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 FINANCIAL YEAR ENDED 31 DECEMBER 2021

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 2021, together with the comparative figures for the financial year ended 31 December 2020 as follows:

FINANCIAL HIGHLIGHTS

- Revenue for the financial year ended 31 December 2021 amounted to RM1,418.2 million (equivalent to approximately HK$2,641.0 million), representing an increase of 63.3% from RM868.3 million (equivalent to approximately HK$1,616.9 million) recorded in 2020.

- Gross profit for the financial year ended 31 December 2021 amounted to RM77.5 million (equivalent to approximately HK$144.4 million), representing an increase of 58.1% from RM49.0 million (equivalent to approximately HK$91.2 million) recorded in 2020.

- Profit attributable to owners of the Company for the financial year ended 31 December 2021 amounted to RM25.4 million (equivalent to approximately HK$47.3 million), representing an increase of 202.4% from RM8.4 million (equivalent to approximately HK$15.6 million) in 2020.

- The equity attributable to owners of the Group as at 31 December 2021 amounted to RM206.8 million (equivalent to approximately HK$385.1 million), representing an increase of 12.3% from RM184.2 million (equivalent to approximately HK$343.0 million) in 2020.

- The Board proposed a final dividend of HK$0.008 per share on 1,000,000,000 ordinary shares in respect of the financial year ended 31 December 2021 amounting to a total of RM4,296,000.00 (equivalent to approximately HK$8,000,000) (FY2020: HK$0.0055 per share).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 RM'000	2020 RM'000
Revenue	3	**1,418,239**	868,312
Cost of sales	6	**(1,340,665)**	(819,326)
Gross profit		**77,574**	48,986
Other income	4	**4,239**	2,814
Other (losses)/gain, net	5	**(195)**	24
Distribution and selling expenses	6	**(21,778)**	(20,539)
Administrative expenses	6	**(22,931)**	(16,799)
Operating profit		**36,909**	14,486
Finance income	7	**239**	512
Finance costs	7	**(1,608)**	(847)
Finance costs, net		**(1,369)**	(335)
Share of results of an associate		**6**	(1,474)
Profit before income tax		**35,546**	12,677
Income tax expense	8	**(10,132)**	(4,285)
Profit and total comprehensive income for the year		**25,414**	8,392
Net profit and total comprehensive income for the year attributable to owners of the Company			
– Owners of the Company		**25,485**	8,392
– Non-controlling interest		**(71)**	–
Earnings per share attributable to owners of the Company for the year (expressed in sen per share)			
– Basic and diluted earnings per share	10	**2.55**	0.84

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Notes	2021 RM'000	2020 RM'000
ASSETS			
Non-current assets			
Investment in associates		**6**	–
Property, plant and equipment		**18,548**	16,357
Intangible asset		**414**	586
Investment properties		**6,112**	6,183
Deposits		**930**	1,339
Right-of-use assets		**11,333**	11,811
Deferred income tax assets		**838**	18
		38,181	36,294
Current assets			
Inventories		**56,911**	34,079
Trade and other receivables	*11*	**153,234**	127,267
Current income tax recoverable		**–**	804
Pledged bank deposits		**5,345**	5,255
Cash and bank balances		**26,349**	25,080
		241,839	192,485
Total assets		**280,020**	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
Retained earnings		**122,844**	100,250
		206,843	184,249
Non-controlling interest		**(71)**	–
Total equity		**206,772**	184,249

	Notes	2021 *RM'000*	2020 *RM'000*
Non-current liabilities			
Borrowings		**4,211**	5,029
Lease liabilities		**709**	1,028
Deferred income tax liabilities		**517**	471
		5,437	6,528
Current liabilities			
Trade and other payables	*12*	**35,410**	22,189
Current income tax liabilities		**2,701**	379
Borrowings		**29,190**	14,933
Lease liabilities		**510**	501
		67,811	38,002
Total liabilities		**73,248**	44,530
Total equity and liabilities		**280,020**	228,779

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

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

2.2 Adoption of New Standards

The Group had 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 consolidated financial statements:

IFRS 9, IAS 39 and, IFRS 7, IFRS 4 and IFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2
IFRS 16 (Amendments)	COVID-19 Related Rent Concession beyond 30 June 2021

The application of the amendments to Reference to the Conceptual Framework in IFRSs and the amendments to IFRSs in the current period did not have any material impact to the Group's financial positions and performance for the current and prior period and/or on the disclosures set out in these audited consolidated financial statements.

2.3 New standards and amendments to standards and interpretation not yet adopted by the Group

A number of new standards and amendments to standards and interpretation have been issued but not effective for continuing period beginning on or after 1 January 2022 and have not been early adopted by the Group in preparing the financial statements:

		Effective for annual periods beginning on or after
Annual Improvement to IFRA Standards 2018-2020	Annual improvements to IFRS Standards 2018-2020 Cycle	1 January 2022
IFRS 3, IAS 16 and IAS 37	Narrow-scope amendments (amendments)	1 January 2022
IAS 1	Classification of Liabilities as Current or Non-current (amendments)	1 January 2023
IFRS 17	Insurance Contracts (new standard)	1 January 2023
IFRS 17	Amendments to IFRS 17	1 January 2023
IAS 1 and IFRS Practice Statement 7	Disclosure of Accounting Policies (amendments)	1 January 2023
IAS 8	Definition of Accounting Estimates (amendments)	1 January 2023
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction (amendments)	1 January 2023
IFRS 10 and IAS 28	Sale or Contribution of Assets between as Investor and its Association or Joint Venture (amendments)	To be determined

The above new standards, new interpretation and amended standards are not expected to have any significant impact on the consolidated financial statements of the Group.

3. REVENUE AND SEGMENT INFORMATION

The Group is mainly engaged in trading of scrap ferrous metals, used batteries, waste paper 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 2021 and 2020, 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.

Major customers

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

	2021	2020
	RM'000	*RM'000*
Customer 1	**626,205**	407,507
Customer 2	**539,482**	102,404

4. OTHER INCOME

	2021	2020
	RM'000	*RM'000*
Provision for logistic service income	**2,941**	1,390
Refund of keyman insurance policy	**–**	553
Government wage subsidies	**–**	395
Rental income	**481**	246
Compensation received	**12**	32
Processing fee income	**720**	–
Others	**85**	198
	4,239	2,814

5. OTHER (LOSSES)/GAINS, NET

	2021	2020
	RM'000	*RM'000*
Other gains		
Gain on disposal of property, plant and equipment	**100**	62
Foreign exchange gains, net	**–**	27
	100	89
Other losses		
Property, plant and equipment written-off	**(32)**	(7)
Provision for loss allowance on trade receivables	**(42)**	(58)
Foreign exchange losses, net	**(221)**	–
	(295)	(65)
Other (losses)/gains, net	**(195)**	24

6. EXPENSES BY NATURE

	2021 *RM'000*	2020 *RM'000*
Cost of trading goods sold	**1,328,085**	810,351
Employee benefit expenses	**20,818**	15,045
Depreciation expenses		
– Property, plant and equipment	**3,948**	3,088
– Right-of-use assets	**688**	801
– investment properties	**71**	36
Amortisation expenses		
– intangible assets	**172**	14
Auditors' remuneration		
– Audit services	**539**	493
– Non-audit services	**68**	48
Transportation costs	**16,216**	15,851
Lease expenses relating to		
– low value assets	**61**	162
– short term leases	**506**	64
Upkeep expenses	**4,710**	2,392
Legal and compliance fees	**878**	571
Secretarial fees	**475**	476
Other expenses	**8,139**	7,272
Total cost of sales, distribution and selling expenses and administrative expenses	**1,385,374**	856,664

7. FINANCE COSTS, NET

	2021 *RM'000*	2020 *RM'000*
Interest income from bank deposits	**239**	512
Interest expense on loans	**(1,100)**	(569)
Interest expense on hire purchase liabilities	**(261)**	(143)
Interest expense on lease liabilities	**(219)**	(87)
Interest expense on bank overdrafts	**(28)**	(48)
Finance costs	**(1,608)**	(847)
Finance costs, net	**(1,369)**	(335)

8. INCOME TAX EXPENSE

Malaysian corporate income tax has been provided at the rate of 24% (2020: 24%) of the estimated assessable profit for the years ended 31 December 2021 and 2020.

	2021	2020
	RM'000	*RM'000*
Malaysian corporate income tax		
– current	**10,896**	3,683
– under provision in prior year	**10**	592
	10,906	4,275
Deferred income tax	**(774)**	10
Income tax expense	**10,132**	4,285

9. DIVIDENDS

	2021	2020
	RM'000	*RM'000*
In respect of the financial year ended 31 December 2020		
– Final dividend of HK$0.0055 per share paid on 15 July 2021	**2,891**	–

At the forthcoming Annual General Meeting, a final dividend of HKD0.008 per share on 1,000,000,000 ordinary shares in respect of the financial year ended 31 December 2021 amounting to a total of RM4,296,000.00 (equivalent to approximately HK$8,000,000) 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.

	2021	2020
	RM'000	*RM'000*
Earnings:		
Profit for the years attributable to the owners of the Company	**25,485**	8,392
Number of shares:		
Weighted average number of shares in issue	**1,000,000,000**	1,000,000,000
Basic and diluted earnings per share (expressed in sen)	**2.55**	0.84

As at 31 December 2021 and 31 December 2020, the Company has no outstanding potential dilutive shares.

11. TRADE AND OTHER RECEIVABLES

	2021 *RM'000*	2020 *RM'000*
Non-current		
Deposits for acquisition of leasehold land*	**930**	1,339
Current		
Trade receivables	**134,362**	118,366
Less: provision for loss allowance	**(1,305)**	(1,263)
	133,057	117,103
Other receivables#	**7,862**	531
Deposits and prepayments	**2,811**	1,087
Downpayment to suppliers	**9,266**	7,413
Other tax receivables	**125**	74
Amounts due from associates	**113**	1,059
	153,234	127,267
	154,164	128,606

* On 30 October 2021 the Group entered into Sales and Purchase Agreement (the "**Agreement**") to acquire three (3) parcels of leasehold land in Malaysia for a purchase consideration of RM9,300,000. Consequently, the Group paid a deposit amounted to RM930,000 upon signing of the Agreement. The completion of the said acquisition is subject to the fulfilment of the terms and conditions stated in the Agreement. The said acquisition has been completed on 11 March 2022.

\# Included in Other receivables as at 31 December 2021 are loans due from one of its suppliers amounting to RM5,000,000. The loans are with tenure of 4 months and secured by personal guarantees.

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:

	2021	2020
	RM'000	*RM'000*
0 – 30 days	**130,792**	84,260
31 – 60 days	**2,182**	32,397
61 – 120 days	**138**	1,517
Over 120 days	**1,250**	192
	134,362	118,366

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

	2021	2020
	RM'000	*RM'000*
– RM	**134,336**	114,254
– United States Dollar	**26**	2,257
– Singapore Dollar	**–**	1,855
	134,362	118,366

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:

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

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

12. TRADE AND OTHER PAYABLES

	2021	2020
	RM'000	*RM'000*
Trade payables	**22,890**	14,561
Accrued salaries	**7,023**	2,985
Other payables and accruals	**5,497**	4,643
	35,410	22,189

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

	2021	2020
	RM'000	*RM'000*
– RM	**20,554**	10,442
– United States Dollar	**2,336**	4,119
	22,890	14,561

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

	2021	2020
	RM'000	*RM'000*
0 – 30 days	**21,095**	13,040
31 – 60 days	**12**	1,468
61 – 120 days	**1,783**	53
	22,890	14,561

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

BUSINESS REVIEW

As one of the leading scrap ferrous metal traders in Malaysia, we continue to uphold our integrity as our business fundamental in all our business affairs. We strive to deliver on our promises and always manifest our willingness to be part of the solutions to our customers' needs. As a result, we achieved not only a great result for the financial year ended ("**FYE**") 31 December 2021 but also further enhance our reputation as a trusted business partners in the market.

Year 2021 represent a challenging year due to the transformation that we have been going through, but also a fruitful year in terms of financial performance. As expected, the COVID-19 pandemic continues to be a disruption to many businesses. The imposition of the Movement Control Order ("**MCO**") in Malaysia from 12 May 2021 to 1 August 2021 has certainly undermined our overall performance. However, despite of all the challenges both internally and externally, the Group's performance for the FYE 31 December 2021 is remarkable.

Malaysia's overall economy has begun to recover particularly driven by manufacturing, mining & quarrying and service sectors, as the Malaysian Government gradually open certain economy sectors with the introduction of various vaccination program from February 2021. However, the reinstatement of tough restriction due to the surging of covid-19 new cases caused by more virulent COVID-19 variants of concern (VOCs) had again hindered business activities towards the end of second quarter and into third quarter 2021. The achievement of high level of vaccination rate throughout the country has seen the economy recovery again began from fourth quarter onwards as the Malaysian Government reopening of most economy sectors and the resumption of social activities. As a result, the real gross domestic product ("**GDP**") has rebounded to 3.6% in year 2021, a sharp improvement compared to a decline of 5.4% in year 2020.

Despite these challenges, the demand of steel products around the region is still high and this has directly pushed up the price for the scrap ferrous metal since December 2020. This rising momentum of pricing and demand for steel bars has continued to increase steadily throughout year 2021, from RM2,890 per metric tonne in January 2021 to RM2,990 per metric tonne by end 2021. The price for the steel bar remains strong in January 2022 around RM3,250 per metric tonne.

The Group is well positioned to benefit from this development with improved operational capacity and better control on its financial affairs. The group recorded a turnover of RM1,418.2 million in FYE 31 December 2021 compared to FYE 31 December 2020 at RM868.3 million, an improvement of 63.3%. With better cost control and procurement management the Group is able to increase its volume to cater for the market demand and improving our profitability. The direct impact of this favourable development has contributed to our bottom line with a net profit after tax of RM25.4 million, an improvement of 202.4% compared to FYE 31 December 2020 at RM8.4 million.

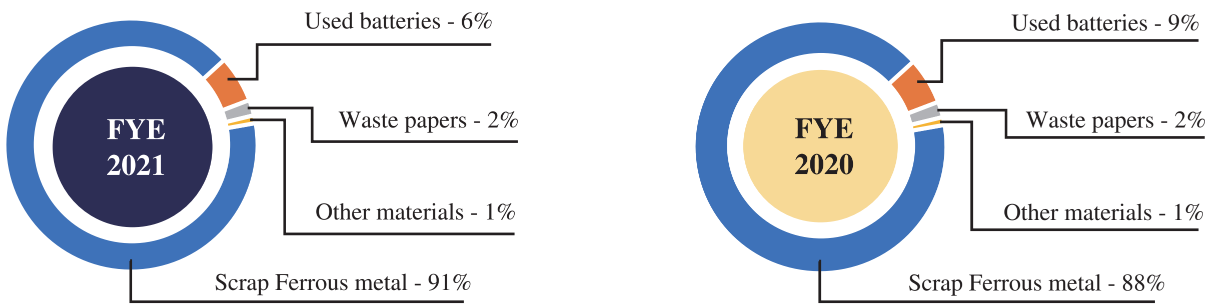
Despite the uncertain environment due to the potential risks related to the COVID-19 pandemic, the outlook for steels demand will remain strong in year 2022. The Group will be focusing on its strategy to further enhance our operational efficiency and will continue to strengthen our market leading position in the Malaysian scrap ferrous metal trading industry, by expanding our supplier and customer bases and increasing our business volume of scrap ferrous metal. With the experience living with the Covid-19 virus for the past years, we are well prepared and more resilient in facing challenges and well equipped to seize any opportunities arises that comes our way.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

Revenue of the Group for the FYE 31 December 2021 was RM1,418.2 million (2020: RM868.3 million), representing an increase of 63.3% as compared to last year. The breakdown of our total revenue by product types for the years 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 since December 2020. This development has elevated the steel price and the profitability of the Group has also improved favourably. Although there was again a temporary shutdown of business operations across the Group following the MCO imposed by the Malaysian Government to stem the surging cases of COVID-19 caused by the more virulent COVID-19 variants of concern (VOCs) for the period from 12 May 2021 to 1 August 2021, the demand and the pricing of steel products remain strong. As a result, the sales volume of scrap ferrous metals for the FYE 31 December 2021 improved 9.5% as compared to last year. The increase in average selling price of scrap ferrous metal compared to last year has also attributed to the increase 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							
	2021				2020			
	Volume sold *(tonnes)*	*%*	**Revenue** *(RM'000)*	*%*	Volume sold *(tonnes)*	*%*	Revenue *(RM'000)*	*%*
Local	**673,413**	**95.9**	**1,239,823**	**96.1**	590,195	92.2	707,763	92.4
Export	**28,433**	**4.1**	**49,938**	**3.9**	49,676	7.8	58,455	7.6
Total	**701,846**	**100.0**	**1,289,761**	**100.0**	639,871	100.0	766,218	100.0

Gross Profit

The Group's gross profit improved by RM28.6 million from RM49.0 million in FYE 31 December 2020 to RM77.6 million in FYE 31 December 2021. The increase in gross profit of scrap ferrous metal was primarily attributable to increase in volume sales, and better cost control with improved operational efficiency.

Our Group's annual average gross profit margin dropped by 0.1 percentage point at 5.5% compared to last year at 5.6%. This is a clear indicator that even with the impact of MCO for almost two and a half months, the demand and supply of scrap ferrous metal over the year 2021 remain strong.

Other income

Other income increased from RM2.8 million for the FYE 31 December 2020 to RM4.2 million for the FYE 31 December 2021, mainly due to the increased in transport income from RM1.4 million in FYE 31 December 2020 to RM2.9 million in FYE 31 December 2021.

Other (losses)/gains, net

Our Group's other (losses)/gain, declined from net gain of RM0.02 million for the FYE 31 December 2020 to net loss of RM0.2 million for the FYE 31 December 2021. This was mainly due to realised foreign exchange loss and there is no adjustment or written back of provision for loss allowance.

Distribution and Selling Expenses

Our Group's distribution and selling expenses increased from RM20.5 million for the FYE 31 December 2020 to RM21.8 million for the FYE 31 December 2021, primarily due to higher domestic transportation cost however this has been mitigated by lower transportation cost in relation to export sales. The export duty imposed by the authority starting May 2021 for scrap ferrous metal has resulted in lower margin thus making export sales less lucrative for the Group in the year under review.

Administrative Expenses

The increase of Group's administrative expenses from RM16.8 million for the FYE 31 December 2020 to RM22.9 million for the FYE 31 December 2021 was mainly due to the increase in overall payroll cost of RM4.0 million. This include directors' remuneration, bonus and incentive approximately RM2.7 million, and the remaining is the bonus and salary cost for employees amounting to RM1.3 million. Depreciation is also higher by RM1.0 million due to new acquisition of transportation fleet and the balance of RM1.1 million is due to higher overhead cost in year 2021.

Taxation

Malaysian corporate income tax has been provided at the rate of 24% (2020: 24%) of the estimated assessable profit. Our effective tax rate for the FYE 31 December 2021 was 28.5% (2020: 33.8%). The lower effective tax rate compared to last year was mainly attributable to higher deferred tax income in FYE 31 December 2021.

Profit Attributable to Owners of the Company

The Group's profit attributable to owners for the FYE 31 December 2021 was RM25.4 million (2020: RM8.4 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	**2021**	2020
Current ratio	**3.6 times**	5.1 times
Gearing ratio	**16.7%**	11.7%

	For the FYE 31 December	
	2021	2020
Inventories' turnover period	**15 days**	12 days
Trade receivables' turnover period	**35 days**	44 days
Trade payables' turnover period	**8 days**	5 days

Working Capital

The inventories' turnover period of the Group was 15 days for the FYE 31 December 2021 as compared to 12 days for the previous year. The increase was in line with the Group sales volume in year 2021 primarily due to increase in volume of inventories maintained at our scrapyards to satisfy the increasing demands of our customers.

The Group's trade receivables' turnover period was 35 days for the FYE 31 December 2021 as compared to 44 days for the previous year. Such improvement mainly attributable to tighter control on credit terms and improved collection period.

The Group's trade payables' turnover period was 8 days for FYE 31 December 2021 as compared to 5 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 2021, the Group's total equity attributable to owners amounted to RM206.8 million (2020: RM184.2 million) including retained earnings of RM122.8 million (2020: 100.3 million). The Group's working capital amounted to RM174.0 million (2020: RM154.5 million) of which cash and bank balances, pledged bank deposits and fixed deposits were RM31.7 million (2020: RM30.3 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 bank balances and cash and maintain a strong and healthy liquidity to ensure that the Group is well positioned to achieve its business objectives and strategies.

Total borrowings of the Group as at 31 December 2021 were RM33.4 million (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 31 December 2021 was 16.7% (2020: 11.7%). Gearing ratio is calculated based on total debts divided by total equity as at the end of the year.

Future Plans for Material Investments and Capital Assets

On 30 October 2021, Heng Hup Metal Sdn. Bhd., an indirectly wholly-owned subsidiary of the Company had entered into the sale and purchase agreement with the vendor, 5S Unity Properties Sdn Bhd {Company Registration No.: 201201022221 (1006713-A)}, a company incorporated in Malaysia under the Companies Act 1965 with its registered address at 695, Jalan Tampoi, Krubong, 75250 Melaka, pursuant to which the purchaser has agreed to acquire and the vendor has agreed to sell three (3) pieces of vacant leasehold land held under HSM 4044, Lot no. PT 10541, HSM 4045, Lot no. PT 10542 and HSM 4043, Lot no. PT 10543, all in Mukim Ijuk, District of Kuala Selangor, State of Selangor, Malaysia with the total land area of approximately 2.4282 hectares (approximately 261,369.273 square feet) at the consideration of RM9,300,000 (equivalent to approximately HK$17,391,000). For further details, please refer to the announcement of the Company dated 30 October 2021. The said acquisition has been completed on the 11 March 2022.

Save as disclosed elsewhere, as at 31 December 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.

Pledge of Assets

At the end of financial years ended 31 December 2021 and 2020, the Group has pledged the following assets to banks to secure certain bank borrowings and general banking facilities granted to the Group:

	2021	2020
	RM'000	*RM'000*
Property, plant and equipment	**687**	764
Right-to-use assets	**9,938**	10,117
Investment properties	**5,514**	5,568
Pledged bank deposits	**5,345**	5,255
	21,484	21,704

Contingent Liabilities

The Group did not have any contingent liabilities as at 31 December 2021 (2020: Nil).

Capital Commitments

As at 31 December 2021, the Group has capital commitment in respect of acquisition of property, plant and equipment of RM10.1 million (2020: RM12.5 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 and lease 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, 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 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 and the days past due and the forward-looking information to measure the expected credit losses. During the FYE 31 December 2021, the expected loss rate for trade receivables is 1.0% (2020: 1.1%). The provision for trade receivables as at 31 December 2021 is RM1.3 million (2020: RM1.3 million).

There is no bad debts written off during the FYE 31 December 2021 (2020: RM2,000).

The Group has significant concentration of credit risk from customers for scrap ferrous metals such as steel mills and ferrous metal trading companies. As at 31 December 2021, 94% (2020: 93%) 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. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration of the Group's debt financing plans, covenant compliance, and if applicable external regulatory or legal requirements, such as currency restrictions.

EVENTS OCCURRED SINCE THE END OF THE YEAR ENDED 31 DECEMBER 2021

On 3 March 2022, the Group entered into Sales and Purchase Agreement (the "**Agreement**") to acquire two (2) adjoining pieces of vacant land in Malaysia for a purchase consideration of RM29,392,981. The completion of the said acquisition is subject to the fulfilment of the terms and conditions stated in the Agreement. The said acquisition has yet to be completed as at the reporting date.

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 2021 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 *(RM'000)*	Change in use of Proceeds *(RM'000)*	New allocation for the net proceeds *(RM'000)*	Balance as at 31 December 2020 *(RM'000)*	Amount utilised during the year ended 31 December 2021 *(RM'000)*	Balance as at 31 December 2021 *(RM'000)*	Expected timeline for fully utilising 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	Amount Utilised in Feb 2022
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	Second quarter of 2023
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	–	–	–	
	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 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 2021, the Group had 177 (2020: 163) employees in Malaysia. For the year ended 31 December 2021, total staff costs and related expenses of the Group (including the Directors' remuneration) were RM20.8 million (2020: RM15.0 million), representing an increase of 38.7% as compared to the FYE 31 December 2020. The higher total staff costs and related expenses of the Group (including the Directors' remuneration) for the FYE 31 December 2021 was mainly attributable to the increase of executive directors' salary and incentives, and higher bonus pay out for employees in FYE 2021. 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 2021.

DIVIDENDS

The Board proposed a final dividend of HK$0.008 per share (the "**Proposed Final Dividend**") on 1,000,000,000 ordinary shares in respect of the FYE 31 December 2021 amounting to a total of RM4,296,000 (equivalent to approximately HK$8,000,000) (2020: RM2,891,000, approximately HKD5,500,000), subject to the approval of the shareholders of the Company at the Company's annual general meeting to be held on Saturday, 18 June 2022 (the "**2022 AGM**"). The Proposed Final Dividend will be payable on or around Friday, 15 July 2022 to the shareholders of the Company whose names appear on the register of members of the Company on Tuesday, 28 June 2022.

CLOSURE OF REGISTER OF MEMBERS FOR 2022 AGM

The register of members of the Company will be closed from Tuesday, 14 June 2022 to Saturday, 18 June 2022, 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 2022 AGM. In order to be eligible to attend and vote at the 2022 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 Monday, 13 June 2022.

CLOSURE OF REGISTER OF MEMBERS FOR THE PROPOSED FINAL DIVIDEND

The register of members of the Company will be closed from Friday, 24 June 2022 to Tuesday, 28 June 2022, 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, 23 June 2022.

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 2021, 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 (which has been renumbered as code provision C.2.1 since 1 January 2022) 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 AND RISK COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The audit and risk committee of the Company (the "**Audit and Risk 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 2021, 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 2021 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's Audited 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 and Risk Committee has reviewed the annual results with the management of the Company.

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 2021 will be despatched to the shareholders of the Company and published on the aforesaid websites on or before 30 April 2022.

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

Hong Kong, 31 March 2022

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