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 2022

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2022 amounted to RM868.0 million, representing an increase of 12.2% from RM773.7 million for the same period ended 30 June 2021.
- Gross profit for the six months ended 30 June 2022 amounted to RM35.3 million, representing a decrease of 24.8% from RM46.9 million for the same period ended 30 June 2021.
- Profit attributable to owners of the Company for the six months ended 30 June 2022 amounted to RM7.8 million, representing a decrease of 51.7% from RM16.2 million for the six months ended 30 June 2021.
- The equity attributable to owners of the Company as at 30 June 2022 amounted to RM210.2 million, representing an increase of 1.6% from RM206.8 million as at 31 December 2021.
- The Board does not declare any dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: 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 2022, together with the comparative figures for the corresponding period in 2021. The Board together with the audit and risk committee (the "**Audit and Risk Committee**") of the Company has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2022.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2022 and 2021

	Notes	**For the six months ended 30 June** **2022** ***RM'000*** ***(Unaudited)***	2021 *RM'000* *(Unaudited)*
Revenue	4	**867,991**	773,731
Cost of sales	7	**(832,721)**	(726,797)
Gross profit		**35,270**	46,934
Other income	5	**2,729**	1,170
Other losses, net	6	**(74)**	(27)
Distribution and selling expenses	7	**(13,197)**	(12,911)
Administrative expenses	7	**(11,611)**	(10,878)
Operating profit		**13,117**	24,288
Finance income		**139**	121
Finance costs		**(1,113)**	(736)
Finance costs, net	8	**(974)**	(615)
Share of results of an associate		**–**	–
Profit before income tax		**12,143**	23,673
Income tax expenses	9	**(4,453)**	(7,458)
Profit for the period		**7,690**	16,215
Profit and total comprehensive income for the period attributable to:			
Owner of the company		**7,847**	16,241
Non-controlling interest		**(157)**	(26)
		7,690	16,215
Earnings per share attributable to owners of the Company for the period *(expressed in sen per share)*			
– Basic earnings per share	11	**0.78**	1.62
– Diluted earnings per share	11	**0.78**	1.62

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2022 and 31 December 2021

	Notes	**As at 30 June 2022** *RM'000* *(Unaudited)*	As at 31 December 2021 *RM'000* *(Audited)*
ASSETS			
Non-current assets			
Investment in an associate		**6**	6
Property, plant and equipment		**20,335**	18,548
Intangible asset		**332**	414
Investment properties		**6,076**	6,112
Trade and other receivables	12	**17,636**	930
Right-of-use assets		**21,645**	11,333
Deferred income tax assets		**574**	838
		66,604	38,181
Current assets			
Inventories		**53,367**	56,911
Trade and other receivables	12	**164,753**	153,234
Pledged bank deposits		**5,391**	5,345
Cash and bank balances		**29,116**	26,349
		252,627	241,839
Total assets		**319,230**	280,020
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		**126,224**	122,844
		210,223	206,843
Non-controlling interest		**(225)**	(71)
Total equity		**209,998**	206,772

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 30 June 2022 and 31 December 2021

	Notes	**As at 30 June 2022** ***RM'000*** ***(Unaudited)***	As at 31 December 2021 *RM'000* *(Audited)*
Non-current liabilities			
Borrowings		**13,509**	4,211
Lease liabilities		**1,106**	709
Deferred income tax liabilities		**708**	517
		15,323	5,437
Current liabilities			
Trade and other payables	13	**44,403**	35,410
Current income tax liabilities		**3,260**	2,701
Borrowings		**45,320**	29,190
Lease liabilities		**927**	510
		93,910	67,811
Total liabilities		**109,233**	73,248
Total equity and liabilities		**319,230**	280,020

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 2022 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 2022 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2021.

Adoption of amendments to IFRSs

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.

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 2022 and 2021, 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 2022, all non-current assets were all located in Malaysia.

5 OTHER INCOME

	For the six months ended 30 June	
	2022	2021
	RM'000	*RM'000*
	(Unaudited)	*(Unaudited)*
Compensation received	**2**	13
Rental income	**222**	257
Transport income	**1,808**	837
Others	**697**	63
	2,729	1,170

6 OTHER LOSSES, NET

	For the six months ended 30 June	
	2022	2021
	RM'000	*RM'000*
	(Unaudited)	*(Unaudited)*
Foreign exchange gain – unrealised	**121**	–
Foreign exchange losses – realised	**(221)**	(7)
Foreign exchange losses – unrealised	**–**	(46)
Gain on disposal of property, plant and equipment	**26**	100
Property, plant and equipment written-off	**–**	(32)
Provision of loss allowance on trade receivables	**–**	(42)
	(74)	(27)

7 EXPENSES BY NATURE

	For the six months ended 30 June	
	2022	2021
	RM'000	*RM'000*
	(Unaudited)	*(Unaudited)*
Cost of trading goods sold	**824,170**	721,493
Employee benefit expenses	**9,334**	10,244
Depreciation expenses		
– Property, plant and equipment	**2,213**	2,074
– Investment properties	**35**	35
– Right-of-use assets	**556**	260
Amortisation expenses		
– Intangible assets	**88**	–
Auditors' remuneration		
– Audit services	**205**	482
– Non-audit services	**25**	27
Transportation costs	**9,406**	9,819
Lease expenses related to		
– low value assets	**69**	74
– short term leases	**123**	140
Upkeep expenses	**2,902**	–
Legal and compliance fees	**585**	–
Secretarial fees	**224**	–
Other expenses	**7,594**	5,938
Total cost of sales, distribution and selling expenses and administrative expenses	**857,529**	750,586

8 FINANCE COSTS, NET

	For the six months ended 30 June	
	2022	2021
	RM'000	*RM'000*
	(Unaudited)	*(Unaudited)*
Interest income from bank deposits	**139**	121
Interest expense on loans	**(882)**	(557)
Interest expense on hire purchase liabilities	**(152)**	(120)
Interest expense on lease liabilities	**(32)**	(36)
Interest expense on bank overdraft	**(47)**	(23)
	(1,113)	(736)
Finance costs, net	**(974)**	(615)

9 INCOME TAX EXPENSES

Malaysian corporate income tax has been provided at the rate of 24% (six months ended 30 June 2021: 24%) of the estimated assessable profit for the six months ended 30 June 2022 and 2021.

	For the six months ended 30 June	
	2022	2021
	RM'000	*RM'000*
	(Unaudited)	*(Unaudited)*
Current tax:		
Malaysian corporate income tax	**3,997**	7,055
Under provision in prior year	**–**	–
	3,997	7,055
Deferred income tax	**456**	403
Income tax expenses	**4,453**	7,458

10 INTERIM DIVIDEND

The Board does not declare the payment of any dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: 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 adjusted for the dilutive effects of all potential ordinary shares.

	For the six months ended 30 June	
	2022	2021
	RM'000	*RM'000*
	(Unaudited)	*(Unaudited)*
Earnings		
Profit for the periods attributable to owners of the Company	**7,847**	16,241
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)	**0.78**	1.62

As at 30 June 2022 and 30 June 2021, the Company has no outstanding potentially dilutive shares.

12 TRADE AND OTHER RECEIVABLES

	As at 30 June 2022	As at 31 December 2021
	RM'000	*RM'000*
	(Unaudited)	*(Audited)*
Non-current		
Deposits for acquisition of freehold land*	**17,636**	930
Current		
Trade receivables	**129,616**	134,362
Less: Provision for loss allowance	**(1,305)**	(1,305)
	128,311	133,057
Other receivables	**5,638**	7,862
Deposits and prepayments	**3,824**	2,811
Down payment to suppliers	**26,754**	9,266
Other tax receivables	**98**	125
Amount due from an associate	**128**	113
	164,753	153,234
Total trade and other receivables	**182,389**	154,164

*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 fulfillment of the terms and conditions stated in the Agreement. The said acquisition has yet to be completed as at the financial period under review and up to the date of this announcement.

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

	As at 30 June 2022	As at 31 December 2021
	RM'000	*RM'000*
	(Unaudited)	*(Audited)*
0 – 30 days	**101,194**	130,792
31 – 60 days	**22,532**	2,182
61 – 120 days	**5,786**	138
Over 120 days	**104**	1,250
	129,616	134,362

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 2022	As at 31 December 2021
	RM'000	*RM'000*
	(Unaudited)	*(Audited)*
• RM	**129,045**	134,336
• United States Dollar	**571**	26
• Singapore Dollar	**–**	–
	129,616	134,362

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 2022	As at 31 December 2021
	RM'000	*RM'000*
	(Unaudited)	*(Audited)*
As at 1 January	**1,305**	1,263
Provision for loss allowance	**–**	42
	1,305	1,305

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 2022 *RM'000* *(Unaudited)*	As at 31 December 2021 *RM'000* *(Audited)*
Trade payables	**31,246**	22,890
Other tax payables	**52**	52
Accrued salaries	**5,740**	7,023
Other payables and accruals	**2,898**	5,445
Dividend payables	**4,467**	–
	44,403	35,410

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

	As at 30 June 2022 *RM'000* *(Unaudited)*	As at 31 December 2021 *RM'000* *(Audited)*
• RM	**29,179**	20,554
• United States Dollar	**2,067**	2,336
	31,246	22,890

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

	As at 30 June 2022 *RM'000* *(Unaudited)*	As at 31 December 2021 *RM'000* *(Audited)*
0 – 30 days	**22,674**	21,095
31 – 60 days	**192**	12
61 – 120 days	**8,379**	1,783
Over 120 days	**1**	–
	31,246	22,890

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

BUSINESS REVIEW AND PROSPECTS

Just as the global economy is still slowly recovering from the COVID-19 pandemic, the zero COVID policy adopted by China, being one of the world's biggest economies had directly and indirectly disrupted the global supply chain and its impact was felt throughout the world especially the Asian Region. The political conflict in Europe is also a major factor piling on the pressure to the already fragile economies around the world while the rising fuel price caused inflation and push up the operating cost of businesses around the world.

Although the impact to the demand of steel products remains minimal, the rising cost in fact presents a greater threat to the steel industries. As a result of this rising cost of operation, the Group is facing great challenges in sustaining our achievement from year 2021. The Group's revenue for the six months period ended 30 June 2022 stood at RM 868.0 million, an improvement of 12.2% compared to the same period last year of RM 773.7 million. The improvement was mainly due to a higher average selling price compared to the same period in 2021 and there was a full lock down imposed by the Malaysian government in June 2021. Sales volume of the scrap ferrous metal for the six months period ended 30 June 2022 was 384,646 tonnes, a decrease of 7.9% compared to the same period in the year 2021 mainly attributable to the absence of export sales in the year 2022 after the Malaysian Government imposed export tax on scrap metal export which significantly impacted the sales margin and caused export business to become undesirable for the Group.

With regards to the profitability, we recorded a net profit after tax for the period of RM7.8 million (six months ended 30 June 2021: RM16.2 million), representing a significant decrease of 51.7% as compared to the same period in 2021, which was attributable to the increase in procurement cost and higher operational expenses over the same period ended June 2022.

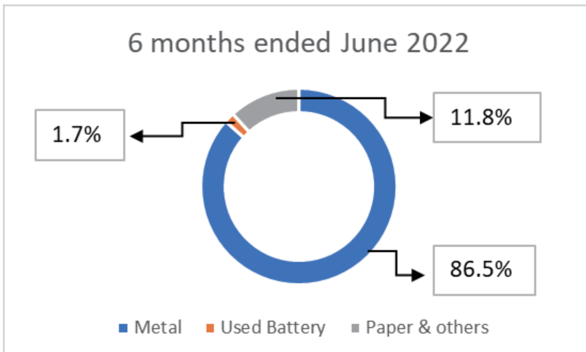
While the threat of COVID-19 still remains, the ongoing political conflict in Europe since February 2022 further threaten the stability of the world's economy. The solutions to this conflict in Europe still remain uncertain and it appears to most likely continue for a further period of time. The price of crude oil has gone up from approximately USD74 per barrel in December 2021 to approximately USD123 per barrel in June 2022. This rise in the price of crude oil will be a serious challenge to all businesses for the remaining year of 2022 if the political conflict continues.

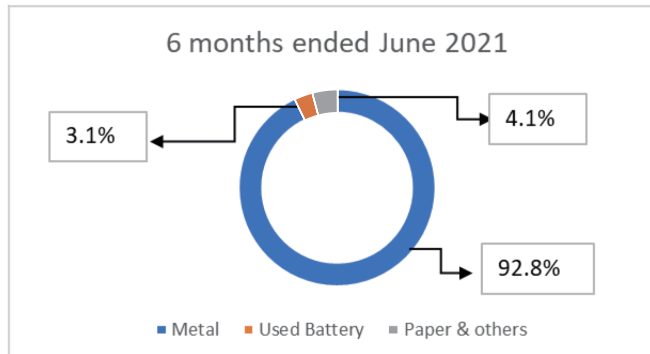
The Group will continue to be vigilant and ensure measures are being taken to mitigate all risks, and at the same time the Group will continue to monitor our operational efficiency to ensure business sustainability continue to improve shareholders' value. We are determined to maintain our core competitive advantages and continue to strengthen our market leading position in the Malaysian scrap ferrous metal trading industry.

Financial Review

Revenue

Revenue of the Group for the six months ended 30 June 2022 was RM868.0 million (six months ended 30 June 2021: RM773.7 million), representing an improvement of 12.2% as compared to the same period of 2021. The breakdown of our total revenue by product types for the periods under review are as below:





Comparing to the six-month period ended June 2022, the increase in the Group's revenue was mainly attributable to two factors. Firstly is the higher average selling price of scrap metal comparing to the same corresponding period, secondly is the temporary closure of business due to full movement control order ("**MCO**") imposed by the Malaysian Government from June 2021 to August 2021. The sales volume for the scrap ferrous metal for the six months ended 30 June 2022 has decreased by 7.9% compared to the same period of 2021 which was mainly attributable to the absence of export sales in year 2022.

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							
	2022				2021			
	Volume sold *(tonnes)*	***%***	**Revenue *(RM'000)***	***%***	Volume sold *(tonnes)*	*%*	Revenue *(RM'000)*	*%*
Local	**384,646**	**100**	**810,457**	**100**	389,906	93.4	660,696	93.1
Export	**–**	**–**	**–**	**–**	27,678	6.6	48,977	6.9
Total	**384,646**	**100**	**810,457**	**100**	417,584	100.0	709,673	100.0

Gross Profit

The Group's gross profit for the six months ended 30 June 2022 decreased by 24.8% from RM46.9 million to RM35.3 million as compared with the corresponding period in 2021. The decrease in gross profit was primarily attributable to increase in both the procurement cost and operating cost.

The Group's gross profit margin decreased to 4.1% for the six months ended 30 June 2022 as compared to 6.1% for the six months ended 30 June 2021.

Distribution and Selling Expenses

The Group's distribution and selling expenses increased from RM12.9 million for the six months ended 30 June 2021 to RM13.2 million for the six months ended 30 June 2022. The absence of export sales reduces the forwarding and logistic expenses by RM1.1 million, however, higher diesel and petrol cost together with higher payroll cost under distribution and selling increased by approximately the same amount.

Administrative Expenses

The increase in the Group's administrative expenses from RM10.9 million for the six months ended 30 June 2021 to RM11.6 million for the six months ended 30 June 2022 was mainly attributable to the increase in head count on office personnel, payroll adjustment and higher administrative cost such as travelling and petrol expenses.

Share of Results of An Associate

The Group's share of results of an associate is nil for the six months ended 30 June 2022, same as the corresponding period in 2021. 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.

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 2022 was 36.7% (six months ended 30 June 2021: 31.5%). The lower effective tax rate of last year was mainly due to MCO imposed in June 2021 resulting in the Group suffering a loss of RM 1.6 million in the month of June 2021.

Profit Attributable to Owners of the Company

The Group's profit attributable to owners of the Company for the six months ended 30 June 2022 was RM7.8 million (six months ended 30 June 2021: RM16.2 million), which is in tandem with the decrease 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 2022 (Unaudited)	As at 31 December 2021 (Audited)
Liquidity Ratios		
Current ratio	**2.7 times**	3.6 times
Gearing ratio	**29%**	16.7%

	For the six months ended 30 June	
	2022	2021
Inventories' turnover period	**12.0 days**	12.0 days
Trade receivables' turnover period	**27.0 days**	28.0 days
Trade payables' turnover period	**7.0 days**	5.0 days

Working Capital

The inventories' turnover period of the Group remains at 12.0 days for the six months ended 30 June 2022 as compared to the six months ended 30 June 2021. The Company managed to sustain its logistic efficiency in delivery of goods to the customers.

The Group's trade receivables' turnover period was 27 days for the six months ended 30 June 2022 as compared to 28.0 days for the six months ended 30 June 2021. The Group continue to work closely with our customers to ensure prompt settlement of outstanding invoices to maintain a healthy cash conversion cycle. The provision computed shows an insignificant impact thus the Group decided no further provision for loss allowance is required for the six-month period ended June 2022.

The Group's trade payables' turnover period was 7.0 days for the six months ended 30 June 2022 as compared to 5.0 days for the six months ended 30 June 2021.

Liquidity and Financial Resources

As of 30 June 2022, the Group's total equity attributable to owners of the Company amounted to RM210.0 million (as at 31 December 2021: RM206.8 million) including retained earnings of RM126.2 million (as at 31 December 2021: RM122.8 million). The Group's working capital amounted to RM176.3 million (as at 31 December 2021: RM174.0 million) of which cash and bank balances, pledged bank deposits and fixed deposits were RM34.5 million (as at 31 December 2021: RM31.7 million).

Taking into account the cash and bank balances 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 for 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 2022 were RM58.8 million (as at 31 December 2021: RM33.4 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 2022 was 29.0% (as at 31 December 2021: 16.7%). 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 2022, 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 2022, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

Pledge of Assets

As at 30 June 2022, 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 2022 *RM'000* **(Unaudited)**	As at 31 December 2021 *RM'000* (Audited)
Property, Plant and Equipment	**648**	687
Right-of-use assets	**19,657**	9,938
Investment properties	**5,482**	5,514
Pledged bank deposits	**5,391**	5,345
	31,178	21,484

Contingent Liabilities

The Group did not have any significant contingent liability as at 30 June 2022 (as at 31 December 2021: Nil).

Capital Commitments

As at 30 June 2022, the Group has capital commitment in respect of acquisition of property, plant and equipment of RM12.4 million (as at 31 December 2021: RM10.1 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 bank balances, 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 2022, the expected losses rate for trade receivables is 1.0% (six months ended 30 June 2021: 1.1%). The provision for trade receivables made during the six months ended 30 June 2022 is nil (six month ended 30 June 2021: RM 0.04 million).

The Group has no write-off of trade receivables during the six months ended 30 June 2022 and 2021.

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 2022, 96% of its total trade receivables (as at 31 December 2021: 94%) 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 of 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 2022

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 2022 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 2021 (RM'000)	Amount utilised during the six months ended 30 June 2022 (RM'000)	Balance as at 30 June 2022 (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	–	
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	–	–	–	
Total	40,956	–	40,956	5,507	158	5,349	

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 at 30 June 2022, the Group had 178 (as at 30 June 2021: 162) employees in Malaysia. For the six months ended 30 June 2022, total staff costs and related expenses of the Group (including the Directors' remuneration) were RM9.3 million (six months ended 30 June 2021: RM10.2 million), representing a decrease of 8.8% as compared to the same period 2021. The lower total staff costs and related expenses of the Group (including the Directors' remuneration) for the six-month ended 30 June 2022 was mainly attributable to lower provision for the directors' performance incentives due to lower profit for the six-month ended 30 June 2022. 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 2022.

INTERIM DIVIDEND

The Board does not declare the payment of any dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: 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 2022 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 C.2.1 of the Corporate Governance Code. Datuk Sia Kok Chin, as the chairman of the Board and the chief executive officer, has been managing our business since 2001. The Directors consider that vesting the roles of the chairman of the Board and the chief executive officer in Datuk Sia Kok Chin is beneficial to the management and business development of the Group and will provide strong and consistent leadership to the Group. The Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer at a time when it is appropriate and suitable by 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 AND RISK COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit and Risk 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 2022, 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 2022 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, 27 August 2022

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