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

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2021 amounted to RM773.7 million, representing an increase of 133.0% from RM332.1 million for the same period ended 30 June 2020.
- Gross profit for the six months ended 30 June 2021 amounted to RM46.9 million, representing an increase of 138.1% from RM19.7 million for the same period ended 30 June 2020.
- Profit attributable to owners of the Company for the six months ended 30 June 2021 amounted to RM16.2 million, representing an increase of 912.5% from RM1.6 million for the six months ended 30 June 2020.
- The equity attributable to owners of the Company as at 30 June 2021 amounted to RM197.6 million, representing an increase of 7.3% from RM184.2 million as at 31 December 2020.
- The Board does not declare the payment of any dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

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

The board (the "**Board**") of directors (the "**Directors**") of Heng Hup Holdings Limited 興合控股有限公司 (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2021, together with the comparative figures for the corresponding period in 2020. The management together with the audit committee (the "**Audit Committee**") of the Company has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2021.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021 and 2020

	Notes	For the six months ended 30 June **2021** *RM'000* *(Unaudited)*	2020 *RM'000* *(Unaudited)*
Revenue	4	**773,731**	332,128
Cost of sales	7	**(726,797)**	(312,396)
Gross profit		**46,934**	19,732
Other income	5	**1,170**	825
Other losses, net	6	**(27)**	(1,660)
Distribution and selling expenses	7	**(12,911)**	(7,845)
Administrative expenses	7	**(10,878)**	(7,209)
Operating profit		**24,288**	3,843
Finance income		**121**	329
Finance costs		**(736)**	(358)
Finance costs, net	8	**(615)**	(29)
Share of results of an associate		**–**	(1,038)
Profit before income tax		**23,673**	2,776
Income tax expenses	9	**(7,458)**	(1,224)
Profit for the period		**16,215**	1,552
Profit and total comprehensive income for the period attributable to:			
Owner of the company		**16,241**	1,552
Non-controlling interest		**(26)**	–
		16,215	1,552
Earnings per share attributable to owners of the Company for the period *(expressed in sen per share)*			
– Basic earnings per share	11	**1.62**	0.16
– Diluted earnings per share	11	**1.62**	0.16

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021 and 31 December 2020

	Notes	**As at 30 June 2021**	As at 31 December 2020
		RM'000	*RM'000*
		(Unaudited)	*(Audited)*
ASSETS			
Non-current assets			
Investment in an associate		**–**	–
Property, plant and equipment		**18,174**	16,357
Intangible asset		**499**	586
Investment properties		**6,147**	6,183
Trade and other receivables	12	**1,339**	1,339
Right-of-use assets		**11,462**	11,811
Deferred income tax assets		**–**	18
		37,621	36,294
Current assets			
Inventories		**46,915**	34,079
Trade and other receivables	12	**132,560**	127,267
Current income tax recoverable		**625**	804
Pledged bank deposits		**5,307**	5,255
Fixed deposits		**16,074**	–
Cash and cash equivalents		**19,683**	25,080
		221,164	192,485
Total assets		**258,785**	228,779
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
Foreign currency translation reserve		**–**	–
Retained earnings		**113,598**	100,250
		197,597	184,249
Non-controlling interest		**(26)**	–
Total equity		**197,571**	184,249

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 30 June 2021 and 31 December 2020

	Notes	**As at 30 June 2021** *RM'000* *(Unaudited)*	As at 31 December 2020 *RM'000* *(Audited)*
Non-current liabilities			
Finance lease liabilities		**2,595**	–
Borrowings		**3,802**	5,029
Lease liabilities		**530**	1,028
Deferred income tax liabilities		**857**	471
		7,784	6,528
Current liabilities			
Trade and other payables	13	**28,704**	22,189
Current income tax liabilities		**5,936**	379
Borrowings		**13,742**	14,933
Finance lease liabilities		**1,396**	–
Lease liabilities		**759**	501
Dividend payable		**2,893**	–
		53,430	38,002
Total liabilities		**61,214**	44,530
Total equity and liabilities		**258,785**	228,779

NOTES TO THE CONDENSED 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 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 (collectively, the "**Sia Brothers**").

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

2 BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2021 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 on The Stock Exchange of Hong Kong Limited and the applicable disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

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

3 SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES

Other than additional accounting policies resulting from application of amendments to IFRSs, the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2020.

Adoption of amendments to IFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRSs and the following amendments to IFRSs issued by the IASB, for the first time, which are mandatory effective for annual period beginning on or after 1 January 2021 for the preparation of the Group's audited condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendments to IFRS 16 Leases	COVID-19 Related Rent Concession

The application of the Amendments to References to the Conceptual Framework in IFRSs and the amendments to IFRSs in the current interim period have had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated financial statements.

4 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 assesses the performance of the operating segment based on a measure of profit before income tax.

4.1 Revenue by location of goods delivery

During the six months ended 30 June 2021 and 2020, 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.

4.2 Non-current assets

As at 30 June 2021 and 31 December 2020, all non-current assets were all located in Malaysia.

5 OTHER INCOME

	For the six months ended 30 June	
	2021	2020
	RM'000	*RM'000*
	(Unaudited)	*(Unaudited)*
Compensation received	**13**	–
Government wage subsidies	**–**	150
Rental income	**257**	58
Transport income	**837**	515
Others	**63**	102
	1,170	825

6 OTHER LOSSES, NET

	For the six months ended 30 June	
	2021	2020
	RM'000	*RM'000*
	(Unaudited)	*(Unaudited)*
Foreign exchange losses – realised	**(7)**	(4)
Foreign exchange losses – unrealised	**(46)**	–
Gain on disposal of property, plant and equipment	**100**	–
Property, plant and equipment written-off	**(32)**	(2)
Provision of loss allowance on trade receivables	**(42)**	(1,654)
	(27)	(1,660)

7 EXPENSES BY NATURE

	For the six months ended 30 June	
	2021	2020
	RM'000	*RM'000*
	(Unaudited)	*(Unaudited)*
Cost of trading goods sold	**721,493**	309,069
Employee benefit expenses	**10,244**	5,919
Depreciation expenses		
– Property, plant and equipment	**2,074**	1,425
– Investment properties	**35**	13
– Right-of-use assets	**260**	345
Auditors' remuneration		
– Audit services	**482**	267
– Non-audit services	**27**	15
Transportation costs	**9,819**	6,154
Lease expenses related to		
– low value assets	**74**	–
– short term leases	**140**	–
Other expenses	**5,938**	4,243
Total cost of sales, distribution and selling expenses and administrative expenses	**750,586**	327,450

8 FINANCE COSTS, NET

	For the six months ended 30 June	
	2021	2020
	RM'000	*RM'000*
	(Unaudited)	*(Unaudited)*
Interest income from bank deposits	**121**	329
Interest expense on loans	**(557)**	(231)
Interest expense on hire purchase liabilities	**(120)**	(78)
Interest expense on lease liabilities	**(36)**	(27)
Interest expense on bank overdraft	**(23)**	(22)
	(736)	(358)
Finance costs, net	**(615)**	(29)

9 INCOME TAX EXPENSES

Malaysian corporate income tax has been provided at the rate of 24% (six months ended 30 June 2020: 24%) of the estimated assessable profit for the six months ended 30 June 2021 and 2020.

	For the six months ended 30 June	
	2021	2020
	RM'000	*RM'000*
	(Unaudited)	*(Unaudited)*
Current tax:		
Malaysian corporate income tax	**7,055**	1,618
Under provision in prior year	**–**	144
	7,055	1,762
Deferred income tax	**403**	(538)
Income tax expenses	**7,458**	1,224

10 INTERIM DIVIDEND

The Board does not declare the payment of any dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

11 EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2021	2020
	RM'000	*RM'000*
	(Unaudited)	*(Unaudited)*
Earnings		
Profit for the periods attributable to owners of the Company	**16,241**	1,552
Number of shares:		
Weighted average number of shares in issue	**1,000,000,000**	1,000,000,000
Basic earning per share (expressed in sen per share)	**1.62**	0.16

As at 30 June 2021 and 30 June 2020, the Company has no outstanding potentially dilutive shares.

12 TRADE AND OTHER RECEIVABLES

	As at 30 June 2021 *RM'000* *(Unaudited)*	As at 31 December 2020 *RM'000* *(Audited)*
Non-current		
Deposits for acquisition of freehold land	**1,339**	1,339
Current		
Trade receivables	**118,929**	118,366
Less: Provision for loss allowance	**(1,305)**	(1,263)
	117,624	117,103
Other receivables	**3,605**	531
Deposits and prepayments	**2,107**	1,087
Downpayment to suppliers	**8,512**	7,413
Other tax receivables	**125**	74
Amount due from an associate	**587**	1,059
	132,560	127,267
Total trade and other receivables	**133,899**	128,606

The Group generally grants credit terms ranging from 0 to 90 days to customers upon the approval of management according to the credit quality of individual customers. The ageing analysis of the trade receivables based on invoice date were as follows:

	As at 30 June 2021 *RM'000* *(Unaudited)*	As at 31 December 2020 *RM'000* *(Audited)*
0 – 30 days	**22,515**	84,260
31 – 60 days	**67,566**	32,397
61 – 120 days	**27,811**	1,517
Over 120 days	**1,037**	192
	118,929	118,366

12 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	As at 30 June 2021 ***RM'000*** ***(Unaudited)***	As at 31 December 2020 *RM'000* *(Audited)*
• RM	**118,903**	114,254
• United States Dollar	**26**	2,257
• Singapore Dollar	**–**	1,855
	118,929	118,366

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit losses provision for all trade receivables. The Group grouped the trade receivables based on shared credit risk characteristic, open market credit rating and the days past due and the historical loss rate is also adjusted to reflect current and forward-looking information on macroeconomic factor affecting the ability of the customers to settle the receivables to measure the expected credit losses.

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

	As at 30 June 2021 ***RM'000*** ***(Unaudited)***	As at 31 December 2020 *RM'000* *(Audited)*
As at 1 January	**1,263**	1,207
Provision for loss allowance	**42**	58
Bad debts written off	**–**	(2)
	1,305	1,263

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

13 TRADE AND OTHER PAYABLES

	As at 30 June 2021 ***RM'000*** ***(Unaudited)***	As at 31 December 2020 *RM'000* *(Audited)*
Trade payables	**18,225**	14,561
Other tax payables	**51**	–
Accrued salaries	**3,508**	2,985
Other payables and accruals	**6,920**	4,643
	28,704	22,189

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

	As at 30 June 2021 ***RM'000*** ***(Unaudited)***	As at 31 December 2020 *RM'000* *(Audited)*
• RM	**18,217**	10,442
• United States Dollar	**8**	4,119
	18,225	14,561

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

	As at 30 June 2021 ***RM'000*** ***(Unaudited)***	As at 31 December 2020 *RM'000* *(Audited)*
0 – 30 days	**6,629**	13,040
31 – 60 days	**3,171**	1,468
61 – 120 days	**8,425**	53
	18,225	14,561

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

BUSINESS REVIEW AND PROSPECTS

The first half of 2021 was a very productive and yet challenging period for the Group. The global economy is slowly getting back to normal even though the Coronavirus Disease ("**COVID-19**") remains a major threat around the globe. The introduction of the covid vaccine in the beginning of Year 2021 has seen some countries starting to recover from this pandemic. The Malaysian Government has taken steps to introduce various recovery plans, and businesses are allowed to operate after the movement control order ("**MCO**") was lifted in June 2020. However, Malaysia is still in the fight to contain the spread of the COVID-19 virus due to the shortage in vaccines in that period of time. The speed of the mutation of COVID-19 virus has again threatened the globe with the more deadly and highly transmissible Delta variant causing a spike in COVID-19. The Malaysian Government has concurrently introduce stricter measures in curbing the infection rate and at the same time speed up the vaccination program around the country. Another round of MCO was introduced at the beginning of June 2021 and most businesses have had to temporarily shut-down their operations since the COVID-19 cases have increased exponentially since May 2021.

However, as the global economy is slowly recovering around other regions of the world, the supply and demand of the steel product has steadily pushed up the steel price since December 2020. Our Group has benefited and performed exceptionally well from January 2021 up to May 2021 before the introduction of the MCO in the month of June 2021. The Group's revenue for the six months period ended 30 June 2021 stood at RM 773.7 million, a massive improvement by nearly 133.0% compared to the same period last year of RM 332.1 million. Sales volume of the scrap ferrous metal for the six months period ended 30 June 2021 was 417,584 tonnes, an increase of 61.6% compared to year 2020 in the same period.

With regards to the profitability, we recorded a net profit after tax for the period of RM16.2 million (six months ended 30 June 2020: RM1.6 million), representing an increase of 912.5% as compared to the same period of 2020, which was attributable to the increase in demand from the steel mills and the increase of scrap metal price over the same period. The net results would have been even better if not for the temporary shutdown due to the MCO imposed by the Government in the month of June 2021.

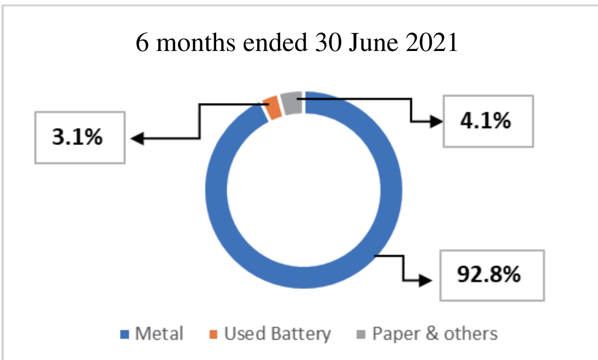
The COVID-19 pandemic is expected to remain a challenge throughout the remainder of 2021. However, steel consumption and demand for steel products remain strong, thus the scrap metal price has not been affected. The Group is confident that the recovery from this set back would be swift once the MCO is lifted and businesses are allowed to operate as normal. This MCO disruption has continued to the month of July 2021, but we expect it would be lifted soon and the recovery plan will be implemented accordingly as the government is now accelerating the vaccination program throughout the country.

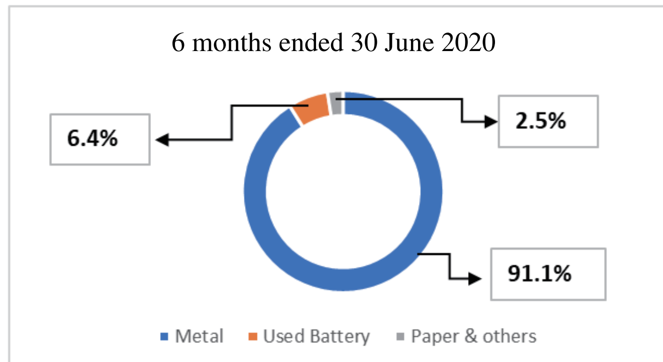
The Group will continue to leverage off on our core competitive advantages and continue to strengthen our market leading position in the Malaysian scrap ferrous metal trading industry, by expanding our supplier and customer bases and increasing our business volume of scrap ferrous metals in both local and export markets.

Financial Review

Revenue

Revenue of the Group for the six months ended 30 June 2021 was RM773.7 million (six months ended 30 June 2020: RM332.1 million), representing an improvement of 133.0% as compared to the same period of 2020. The breakdown of our total revenue by product types for the periods under review are as below:





The increase in the Group's revenue was mainly attributable to the increase in demand of steel products across the Globe. As this demand continues to grow since December 2020, it has elevated the steel price; thus the profitability of the Group has also improved favourably. The sales volume for the scrap ferrous metal for the six months ended 30 June 2021 has increased by 61.6% compared to the same period of 2020. Other revenue contributors albeit smaller in volume, are the Used Battery and Paper, which have also increased by 105.6% and 43.9% respectively.

While the MCO imposed by the Government of Malaysia to contain the outbreak of the COVID-19 for the month of June 2021 has set us back temporarily, with the experience in year 2020 the Group is in a better position to manage its finances and cashflow effectively to minimise the impact of this current lockdown. Even with sharp decrease in turnover since the MCO was imposed in June 2021, the Group is still able to maintain positive results at gross profit level.

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

	Six months period ended 30 June							
	2021				2020			
	Volume sold *(tonnes)*	***%***	**Revenue *(RM'000)***	***%***	Volume sold *(tonnes)*	*%*	Revenue *(RM'000)*	*%*
Local	**389,906**	**93.4**	**660,696**	**93.1**	252,874	97.8	296,063	97.8
Export	**27,678**	**6.6**	**48,977**	**6.9**	5,604	2.2	6,507	2.2
Total	**417,584**	**100.0**	**709,673**	**100.0**	258,478	100.0	302,570	100.0

Gross Profit

The Group's gross profit for the six months ended 30 June 2021 increased by 138.1% from RM19.7 million to RM46.9 million as compared with the corresponding period in 2020. The increase in gross profit of scrap ferrous metals was primarily attributable to increase in revenue as well as the increase in selling price of scrap ferrous metal over the six month period.

The Group's gross profit margin improved marginally to 6.1% for the six months ended 30 June 2021 as compared to 5.9% for the six months ended 30 June 2020.

Distribution and Selling Expenses

The Group's distribution and selling expenses increased from RM7.8 million for the six months ended 30 June 2020 to RM12.9 million for the six months ended 30 June 2021, primarily due to the increase of truck hire expenses for engaging external logistic companies to cope with the growing demand in both domestic and overseas markets, as well as freight charges incurred from import of scrap ferrous metal from overseas.

Administrative Expenses

The increase in the Group's administrative expenses from RM7.2 million for the six months ended 30 June 2020 to RM10.9 million for the six months ended 30 June 2021 was mainly attributable to the increase in head count on office personnel, additional provision for incentives and bonuses, and increase in payroll due to salary adjustment.

Share of Results of An Associate

The Group's share of results of an associate is nil for the six months ended 30 June 2021 compared to same period last year at a loss of RM 1.0 million. The Group has not recognised further losses related to the associate since the Group has no obligation in respect to these losses and the carrying amount of the investment is nil. The target of the associates is to continue with its restructuring program to produce positive results in the second half of year 2021.

Taxation

Malaysian corporate income tax has been provided at the rate of 24% of the estimated assessable profit. Our effective tax rate for the six months ended 30 June 2021 was 31.5% (six months ended 30 June 2020: 44.1%). The lower effective tax rate of 31.5% was in line with the Group's better tax planning process implemented this year and proper classification of allowable expenses, as well as the reduction on non-deductible expenses.

Profit Attributable to Owners of the Company

The Group's profit attributable to owners of the Company for the six months ended 30 June 2021 was RM16.2 million (six months ended 30 June 2020: RM1.6 million), which is in tandem with the increase in profit before tax.

Key Financial Ratios

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

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Liquidity Ratios		
Current ratio	**4.1 times**	5.1 times
Gearing ratio	**11.6%**	11.7%

	For the six months ended 30 June	
	2021	2020
Inventories' turnover period	**12.0 days**	15.0 days
Trade receivables' turnover period	**28.0 days**	54.1 days
Trade payables' turnover period	**5.0 days**	3.5 days

Working Capital

The inventories' turnover period of the Group was 12.0 days for the six months ended 30 June 2021 as compared to 15.0 days for the six months ended 30 June 2020. The improvement on inventories' turnover period was mainly attributable to better logistic management in delivery of goods to the customers.

The Group's trade receivables' turnover period was 28 days for the six months ended 30 June 2021 as compared to 54.1 days for the six months ended 30 June 2020. Such improvement was mainly attributable to the better credit control policy in negotiating a better term with the customers in collecting payment. The provision made for the loss allowance for the six months ended 30 June 2021 was RM 0.04 million.

The Group's trade payables' turnover period was 5.0 days for the six months ended 30 June 2021 as compared to 3.5 days for the six months ended 30 June 2020. The slight increase on trade payables' turnover period was mainly attributable to the fact that the volume increased significantly, and we negotiated a better payment term to better manage our cashflow.

Liquidity and Financial Resources

As of 30 June 2021, the Group's total equity attributable to owners of the Company amounted to RM197.6 million (as at 31 December 2020: RM184.2 million) including retained earnings of RM113.6 million (as at 31 December 2020: RM100.2 million). The Group's working capital amounted to RM167.7 million (as at 31 December 2020: RM154.5 million) of which cash and bank balances, pledged bank deposits and fixed deposits were RM41.1 million (as at 31 December 2020: RM30.3 million).

Taking into account the cash and cash equivalents on hand and banking facilities available to us, the Group has adequate liquidity and financial resources to meet the working capital requirements as well as to fund its budgeted expansion plans in the next 12 months. The Board will continue to follow a prudent treasury policy in managing its cash and bank balances, and maintain a strong and healthy liquidity to ensure that the Group is well positioned to achieve its business objectives and strategies.

Total borrowings of the Group as at 30 June 2021 were RM21.5 million (as at 31 December 2020: RM20.0 million). The borrowings were mainly used to finance the procurement of scrap ferrous metals and capital expenditure.

The Group's gearing ratio as at 30 June 2021 was 11.6% (as at 31 December 2020: 11.7%). Gearing ratio is calculated based on total interest-bearing debts divided by total equity as at the end of the period.

Future Plans for Material Investments and Capital Assets

As at 30 June 2021, 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, associates or joint ventures

During the six months ended 30 June 2021, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

Pledge of Assets

As at 30 June 2021, the Group has pledged the following assets to banks to secure certain bank borrowings and general banking facilities granted to the Group:

	As at 30 June *2021* *RM'000* (Unaudited)	As at 31 December *2020* *RM'000* (Audited)
Property, Plant and Equipment	**725**	764
Right-of-use assets	**10,029**	10,117
Investment properties	**5,540**	5,568
Pledged bank deposits	**5,307**	5,255
	21,601	21,704

Litigation

On 6 April 2021, Heng Hup Metal Sdn Bhd, a wholly owned subsidiary of the Group was named as a co-defendant along with the Selangor Land and Mines Office (Pejabat Tanah dan Galian Negeri Selangor) in a lawsuit filed jointly by two individuals namely Lim Chee Keong and Lim Chi Yin as plaintiffs with High Court of Malaya in Malaysia, in relation to the dealing(s) concerning two (2) parcels 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. For further details, please refer to the announcement of the Company dated 16 June 2021.

The Company is of the view that the above legal proceedings currently do not affect the normal business and operations of the Group, and will not have any material and adverse impacts on the overall business, operation or financial performance of the Group.

Contingent Liabilities

The Group did not have any significant contingent liability as at 30 June 2021 (as at 31 December 2020: Nil).

Capital Commitments

As at 30 June 2021, the Group has capital commitment in respect of acquisition of property, plant and equipment of RM2.4 million (as at 31 December 2020: RM12.5 million).

Risk Management

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

The Group operates in Malaysia and the Group's transactions are mainly denominated in Ringgit Malaysia ("**RM**") which is the functional and presentation currency for most of the Group's operating subsidiaries. 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, trade and other receivables and amounts due from related parties. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding looking information, especially the following indicators are incorporated:

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

To manage this risk arising from cash and bank deposits, the Group only transacts with reputable commercial banks which are all high-credit-quality financial institutions. There has been no recent history of default in relation to these financial institutions. The expected credit loss of cash and bank balances is close to zero.

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group grouped the trade receivables based on shared credit risk characteristic, open market credit rating and the days past due and the historical loss rate is also adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables to measure the expected credit losses. During the six months ended 30 June 2021, the expected losses rate for trade receivables is 1.1% (six months ended 30 June 2020: 2.6%). The provision for trade receivables made during the six months ended 30 June 2021 is RM0.04 million (six month ended 30 June 2020: RM 1.7 million).

The Group has no write-off of trade receivables during the six months ended 30 June 2021 and 2020.

The Group has significant concentration of credit risk from customers for scrap ferrous metals such as steel mills and ferrous metal trading companies. As at 30 June 2021, 95% of its total trade receivables (as at 31 December 2020: 93%) was due from this group of customers. As the Group is one of the few approved scrap metal providers to the steel mill customers and based on the past repayment history and forward-looking estimates, the Directors believe that the credit risk inherent in the Group's outstanding trade receivables from this group of customers is low.

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

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

EVENTS OCCURRED SINCE THE END OF THE SIX MONTHS ENDED 30 JUNE 2021

Saved as disclosed in this announcement, the Board is not aware of any significant event affecting the Group and requiring disclosures that took place subsequent to 30 June 2021 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 *(RM'000)*	**Change in use of proceeds** *(RM'000)*	**New allocation for net proceeds** *(RM'000)*	**Balance as at 31 December 2020** *(RM'000)*	**Amount utilised during the six months ended 30 June 2021** *(RM'000)*	**Balance as at 30 June 2021** *(RM'000)*	**Expected timeline for fully utilizing the remaining proceeds (taking into account of the new allocation)** *(Note)*
Partially replacing our fleet of trucks	3,604	–	3,604	–	–	–	
Enhancing our processing abilities	2,908	–	2,908	–	–	–	
Setting up new enterprise resource planning system	942	–	942	158	–	158	Third 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	5,349	–	5,349	Fourth quarter of 2022

	Available *(RM'000)*	Change in use of proceeds *(RM'000)*	New allocation for net proceeds *(RM'000)*	Balance as at 31 December 2020 *(RM'000)*	Amount utilised during the six months ended 30 June 2021 *(RM'000)*	Balance as at 30 June 2021 *(RM'000)*	Expected timeline for fully utilizing the remaining proceeds (taking into account of the new allocation) *(Note)*
The Group's working capital for our scrap ferrous metal trading business	18,471	4,546	23,017	–	–	–	
General working capital for other general corporate purpose (excluding the purchase of scrap materials)	4,096	–	4,096	–	–	–	
Total	40,956	–	40,956	5,507	–	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 the business plans from those disclosed in the Prospectus and the announcement dated 16 July 2020.

EMPLOYEES AND REMUNERATION POLICIES

As of 30 June 2021, the Group had 162 (as at 30 June 2020: 129) employees in Malaysia. For the six months ended 30 June 2021, total staff costs and related expenses of the Group (including the Directors' remuneration) were RM10.2 million (six months ended 30 June 2020: RM5.9 million), representing an increase of 72.9% as compared to the same period of 2020. 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 six months ended 30 June 2021.

INTERIM DIVIDEND

The Board does not declare the payment of any dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

SUFFICIENCY OF PUBLIC FLOAT

Based on the 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 of Hong Kong Limited (the "**Stock Exchange**") and permitted under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). Are held by the public at all times throughout the six months ended 30 June 2021 and as of the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company (being Ms. Sai Shiow Yin, Mr. Puar Chin Jong and Mr. Chu Kheh Wee) has reviewed with management the condensed consolidated financial information for the six months ended 30 June 2021, including accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.henghup.com). The interim report of the Company for the six months ended 30 June 2021 will be despatched to the shareholders of the Company and published on the aforesaid websites in due course.

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

Hong Kong, 28 August 2021

As at the date of this announcement, the directors of the Company 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