8,238
Non-controlling interests arising from business acquisition (Note 34)	-	-	-	-	-	572	572
As at 31 December 2023	5,206	49,306	29,487	129,298	213,297	(707)	212,590

The above consolidated statement of changes in equity should be read in conjunction with accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year ended 31 December 2023

	Notes	2023 RM'000	2022 RM'000
Cash flow from operating activities			
Cash (used in)/generated from operations	32	(33,885)	16,144
Tax paid		(5,139)	(9,364)
Net cash (used in)/generated from operating activities		(39,024)	6,780
Cash flows from investing activities			
Purchases of property, plant and equipment	14	(10,773)	(7,752)
Purchases of intangible asset	15	(76)	(67)
Proceeds from disposal of property, plant and equipment	32	569	317
Interests received		666	249
Placement of pledged bank deposits		(124)	(92)
Acquisition of a subsidiary		(1,055)	-
Repayment of advances to an associate		-	303
Addition in right-of-use assets		-	(9,744)
Net cash used in investing activities		(10,793)	(16,786)
Cash flows from financing activities			
Interests paid		(4,194)	(2,446)
Drawdown of borrowings		47,037	21,260
Repayments of borrowings		(2,687)	(4,331)
Principal elements of lease payments		(1,512)	(951)
Dividends paid		-	(4,467)
Loan from directors		5,652	-
Net cash generated from financing activities		44,296	9,065
Net decrease in cash and cash equivalents		(5,521)	(941)
Effect of exchange rate fluctuation on cash held		28	(190)
Cash and cash equivalent at the beginning of year		25,218	26,349
Cash and cash equivalents at the end of year	20	19,725	25,218

The above consolidated statement of cash flows should be read in conjunction with accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2023

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, iron-ore and other scraps in Malaysia.

The Company’s ultimate holding company is 5S Holdings (BVI) Limited. The ultimate controlling parties 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 MATERIAL 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 IFRS Accounting 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 IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)**2.1 Basis of preparation** (Continued)**(a) New standard and amendments to existing standards adopted by the Group**

The Group has applied the following new standard and amendments to existing standards which are mandatory effective for annual period beginning on 1 January 2023 for the preparation of the Group's audited consolidated financial statements:

IAS 1 and IFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
IAS 8 (Amendments)	Definition of Accounting Estimates
IAS 12 (Amendments)	Deferred income tax related to assets and liabilities arising from a single transaction
IFRS 17	Insurance Contracts
IAS 12 (Amendments)	International Tax Reform – Pillar Two Model Rules

The application of the new standard and amendments to existing standards in the current period did not have any material impact to the Group's financial positions and performance for the current and prior period, nor on the disclosures set out in these audited consolidated financial statements.

(b) Amendments to standards not yet adopted by the Group

A number of amendments to standards have been issued but not effective for continuing period beginning on 1 January 2024 and have not been early adopted by the Group in preparing the audited consolidated financial statements:

		Effective for annual periods beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current	1 January 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The above amendments to standards are not expected to have any significant impact on the consolidated financial statements of the Group.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)**2.2 Subsidiaries****2.2.1 Consolidation**

A subsidiary is an 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.

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.

2.3 Foreign currency translation**(a) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in RM, which is the Company's functional and the Group's presentation currency.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.3 Foreign currency translation (Continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

2.4 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated lives, as follows:

Plant and machinery	10% – 20%
Office furniture and equipment	10% – 40%
Motor vehicles	20%
Fixtures and fittings	10%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.5).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other losses, net' in the consolidated statement of comprehensive income.

Construction in progress ("CIP") represents property, plant and equipment under construction or pending installation, and is stated at cost less impairment losses. Cost comprises all direct costs of construction. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)**2.5 Impairment of non-financial assets**

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.6 Financial assets**2.6.1 Classification**

The Group classifies its financial assets under the amortised cost category. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.6.2 Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

2.6.3 Debt instruments measured at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

2.7 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.8 Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires the Group to recognise the lifetime expected credit losses. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to its recognised amount is recognised in profit or loss, included within 'Other losses, net' in the consolidated statement of comprehensive income.

Expected credit losses are a probability-weighted estimate of credit losses (i.e., the present value of all cash shortfalls) over the expected life of the trade receivables. Expected credit losses on trade receivables are calculated by using the provision matrix approach. Trade receivables are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

Trade and other receivables are written off (either partially or in full) when there is no reasonable expectation of recovery.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- (i) Cost of trading goods and raw materials are determined using the weighted average basis. The cost of purchase of inventories comprises the purchase price, transport, handling, and other costs directly attributable to the acquisition of inventories. Trade discounts, rebates and other similar items are deducted in determining the cost of purchase.
- (ii) Cost of finished goods included cost of direct materials and labour, other direct costs and a proportion of production overheads based on normal operating capacity. These costs are assigned on a standard cost basis.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

**2 SUMMARY OF MATERIAL ACCOUNTING POLICIES** (Continued)**2.10 Trade and other receivables**

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See Note 2.6.2 for further information about the Group's accounting for trade receivables and Note 2.8 for the description of the impairment policies.

2.11 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents in the consolidated statement of cash flows.

2.12 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)***2.14 Borrowing costs**

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.15 Earnings per share**(a) Basic earnings per share**

Basic earnings per share is calculated by dividing:

- The profit attributable to equity owners of the Company, excluding any costs of servicing equity other than ordinary shares.
- By the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- The after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.16 Current and deferred income tax

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries and associates operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred income tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the parent and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)**2.17 Employee benefits****(a) Defined contribution plans**

For defined contribution plans, the Group pays contributions to Employees Provident Fund, a federal statutory body under the purview of the Ministry of Finance, Malaysia, on a mandatory, contractual or voluntary basis. The monthly contributions are determined based on the rates set out in the third schedule of the Employees Provident Fund Act 1991, Malaysia. No forfeited contributions may be used to reduce the existing level of contributions.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(d) Bonus plan

The Group recognises a provision for bonus when contractually obligated or when there is a past practice that have created a constructive obligation.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.18 Revenue recognition

Revenue is recognised when or as the control of the goods is transferred to the customers, being when the goods are delivered to the customers.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

2.19 Leases

(a) As the lessee

Leases are recognised as right-of-use ('ROU') asset and a corresponding liability at the date on which the leased asset is available for use by the Group (i.e., the commencement date).

Lease term

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities.

ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)**2.19 Leases** (Continued)**(a) As the lessee** (Continued)**Lease liabilities**

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU assets in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group presents the lease liabilities as a separate line item in the consolidated statement of financial position. Interest expense on the lease liability is presented within the finance cost in consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.19 Leases (Continued)

(a) As the lessee (Continued)

Reassessment of lease liabilities

The Group is also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

Short-term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture and equipment. Payments associated with short-term leases of equipment and all leases of low-value assets are recognised as an expense in profit or loss.

(b) As the lessor

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated financial position based on their nature.

2.20 Dividends distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's major financial instruments include trade and other receivables, pledged bank deposits, cash and cash equivalents, trade and other payables, borrowings and lease liabilities. Details of the financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Market risk

(i) Foreign currency risk

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. Therefore, the Group is not exposed to significant foreign currency risk.

(ii) Interest rate risk

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

If the interest rate on borrowings excluding hire purchase and leases liabilities has increased/decreased by 100 basis points with all other variables held constant, pre-tax profit would have been approximately RM941,000 (2022: RM482,000) lower/higher for the year ended 31 December 2023.

If interest rates on hire purchase liabilities had been 100 basis points higher/lower with all variables held constant, pre-tax profit would have been approximately RM43,000 (2022: RM41,000) higher/lower for the year ended 31 December 2023, mainly as a result of a decrease/increase in the fair value of the hire purchase liabilities.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

The credit risk of the Group mainly arises from cash and bank balances, pledged bank deposits and trade and other receivables. 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. It also takes into consideration all available, reasonable and supportable forward-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 of the individual debtor
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the Group and changes in the operating results of the debtor

(i) Credit risk of cash and bank balances and pledged bank deposits

To manage this risk arising from cash and bank deposits and pledged 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 are close to zero.

(ii) Credit risk of trade receivables

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 credit risk characteristics, open market credit rating and forward-looking information to measure the expected credit losses. As at the year ended 31 December 2023, the Group has trade receivables balance of RM187,006,000 (2022: RM111,809,000) and the overall expected losses rate is 0.6% (2022: 1.1%). The provision for trade receivables as at 31 December 2023 is RM1,039,000 (2022: RM1,232,000).

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

3 FINANCIAL RISK MANAGEMENT (Continued)**3.1 Financial risk factors** (Continued)**(b) Credit risk** (Continued)**(ii) Credit risk of trade receivables (Continued)**

The bad debt written off during the financial year ended 31 December 2023, amounted to RM31,000 (2022: RM26,000).

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 31 December 2023, 77% (2022: 84%) of its total trade receivables was due from these group of customers. As the Group is one of a few approved scrap metal providers to the steel mill customers and based on the past repayment history, open market credit rating of customers and forward-looking estimates, the directors believe that the credit risk inherent in the Group's outstanding trade receivables from these group of customers is low.

See Note 18 to the consolidated financial statements for the movement for provision of loss allowance for trade receivables.

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 minimal.

(iii) Credit risk of other receivables

Other debt instruments at amortised cost include other receivables.

As at 31 December 2023 and 2022, all of these financial assets are considered to have low credit risk, and thus the impairment provision recognised during the years was limited to 12 months expected losses. Management considered other receivables from third parties to be low credit risk when they have a low risk of default and the issuer has sufficient capacity to meet its contractual cash flow obligations in the near term. The Group has assessed that the 12 months expected credit losses for these receivables are minimal, and thus, no loss allowance provision was recognised during the years ended 31 December 2023 and 2022.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

3 FINANCIAL RISK MANAGEMENT (Continued)**3.1 Financial risk factors (Continued)****(c) Liquidity risk**

Cash flow forecasting is performed by the operating entities of the Group and aggregated by group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. 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.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year RM'000	Between 1 and 5 years RM'000	Over 5 years RM'000
At 31 December 2023			
Non-derivative financial liabilities			
Borrowings ¹	82,181	12,612	5,869
Lease liabilities ¹	1,655	1,914	33
Trade and other payables	66,894	-	-
	150,730	14,526	5,902
At 31 December 2022			
Non-derivative financial liabilities			
Borrowings ¹	40,053	8,506	6,827
Lease liabilities ¹	1,135	852	-
Trade and other payables	19,382	-	-
	60,570	9,358	6,827

¹ The amounts include interest payable.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023



3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remained unchanged from prior years.

The capital structure of the Group consists of debt, which includes borrowings as disclosed in Note 23, net of cash and cash equivalents and equity attributable to owners of the Company, comprising capital and reserves.

The directors of the Company review the capital structure periodically. The directors of the Company also balance the overall capital structure through the payment of dividends and new share issues, if any. No changes were made in the objectives, policies or processes during the year ended 31 December 2023.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total equity. Total debt is calculated as total borrowings, including current and non-current borrowings and total lease liabilities, as shown in the Note 23 and Note 24 respectively to the consolidated financial statements.

The gearing ratios of the Group were as follows:

	2023 RM'000	2022 RM'000
Total borrowings (Note 23)	98,397	52,287
Total lease liabilities (Note 24)	3,407	1,898
	101,804	54,185
Total equity	212,590	203,780
Gearing ratio	47.9%	26.6%

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Measurement of ECL allowance for financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of reporting period. Details of the key assumptions and inputs used are disclosed in Note 3.1(b).

(b) Current income tax

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain, such as taxability of income, deductibility of expenses and etc. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences would impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(c) Provision for impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of property, plant and equipment and right-of-use assets have been determined based on value-in-use calculations, taking into account latest market information and past experience. These calculations and valuations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable, (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business, and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023



4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(d) Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. Management reassesses the estimation at the end of each reporting period.

5 REVENUE AND SEGMENT INFORMATION

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

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 team led by the Group's chief executive officer. The executive directors and senior management team 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 years ended 31 December 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 31 December 2023 and 2022, all non-current assets were all located in Malaysia.

(c) Major customers

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

	2023 RM'000	2022 RM'000
Customer 1	722,142	627,551
Customer 2	252,536	573,488

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

6 OTHER INCOME

	2023	2022
	RM'000	RM'000
Provision for logistic service income	-	4,129
Rental income (Note 16)	571	437
Compensation received	4	143
Processing fees income	-	1,080
Handling fee	303	465
Others	727	157
	1,605	6,411

7 OTHER LOSSES, NET

	2023	2022
	RM'000	RM'000
Other losses, net		
Property, plant and equipment written-off (Note 14)	(88)	(16)
Gain on disposal of property, plant and equipment	161	69
Reversal of provision for loss allowance on trade receivables (Note 18)	193	73
Foreign exchange losses, net	(19)	(103)
Write-off of downpayment to suppliers	(801)	(1,358)
Write-off of investment in an associate	-	(6)
Write-off of amount due from an associate	-	(113)
Reversal of impairment loss/(impairment loss) on investment property (Note 16)	13	(88)
Write-off of trade receivables	(31)	(26)
Other losses, net	(572)	(1,568)

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

**8 EXPENSES BY NATURE**

	2023	2022
	RM'000	RM'000
Cost of trading goods sold (Note 17)	1,246,843	1,337,299
Employee benefit expenses (Note 9)	25,868	20,502
Depreciation expenses		
– property, plant and equipment (Note 14)	6,007	5,232
– right-of-use assets (Note 24)	1,817	1,349
– investment properties (Note 16)	71	71
Amortisative expenses		
– intangible asset (Note 15)	105	176
Auditors' remuneration		
– audit services	1,190	532
– non-audit services	86	53
Transportation costs	22,520	18,178
Lease expenses relating to		
– low value assets (Note 24)	437	131
– short-term leases (Note 24)	128	479
Repair and maintenance expenses	5,791	5,281
Legal and professional fees	788	938
Secretarial fees	228	356
Custom duty	731	622
Subcontractor labour charge	707	1,012
Other expenses	16,822	10,735
Total cost of sales, distribution and selling expenses and administrative expenses	1,330,139	1,402,946

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2023	2022
	RM'000	RM'000
Directors' fees	660	657
Salaries, bonus and other allowance	22,632	16,558
Contribution to defined contribution plans	1,810	2,276
Other employee benefit	766	1,011
Employee benefit expenses (Note 8)	25,868	20,502

The five individuals whose emoluments were the highest in the Group for the year are five executive directors whose emoluments are reflected in the analysis shown in Note 30(a).

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

10 FINANCE COSTS, NET

	2023	2022
	RM'000	RM'000
Interest income from bank deposits	666	249
Interest expense on bank borrowings	(3,822)	(2,061)
Interest expense on hire purchase liabilities	(260)	(282)
Interest expense on lease liabilities	(96)	(65)
Interest expense on bank overdraft	(16)	(38)
Finance costs	(4,194)	(2,446)
Finance costs, net	(3,528)	(2,197)

11 INCOME TAX EXPENSE

Malaysian corporate income tax has been provided at the rate of 24% (2022: 24%) on the estimated assessable profit for the years ended 31 December 2023 and 2022:

	2023	2022
	RM'000	RM'000
Malaysian corporate income tax:		
- current	5,823	3,135
- over provision in prior year	(102)	(184)
Deferred income tax (Note 25)	5,721	2,951
	390	(151)
Income tax expense	6,111	2,800

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

11 INCOME TAX EXPENSE (Continued)

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

	2023 RM'000	2022 RM'000
Profit before tax	14,349	4,275
Tax at Malaysian corporate income tax rate	3,444	1,026
Effect of difference in tax rate	(8)	(30)
Tax effect of expenses not deductible for tax purpose	2,598	1,988
Effect of temporary differences not recognised in prior year	552	-
Over provision in prior year	(102)	(184)
Income not subject to tax	(373)	-
Income tax expense for the year	6,111	2,800

12 DIVIDENDS

	2023 RM'000	2022 RM'000
In respect of the financial year ended 31 December 2021 - dividend of HK\$0.008 per share paid on 15 July 2022	-	4,467

At the forthcoming Annual General Meeting, no dividend to be declared for the financial year ended 31 December 2023.

13 EARNINGS PER SHARE

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

	2023	2022
Profit for the year attributable to the owners of the Company (RM'000)	8,540	2,381
Number of shares:		
Weighted average number of shares issued	1,000,000,000	1,000,000,000
Basic earnings per share (expressed in sen per share)	0.85	0.24

As at 31 December 2023 and 31 December 2022, the Company had no outstanding potentially dilutive shares, hence there was no diluted earnings per share.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

14 PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery RM'000	Office furniture and equipment RM'000	Motor vehicles RM'000	Fixture and fittings RM'000	Construction in progress RM'000	Total RM'000
1 January 2022						
Cost	16,911	3,402	21,395	654	192	42,554
Accumulated depreciation	(8,457)	(2,245)	(12,941)	(363)	-	(24,006)
Net book amount	8,454	1,157	8,454	291	192	18,548
Year ended 31 December 2022						
Opening net book amount	8,454	1,157	8,454	291	192	18,548
Additions	3,433	1,482	3,903	860	30	9,708
Disposal	-	-	(248)	-	-	(248)
Written-off (Note 7)	-	(16)	-	-	-	(16)
Depreciation charge (Note 8)	(1,674)	(422)	(3,005)	(131)	-	(5,232)
Closing net book amount	10,213	2,201	9,104	1,020	222	22,760
As at 31 December 2022						
Cost	20,982	5,071	23,448	1,608	222	51,331
Accumulated depreciation	(10,769)	(2,870)	(14,344)	(588)	-	(28,571)
Net book amount	10,213	2,201	9,104	1,020	222	22,760

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Plant and machinery RM'000	Office furniture and equipment RM'000	Motor vehicles RM'000	Fixture and fittings RM'000	Construction in progress RM'000	Total RM'000
1 January 2023						
Cost	20,982	5,071	23,448	1,608	222	51,331
Accumulated depreciation	(10,769)	(2,870)	(14,344)	(588)	-	(28,571)
Net book amount	10,213	2,201	9,104	1,020	222	22,760
Year ended 31 December 2023						
Opening net book amount	10,213	2,201	9,104	1,020	222	22,760
Additions	3,272	1,312	3,436	724	3,790	12,534
Acquisition of a subsidiary	1,908	38	868	142	81	3,037
Disposal	-	(4)	(343)	-	(61)	(408)
Written-off (Note 7)	(14)	(30)	-	(44)	-	(88)
Depreciation charge (Note 8)	(1,902)	(486)	(3,391)	(228)	-	(6,007)
Closing net book amount	13,477	3,031	9,674	1,614	4,032	31,828
As at 31 December 2023						
Cost	28,843	6,470	28,897	2,527	4,032	70,769
Accumulated depreciation	(15,366)	(3,439)	(19,223)	(913)	-	(38,941)
Net book amount	13,477	3,031	9,674	1,614	4,032	31,828

The Group has pledged certain property, plant and equipment to secure banking facilities granted to the Group during the year ended 31 December 2023 and 2022 (Note 26).

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation expense is charged in the consolidated statement of comprehensive income as follows:

	2023 RM'000	2022 RM'000
Cost of sales	2,054	1,721
Distribution and administrative expenses	3,953	3,511
	6,007	5,232

Acquisitions of property, plant and equipment during the financial year were financed by:

	2023 RM'000	2022 RM'000
Payment by cash	10,773	7,752
Hire purchase liabilities	1,761	1,956
	12,534	9,708

Net book value of certain plant and machinery and motor vehicles which are under hire purchase arrangements are as follows:

	2023 RM'000	2022 RM'000
Cost	10,989	10,557
Accumulated depreciation	(7,350)	(2,956)
	3,639	7,601

The terms of the hire purchase arrangements are between 2 to 5 years.

15 INTANGIBLE ASSET

	2023 RM'000	2022 RM'000
Software:		
At 1 January	305	414
Additions	76	67
Amortisation	(105)	(176)
At 31 December	276	305

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

16 INVESTMENT PROPERTIES

	2023	2022
	RM'000	RM'000
Freehold lands		
At 1 January/31 December	3,345	3,345
Property investments - commercial		
At 1 January	2,608	2,767
Depreciation	(71)	(71)
Reversal impairment/(impairment loss) on investment property revaluation	13	(88)
At 31 December	5,895	5,953
Fair value	7,334	7,334

Notes:

- (i) The above "property investments - commercial", which are located in Malaysia for the year ended 31 December 2023 are depreciated on a straight-line basis over the remaining useful lives. The remaining balance of carrying amount include freehold land held for appreciation.
- (ii) The Group has pledged certain investment properties to secure banking facilities granted to the Group during the year ended 31 December 2023 (Note 26).
- (iii) Rental income from these investment properties for the year ended 31 December 2023 amounted to RM571,000 (2022: RM437,000).
- (iv) Depreciation expense has been charged to administrative expenses.
- (v) The fair value of investment property is determined by external, independent property valuer, having appropriate recognised professional qualification and recent experience in the location and category of property been valued.

17 INVENTORIES

	2023	2022
	RM'000	RM'000
Trading goods	53,151	49,404
Raw materials	8,415	-
Finished goods	6,456	-
	68,022	49,404

During the financial year ended 31 December 2023, the amount of inventories recognised as an expense in cost of sales of the Group was RM1,246,843,000 (2022: RM1,337,299,000).

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

18 TRADE AND OTHER RECEIVABLES

	2023	2022
	RM'000	RM'000
<u>Non-current</u>		
Deposits for acquisition of land*	17,636	17,636
<u>Current</u>		
Trade receivables	187,006	111,809
Less: provision for loss allowance	(1,039)	(1,232)
	185,967	110,577
Other receivables	2,201	527
Deposits and prepayments	5,128	3,003
Downpayment to suppliers	10,630	10,885
Other tax receivables	98	99
	204,024	125,091
	221,660	142,727

* On 3 March 2022 the Group entered into a 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 and paid a refundable deposit of RM17,636,000. 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 date of this report.

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:

	2023	2022
	RM'000	RM'000
0 – 30 days	139,127	96,668
31 – 60 days	16,261	14,671
61 – 120 days	29,671	468
Over 120 days	1,947	2
	187,006	111,809

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

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

18 TRADE AND OTHER RECEIVABLES (Continued)

See Note 3.1(b)(ii) for the details of expected credit losses measurements.

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

	2023 RM'000	2022 RM'000
At 1 January	1,232	1,305
Reversal of loss allowance on trade receivables	(193)	(73)
At 31 December	1,039	1,232

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

19 PLEDGED BANK DEPOSITS

Pledged bank deposits represents deposits pledged to banks to secure general banking facilities granted to the Group (Note 26).

20 CASH AND BANK BALANCES

	2023 RM'000	2022 RM'000
Cash at bank and on hand	18,151	18,272
Short-term bank deposits with maturity of 3 months or less	1,574	6,946
Cash and bank balances	19,725	25,218

The carrying amounts of the Group's cash and bank balances are denominated in the following currencies:

	2023 RM'000	2022 RM'000
- Ringgit Malaysia (RM)	16,639	22,159
- United States Dollar (USD)	2,731	1,424
- Singapore Dollar (SGD)	315	1,466
- Hong Kong Dollar (HKD)	36	36
- Chinese Renminbi (RMB)	4	133
	19,725	25,218

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

21 SHARE CAPITAL

	2023 Number of shares in thousand	2023 Share capital RM'000	2022 Number of share in thousand	2022 Share capital RM'000
Authorised:				
At beginning and end of the year	2,000,000	10,406	2,000,000	10,406
Issued:				
At beginning and end of the year	1,000,000	5,206	1,000,000	5,206

22 TRADE AND OTHER PAYABLES

	2023 RM'000	2022 RM'000
Trade payables	43,391	9,942
Accrued payroll liabilities	8,642	5,976
Loans from directors (Note)	5,652	-
Other payables and accruals	9,209	3,464
	66,894	19,382

Note: The loans from directors are unsecured, repayable on demand at mutually agreed interest rates.

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

	2023 RM'000	2022 RM'000
- Ringgit Malaysia (RM)	43,391	9,026
- United States Dollar (USD)	-	916
	43,391	9,942

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

	2023 RM'000	2022 RM'000
0 - 30 days	37,735	9,853
31 - 60 days	1,634	10
61 - 120 days	2,669	-
Over 120 days	1,353	79
	43,391	9,942

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

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

23 BORROWINGS

	2023	2022
	RM'000	RM'000
Non-current		
Bank borrowings		
– Term loans (Note a)	13,983	10,178
Hire purchase liabilities (Note b)	2,879	2,716
	16,862	12,894
Current		
Bank borrowings		
– Term loans (Note a)	3,017	1,143
– Bankers acceptance facilities (Note c)	77,057	36,894
	80,074	38,037
Hire purchase liabilities (Note b)	1,461	1,356
	81,535	39,393
Total borrowings	98,397	52,287

All borrowings are denominated in Ringgit Malaysia (RM).

Certain bank borrowings were secured by property, plant and equipment, right-of-use assets, investment properties and pledged bank deposits of the Group as at 31 December 2023 and 2022 (Note 26).

As at 31 December 2023, the Group had aggregate banking facilities of approximately RM308,213,900 (2022: RM228,056,000). Unused facilities amounted to approximately RM207,343,141 (2022: RM174,527,000) as at 31 December 2023.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

23 BORROWINGS (Continued)**(a) Term loans**

Term loans mature at various dates up to 2031.

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

	2023 RM'000	2022 RM'000
Within 1 year	3,017	1,143
Between 1 and 2 years	3,028	1,151
Between 2 and 5 years	5,562	3,136
Over 5 years	5,393	5,891
	13,983	10,178
	17,000	11,321

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

	2023 % (p.a)	2022 % (p.a)
Interest rates	5.13 - 6.89	5.25 - 6.64

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

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

**23 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.

	2023 RM'000	2022 RM'000
Gross hire purchase liabilities		
- minimum lease payments		
Not later than 1 year	1,665	1,559
Later than 1 year and not later than 5 years	3,068	2,933
	4,733	4,492
Future finance charges on hire purchase	(393)	(420)
	4,340	4,072
Total present value of hire purchase is as follows:		
Not later than 1 year	1,461	1,356
Later than 1 year and not later than 5 years	2,879	2,716
	4,340	4,072

(c) Bankers acceptance facilities

Bankers acceptance facilities mature within 60 days.

Bankers acceptance facilities are utilised by the Group to finance sales and purchase of goods to selected customers and suppliers approved by the bank up to 80% of the documentary invoice values.

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

	2023 % (p.a)	2022 % (p.a)
Interest rates	4.25 - 5.06	4.20 - 4.90

The carrying amounts of the bankers acceptance facilities approximate their fair values.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

24 LEASES

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

	2023	2022
	RM'000	RM'000
Right-of-use (ROU) assets		
Leasehold lands	23,762	21,137
Leasehold property	218	222
	23,980	21,359
Lease liabilities		
Non-current portion	1,858	829
Current portion	1,549	1,069
	3,407	1,898

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

	2023	2022
	RM'000	RM'000
At 1 January	21,359	11,333
Additions to the ROU assets during the financial year	3,021	11,375
Effect on acquisition of a subsidiary – leasehold property	1,417	–
Depreciation charge	(1,817)	(1,349)
As 31 December	23,980	21,359

Notes:

As at 31 December 2023 and 2022, certain leasehold lands were pledged to banks to secure the banking facilities granted to the Group (Note 26).

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

**24 LEASES** (Continued)

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

	2023 RM'000	2022 RM'000
Depreciation expense of ROU assets	1,817	1,349
Interest expense (Note 10)	96	65
Expenses relating to leases of low-value assets (included in distribution and selling expenses and administrative expenses)	437	131
Expenses relating to lease of short-term lease (including in cost of sales)	128	479

(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. The unexpired lease periods of the leasehold land of the Group which were included under right-of-use assets ranges from 27 to 82 years.

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.

25 DEFERRED INCOME TAX ASSETS/(LIABILITIES)

	2023 RM'000	2022 RM'000
Deferred income tax assets	876	1,118
Deferred income tax liabilities	(818)	(646)
	58	472

The movement in deferred income tax assets and liabilities during the 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	Unabsorbed losses RM'000	Total RM'000
At 1 January 2022	(1,548)	1,869	-	321
(Charged)/credited to the consolidated statements of comprehensive income (Note 11)	(425)	576	-	151
At 31 December 2022	(1,973)	2,445	-	472
Effect on acquisition of a subsidiary (Charged)/credited to the consolidated statements of comprehensive income (Note 11)	(69)	-	45	(24)
	(663)	95	178	(390)
At 31 December 2023	(2,705)	2,540	223	58

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

26 PLEDGES OF ASSETS

As at 31 December 2023 and 2022, the Group had pledged the following assets to banks to secure certain bank borrowings and general banking facilities granted to the Group (Note 23):

	2023 RM'000	2022 RM'000
Property, plant and equipment	533	610
Right-of-use assets	19,017	19,577
Investment properties	5,320	5,365
Pledged bank deposits	5,561	5,437
	30,431	30,989

27 CAPITAL COMMITMENTS

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

	2023 RM'000	2022 RM'000
Capital expenditure contracted for but not provided in respect of: - purchase of 2 adjoining pieces of vacant land (Note 18)	11,757	11,757

28 FINANCIAL INSTRUMENTS BY CATEGORY

	2023 RM'000	2022 RM'000
Assets as per consolidated statements of financial position		
<u>Financial assets at amortised cost</u>		
Trade and other receivables excluding prepayments, downpayment to suppliers	208,736	130,101
Pledged bank deposits	5,561	5,437
Cash and bank balances	19,725	25,218
	234,022	160,756
Liabilities as per consolidated statements of financial position		
<u>Financial liabilities at amortised cost</u>		
Borrowings	98,397	52,287
Lease liabilities	3,407	1,898
Trade and other payables	66,894	19,382
	168,698	73,567

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023



29 RELATED PARTIES TRANSACTIONS

The Group is controlled by 5S Holdings (BVI) Limited which owns 68.17% of the Company's shares. The remaining 31.83% of shares are widely held. The ultimate controlling parties of the Group are the five directors of the Company namely, Datuk Sia Kok Chin, Datuk Sia Keng Leong, Sia Kok Seng, Sia Kok Heong and Sia Kok Chong.

(a) Transactions

In addition to those disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year ended 31 December 2023. The related party transactions described below were carried out on terms and conditions negotiated and agreed between the Group and the related parties.

	2023 RM'000	2022 RM'000
Handling fee charged to associate – Heng Hup Chiho	-	465

(b) Key management compensation

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly. Key management includes all directors of the Company. The compensations paid or payable to key management for employee services are shown in Note 30(a).

(c) Year-end balances

	2023 RM'000	2022 RM'000
Amount due to an associate (Note a)	-	(303)
Loans from directors (Note b)	(5,652)	-

Note a: The amount due to an associate is unsecured, interest free with no fixed term of repayment.

Note b: The loans from directors are unsecured, repayable on demand at mutually agreed interest rates.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

30 BENEFITS AND INTERESTS OF DIRECTORS**(a) Directors' emoluments**

The remuneration shown below represents remuneration received by the directors in their capacity as directors of the Group during the years ended 31 December 2023 and 2022.

The remuneration of the directors for the year ended 31 December 2023 is set out below:

	Fees RM'000	Salaries, bonuses and allowances RM'000	Performance incentives RM'000	Employer's contribution to a retirement benefit scheme RM'000	Other benefits RM'000	Total RM'000
Year ended 31 December 2023						
<u>Executive directors</u>						
Sia Kok Seng	72	1,464	90	113	-	1,739
Datuk Sia Kok Chin	72	1,468	90	113	-	1,743
Datuk Sia Keng Leong	72	1,176	90	113	-	1,451
Sia Kok Heong	72	1,172	90	113	-	1,447
Sia Kok Chong	72	1,296	90	113	-	1,571
<u>Independent non-executive directors</u>						
Sai Shiow Yin	100	3	-	-	-	103
Puar Chin Jong	100	3	-	-	-	103
Chu Kheh Wee	100	3	-	-	-	103
	660	6,585	450	565	-	8,260

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

**30 BENEFITS AND INTERESTS OF DIRECTORS** (Continued)**(a) Directors' emoluments** (Continued)

The remuneration of the directors for the year ended 31 December 2022 is set out below:

	Fees RM'000	Salaries, bonuses and allowances RM'000	Performance incentives RM'000	Employer's contribution to a retirement benefit scheme RM'000	Other benefits RM'000	Total RM'000
Year ended 31 December 2022						
<u>Executive directors</u>						
Sia Kok Seng	72	1,179	30	101	-	1,382
Datuk Sia Kok Chin	72	1,181	30	101	-	1,384
Datuk Sia Keng Leong	72	1,061	30	101	-	1,264
Sia Kok Heong	72	1,047	30	101	-	1,250
Sia Kok Chong	72	1,072	30	101	-	1,275
<u>Independent non-executive directors</u>						
Sai Shiow Yin	99	3	-	-	-	102
Puar Chin Jong	99	3	-	-	-	102
Chu Kheh Wee	99	3	-	-	-	102
	657	5,549	150	505	-	6,861

(b) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year ended 31 December 2023 (2022: Nil).

(c) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2023, the Company did not pay consideration to any third parties for making available directors' services (2022: Nil).

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

30 BENEFITS AND INTERESTS OF DIRECTORS (Continued)**(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and controlled entities with such directors**

As at 31 December 2023, there were no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and controlled entities with such directors (2022: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

Except for those transactions disclosed elsewhere in the note to consolidated financial statements, there were no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 2023 (2022: Nil).

31 RENTALS RECEIVABLES UNDER NON-CANCELLABLE OPERATING LEASE

The Group leases out its investment properties under operating leases. The future minimum lease receivable under non-cancellable lease is as follows:

	2023 RM'000	2022 RM'000
Less than 1 year	75	431
1 - 2 years	-	72
	75	503

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

**32 CASH GENERATED FROM OPERATIONS**

Reconciliation from profit before income tax to cash (used in)/generated from operations:

	2023	2022
	RM'000	RM'000
Cash flows from operating activities		
Profit before income tax	14,349	4,275
Adjustments for:		
Finance costs	4,194	2,446
Finance income	(666)	(249)
Reversal of provision for loss allowance on trade receivables	(193)	(73)
Depreciation expenses	7,895	6,652
Amortisation expenses	105	176
Gain on disposal of property, plant and equipment	(161)	(69)
Property, plant and equipment written-off	88	16
Unrealised foreign exchange (gains)/losses, net	(28)	190
Write-off of downpayment to suppliers	801	1,358
Write-off of investment in associates	-	6
Write-off of amount due from associates	-	113
(Reversal)/impairment loss of investment properties	(13)	88
Write-off of trade receivables	31	26
	26,402	14,955
Changes in working capital		
Decrease/(increase) in inventories	(9,908)	7,507
Decrease/(increase) in trade and other receivables	(79,317)	10,013
Increase/(decrease) in trade and other payables	28,938	(16,331)
	(33,885)	16,144

In the consolidated statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	2023	2022
	RM'000	RM'000
Net book amount	408	248
Gains on disposal of property, plant and equipment	161	69
Proceeds from disposal of property, plant and equipment	569	317

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

33 CASH FLOWS FROM FINANCING ACTIVITIES

	Bank borrowings RM'000	Hire purchase liabilities RM'000	Finance lease liabilities RM'000	Total RM'000
At 1 January 2022	29,463	3,939	1,218	34,620
Additions/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 (Finance cost)	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
Additions/Proceeds				
- cash	47,037	-	-	47,037
- non-cash	-	1,761	3,021	4,782
Repayments	(5,033)	(1,753)	(1,608)	(8,394)
Other non-cash movement (Finance cost)	3,838	260	96	4,194
At 31 December 2023	94,057	4,340	3,407	101,804

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

**34 BUSINESS COMBINATION**

On 15 August 2023, the Group completed the acquisition of 51% equity interest in East China Metallurgy Sdn, Bhd. ("ECM"), which is principally engaged in metallurgical processing of iron and steel. Details of the consideration paid, the fair value of net assets acquired and liabilities assumed and the non-controlling interest's proportionate share of the company's net identifiable assets at the acquisition date are as follows:

	RM'000
Purchase consideration	
- Cash	1,556
The assets and liabilities recognised as a result of the acquisition are as follows:	
	Fair value RM'000
Property, plant and equipment (Note 14)	3,037
Right-of-use assets (Note 24)	1,417
Inventories	8,710
Other receivables, prepayments and deposits	445
Cash and cash equivalent	501
Trade payables	(8,251)
Accruals and other payables	(4,671)
Deferred tax liabilities	(24)
Net identifiable assets acquired	1,164
Less: non-controlling interests	(572)
Add: goodwill	964
Purchase consideration	1,556

The goodwill of RM964,000 arising from the acquisition is attributable to the expected synergies arising from the technical know-how and the combined operations of the Group and ECM. None of the goodwill recognised is expected to be deductible for income tax purposes.

The acquired business contributed revenue of approximately RM5.2 million and net loss of approximately RM0.9 million to the Group for the year ended 31 December 2023. Had ECM been consolidated from 1 January 2023, consolidated revenue and net loss of the Group would have been approximately RM5.7 million and RM2.8 million, respectively.

The Group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquire entity's net assets. For the non-controlling interests in ECM, the Group recognise the non-controlling interests at fair value.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

35 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	Notes	2023 RM'000	2022 RM'000
Assets			
Non-current assets			
Investment in a subsidiary	36	39	39
Amounts due from subsidiaries	37	51,624	47,037
		51,663	47,076
Current assets			
Prepayments		184	192
Cash and cash equivalents		116	6,634
		300	6,826
Total assets		51,963	53,902
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		5,206	5,206
Share premium		49,306	49,306
Accumulated loss	(a)	(3,095)	(1,459)
		51,417	53,053
Liabilities			
Current liabilities			
Other payables		485	484
Amount due to a subsidiary		61	365
		546	849
Total equity and liabilities		51,963	53,902

The statement of financial position of the Company was approved by the Board of Directors on 28 March 2024 and was signed on its behalf:

Datuk Sia Kok Chin
Director

Mr. Sia Kok Seng
Director

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

**35 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY***(Continued)***(a) Reserve movement of the Company**

	Share premium RM'000	(Accumulated loss)/retained earnings RM'000	Total equity RM'000
At 1 January 2022	49,306	5,151	54,457
Total comprehensive loss for the year	-	(2,143)	(2,143)
Dividends (Note 12)	-	(4,467)	(4,467)
At 31 December 2022	49,306	(1,459)	47,847
At 1 January 2023	49,306	(1,459)	47,847
Total comprehensive loss for the year	-	(1,636)	(1,636)
At 31 December 2023	49,306	(3,095)	46,211

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

36 INVESTMENT IN SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2023 and 2022 were set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of subsidiaries	Country of incorporation	Issued and paid-up share capital	Group's effective equity interest		Principal activities
			2023	2022	
<u>Directly held:</u>					
Heng Hup (BVI) Limited	British Virgin Islands	10,000 ordinary shares	100%	100%	Investment holding
<u>Indirectly held:</u>					
Heng Hup Holdings (Malaysia) Sdn.Bhd.	Malaysia	1,650 ordinary shares	100%	100%	Investment holding
Heng Hup Metal Sdn. Bhd.	Malaysia	3,541,959 ordinary shares	100%	100%	Trading of scrap ferrous metals, used batteries and other scraps
Heng Hup Hardware (M) Sdn. Bhd.	Malaysia	4,058,774 ordinary shares	100%	100%	Trading of scrap ferrous metals, used batteries and other scraps
Heng Hup Paper Sdn. Bhd.	Malaysia	1,000,000 ordinary shares	100%	100%	Dealing with recycle paper and its related products
Heng Hup Paper (Melaka) Sdn. Bhd.	Malaysia	250,000 ordinary shares	100%	100%	Trading and recycling of paper and other related products
Heng Hup Metal (Johor) Sdn.Bhd.	Malaysia	250,000 ordinary shares	100%	100%	Trading of scrap ferrous metals, used batteries and other scraps
Heng Hup Hardware (Klang) Sdn. Bhd.	Malaysia	1,200,000 ordinary shares	100%	100%	Rerolling, processing and trading of scrap metal
Heng Hup Metal (Singapore) Pte. Ltd.	Singapore	100 ordinary shares	100%	100%	Trading of scrap ferrous metals, used batteries and other scraps.
HH Eco Green Sdn. Bhd. (formerly known as Heng Hup Engineering Sdn. Bhd.)	Malaysia	1,000 ordinary shares	70%	70%	Trading of scrap metal and mix metal
Heng Hup International Pte. Ltd.	Singapore	100 ordinary shares	51%	51%	Dormant
Keat Paper Sdn Bhd	Malaysia	1,000 ordinary shares	66.7%	66.7%	Involving collecting plastic waste, paper waste, metal scrap, recyclable materials and any other relevant description
One Eight Nine One Dot com Sdn. Bhd. (Struck off with effect from 24 March 2023)	Malaysia	1,000 ordinary shares	-	100%	-

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

36 INVESTMENT IN SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation	Issued and paid-up share capital	Group's effective equity interest		Principal activities
			2023	2022	
Heng Hup Resources Sdn. Bhd. ^(a)	Malaysia	100 ordinary shares	60%	-	Trading of minerals and metals
LMT Material Sdn. Bhd. ^(a)	Malaysia	100 ordinary shares	100%	-	Dormant
HH Green Energy Sdn. Bhd. ^(b)	Malaysia	100 ordinary shares	100%	-	Dormant
East China Metallurgy Sdn. Bhd. ^(c)	Malaysia	2,500,000 ordinary shares	51%	-	Involving in metallurgical processing of iron and steel

(a) On 10 April 2023, Heng Hup Resources Sdn. Bhd. and LMT Material Sdn. Bhd. were incorporated with 60% and 100% controlling interest respectively;

(b) On 10 August 2023, HH Green Energy Sdn. Bhd. was incorporated with 100% controlling interest;

(c) On 15 August 2023, the Group completed the acquisition of 51% equity interest in East China Metallurgy Sdn. Bhd..

The non-controlling interests of the above non-wholly owned subsidiaries are individually and not material to the Group.

37 AMOUNTS DUE FROM SUBSIDIARIES

Amounts due from subsidiaries are advances in nature, interest free and unsecured. The Company does not expect repayment of the said advances within the foreseeable future and therefore, the advances can be deemed as capital loan. The terms have been mutually agreed by both parties.

38 SUBSEQUENT EVENT

The Board is not aware of any significant events that have occurred subsequent to the financial year ended 31 December 2023 and up the date of this annual report that would require any disclosure.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

39 SUMMARY OF OTHER ACCOUNTING POLICIES

39.1 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

39.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors and senior management team led by the Group's chief executive officer that makes strategic decisions.

39.3 Intangible asset

Intangible asset is stated at historical cost less accumulated amortisation and impairment losses. Intangible assets are amortised using the straight-line method to allocate the cost of assets to their residual values over their estimated useful lives at the following annual rate:

Software	25%
----------	-----

The residual value of intangible assets are assumed to be zero unless there is a commitment by a third party to purchase the asset at the end of its useful life or there is an active market for the asset and residual value can be determined by reference to the market and it is probable that such a market will exist at the end of the asset's useful life.

At the end of reporting period, the Group and the Company assesses whether there is any indication of impairment. If such indications exist, an asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. See accounting policy Note 2.4 on impairment of non-financial assets.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

39 SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)**39.4 Investment properties**

Investment properties, principally comprising land and buildings is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. See accounting policy Note 2.5 on impairment of non-financial assets. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives of 50 to 99 years and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the investment property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

39.5 Share capital**(a) Classification**

Ordinary shares are classified as equity.

(b) Share issue costs

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

39.6 Provisions

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2023

39 SUMMARY OF OTHER ACCOUNTING POLICIES *(Continued)*

39.7 Interest income

Interest income is recognised on a time proportion basis, taking into account of the principal outstanding and the effective interest rate over the period to maturity, when it is determined that such income will accrue to the Group.

39.8 Hire purchase liabilities

Property, plant and equipment acquired under hire purchase are capitalised in the consolidated financial statements and depreciated in accordance with the policy set out in Note 2.4. The corresponding outstanding obligation due under the hire purchase after deducting finance expenses are included as liabilities in the consolidated financial statements. Finance charges are allocated to profit or loss over the period of the hire purchase agreements on a straight-line basis.

39.9 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are recognised in profit or loss over the periods to match the related costs for which the grants are intended to compensate. Government grant is presented within other income in the consolidated statement of comprehensive income.