Heng Hup Holdings Limited
興合控股有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 1891)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020 AND CHANGE OF COMPANY SECRETARY AND AUTHORISED REPRESENTATIVE

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

The board (the "**Board**") of directors (the "**Directors**") of Heng Hup Holdings Limited 興合控股有限公司(the "**Company**") is pleased to announce the annual results of the Company and its subsidiaries (collectively, the "**Group**") for the financial year ended 31 December 2020, together with the comparative figures for the financial year ended 31 December 2019 as follows:

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2020 amounted to RM868.3 million, representing a decrease of 12.3% from RM990.6 million recorded in 2019.
- Gross profit for the year ended 31 December 2020 amounted to RM49.0 million, representing a decrease of 2.8% from RM50.4 million recorded in 2019.
- Profit attributable to owners of the Company for the year ended 31 December 2020 amounted to RM8.4 million, representing an increase of 25.4% from RM6.7 million in 2019.
- The equity attributable to owners of the Group as at 31 December 2020 amounted to RM184.2 million, representing an increase of 4.7% from RM175.9 million in 2019.
- The Board proposed a final dividend of HK$0.0055 per share on 1,000,000,000 ordinary shares in respect of the financial year ended 31 December 2020 amounting to a total of RM2,893,000 (equivalent to approximately HK$5,500,000) (FY2019: Nil).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020

	Notes	**2020** *RM'000*	2019 *RM'000*
Revenue	*3*	**868,312**	990,604
Cost of sales	*6*	**(819,326)**	(940,252)
Gross profit		**48,986**	50,352
Other income	*4*	**2,814**	85
Other gains/(losses), net	*5*	**24**	(827)
Distribution and selling expenses	*6*	**(20,539)**	(19,402)
Administrative expenses	*6*	**(16,799)**	(17,165)
Operating profit		**14,486**	13,043
Finance income	*7*	**512**	543
Finance costs	*7*	**(847)**	(724)
Finance costs, net	*7*	**(335)**	(181)
Share of results of an associate		**(1,474)**	(976)
Profit before income tax		**12,677**	11,886
Income tax expense	*8*	**(4,285)**	(5,214)
Net profit and total comprehensive income for the year attributable to owners of the Company		**8,392**	6,672
Earnings per share attributable to owners of the Company for the year (expressed in sen per share)			
– Basic and diluted earnings per share	*10*	**0.84**	0.70

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	**2020** **RM'000**	2019 *RM'000*
ASSETS			
Non-current assets			
Investment in associates		**–**	984
Property, plant and equipment		**16,357**	11,726
Intangible asset		**586**	–
Investment properties		**6,183**	4,025
Trade and other receivables	*11*	**1,339**	–
Right-of-use assets		**11,811**	11,747
Deferred income tax assets		**18**	18
		36,294	28,500
Current assets			
Inventories		**34,079**	20,224
Trade and other receivables	*11*	**127,267**	104,681
Current income tax recoverable		**804**	2,035
Pledged bank deposits		**5,255**	5,140
Fixed deposits		**–**	11,986
Cash and bank balances		**25,080**	28,208
		192,485	172,274
Total assets		**228,779**	200,774
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**5,206**	5,206
Share premium		**49,306**	49,306
Capital reserve		**29,487**	29,487
Retained earnings		**100,250**	91,858
Total equity		**184,249**	175,857

	Notes	**2020**	2019
		RM'000	*RM'000*
Non-current liabilities			
Borrowings		**5,029**	5,042
Lease liabilities		**1,028**	967
Deferred income tax liabilities		**471**	461
		6,528	6,470
Current liabilities			
Trade and other payables	*12*	**22,189**	12,401
Current income tax liabilities		**379**	56
Borrowings		**14,933**	5,429
Lease liabilities		**501**	561
		38,002	18,447
Total liabilities		**44,530**	24,917
Total equity and liabilities		**228,779**	200,774

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Heng Hup Holdings Limited (the "**Company**") was incorporated on 12 April 2018 as an exempted company in the Cayman Islands under the Companies Law of the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES

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

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

2.2 New and amended standards, interpretation and improvements adopted by the Group

The following new and amended standards, interpretation and improvements have been adopted by the Group for the financial year beginning on or after 1 January 2020:

Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting
IAS 1 and IAS 8 (Amendments)	Definition of material
IFRS 3 (Amendments)	Definition of a Business
IAS 39, IFRS 7 and IFRS 9 (Amendments)	Interest Rate Benchmark Reform

The adoption of new and amended standards, interpretation and improvements did not have any material impact to the Group's current and future reporting periods and on foreseeable future transactions.

2.3 New and amended standards not yet adopted by the Group

The following new and amended standards, interpretation, improvements and revised framework are not effective for financial year beginning on or after 1 January 2020, and have not been applied in preparing these consolidated financial statements:

		Effective for annual periods beginning on or after
IFRS 16 (Amendments)	COVID-19 – Related Rent Concessions	1 June 2020
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)	Interest Rate Benchmark Reform-Phase 2	1 January 2021
IFRS 3 (Amendments)	Reference to Conceptual Framework	1 January 2022
IAS 16 (Amendments)	Property, Plant and Equipment – Proceeds Before intended use	1 January 2022
IAS 37 (Amendments)	Onerous Contracts – Cost of fulfilling a Contract	1 January 2022
Annual Improvement to IFRS Standards 2018-2020 Cycle	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standard, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture	1 January 2022
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
IFRS 17	Insurance contracts	1 January 2023
IFRS 10 & IAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	Not yet determined by IASB

The Group will apply the above new and amended standards, interpretation, improvements and revised framework when they become effective. The directors of the Company is in the process of assessing the financial impact of the other new and amended standards, interpretation, improvements and revised framework, but is not yet in a position to state whether they would have significant impacts on its results of operations and financial position.

3. REVENUE AND SEGMENT INFORMATION

The Group is mainly engaged in trading of scrap ferrous metals, used batteries, waste paper 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 led by the Group's chief executive officer. The executive directors and senior management review the Group's internal reporting to assess performance and allocate resources. A management approach has been used for the operating segment reporting.

The chief operating decision-makers assess the performance of the operating segment based on a measure of profit before income tax.

During the financial years ended 31 December 2020 and 2019, the Group mainly traded in Malaysia and most of the revenue were generated in Malaysia.

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

4. OTHER INCOME

	2020	2019
	RM'000	*RM'000*
Provision for logistic service income	**1,390**	–
Refund of keyman insurance policy	**553**	–
Government wage subsidies	**395**	–
Rental income	**246**	7
Compensation received	**32**	9
Others	**198**	69
	2,814	85

During the financial year, the Group received various schemes of wage subsidy from the Government of Malaysia. The wage subsidy is a temporary scheme introduced to assist employers who are economically impacted as a result of COVID-19 pandemic and to ensure the Group continue to operate while preventing employees from losing their jobs. The grant income amounting to RM395,000 are recorded as other income during the financial year ended 31 December 2020.

5. OTHER GAINS/(LOSSES), NET

	2020	2019
	RM'000	*RM'000*
Other gains		
Gain on disposal of property, plant and equipment	**62**	126
Foreign exchange gains, net	**27**	254
	89	380
Other losses		
Property, plant and equipment written-off	**(7)**	–
Provision for loss allowance on trade receivables	**(58)**	(1,207)
	(65)	(1,207)
Other gains/(losses), net	**24**	(827)

6. EXPENSES BY NATURE

	2020	2019
	RM'000	*RM'000*
Cost of trading goods sold	**810,351**	933,219
Employee benefit expenses	**15,045**	11,057
Depreciation expenses		
– Property, plant and equipment	**3,088**	2,446
– Right-of-use assets	**801**	708
– investment properties	**36**	27
Amortisation expenses		
– intangible assets	**14**	–
Auditors' remuneration		
– Audit services	**493**	650
– Non-audit services	**48**	164
Listing expenses	**–**	3,778
Transportation costs	**15,851**	15,721
Lease expenses relating to		
– low value assets	**162**	57
– short term leases	**64**	–
Upkeep expenses	**2,392**	2,171
Legal and compliance fees	**571**	633
Secretarial fees	**476**	143
Other expenses	**7,272**	6,045
Total cost of sales, distribution and selling expenses and administrative expenses	**856,664**	976,819

7. FINANCE COSTS, NET

	2020	2019
	RM'000	*RM'000*
Interest income from bank deposits	**512**	543
Interest expense on loans	**(569)**	(480)
Interest expense on hire purchase liabilities	**(143)**	(141)
Interest expense on lease liabilities	**(87)**	(50)
Interest expense on bank overdrafts	**(48)**	(53)
Finance costs	**(847)**	(724)
Finance costs, net	**(335)**	(181)

8. INCOME TAX EXPENSE

Malaysian corporate income tax has been provided at the rate of 24% (2019: 24%) of the estimated assessable profit for the years ended 31 December 2020 and 2019.

	2020	2019
	RM'000	*RM'000*
Malaysian corporate income tax		
– current	**3,683**	4,064
– under provision in prior year	**592**	654
	4,275	4,718
Deferred income tax	**10**	496
Income tax expense	**4,285**	5,214

9. DIVIDENDS

	2020	2019
	RM'000	*RM'000*
In respect of the financial year ended 31 December 2019		
– Special dividend of HK$0.005 per share paid on 13 November 2019	**–**	2,675

At the forthcoming annual general meeting, a final dividend of HK$0.0055 per share on 1,000,000,000 ordinary shares in respect of the financial year ended 31 December 2020 amounting to a total of RM2,893,000 (equivalent to approximately HK$5,500,000) (FY2019: Nil) will be proposed for shareholders' approval.

10. 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 in issue during the respective years. 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.

	2020	2019
	RM'000	*RM'000*
Earnings:		
Profit for the years attributable to the owners of the Company	**8,392**	6,672
Number of shares:		
Weighted average number of shares in issue	**1,000,000,000**	950,000,000
Basic and diluted earnings per share (expressed in sen)	**0.84**	0.70

As at 31 December 2020 and 31 December 2019, the Company has no outstanding potential dilutive shares.

11. TRADE AND OTHER RECEIVABLES

	2020	2019
	RM'000	*RM'000*
Non-current		
Deposits for acquisition of freehold land*	**1,339**	–
Current		
Trade receivables	**118,366**	92,752
Less: provision for loss allowance	**(1,263)**	(1,207)
	117,103	91,545
Other receivables	**531**	2,181
Deposits and prepayments	**1,087**	2,588
Downpayment to suppliers	**7,413**	8,179
Other tax receivables	**74**	102
Amounts due from associates	**1,059**	86
	127,267	104,681
	128,606	104,681

Note: * On 3 December 2020, the Group entered into a Sales and Purchase Agreement (the "**Agreement**") to acquire a piece of freehold land in Malaysia for a purchase consideration of RM13,000,000. Consequently, the Group paid a deposit amounted to RM1,339,000 upon signing of the Agreement. The completion of the said acquisition is subject to the fulfillment of the terms and conditions stated in the Agreement. The said acquisition is still pending completion as at the date of this announcement.

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 aging analysis of the trade receivables based on invoice date were as follows:

	2020	2019
	RM'000	*RM'000*
0 – 30 days	**84,260**	88,526
31 – 60 days	**32,397**	1,585
61 – 120 days	**1,517**	1,252
Over 120 days	**192**	1,389
	118,366	92,752

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

	2020	2019
	RM'000	*RM'000*
– RM	**114,254**	88,846
– United States Dollar	**2,257**	3,906
– Singapore Dollar	**1,855**	–
	118,366	92,752

The Group measures the expected credit losses on the trade receivables by grouping them based on shared credit risk characteristics and the days past due. The expected loss rates are estimated based on the historical credit losses experienced, adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of forward looking economic conditions. The increase in the provision for loss allowance is due to an increase in the probability of default (PD) used to calculate the expected credit loss for the trade receivables.

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

	2020	2019
	RM'000	*RM'000*
At 1 January	**1,207**	–
Provision for loss allowance	**58**	1,207
Bad debts written off	**(2)**	–
At 31 December	**1,263**	1,207

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

12. TRADE AND OTHER PAYABLES

	2020	2019
	RM'000	*RM'000*
Trade payables	**14,561**	6,915
Accrued salaries	**2,985**	2,169
Other payables and accruals	**4,643**	3,317
	22,189	12,401

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

	2020	2019
	RM'000	*RM'000*
– RM	**10,442**	5,734
– United States Dollar	**4,119**	1,181
	14,561	6,915

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

	2020	2019
	RM'000	*RM'000*
0 – 30 days	**13,040**	6,915
31 – 60 days	**1,468**	–
61 – 120 days	**53**	–
	14,561	6,915

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

BUSINESS REVIEW

Our Group is a leading scrap ferrous metal trader in Malaysia which has established a nationwide supplier base of feeder yards from which we source recycled scrap ferrous metal for sale to steel mills in Malaysia.

The unexpected and unprecedented outbreak of the novel corona virus ("**COVID-19**") pandemic has severely disrupted the world economies, created uncertainties in the financial markets, supply and demand chains, and global logistics, leading to the lockdown of billions of people globally and the imposition of the Movement Control Order ("**MCO**") in Malaysia, to slow the spread of the COVID-19.

The Malaysian economy experienced the full impact of the COVID-19 pandemic in the second quarter of 2020, with the real gross domestic product ("**GDP**") contracting by 17.1%. The contraction was mainly attributed to the imposition of the MCO to contain the outbreak. Though affecting all sectors in the economy, the MCO was necessary to flatten the COVID-19 curve and save lives. Hence, the Malaysian Government has announced several stimulus packages totalling RM305.0 billion to support both households and businesses. Reinforced by the reopening of the economy in phases, growth is expected to improve gradually, cushioning the significant contraction in the first half of the year of 2020.

Despite these extreme challenges, the Group quickly adjusted and maintained focus on disciplining cost control and cash-flow to ensure sustainability. For the financial year ended ("**FYE**") 31 December 2020, the Group recorded lower revenue of RM868.3 million (2019: RM990.6 million), however, we were able to improve our net profit to RM8.4 million (2019: RM6.7 million) due to our Group was able to secure scrap ferrous metal supplies at a better pricing and also better gross profit margin from the export sales.

According to the Construction Industry Development Board's records, the price of steel bars reached RM2,890 per metric tonne in January 2021. Comparably, its price in January 2020 to April 2020 was RM2,435 per metric tonne and fell by 6.4% to RM2,278 per metric tonne in May 2020. In August 2020, the price rose by 1.0% to around RM2,300 per metric tonne, while the price of iron in Peninsular Malaysia in December 2020 rose significantly by 21.7% to around RM2,800 per metric tonne.

The increase in steel price was mainly due to the shortage of supply of iron ore worldwide. Moreover, the deliveries in obtaining raw material such as imported iron ore and scrap metal was hindered by the MCO imposed during the pandemic.

Despite the severe and uncertain environment, the potential risks related to the COVID-19 pandemic are closely monitored at each of our business locations. The Group recognises the importance of Health, Safety & Environment, and the risks on operational and supply chain, relevant standard operating procedures and strategies have been implemented to mitigate the impact on productions and supply disruptions.

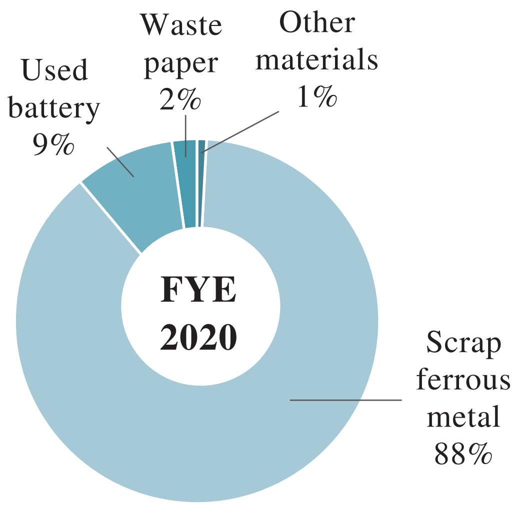
The Group will continue to strengthen our market leading position in the Malaysian scrap ferrous metal trading industry, by expanding our supplier and customer bases and increasing our business volume of scrap ferrous metal. The Group will be focusing on its strategy to enhance operational efficiency, contain costs, preserve profitability given the lower revenue scenario, and to safeguard our balance sheet strength and cash flow to withstand the difficult conditions and emerge stronger when the economy recovers.

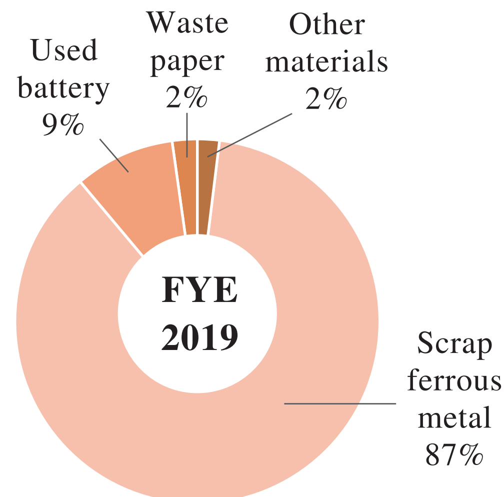
MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

Revenue of the Group for the FYE 31 December 2020 was RM868.3 million (2019: RM990.6 million), representing a decrease of 12.3% as compared to last year. The breakdown of our total revenue by product types for the years under review are as below:





The decrease in the Group's revenue was mainly attributable to the temporary shutdown of business operations across the Group following the MCO imposed by the Government of Malaysia to contain the outbreak of the COVID-19 for the period from 18 March 2020 to 9 June 2020. As a result, the sales volume of scrap ferrous metals for the FYE 31 December 2020 declined by 7.7% as compared to last year. The decrease in average selling price of scrap ferrous metal of 4.3% as compared to last year has also attributed to the decrease in revenue.

The Group's revenue from sales of scrap ferrous metal during the year under review are contributed by the following:

	FYE 31 December							
	2020				2019			
	Volume sold *(tonnes)*	***%***	**Revenue *(RM'000)***	***%***	Volume sold *(tonnes)*	*%*	Revenue *(RM'000)*	*%*
Local	**590,195**	**92.2**	**707,763**	**92.4**	669,766	96.7	838,067	96.7
Export	**49,676**	**7.8**	**58,455**	**7.6**	23,133	3.3	29,200	3.3
Total	**639,871**	**100.0**	**766,218**	**100.0**	692,899	100.0	867,267	100.0

Gross Profit

The Group's gross profit for the FYE 31 December 2020 declined from RM50.4 million to RM49.0 million as compared with last year. The decrease in gross profit of scrap ferrous metal was primarily attributable to decrease in revenue as well as fixed overheads incurred during the temporary shutdown of our Group's business operation during the MCO period.

Our Group's gross profit margin improved to 5.6% for the FYE 31 December 2020 as compared to 5.1% for the FYE 31 December 2019. The improved gross profit margin was attributable to our Group managed to secure scrap ferrous metal supplies at a better pricing and also better gross profit margin from export sales.

Other income

Other income increased from RM0.09 million for the FYE 31 December 2019 to RM2.8 million for the FYE 31 December 2020, mainly attributable to income from provision of logistic services to our customer as well as government wage subsidies received.

Other gains/(losses), net

Our Group's other gains/(losses), net improved from net loss of RM0.8 million for the FYE 31 December 2019 to net gain of RM0.02 million for the FYE 31 December 2020. This was mainly attributable to provision for loss allowance on trade receivables decreased from RM1.2 million for the FYE 31 December 2019 to RM0.06 million for the FYE 31 December 2020.

Distribution and Selling Expenses

Our Group's distribution and selling expenses increased from RM19.4 million for the FYE 31 December 2019 to RM20.5 million for the FYE 31 December 2020, primarily due to the increase in truck hire expenses for engaging external logistic companies to cope with growing demands of scrap ferrous metal from a customer located in the state of Pahang, Malaysia.

Administrative Expenses

The marginal decrease in the Group's administrative expenses from RM17.2 million for the FYE 31 December 2019 to RM16.8 million for the FYE 31 December 2020 was mainly attributable to the absence of listing expenses of RM3.8 million incurred for the FYE 31 December 2019, which primarily consisted of professional fees in connection with the listing of the Company. The said decrease in administrative expenses was mitigated by the increase in the incentives and bonuses of the executive directors of RM1.2 million incurred for the FYE 31 December 2020 as the executive directors had collectively waived their incentives and bonuses for the FYE 31 December 2019.

Taxation

Malaysian corporate income tax has been provided at the rate of 24% (2019: 24%) of the estimated assessable profit. Our effective tax rate for the FYE 31 December 2020 was 33.8% (2019: 43.9%). The high effective tax rate of 33.8% was mainly attributable to the deferred tax assets were not provided for losses incurred by an associate of approximately RM1.5 million.

Profit Attributable to Owners of the Company

The Group's profit attributable to owners for the FYE 31 December 2020 was RM8.4 million (2019: RM6.7 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.

	As at 31 December	
Liquidity Ratios	**2020**	2019
Current ratio	**5.1 times**	9.3 times
Gearing ratio	**11.7%**	6.8%

	For the FYE 31 December	
	2020	2019
Inventories' turnover period	**12.1 days**	5.6 days
Trade receivables' turnover period	**44.0 days**	34.6 days
Trade payables' turnover period	**4.8 days**	3.4 days

Working Capital

The inventories' turnover period of the Group was 12.1 days for the FYE 31 December 2020 as compared to 5.6 days for the previous year. The increase was primarily due to increase in volume of inventories maintained at our scrapyards to satisfy the increasing demands of our customers as well as inventories pending fulfillments of orders for export to overseas subsequent to December 2020.

The Group's trade receivables' turnover period was 44.0 days for the FYE 31 December 2020 as compared to 34.6 days for the previous year. Such increase was mainly attributable to higher revenue generated in the last quarter of year 2020.

The Group's trade payables' turnover period was 4.8 days for the FYE 31 December 2020 as compared to 3.4 days for the previous year. The marginal increase was mainly attributable to a slightly longer payment term made to suppliers.

Liquidity and Financial Resources

As at 31 December 2020, the Group's total equity attributable to owners amounted to RM184.2 million (2019: RM175.9 million) including retained earnings of RM100.3 million (2019: RM91.9 million). The Group's working capital amounted to RM154.5 million (2019: RM153.8 million) of which cash and bank balances, pledged bank deposits and fixed deposits were RM30.3 million (2019: RM45.3 million).

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

Total borrowings of the Group as at 31 December 2020 were RM20.0 million (2019: RM10.5 million). The borrowings were mainly used to finance the procurement of scrap ferrous metals and capital expenditure.

The Group's gearing ratio as at 31 December 2020 was 11.7% (2019: 6.8%). Gearing ratio is calculated based on total interest-bearing debts divided by total equity as at the end of the year.

Future Plans for Material Investments and Capital Assets

On 3 December 2020, Heng Hup Metal Sdn. Bhd., an indirectly wholly-owned subsidiary of the Company had entered into the sale and purchase agreement with the vendors, namely Lim Chee Keong and Lim Chee Yin, both citizens of Malaysia, pursuant to which the purchaser has agreed to acquire and the vendors have agreed to sell all that pieces of vacant freehold land held under GRN 58767, Lot 72101 and GRN 58768, Lot 72102, both in Mukim Klang, District of Klang, State of Selangor, Malaysia with the total land area of approximately 4.907 hectares (approximately 528,185.084 square feet) at the consideration of RM13,000,000 (equivalent to approximately HK$24,440,000). For further details, please refer to the announcement of the Company dated 3 December 2020. The said acquisition is still pending completion as at the date of this announcement.

Save as disclosed above, as at 31 December 2020, the Group did not have any other plans for material investments and capital assets except for those disclosed in the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company issued on 27 February 2019 (the "**Prospectus**") and the announcement for change in use of proceeds dated 16 July 2020.

Material Acquisitions and Disposals of Subsidiaries

On 1 July 2020, Heng Hup Holdings (Malaysia) Sdn Bhd, an indirect wholly-owned subsidiary of the Company, acquired 1,200,000 ordinary shares of Heng Hup Hardware (Klang) Sdn Bhd (formerly known as Hong Zhen Industries Sdn Bhd) representing 100% of the total paid up capital of Heng Hup Hardware (Klang) Sdn Bhd for a consideration of RM1,268,000.

Save as disclosed above, the Group did not have any other material acquisitions and disposals of subsidiaries during the FYE 31 December 2020.

Pledge of Assets

As at 31 December 2020, the Group has pledged the following assets to banks to secure certain bank borrowings and general banking facilities granted to the Group:

	2020	2019
	RM'000	*RM'000*
Property, plant and equipment	**764**	–
Right-to-use assets	**10,117**	10,294
Investment properties	**5,568**	3,397
Pledged bank deposits	**5,255**	5,140
	21,704	18,831

Contingent Liabilities

The Group did not have any contingent liability as at 31 December 2020 (2019: Nil).

Capital Commitments

As at 31 December 2020, the Group has capital commitment in respect of acquisition of property, plant and equipment of RM12.5 million (2019: RM1.7 million).

Risk Management

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

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

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

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

The credit risk of the Group mainly arises from cash and cash equivalents 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 as at the date of initial recognition. The Group considers available reasonable and supportive 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 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.

To manage this risk arising from cash and bank deposits, our 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 at banks is close to zero.

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group considers the credit risk characteristics, the days past due and the forward looking information to measure the expected credit losses. During the FYE 31 December 2020, the expected loss rate for trade receivables is 1.1% (2019: 1.3%). The provision for trade receivables as at 31 December 2020 is RM1.3 million (2019: RM1.2 million).

During the FYE 31 December 2020, the Group has write-off of trade receivables amounted to approximately RM2,000 (2019: Nil).

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 2020, 93% (2019: 92%) of its total trade receivables was due from this group of customers. As our Group is one of the few approved scrap metal providers to the steel mill customers and based on the past repayment history and forward-looking estimates, the Directors believe that the credit risk inherent in the Group's outstanding trade receivables from this group of customers is low.

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

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

EVENTS OCCURRED SINCE THE END OF THE YEAR ENDED 31 DECEMBER 2020

On 11 January 2021, one of the Company's subsidiaries, Heng Hup Metal Sdn Bhd received a statement of claims from the founders of Intercedar Industry (M) Sdn Bhd (collectively, "**Plaintiffs**") with respect to a claim made in the High Court of Malaysia in Federal Territory Kuala Lumpur, Malaysia (the "**Court**") against Heng Hup Metal Sdn Bhd and others as defendants. Heng Hup Metal Sdn Bhd is named as Defendant I. The suit is brought by the Plaintiffs for damages for an unlawful act (i.e. a tort) alleged to have been committed by Heng Hup Metal Sdn Bhd and other parties (collectively, "**Defendants**"), arising from a dispute that arose in 2014 over a proposed share sale of Intercedar Industry (M) Sdn Bhd. The Plaintiffs claim on a joint and several basis from the Defendants for, amongst others, sum equivalent to and/or representing the difference between the purchase consideration, i.e. RM3.8 million and the market value of the shares to be adjudged by the Court.

Heng Hup Metal Sdn Bhd is of the opinion, following counsels' advice, that the Plaintiffs' claim against Heng Hup Metal Sdn Bhd is not supported with valid grounds as Heng Hup Metal Sdn Bhd is not a direct party to the sale and purchase agreement and shareholders agreement on which the Plaintiffs are suing upon. As a result, the Group is of view that no provision to be recorded and no contingent liability is required to be disclosed as the likelihood of the claim succeeding is remote.

Save as disclosed above, the Board is not aware of any other significant event affecting the Group and requiring disclosures that took place subsequent to the FYE 31 December 2020 and up to the date of this announcement.

USE OF PROCEEDS FROM THE SHARE OFFER

The net proceeds raised by the Company from the share offer on listing were approximately RM41.0 million (equivalent to approximately HK$78.8 million) (based on the final offer price of HK$0.50 per offer share), after deducting underwriting fees and all related expenses incurred in the amount of RM24.0 million (equivalent to approximately HK$46.2 million). The Company intends to apply the net proceeds on a pro rata basis for the purposes as disclosed in the section headed "Future Plans and Use of Proceeds" of the Prospectus and the announcement dated 16 July 2020 in relation to the change in use of the proceeds.

	Available	Change in use of Proceeds	New allocation for the net proceeds	Amount utilised up to 31 December 2020	Balance as at 31 December 2020	Expected timeline for fully utilising the remaining proceeds (taking into account of the new allocation)
	(RM'000)	*(RM'000)*	*(RM'000)*	*(RM'000)*	*(RM'000)*	*(Note)*
Partially replacing our fleet of trucks	3,604	–	3,604	(3,604)	–	
Enhancing our processing abilities	2,908	–	2,908	(2,908)	–	
Setting up new enterprise resource planning system	942	–	942	(784)	158	Second quarter of 2021
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	(1,040)	5,349	Second quarter of 2022
The Group's working capital for our scrap ferrous metal trading business	18,471	4,546	23,017	(23,017)	–	
General working capital for other general corporate purpose (excluding the purchase of scrap materials)	4,096	–	4,096	(4,096)	–	
	40,956	–	40,956	(35,449)	5,507	

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

As at the date of this announcement, there were no changes of business plans of the Group from those disclosed in the Prospectus and the announcement dated 16 July 2020.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group had 163 (2019: 129) employees in Malaysia. For the FYE 31 December 2020, total staff costs and related expenses of the Group (including the Directors' remuneration) were RM15.0 million (2019: RM11.1 million), representing an increase of 35.1% as compared to the FYE 31 December 2019. The lower total staff costs and related expenses of the Group (including the Directors' remuneration) for the FYE 31 December 2019 was mainly attributable to the executive directors have collectively agreed to waive their incentives and bonuses for the FYE 31 December 2019. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination.

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the FYE 31 December 2020.

DIVIDENDS

The Board proposed a final dividend of HK$0.0055 per share (the "**Proposed Final Dividend**") on 1,000,000,000 ordinary shares in respect of the FYE 31 December 2020 amounting to a total of RM2,893,000 (equivalent to approximately HK$5,500,000) (2019: Nil), subject to the approval of the shareholders of the Company at the Company's annual general meeting to be held on Saturday, 19 June 2021 (the "**2021 AGM**"). The Proposed Final Dividend will be payable on or around Thursday, 15 July 2021 to the shareholders of the Company whose names appear on the register of members of the Company on Tuesday, 29 June 2021.

On 23 September 2019, the Board had proposed and the Company had subsequently paid a special dividend of HK$0.005 per ordinary share on 1,000,000,000 ordinary shares in respect of the FYE 31 December 2019 amounting to a total of RM2,675,000 (equivalent to approximately HK$5,000,000).

CLOSURE OF REGISTER OF MEMBERS FOR 2021 AGM

The register of members of the Company will be closed from Tuesday, 15 June 2021 to Saturday, 19 June 2021, 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 2021 AGM. In order to be eligible to attend and vote at the 2021 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 pm on Friday, 11 June 2021.

CLOSURE OF REGISTER OF MEMBERS FOR THE PROPOSED FINAL DIVIDEND

The register of members of the Company will be closed from Friday, 25 June 2021 to Tuesday, 29 June 2021, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' entitlement to the Proposed Final Dividend. In order to be entitled to the Proposed Final Dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 pm on Thursday, 24 June 2021.

SUFFICIENCY OF PUBLIC FLOAT

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. For the FYE 31 December 2020, the Company has been in compliance with the code provisions as set out in the Corporate Governance Code (the "**Corporate Governance Code**") as contained in Appendix 14 to the Listing Rules except for the deviation from the code provision A.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 of the Company 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 of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company (the "**Audit Committee**") (being Ms. Sai Shiow Yin, Mr. Puar Chin Jong and Mr. Chu Kheh Wee) has reviewed, with the management of the Company, the consolidated financial information for the FYE 31 December 2020, including accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters.

The figures in respect of the preliminary announcement of the Group's results for the FYE 31 December 2020 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement. The Audit Committee has reviewed the annual results with the management of the Company.

CHANGE OF COMPANY SECRETARY AND AUTHORISED REPRESENTATIVE

The Board hereby announces that Ms. Yeung Ching Man ("**Ms. Yeung**") has tendered her resignation as the company secretary of the Company (the "**Company Secretary**") and has ceased to act as authorised representative of the Company for accepting service of process or notice (the "**Authorised Representative**") in Hong Kong under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) with effect from 27 March 2021.

Ms. Yeung confirmed that she has no disagreement with the Board and there are no circumstances relating to her above resignations which need to be brought to the attention of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or the shareholders of the Company.

The Board also announces that Ms. Chan Tsz Yu ("**Ms. Chan**") has been appointed as the Company Secretary and Authorised Representative in replacement of Ms. Yeung with effect from 27 March 2021.

Ms. Chan is an assistant manager of SWCS Corporate Services Group (Hong Kong) Limited. Ms. Chan has over five years of experience in the corporate services field in sizable listed companies and professional corporate services firms. Ms. Chan is an associate member of both the Hong Kong Institute of Chartered Secretaries and the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators). In addition, she holds a bachelor's degree in economics in the Chinese University of Hong Kong.

The Board would like to take this opportunity to express its sincere gratitude to Ms. Yeung for her contribution to the Company during her tenure of service and welcome Ms. Chan on her new appointments.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.henghup.com). The annual report of the Company for the FYE 31 December 2020 will be despatched to the shareholders of the Company and published on the aforesaid websites on or before 30 April 2021.

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

Hong Kong, 27 March 2021

As at the date of this announcement, the Directors are:

Executive Directors
Datuk Sia Kok Chin *(chairman and chief executive officer)*
Datuk Sia Keng Leong
Mr. Sia Kok Chong
Mr. Sia Kok Seng
Mr. Sia Kok Heong

Independent Non-Executive Directors
Ms. Sai Shiow Yin
Mr. Puar Chin Jong
Mr. Chu Kheh Wee