



Heng Hup Holdings Limited 興合控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 1891



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2018

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(Stock Code/ 股票代號 : 1891.HK)

Environmental, Social & Governance Report 2018

Overview

HENG HUP HOLDINGS LIMITED (“the **Company**”) and its subsidiaries (collectively the “**Group**”) embarked on transformation to its corporate culture for our Environment, Social and Governance (“**ESG**”) aspects which are aligned to our business strategies. The Group is pleased to present our first ESG Report (the “**Report**”) for the year ended 31 December 2018 (the “**Year**”) which includes a comprehensive overview of our initiatives and performance to the stakeholders.

Principal Activities

The Company (HKEX stock code: 1891) is a leading scrap ferrous metal trader in Malaysia. Over the years, the Group has established a nationwide supplier base of feeder yards from which the Group source its recyclable scrap ferrous metals for sales to steel mills in Malaysia.

The Group operates three scrapyards 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 its steel mill customers in the states of Melaka, Selangor and Johor, with an aggregate land area of approximately 35,000 square meter.

Scope

Our report focuses on the operation of the Group at its principal places of business in Malaysia. The disclosures in this Report are mainly extracted from the Group’s statistical reports and documents. The Report is set out in accordance with the “Comply or Explain” provisions in accordance with the “ESG Reporting Guide” as set out in Appendix 27 to the Main Board Listing Rules of the Stock Exchange and in accordance with the practical circumstances of the Company.

Stakeholders’ Engagement

We emphasize effective communications with our valuable stakeholders and maintain a high level of business operation transparency. We endeavour to understand the interests and concerns towards our business operations and sustainability performance. We regularly engage our stakeholders on our strategic development and decision making.

In this ESG report, we recognize our key stakeholders include shareholders or investors, business partners or suppliers, regulatory bodies, employees, customers, media and broader community and the Group strives to generate a sustainable and harmonious for the environment, community and our business by inculcating sustainable practices and initiatives into our business operation. We also consider the interests and benefits of our key stakeholders whom have enabled us achieving our sustainable initiatives and drive our growth.

During this internal review, 11 key sustainability matters were identified as material and have the most significant impact on our long-term sustainability strategy.

MATERIAL SUSTAINABILITY MATTERS

This process helps increase the transparency and quality of our report and also provides an understanding of our sustainable growth to the stakeholders.



A. Environmental

The Group is committed to minimising the environmental impact of our operations, from energy and resources, we consume to the waste we generate. We continually assess and mitigate the impact of all activities with commitment to the environmental protection and sustainability.

A1 Emissions

Key Performance Indicators ("KPIs")

Type of emissions and respective data emission

During the running period, the vehicles owned and operated by the Group generated air emission. Based on the mileage travelled and the fuel consumes by our vehicles.

	2018 In Kilogram ("kg")
Nitrogen Oxides ("SOx")	2,129.87
Sulphur Oxides ("NOx")	4.89
Particulate Matters ("PM")	146.91

Total Greenhouse Gas Emissions

Greenhouse gases ("GHG") are emitted through various activities, including the use of diesel by our vehicles and the consumption of electricity. The following table outlined our GHG emissions and intensity of the Group for the period.

	2018 In Tonnes of CO ₂ e
Scope 1 – Direct GHG Emissions (Diesel - vehicles)	793.93
Scope 2 – Energy Indirect Emission (Electricity)	502.31
Total GHG Emission	1,296.24
Intensity of CO ₂ emission (CO ₂ per revenue RM'000)	0.0014

Total amount of non-hazardous waste

Packaging Material

The Group did not use substantial packaging materials during the year for its services and during delivery. In our administration office, we encourage our employees to bring their own food containers, reusable or biodegradable bags.

A2 Use of Resources

The Group strongly advocate and practice a culture of recycling amongst our employees. We segregate our waste by separating the waste into different bins – general waste, paper & cardboard, plastics and metals, and appointed recycled service providers to manage these wastes. The Group promotes reduction of paper consumption by encouraging electronic communication via email and use of double-sided printing and does not use any packaging material for its production output sold to its customers.

Paper, ink cartridges and tonners consumed in offices are identified as non-hazardous wastes in our operation. Used ink cartridges and tonners were returned to the vendors for recycling purpose.

We aim to continue encouraging recycling and reuse throughout our value chain and in the wider community through various initiatives and campaigns. These initiatives include capturing weightage of wastes and monitoring the quantity of wastes generated and how we can improve our operations to minimise waste generation.

Energy efficiency

Electricity was consumed in the Group's office typically for lighting, air conditioning and office operations while diesel was consumed by the vehicles for logistics purpose. The Groupsustainability practices include turning off lights and air conditioning after use and during lunch time – such practices may seem trivial, but it can help to reduce the Group's electricity consumption in long term.

Although electrical energy consumption is on a slight upward trend for the year due to our extended office operations for the preparation for IPO, Management of the Group is taking effort to adopt more energy efficient practices at work.

The Group is committed to monitor the energy usage in order to reduce the electricity consumption for sustainability purpose. In achieving the said objective, the Group is currently improving the capturing data and monitoring process.

KPIs	2018
Electricity Consumption (kWh)	635,832
Intensity of electricity (kWh per revenue RM'000)	0.71
Diesel (litre)	303,722
Intensity of diesel (litre per revenue RM'000)	0.34

Water and Effluents

In the Group, water is not used in the principal business operations, but only for cleaning and office hygiene purposes. The water used is regular pipe-supplied water from local utility supplier. We ensure that there are no leaking water pipes. Nonetheless, there was an increase in water consumption in FY2018 due to longer working hour and other professional parties occupied the office (e.g. auditors and lawyers).

The business operation produces zero discharge of any waste water or effluents into the surrounding waterways, we continuously monitor our operation and will develop the process of water consumption and effluents monitoring if the needs arise.

KPIs	2018
Water Consumption (cubic meter ("m ³ "))	5,007
Intensity of water (m ³ per revenue RM'000)	0.0056

A3 The Environment and Natural Resources

Environmental impact management

Our environmental policies are to minimise impact to our environment as we are governed by Malaysia's Environmental Quality Act, 1974 (Act 127), as part of our effort to reduce the negative impacts on the environment and natural resources caused by the Group's business activities. We are developing environmental monitoring processes to address and mitigate the environmental risks, including monitoring all environmental risks relevant to our business operation. In addition, we regularly review our environmental practices to identify improvement opportunities.

Air Pollutant Emission

Recycled metal processing activities emit dust, fumes and gases which can significantly affect surrounding air quality. We manage and minimise air pollutant emission through our environmental management system and is deeply embedded in our daily operation.

We aim to achieve compliance with air pollution control protocols at relevant areas of operation. Apart from compliance with laws and regulations, we are committed to control all emissions at the source by applying a series of actions, including using dust suppression techniques, conducting routine maintenance of equipment as well as applying technological innovation.

Our major concerns during the operation of our scrapyards are fugitive dust and exhaust emissions from delivery trucks. Fugitive dust generated during unloading and preliminary sorting of waste scrap metal materials is one of the major air pollution sources. However, as most of the dust is fine metal dust and scrap paint, where particles are relatively large and heavy, it rapidly settles and therefore has limited impact on air quality. Further, the preliminary sorting activities are conducted under covered area therefore, the potential impact from scrap metal dust is well under control.

Exhaust emissions from delivery trucks is another source of air pollution. All our trucks strictly follow the Malaysia's Road Transport Act 1987 regulation and undergone the mandatory trucks inspection.

Environmental Compliance

The businesses that the Group operates do not generate significant environmental impacts relating to air and greenhouse gas emissions, discharges into water and land sources, and other hazardous and non-hazardous waste generation. We continuously monitor our compliance with the environmental regulation although our operations do not fall under the scope of Environmental

Quality Act 1974 of Malaysia, and the amendments to the Act in 2007 and 2012. During the year, we have not been fined or penalised for any significant environment violation by the Department of Environment.

B. Social

The Group believes in managing human resources risks and opportunities on a regular basis. In doing so, it will create a sustainable value with our business activities. This objective unites our employees and consistent with our corporate values which guides our decision making and our actions

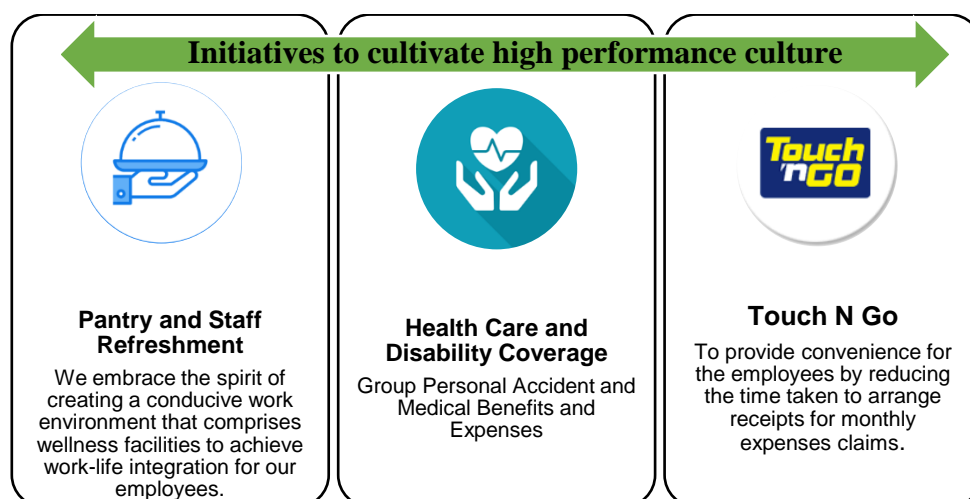
B1 Employment

The Group is committed to provide fair and equal opportunities and to nurture diversity across its business landscape. The Group's Code of Business Ethics and Corporate Conduct prohibits discrimination based on age, gender, nationality, and ethnicity.

Our employee handbook includes guidelines on compensation and dismissal, rest periods, anti-discrimination, and other benefits and welfare to ensure compliance with the Employment Act 1955 of Malaysia and the relevant laws and regulations.

We take pride in maintaining a harmonious and diverse workforce spanning different generations, culture, nationalities and skill sets. The Group believes that the existing recruitment, training and staff development planning processes were guided by their commitment, skills, and experience and that provide fair and equal opportunities

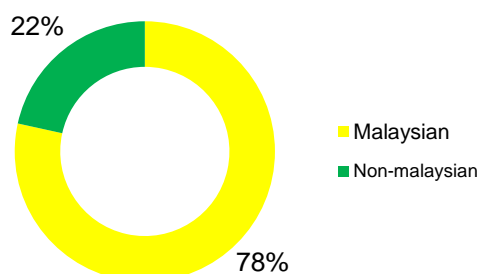
We have put in place various employees' incentives to encourage high performance culture. These incentives include:



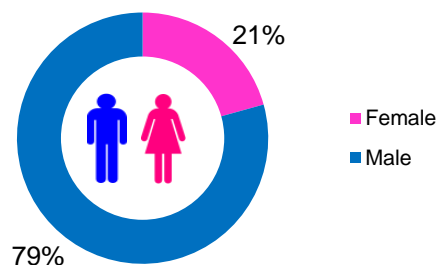
We encourage diversity and we believe it enriches our corporate culture as well as our long-term competitiveness. Moving forward, we are committed to ensuring, whenever possible, increased equality of gender representation.

Within the states of our operations, we seek to hire locally based employees. In total, 78% of our workforce is made up of local nationals, i.e. workers hired from within the country of operations.

Nationality



Gender Profile



KPIs

Number of Employees

By Age Group	2018	
Under 30	23	
30–50	74	
Over 50	19	
Total Number of Employees	116	
By Gender	MALE	FEMALE
Total Number of Employees	92	24
Proportion of Male to Female Employee	1:0.26	
Number of New Employees	26	
Percentage of New Employees over Total Employees	22.41%	
Number of Resigned Employees	17	
Total Employees turnover rate	33.04%	

B2 Health and Safety***Occupational Safety and Health***

In compliance with the Occupational Safety and Health Act 1994, the Group places emphasis on cultivating good safety habits in all individuals. This has created a safety culture in the Group which extends beyond physical health to mental and emotional health as well.

We set out a Safety Policy, Rules and Regulations which apply to every employee. Safety and health of employees are our number one priority as they are our assets that bring up the growth of the business. Employees shall comply with the Safety Policy and conduct their duty to take care for the safety and health of themselves, to cooperate with their employer or any other person in the discharge of any duty or requirement imposed on the employer as well as to wear or use at all times any protective equipment or attire offered by the employer for the purpose of preventing risks to their safety and health.

All cases of any industrial accident are required to be reported to the employee's immediate superior or other supervisor immediately, regardless of the seriousness of the injury. The superior or other supervisor shall investigate the accident case and submit the case to the section head for further assessment so that a proper process to manage the accidents to be conducted and followed by the preventive measures.

Our efforts in strengthening the Group's safety culture have shown results as we have experienced a zero-injury, fatality, and occupational disease rate. Additionally, our employees are provided with a wide range of life and medical insurance plans, inclusive of disability coverage, to protect them and safeguard their interests.

B3 Development and Training***Training and Education***

The Group believes in encouraging holistic development of our employees and grooming them to their fullest potential, personally and professionally. The Group does not have specific policies to provide training courses to its employees, but Management decides whether training is needed on a case-to-case basis to develop our employees' skills to suit our business needs. During the year, we provided a total of 56 hours of training sessions; a total of RM15,869 spent comprising of various type of trainings which include soft skills, technical skills and managerial skills.

B4 Labour Standards***Child and forced labour***

The Group complies with the requirements in Malaysia's Employment Act 1955 and Children and Young Persons (Employment) (Amendment) Act 2010. The Group closely monitors all overtime hours proposed and does not employ any children or young persons under the age of 18 years.

B5 Supply Chain Management***Supply Chain Management***

Our supply chain includes our customers and suppliers for various services. Compliance with local government and legal requirements is a criterion for appointed contractors and service providers. Potential suppliers are also evaluated and selected based on their reputation, track records and expertise in their field to ensure common standards across the Group's business units. For engagements that are complex or entail high financial risks, due diligence is carried out to ascertain their financial standing and track record for heightened risks.

The Group is in the developing the policies and procedures for procurement as part of our business process improvements to achieve cost-effective, efficient and sustainable procurement processes. The supplier's evaluation processes will also include policies on managing environmental and social risks.

B6 Product Responsibility***Product Responsibility***

The products sold by the Group are commodities and based on Business to Business ("B2B") model. The products are not consumed by any end users, consequently, no product recall for quality or safety and health reasons, and no data of end users were collected.

B7 Anti-Corruption***Anti-Corruption***

During the financial year reported, the Group did not have any legal cases involving allegations of corruption. The Group's Code of Business Ethics and Corporate Conduct strictly prohibits any form of bribery, abuse of power, conflict of interest, and financial misconduct, among other things, to comply with the Malaysian Anti-Corruption Commission Act (Amendment) 2018.

The Group, relying on this policy and channels for whistleblowing, is not aware of any forms of corruption in its operations in FY2018.

Whistle-Blowing Policy

We believe that operating our business with high level of accountability, openness, honesty and integrity are essential to minimise and prevent the occurrence of potential improper behaviour or misconduct. We ensure all our staff adhere to the standard prescribed by our Code of Business Ethics and Corporate Conduct. By establishing Whistle-blowing Policy, all our employees, customers or even suppliers are aware of their responsibilities to report any suspected or actual business misconduct, malpractice or other form of impropriety. Meanwhile, the Whistle-blowing Policy also ensures those who disclose information shall be protected and granted confidentiality.

The Group will investigate any report raised by the whistle-blowers thoroughly to assess the validity of the assertions and to determine the actions to be taken. We will review every report which discloses a possible criminal offence to the Audit Committee. The Audit Committee shall consult with our legal advisers to decide if the matter should be referred to the authorities for further action. A final report will be prepared by the Audit Committee and the recommendations will be made to the Board.

B8 Community Investment***Local Community***

We strive to positively impact the lives of people where we operate in, through our participation in corporate social responsibility activities.

We believe that a great way to help out is to provide some form of financial support where our contributions can play a significant role. During the period under review, we contributed approximately RM64,400 in cash and in-kind donations to various charity organisations in Malaysia and 78% of our donations went toward children, youth and elderly causes, mainly for education, health and community programmes and activities.

We aim to continue to engage with the local communities with such support while fulfilling its responsibility as a corporate citizen. In doing so, we are in the midst of developing the process to address the above.

Environment, Social & Governance (ESG) Reporting Content Index

Disclosure	Description	Page Index
A1 Emissions	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. KPIs	2
A2 Use of Resources	Policies on the efficient use of resources, including energy, water and other raw materials. KPIs	2 - 3
A3 The Environment and Natural Resources	Policies on minimising the issuer's significant impact on the environment and natural resources.	3 - 4
B1 Employment	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare KPIs	4 - 5
B2 Healthy and Safety	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	5
B3 Development and training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	5
B4 Labour Standards	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	6
B5 Supply Chain Management	Policies on managing environmental and social risks of the supply chain.	6
B6 Product Responsibility	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	6
B7 Anti-corruption	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	6
B8 Community investment	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	6