



Heng Hup Holdings Limited

興合控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1891

INTERIM REPORT
2022



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Datuk Sia Kok Chin
(chairman of the Board 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

AUDIT & RISK COMMITTEE

Ms. Sai Shiow Yin (Chairlady)
Mr. Puar Chin Jong
Mr. Chu Kheh Wee

REMUNERATION COMMITTEE

Ms. Sai Shiow Yin (Chairlady)
Mr. Puar Chin Jong
Mr. Chu Kheh Wee

NOMINATION COMMITTEE

Datuk Sia Kok Chin (Chairman)
Ms. Sai Shiow Yin
Mr. Chu Kheh Wee

COMPANY SECRETARY

Ms. Tsang Wing Man (ACG HKACG)
(appointed on 20th June 2022)
Ms. Chan Tsz Yu (ACG HKACG)
(resigned on 20th June 2022)

AUTHORISED REPRESENTATIVES

Datuk Sia Kok Chin
Mr. Sia Kok Heong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS IN MALAYSIA

No. 264, Jalan Satu A
Kampung Baru Subang
40150 Shah Alam
Selangor
Malaysia

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40/F, Dah Sing Financial Centre
No. 248, Queen's Road East
Wanchai
Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest
Entity Auditor

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKS

Hong Leong Bank Berhad
Level 8, Wisma Hong Leong
No.18, Jalan Perak
50450 Kuala Lumpur
Malaysia

United Overseas Bank (M) Berhad
No.48, Jalan PJU 5/8
Dataran Sunway, Kota Damansara
47810 Petaling Jaya
Selangor Darul Ehsan
Malaysia

STOCK CODE

Hong Kong Stock Exchange 1891

COMPANY WEBSITE

www.henghup.com

FINANCIAL HIGHLIGHTS

The table below sets out the summarised financial information of Heng Hup Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group", "we", "us" and "our"):

	Six months ended 30 June	
	2022 RM'000	2021 RM'000
Revenue	867,991	773,731
Gross profit	35,270	46,934
Profit before interest, tax, depreciation and amortisation	15,921	26,657
Depreciation	(2,804)	(2,369)
Finance costs, net	(974)	(615)
Share of results of an associate	-	-
Profit before income tax	12,143	23,673
Income tax expenses	(4,453)	(7,458)
Profit for the period	7,690	16,215
Profit and total comprehensive income for the period attributable to:		
Owners of the Company	7,847	16,241
Non-controlling interest	(157)	(26)
	7,690	16,215
	As at	
	30 June 2022 RM'000	31 December 2021 RM'000
Total non-current assets	66,604	38,181
Total current assets	252,627	241,839
Total assets	319,231	280,020
Total non-current liabilities	15,323	5,437
Total current liabilities	93,910	67,811
Total liabilities	109,233	73,248
Net current assets	158,717	174,028
Equity attributable to owners of our Company	209,998	206,772
Non-controlling interest	225	71
Net assets	210,223	206,843

MANAGEMENT DISCUSSION AND ANALYSIS

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 pushed 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 RM868.0 million, an improvement of 12.2% compared to the same period last year of RM773.7 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 which was 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.

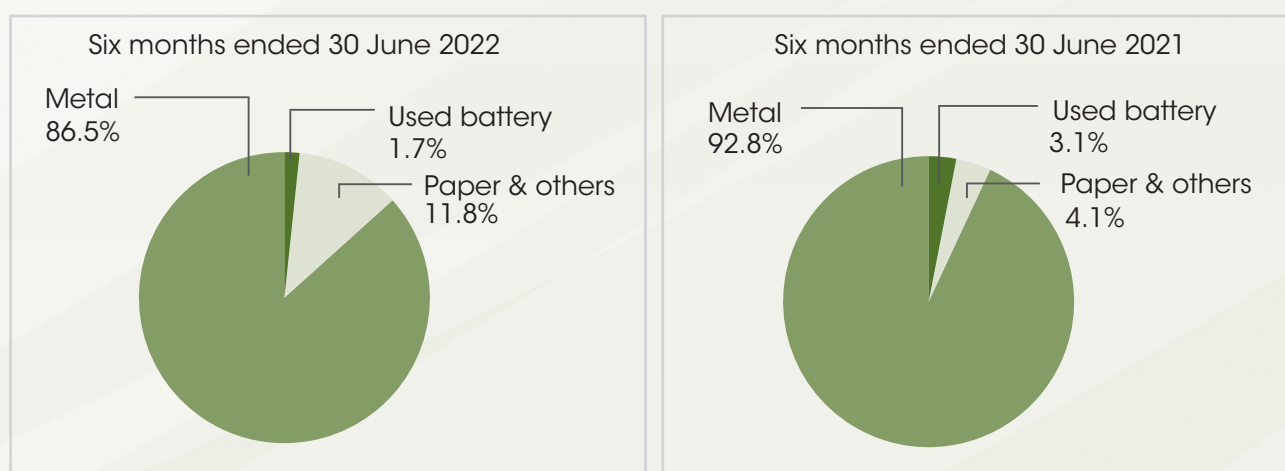
The Group will continue to be vigilant and ensure measures are being taken to mitigate all risks, and at the same time the Group will continue to monitor our operational efficiency to ensure business sustainability continue to improve shareholders' value. We are determined to maintain our core competitive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

MANAGEMENT DISCUSSION AND ANALYSIS

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 ("FMCO") 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

MANAGEMENT DISCUSSION AND ANALYSIS

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, such reduction in the forwarding and logistic expenses was offset by the increase in diesel and petrol cost as well as higher payroll cost under distribution and selling activities 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 FMCO 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Key Financial Ratios

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

Liquidity Ratios	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
	Current ratio	2.7 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 months 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 Board 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.

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SERVICES UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION

As at 30 June 2022, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code of Securities Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:

Long position in our Shares, underlying Shares and Debentures are as below:

Name of Director	Nature of interest	Number and class of Shares (Note 1)	Approximate percentage of shareholding
Datuk Sia Kok Chin	Interest in controlled corporation/interests held jointly with another person/beneficial owner	750,000,000 (L)	75%
Datuk Sia Keng Leong	Interest in controlled corporation/interests held jointly with another person/beneficial owner	750,000,000 (L)	75%
Mr. Sia Kok Chong	Interest in controlled corporation/interests held jointly with another person/beneficial owner	750,000,000 (L)	75%
Mr. Sia Kok Seng	Interest in controlled corporation/interests held jointly with another person/beneficial owner	750,000,000 (L)	75%
Mr. Sia Kok Heong	Interest in controlled corporation/interests held jointly with another person/beneficial owner	750,000,000 (L)	75%

Notes:

- (1) As at 30 June 2022, the total number of issued shares was 1,000,000,000 ordinary shares.
- (2) The letter "L" denotes the entity's long position in the Shares.
- (3) The Sia Brothers entered into a deed of acting in concert confirmation and undertaking dated 20 August 2018. As such, each of the Sia Brothers, being parties to the deed of acting in concert confirmation and undertaking, is deemed under the SFO to be interested in the 510,000,000 Shares collectively held through 5S Holdings BVI Limited ("5S Holdings") and the 48,000,000 Shares held by each of the other Sia Brothers. In other words, each of the Sia Brother is interested in the 750,000,000 Shares, among which 510,000,000 shares are held in the capacity as interest in a controlled corporation, 192,000,000 shares are held in the capacity as interests held jointly with another person and 48,000,000 shares are held in the capacity as beneficial owner.

DISCLOSURE OF INTERESTS

Interests in associated corporation were as below:

Name of Director	Associated corporation	Nature of interest	Number of shares	Approximate percentage of shareholding interest
Datuk Sia Kok Chin	5S Holdings	Beneficial owner	7,000	35%
Datuk Sia Keng Leong	5S Holdings	Beneficial owner	3,250	16.25%
Mr. Sia Kok Chong	5S Holdings	Beneficial owner	3,250	16.25%
Mr. Sia Kok Seng	5S Holdings	Beneficial owner	3,250	16.25%
Mr. Sia kok Heong	5S Holdings	Beneficial owner	3,250	16.25%

Save as disclosed above, as at 30 June 2022, none of the Directors and the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2022 was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING

As at 30 June 2022, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Nature of interest	Number and class of Shares (Note 1)	Approximate percentage of shareholding
5S Holdings	Beneficial owner	510,000,000 ordinary shares (L)	51%
Ms. Koo Lee Ching	Interest of spouse	750,000,000 (L) (Note 3)	75%
Ms. Loh Hui Mei	Interest of spouse	750,000,000 (L) (Note 4)	75%
Ms. Peong Ai Teen	Interest of spouse	750,000,000 (L) (Note 5)	75%
Ms. Yang Mei Feng	Interest of spouse	750,000,000 (L) (Note 6)	75%
Ms. Juan Sook Fong	Interest of spouse	750,000,000 (L) (Note 7)	75%

DISCLOSURE OF INTERESTS

Notes:

- (1) As at 30 June 2022, the total number of issued shares was 1,000,000,000 ordinary shares.
- (2) The letter "L" denotes the entity's long position in the Shares.
- (3) Ms. Koo Lee Ching is the spouse of Datuk Sia Kok Chin. As such, Ms. Koo Lee Ching is deemed under the SFO to be interested in the Shares in which Datuk Sia Kok Chin is interested.
- (4) Ms. Loh Hui Mei is the spouse of Datuk Sia Keng Leong. As such, Ms. Loh Hui Mei is deemed under the SFO to be interested in the Shares in which Datuk Sia Keng Leong is interested.
- (5) Ms. Peong Ai Teen is the spouse of Mr. Sia Kok Chong. As such, Ms. Peong Ai Teen is deemed under the SFO to be interested in the Shares in which Mr. Sia Kok Chong is interested.
- (6) Ms. Yang Mei Feng is the spouse of Mr. Sia Kok Seng. As such, Ms. Yang Mei Feng is deemed under the SFO to be interested in the Shares in which Mr. Sia Kok Seng is interested.
- (7) Ms. Juan Sook Fong is the spouse of Mr. Sia Kok Heong. As such, Ms. Juan Sook Fong is deemed under the SFO to be interested in the Shares in which Mr. Sia Kok Heong is interested.

Save as disclosed above, and as at 30 June 2022, the Directors were not aware of any persons (who were not directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would required to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the "**Share Option Scheme**") pursuant to the written resolutions of our shareholders passed on 19 February 2019. The condition of which has been fulfilled. The Share Option Scheme shall be valid and effective for the period of ten years commencing on 19 February 2019, being the date on which the Share Option Scheme was conditionally adopted and ending on 19 February 2029 (both dates inclusive). The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined below) have had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivating the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and (ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

Under the Share Option Scheme, the Board may, at its discretion, make an offer to any person belonging to the following classes of participants (the "**Eligible Participants**") share options to subscribe for shares of the Company: (i) any employee (whether full time or part time, including any executive director but excluding any non-executive director) of our Company, any subsidiary or any entity in which any member of our Group holds any equity interest (the "**Invested Entity**"); (ii) any non-executive director (including independent non-executive directors) of our Company, any subsidiary or any Invested Entity; (iii) any supplier of goods to any member of our Group or any Invested Entity; (iv) any customer of any member of our Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity; (vi) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity; (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and (viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group, and, for the purposes of the Share Option Scheme, the offer may be made to any company wholly owned by one or more Eligible Participants.

DISCLOSURE OF INTERESTS

The maximum number of shares of the Company available for issue upon exercise of all share options which may be granted under the Share Option Scheme is 100,000,000, representing approximately 10% of the issued share capital of the Company as at the date of this interim report. The total number of shares of the Company issued and which may fall to be issued upon the exercise of share options to be granted under the Share Option Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding share options) to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the issued share capital of the Company as at the date of grant. Any further grant of share options in excess of this 1% limit shall be subject to the issue of a circular by the Company and shareholders' approval in a general meeting. In addition, in respect of any share options granted to a substantial shareholder or an independent non-executive Director of the Company, or to any of their associates, which would result in the shares of the Company issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the offer of such grant (a) representing in aggregate over 0.1% of the shares of the Company in issue on the date of the grant; and (b) having an aggregate value of in excess of HK\$5,000,000 (based on the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of each grant), such further grant of options shall be subject to the issue of a circular by the Company and shareholders' approval in a general meeting on a poll at which the grantee, his/her associates and all core connected persons of the Company shall abstain from voting in favour of the resolution concerning the grant of such options, and/or such other requirements prescribed under the Listing Rules from time to time. A connected person of the Company will be permitted to vote against the grant only if his intention to do so has been stated in the circular. Any grant of share options to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, is required to be approved by the Independent Non-executive Directors (excluding the Independent Non-executive Director who is the grantee of the options).

The period during which a share option may be exercised will be determined by the Board at its absolute discretion, save that no share option may be exercised more than 10 years after it has been granted under the Share Option Scheme. There is no requirement that a share option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of offer of any share options.

The exercise price in relation to each share option will be determined by the Board at its absolute discretion and shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange on the date of offer of share options; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of offer of share options; and (iii) the nominal value of a share of the Company on the date of offer of share options. Each of the grantees is required to pay HK\$1.00 as a consideration for his acceptance of the grant of share options in accordance with the Share Option Scheme. The offer of share options must be accepted within 21 days from the date of the offer.

No share option has been granted under the Share Option Scheme since its adoption. Accordingly, as at the date of this interim report, there was no share option outstanding under the Share Option Scheme.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 30 June 2022, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the businesses of the Group.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 taking into account 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 BY DIRECTORS

The Company has adopted the Model Code 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's 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.

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 in 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.

FINANCIAL HIGHLIGHTS

A summary of the Group's results, assets and liabilities for the six months ended 30 June 2022 is set out on page 4 of this interim report. This summary does not form part of the audited consolidated financial statements.

CORPORATE GOVERNANCE AND OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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.

CHANGES IN DIRECTORS' INFORMATION

As at 30 June 2022, there was no change in the information of the Company's directors.

USE OF PROCEEDS FROM 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-month period ended 30 June 2022 (RM'000)	Balance as at 30 June 2022 (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 a 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	-	-	-	-
	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 interim report, there were no changes of the business plans from those disclosed in the Prospectus and the announcement dated 16 July 2020.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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).

EVENTS OCCURRED SINCE THE END OF THE SIX MONTHS ENDED 30 JUNE 2022

Saved as disclosed in this interim report, 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 report.

AUDIT AND RISK COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit & 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 REPORT

This report 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.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022 and 2021

	Note	For the six months ended 30 June 2022 RM'000 (Unaudited)	2021 RM'000 (Unaudited)
Revenue	3	867,991	773,731
Cost of sales	6	(832,721)	(726,797)
Gross profit		35,270	46,934
Other income	4	2,729	1,170
Other losses, net	5	(74)	(27)
Distribution and selling expenses	6	(13,197)	(12,911)
Administrative expenses	6	(11,611)	(10,878)
Operating profit		13,117	24,288
Finance income		139	121
Finance costs		(1,113)	(736)
Finance costs, net	7	(974)	(615)
Share of results of an associate		-	-
Profit before income tax		12,143	23,673
Income tax expense	8	(4,453)	(7,458)
Profit for the period		7,690	16,215
Profit and total comprehensive income for the period attributable to:			
Owners of the Company	10	7,847	16,241
Non-controlling interest	10	(157)	(26)
		(7,690)	16,215
Earning per share attributable to the owners of the Company for the period (express in sen per share)			
- Basic earnings per share		0.78	1.62
- Diluted earnings per share		0.78	1.62

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022 and 31 December 2021

	Note	As at 30 Jun 2022 RM'000 (Unaudited)	As at 31 Dec 2021 RM'000 (Audited)
ASSETS			
Non-current assets			
Investment in an associate	11	6	6
Property, plant and equipment	12	20,335	18,548
Intangible asset		332	414
Investment properties	13	6,076	6,112
Trade and other receivables	14	17,636	930
Right of use assets	18	21,645	11,333
Deferred income tax assets	19	574	838
		66,604	38,181
Current assets			
Inventories		53,367	56,911
Trade and other receivables	14	164,753	153,234
Pledge bank deposits		5,391	5,345
Cash and bank balances		29,116	26,349
		252,627	241,839
Total assets		319,231	280,020
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Company			
Share capital	15	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	20	(225)	(71)
Total equity		209,998	206,772

Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2022 and 31 December 2021

	Note	As at 30 Jun 2022 RM'000 (Unaudited)	As at 31 Dec 2021 RM'000 (Audited)
Non-current liabilities			
Borrowings	17	13,509	4,211
Lease liabilities	18	1,106	709
Deferred income tax liabilities	19	708	517
		15,323	5,437
Current liabilities			
Trade and other payables	16	44,403	35,410
Current income tax liabilities		3,260	2,701
Borrowings	17	45,320	29,190
Lease liabilities	18	927	510
		93,910	67,811
Total liabilities		109,233	73,248
Total equity and liabilities		319,231	280,020

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022 and 2021

	Attributable to owners of the Company							
	Share capital (Note 15) RM'000	Share premium RM'000	Capital Reserve RM'000	Foreign translation reserve RM'000	Retained earnings RM'000	Total equity RM'000	Non-controlling interest RM'000	Total equity RM'000
	As at 1 January 2022 (Audited)	5,206	49,306	29,487	-	122,844	206,843	(71)
Issuance of ordinary shares to a non-controlling interest shareholder of a subsidiary	-	-	-	-	-	-	-	-
Profit and total comprehensive income for the period	-	-	-	-	7,847	7,847	(157)	7,690
Dividend	-	-	-	-	(4,467)	(4,467)	-	(4,467)
As at 30 June 2022 (Unaudited)	5,206	49,306	29,487	-	126,224	210,223	(225)	209,998

	Attributable to owners of the Company							
	Share capital (Note 15) RM'000	Share premium RM'000	Capital Reserve RM'000	Foreign translation reserve RM'000	Retained earnings RM'000	Total equity RM'000	Non-controlling interest RM'000	Total equity RM'000
	As at 1 January 2021 (Audited)	5,206	49,306	29,487	-	100,250	184,249	-
Profit and total comprehensive income for the period	-	-	-	-	16,241	16,241	(26)	16,215
As at 30 June 2022 (Unaudited)	5,206	49,306	29,487	-	116,491	200,490	(26)	200,464

Note:

- (a) Capital reserve represents the difference between the fair value of shares issued and the aggregate value of the retained earnings and reserves of subsidiaries acquired pursuant to the reorganisation.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022 and 2021

	Note	For the six months ended 30 June 2022 RM'000 (Unaudited)	2021 RM'000 (Unaudited)
Cash flows from operating activities			
Cash used in operations	21	(4,278)	14,548
Tax paid		(3,439)	(1,319)
Net cash generated (used)/from in operating activities		(7,717)	13,229
Cash flows from investing activities			
Investment in associate		-	-
Purchase of property, plant and equipment		(2,656)	(2,300)
Proceeds from disposal of property, plant and equipment		26	170
Interest received		139	121
Placement of pledge bank deposits		(46)	(51)
(Advances)/Repayment to an associate		(16)	-
Additions in right-of-use assets		(1,744)	-
Net cash used in investing activities		(4,297)	(2,060)
Cash flows from financing activities			
Interest paid		(1,113)	(736)
Drawdown of borrowings		17,530	1,099
Repayments of borrowings		(1,349)	(962)
Advance from an associate		-	472
Principal elements of lease payments		(409)	(240)
Net cash generated from/(use) in financing activities		14,659	(367)
Net increase/(decrease) in cash and cash equivalents		2,645	10,802
Effect of exchange rate changes		121	(46)
Cash and cash equivalents at beginning of the period		26,350	25,001
Cash and cash equivalents at end of period		29,116	35,757
Cash at bank and on hand		22,183	19,683
Short-term bank deposits with maturity of three months or less		6,933	16,074
Cash and bank		29,116	35,757
Bank overdraft (note 17)		-	-
Cash and cash equivalents		29,116	35,757

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION AND BASIS OF PRESENTATION

1.1 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

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)
IFRS 16 (Amendments)

Interest Rate Benchmark Reform – Phase 2

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 New standards and amendments to standards and interpretations not yet adopted

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 IFRS 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 an 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.

(a) Revenue by location of goods delivery

During the six month 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.

(b) Non-current assets

As at 30 June 2022, all non-current assets were all located in Malaysia.

Notes to the Condensed Consolidated Financial Statements (Continued)

4 OTHER INCOME

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

5 OTHER LOSSES, NET

	For the six months ended 30 June	
	2022 RM'000 (Unaudited)	2021 RM'000 (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 losses allowance on trade receivables	-	(42)
	(74)	(27)

Notes to the Condensed Consolidated Financial Statements (Continued)

6 EXPENSES BY NATURE

	For the six months ended 30 June	
	2022 RM'000 (Unaudited)	2021 RM'000 (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 relating to:		
– low value assets	69	74
– short-term lease	123	140
Upkeep expenses	2,902	–
Legal and compliance fees	585	–
Secretarial fees	224	–
Other expenses	7,594	5,938
Total costs of sales, distribution and selling expenses and administrative expenses	857,529	750,586

7 FINANCE COSTS, NET

	For the six months ended 30 June	
	2022 RM'000 (Unaudited)	2021 RM'000 (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)
Finance costs	(1,113)	(736)
Finance costs, net	(974)	(615)

Notes to the Condensed Consolidated Financial Statements (Continued)

8 INCOME TAX EXPENSE

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

The reconciliations from the tax amount at the Malaysian corporate income tax rate of 24% (six months ended 30 June 2021: 24%) and the Group's tax expense are as follows:

	For the six months ended 30 June	
	2022 RM'000 (Unaudited)	2021 RM'000 (Unaudited)
Profit before tax	12,143	23,673
Tax at Malaysia corporate income tax rate	2,914	5,681
Tax effect of expenses not deductible for tax purposes	1,559	1,780
Effect of temporary differences not taken up in prior year	21	(3)
Effect of difference tax rate	(41)	-
Income tax expense for the period	4,453	7,458

9 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).

Notes to the Condensed Consolidated Financial Statements (Continued)

10 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 issued during the period. Diluted earnings per share is calculated by dividing the profit for the period attributable to owners of the Company for the current interim period by the weighted average number of ordinary shares issued during the period 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 period attributable to the owners of the Company	7,847	16,241
Number of shares:		
Weighted average number of shares in use	1,000,000,000	1,000,000,000
Basic earnings per share (<i>expressed in sen per share</i>)	0.78	1.62
Diluted earnings per share (<i>expressed in sen per share</i>)	0.78	1.62

The Company has no outstanding potentially dilutive shares during the six months ended 30 June 2022 and 2021.

11 INVESTMENTS IN AN ASSOCIATE

	As at 30 June 2022	As at 31 December 2021
	RM'000	RM'000
Unquoted share – at cost	2,450	2,450
Share of results of an associate	(2,444)	(2,444)
Proportion of ownership interest and voting rights held by the Group	6	6

There are no commitments and contingent liabilities in respect of the associate during the financial period under review.

As at 30 June 2022, there is an amount due from associate of RM128,474 (as at 31 December 2021: RM113,000) (Note 14) which is unsecured, interest free with no fixed term of repayment.

Notes to the Condensed Consolidated Financial Statements (Continued)

12 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired property, plant and equipment with aggregate cost of RM2,656,854 (six months ended 30 June 2021: RM3,803,351). During the period the Group also disposed off one motor vehicle with the aggregate cost of RM 391,000. (six months ended 30 June 2021: RM350,000).

13 INVESTMENT PROPERTIES

The Group acquired two parcels of land on the 4th March 2022 with purchase consideration of RM29,392,981 (six months ended 30 June 2021: RM nil). No investment properties were disposed during the six months ended 30 June 2022 (six months ended 30 June 2021: RM nil).

14 TRADE AND OTHER RECEIVABLES

	As at 30 June 2022 RM'000 (Unaudited)	As at 31 December 2021 RM'000 (Audited)
Non-current		
Deposits for acquisition of freehold land *(2)	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 associates (Note 11)	128	113
	164,753	153,234
Total trade and other receivables	182,389	154,164

Note:

- 1) 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:
- 2) On 4th 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 financial period under review and up to the date of this announcement.

Notes to the Condensed Consolidated Financial Statements (Continued)

14 TRADE AND OTHER RECEIVABLES (Continued)

	As at 30 June 2022 RM'000 (Unaudited)	As at 31 December 2021 RM'000 (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

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

	As at 30 June 2022 RM'000 (Unaudited)	As at 31 December 2021 RM'000 (Audited)
- Ringgit Malaysia (RM)	129,045	134,336
- United State Dollar (USD)	571	26
	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 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.

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

	As at 30 June 2022 RM'000 (Unaudited)	As at 31 December 2021 RM'000 (Audited)
At 1 January	1,305	1,263
Provision for loss allowance	-	42
At 30 June/31 December	1,305	1,305

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

Notes to the Condensed Consolidated Financial Statements (Continued)

15 SHARE CAPITAL

	As at June 2022		As at 31 December 2021	
	Number of shares in thousand	Share capital RM'000	Number of shares in thousand	Share capital RM'000
Authorised:				
At beginning of the period (Audited)	2,000,000	10,406	2,000,000	10,406
At the end of the period	2,000,000	10,406	2,000,000	10,406
At beginning of the year	1,000,000	5,206	1,000,000	5,206
Issuance of ordinary shares relating to the initial public offering	-	-	-	-
At the end of the period	1,000,000	5,206	1,000,000	5,206

16 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 payable	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)
- Ringgit Malaysia (RM)	29,179	20,554
- United State Dollar (USD)	2,067	2,336
	31,246	22,890

Notes to the Condensed Consolidated Financial Statements (Continued)

16 TRADE AND OTHER PAYABLES (Continued)

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 Group's other payables are denominated in the following currencies:

	As at 30 June 2022 RM'000 (Unaudited)	As at 31 December 2021 RM'000 (Audited)
– Ringgit Malaysia (RM)	29,179	20,554
– United State Dollar (USD)	2,067	2,336
	31,246	22,890

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

Notes to the Condensed Consolidated Financial Statements (Continued)

17 BORROWINGS

	As at 30 June 2022 RM'000 (Unaudited)	As at 31 December 2021 RM'000 (Audited)
Non-current		
Bank borrowings		
– Term loans (Note a)	10,680	3,532
Hire purchase liabilities (Note b)	2,829	679
	13,509	4,211
Current		
Bank borrowings		
– Term loans (Note a)	1,101	496
– Bank overdraft (Note 21)	-	-
– Trust receipts facilities (Note c)	42,665	25,434
	43,766	25,930
Hire purchase liabilities (Note b)	1,554	3,260
	45,320	29,190
Total borrowings	58,829	33,401

Note: All borrowings are denominated in RM.

Certain bank borrowings are secured by property, plant and equipment, right-of-use assets, investment properties and pledged bank deposits of the Group of RM31.2 million as at 30 June 2022 (as at 31 December 2021: RM21.5 million).

As at 30 June 2022, the Group had aggregate banking facilities of approximately RM87 million (as at 31 December 2021: RM51.3 million). Unused facilities amounted to approximately RM44.9 million as at 30 June 2022 (as at 31 December 2021: RM11.5 million).

Notes to the Condensed Consolidated Financial Statements (Continued)

17 BORROWINGS (Continued)

(a) Term loans

Term loans mature at various dates up to 2031.

As at 30 June 2022 and 31 December 2021, the Group's term loans were repayable as follows:

	As at 30 June 2022 RM'000 (Unaudited)	As at 31 December 2021 RM'000 (Audited)
Within 1 year	1,101	496
Between 1 and 2 years	1,116	508
Between 2 and 5 years	3,279	1,592
Over 5 years	6,285	1,432
	10,680	3,532
	11,781	4,028

The effective interest rates of term loans at the reporting dates are as follows:

	As at 30 June 2022 % (p.a.) (Unaudited)	As at 31 December 2021 % (p.a.) (Audited)
Interest rates	4.18 - 5.57	4.20 - 5.64

The carrying amounts of the term loans approximate their fair values.

Notes to the Condensed Consolidated Financial Statements (Continued)

17 BORROWINGS (Continued)

(b) Hire purchase liabilities

The Group has various items of plant and machinery and motor vehicles acquired under hire purchase agreement. The rights to the assets will revert to the financier only in the event of a default of the terms under these agreements.

	As at 30 June 2022 RM'000 (Unaudited)	As at 31 December 2021 RM'000 (Audited)
Gross hire purchase liabilities - minimum lease payments		
Not more than 1 year	1,774	3,631
Later than 1 year and not later than 5 years	3,089	705
	4,863	4,336
Future finance charges on hire purchase	(480)	(397)
	4,383	3,939
Total present value of hire purchase is as follow:		
Not later than 1 year	1,554	3,260
Later than 1 year but not later than 5 years	2,829	679
	4,383	3,939

(c) Trust receipt facilities

Trust receipt facilities mature within 1 year.

Trust receipt facilities are utilised by the Group to finance sales of goods to selected customers approved by the bank up to 80% of the documentary invoice values.

The effective interest rates of trust receipt loans at the reporting dates are as follows:

	As at 30 June 2022 % (p.a.) (Unaudited)	As at 31 December 2021 % (p.a.) (Audited)
Interest rates	3.15 - 3.56	3.15 - 3.56

The carrying amounts of the trust receipt facilities approximate their fair values.

Notes to the Condensed Consolidated Financial Statements (Continued)

18 LEASES

(i) Amounts recognised in the consolidated statement of financial position:

	As at 30 June 2022 RM'000 (Unaudited)	As at 31 December 2021 RM'000 (Audited)
Right of use ("ROU") assets		
Leasehold lands	21,422	11,109
Leasehold property	223	224
	21,645	11,333
Lease liabilities		
Non-current portion	1,106	709
Current portion	927	510
	2,033	1,219

(ii) Movement of the carrying value of ROU assets:

	As at 30 June 2022 RM'000 (Unaudited)	As at 31 December 2021 RM'000 (Audited)
At 1 January	11,333	11,811
Addition to the ROU assets during the financial year	10,868	210
Purchase of a leasehold property	-	-
Depreciation charge	(556)	(688)
	21,645	11,333

As at 30 June 2022, leasehold lands with a net book value of approximately RM19.6 million (2021: RM 10.0 million) were pledged to the bank to secure the banking facilities granted to the Group.

(iii) Amounts recognised in the consolidated statement of comprehensive income:

	For the six months ended 30 June 2022 RM'000 (Unaudited)	2021 RM'000 (Unaudited)
Depreciation expense of ROU assets	556	688
Interest expense (included in finance cost)	32	219
Expenses relating to leases of low-value assets (included in distribution and selling expenses and administrative expenses)	69	61
Expenses relating to leases of short term lease (including in cost of sales)	123	506

Notes to the Condensed Consolidated Financial Statements (Continued)

18 LEASES (Continued)

- (iv) The Group leases vacant leasehold lands as the scrap yards. Lease contracts are typically made for fixed periods of 2 to 4 years but may have extension options as described in (v) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

- (v) Termination options

Termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of termination options held are exercisable only by the Group and not by the respective lessors.

19 DEFERRED INCOME TAX (LIABILITIES)/ASSETS

	As at 30 June 2022 RM'000 (Unaudited)	As at 31 December 2021 RM'000 (Audited)
Deferred income tax assets	574	838
Deferred income tax liabilities	(708)	(517)
	(134)	321

The movement in deferred income tax liabilities and assets during the period/year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Accelerated tax depreciation RM'000	Provisions RM'000	Total RM'000
At 1 January 2021 (Audited)	(1,221)	768	(453)
(Charged)/Credited to the consolidated statements of comprehensive income	(327)	1,101	774
At 31 December 2021 (Audited)	(1,548)	1,869	321
(Charged)/Credited to the consolidated statements of comprehensive income (Note 8)	(618)	163	(456)
At 30 June 2022 (Unaudited)	(2,166)	2,032	(134)

Notes to the Condensed Consolidated Financial Statements (Continued)

20 NON-CONTROLLING INTEREST

On 13 December 2022, Keat Paper Sdn Bhd was established with a total paid up Capital of RM 1,000 (Ringgit Malaysia One Thousand) of which minority holds 33% of the controlling interest.

21 CASH GENERATED (USED IN)/FROM OPERATIONS

Reconciliation from profit before income tax to cash generated (used in)/from operations:

	For the six months ended 30 June	
	2022 RM'000 (Unaudited)	2021 RM'000 (Unaudited)
Cash flows from operating activities		
Profit before income tax	12,143	23,673
Adjustment for:		
Finance costs	1,112	736
Finance income	(139)	(121)
Provision for loss allowance on trade receivables	-	42
Depreciation expense	2,805	2,282
Amortisation expense	88	87
Gain on disposal of property, plant and equipment	(26)	(100)
Property, plant and equipment written off	-	32
Loss on foreign exchange - unrealised	(121)	46
	15,862	26,677
Changes in working capital		
Increase/(decrease) in inventories	3,544	(12,836)
Increase in trade and other receivables	(28,209)	(5,808)
Increase in trade and other payables	4,525	6,515
	(4,278)	14,548

This section sets out an analysis of reconciliation of liabilities from financing activities for each of the periods presented.

Notes to the Condensed Consolidated Financial Statements (Continued)

21 CASH GENERATED (USED IN)/FROM OPERATIONS (Continued)

	Bank borrowings RM'000	Hire purchase Liabilities RM'000	Lease Liabilities RM'000	Total RM'000
At 1 January 2021	16,687	3,196	1,529	21,412
Addition/Proceeds				
- Cash	13,280	-	-	13,280
- Non-cash	-	2,380	211	2,591
Repayments	(1,632)	(1,899)	(741)	(4,272)
Other non-cash movement	1,128	262	219	1,609
At 31 December 2021	29,463	3,939	1,218	34,620
At 1 January 2022	29,463	3,939	1,218	34,620
Addition/Proceeds				
- Cash	17,530	-	-	17,530
- Non-cash	7,900	1,348	2,967	12,215
Repayments	(1,375)	(1,056)	(2,185)	(4,616)
Other non-cash movement	929	152	32	1,113
At 30 June 2022	54,447	4,383	2,032	60,862

22 CAPITAL COMMITMENTS

The Group had capital expenditure contracted for but not yet provided as follows:

	As at 30 June 2022 RM'000 (Unaudited)	As at 31 December 2021 RM'000 (Audited)
Capital expenditure contracted for but not provided in respect of:		
- purchase of plant and machinery	689	1,690
- purchase of 3 parcels of leasehold lands	-	8,370
- purchase of 2 adjoining pieces of vacant land	11,757	-

23 RELATED PARTY TRANSACTIONS

The Group is controlled by 5S Holdings (BVI) Limited which owns 75% of the Company's shares. The remaining 25% of shares are widely held. The ultimate controlling party of the Group are the five directors of the Company namely, Sia Kok Seng, Datuk Sia Kok Chin, Datuk Sia Keng Leong, Sia Kok Heong and Sia Kok Chong.

(a) Transactions

In addition to those disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the six months ended 30 June 2022. The related party transactions described below were carried out on terms and conditions negotiated and agreed between the Group and the related parties.

	As at 30 June 2022 RM'000 (Unaudited)	2021 RM'000 (Unaudited)
Purchase of goods from related parties controlled by a director/directors	(1,283)	(1,942)

(b) Year-end balances

	As at 30 June 2022 RM'000 (Unaudited)	As at 31 December 2021 RM'000 (Audited)
Amount due from:		
- An associate (Note 14)	128	113

The amount due from an associate and a related party is unsecured, interest free with no fixed term of repayment.

24 SUBSEQUENT EVENTS

Other than as disclosed elsewhere in this report, 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 report.