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 2023

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2023 amounted to RM574.8 million, representing a decrease of 33.8% from RM868.0 million for the same period ended 30 June 2022.
- Gross profit for the six months ended 30 June 2023 amounted to RM29.6 million, representing a decrease of 16.2% from RM35.3 million for the same period ended 30 June 2022.
- Profit attributable to owners of the Company for the six months ended 30 June 2023 amounted to RM2.5 million, representing a decrease of 68.7% from RM7.8 million for the six months ended 30 June 2022.
- The equity attributable to owners of the Company as at 30 June 2023 amounted to RM207.2 million, representing an increase of 1.2% from RM204.8 million as at 31 December 2022.
- The Board does not declare any dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: 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 2023, together with the comparative figures for the corresponding period in 2022. The Board together with the audit and risk management committee (the "**Audit and Risk Management Committee**") of the Company has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2023.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023 and 2022

	Notes	**For the six months ended 30 June 2023** *RM'000* *(Unaudited)*	2022 *RM'000* *(Unaudited)*
Revenue	4	**574,808**	867,991
Cost of sales	7	**(545,253)**	(832,721)
Gross profit		**29,555**	35,270
Other income	5	**923**	2,729
Other gains/(losses), net	6	**56**	(74)
Distribution and selling expenses	7	**(11,282)**	(13,197)
Administrative expenses	7	**(13,409)**	(11,611)
Operating profit		**5,843**	13,117
Finance income		**232**	139
Finance costs		**(1,628)**	(1,113)
Finance costs, net	8	**(1,396)**	(974)
Share of results of an associate		**–**	–
Profit before income tax		**4,447**	12,143
Income tax expenses	9	**(1,995)**	(4,453)
Profit for the period		**2,452**	7,690
Profit and total comprehensive income for the period attributable to:			
Owner of the company		**2,452**	7,847
Non-controlling interest		**–**	(157)
		2,452	**7,690**
Earnings per share attributable to owners of the Company for the period *(expressed in sen per share)*			
– Basic earnings per share	11	**0.25**	0.78
– Diluted earnings per share	11	**0.25**	0.78

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023 and 31 December 2022

	Notes	**As at 30 June 2023 *RM'000* *(Unaudited)***	As at 31 December 2022 *RM'000* *(Audited)*
ASSETS			
Non-current assets			
Property, plant and equipment		**23,519**	22,760
Intangible asset		**223**	305
Investment properties		**5,925**	5,953
Deposits	12	**17,636**	17,636
Right-of-use assets		**21,299**	21,359
Deferred income tax assets		**919**	1,118
		69,521	69,131
Current assets			
Inventories		**45,890**	49,404
Trade and other receivables	12	**149,351**	125,091
Current income tax recoverable		**5,432**	4,175
Pledged bank deposits		**5,494**	5,437
Cash and bank balances		**39,448**	25,218
		245,615	209,325
Total assets		**315,136**	278,456
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**5,206**	5,206
Share premium		**49,306**	49,306
Capital reserve		**29,487**	29,487
Retained earnings		**123,210**	120,758
		207,209	204,757
Non-controlling interest		**(975)**	(977)
Total equity		**206,234**	203,780

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2023 and 31 December 2022

	Notes	**As at 30 June 2023** ***RM'000*** ***(Unaudited)***	As at 31 December 2022 *RM'000* *(Audited)*
Non-current liabilities			
Borrowings		**17,224**	12,894
Lease liabilities		**990**	829
Deferred income tax liabilities		**828**	646
		19,042	14,369
Current liabilities			
Trade and other payables	13	**30,568**	19,382
Current income tax liabilities		**–**	463
Borrowings		**58,310**	39,393
Lease liabilities		**982**	1,069
		89,860	60,307
Total liabilities		**108,902**	74,676
Total equity and liabilities		**315,136**	278,456

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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 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 statement of the Group for the six months ended 30 June 2023 have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirement 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 unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

The preparation of the 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 2023 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2022.

Adoption of amendments to IFRSs

The Group had applied the following amended standards and annual improvements which are mandatory effective for period beginning on or after 1 January 2022 for the preparation of the Group's consolidated financial statements:

Amendments to IAS 16	Property, plant and equipment: proceeds before intended use
Amendments to IAS 37	Onerous contracts – cost of fulfilling a contract
Amendments to IFRS 3	Reference to Conceptual Framework
Amendments to annual improvement project	Annual improvements 2018-2020 cycle
Accounting Guideline 5 (Revised)	Merger accounting for common Control combinations

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 unaudited condensed consolidated financial statements.

4 REVENUE AND SEGMENT INFORMATION

The Group is mainly engaged in trading of scrap ferrous metals, used batteries, waste paper, other scraps and provision for logistic services.

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 2023 and 2022, 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 2023, all non-current assets were all located in Malaysia.

5 OTHER INCOME

	For the six months ended 30 June	
	2023	2022
	RM'000	*RM'000*
	(Unaudited)	*(Unaudited)*
Compensation received	**3**	2
Rental income	**275**	222
Provision for logistic service income *(note)*	**–**	1,808
Others	**645**	697
	923	2,729

Note: The Group commenced to provide logistic services to its customers as part of the Group's ordinary activities in exchange for consideration during the financial period. As a result, transport income for the six months ended 30 June 2023 amounted to approximately RM2.09 million has been classified as revenue of the Group.

6 OTHER GAINS/(LOSSES), NET

	For the six months ended 30 June	
	2023	2022
	RM'000	*RM'000*
	(Unaudited)	*(Unaudited)*
Foreign exchange gains/(losses), net	**73**	(100)
(Loss)/gain on disposal of property, plant and equipment	**(17)**	26
	56	(74)

7 EXPENSES BY NATURE

	For the six months ended 30 June	
	2023	2022
	RM'000	*RM'000*
	(Unaudited)	*(Unaudited)*
Cost of trading goods sold	**537,908**	824,170
Employee benefit expenses	**10,998**	9,334
Depreciation expenses		
– Property, plant and equipment	**2,669**	2,213
– Investment properties	**35**	35
– Right-of-use assets	**734**	556
Amortisation expenses		
– Intangible assets	**82**	88
Auditors' remuneration		
– Audit services	**591**	205
– Non-audit services	**39**	25
Transportation costs	**7,830**	9,406
Lease expenses related to		
– low value assets	**102**	69
– short term leases	**55**	123
Upkeep expenses	**2,664**	2,902
Legal and compliance fees	**481**	585
Secretarial fees	**114**	224
Other expenses	**5,642**	7,594
Total cost of sales, distribution and selling expenses and administrative expenses	**569,944**	857,529

8 FINANCE COSTS, NET

	For the six months ended 30 June	
	2023	2022
	RM'000	*RM'000*
	(Unaudited)	*(Unaudited)*
Interest income from bank deposits	**232**	139
Interest expense on loans	**(1,455)**	(882)
Interest expense on hire purchase liabilities	**(129)**	(152)
Interest expense on lease liabilities	**(35)**	(32)
Interest expense on bank overdraft	**(9)**	(47)
	(1,628)	(1,113)
Finance costs, net	**(1,396)**	(974)

9 INCOME TAX EXPENSES

Malaysian corporate income tax has been provided at the rate of 24% (six months ended 30 June 2022: 24%) of the estimated assessable profit for the six months ended 30 June 2023 and 30 June 2022.

	For the six months ended 30 June	
	2023	2022
	RM'000	*RM'000*
	(Unaudited)	*(Unaudited)*
Current tax:		
Malaysian corporate income tax	**1,614**	3,997
Under provision in prior year	**–**	–
	1,614	3,997
Deferred income tax	**381**	456
Income tax expenses	**1,995**	4,453

10 INTERIM DIVIDEND

The Board does not declare the payment of any dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: 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	
	2023	2022
	RM'000	*RM'000*
	(Unaudited)	*(Unaudited)*
Earnings		
Profit for the periods attributable to owners of the Company	**2,452**	7,847
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)	**0.25**	0.78

As at 30 June 2023 and 30 June 2022, the Company has no outstanding potentially dilutive shares.

12 TRADE AND OTHER RECEIVABLES

	As at 30 June 2023	As at 31 December 2022
	RM'000	*RM'000*
	(Unaudited)	*(Audited)*
Non-current		
Deposits for acquisition of freehold land*	**17,636**	17,636
Current		
Trade receivables	**134,343**	111,809
Less: Provision for loss allowance	**(1,232)**	(1,232)
	133,111	110,577
Other receivables	**703**	527
Deposits and prepayments	**2,917**	3,003
Down payment to suppliers	**12,521**	10,885
Other tax receivables	**99**	99
	149,351	125,091
Total trade and other receivables	**166,987**	142,727

*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 2023	As at 31 December 2022
	RM'000	*RM'000*
	(Unaudited)	*(Audited)*
0 – 30 days	**79,991**	96,668
31 – 60 days	**41,773**	14,671
61 – 120 days	**12,564**	468
Over 120 days	**15**	2
	134,343	111,809

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 2023 ***RM'000*** ***(Unaudited)***	As at 31 December 2022 *RM'000* *(Audited)*
• RM	**134,343**	111,809
• United States Dollar	**–**	–
• Singapore Dollar	**–**	–
	134,343	111,809

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 captured 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 2023 ***RM'000*** ***(Unaudited)***	As at 31 December 2022 *RM'000* *(Audited)*
As at 1 January	**1,232**	1,305
Provision for loss allowance	**–**	(73)
	1,232	1,232

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

13 TRADE AND OTHER PAYABLES

	As at 30 June 2023 *RM'000* *(Unaudited)*	As at 31 December 2022 *RM'000* *(Audited)*
Trade payables	**16,917**	9,942
Accrued salaries	**6,648**	5,976
Other payables and accruals	**7,003**	3,464
	30,568	19,382

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

	As at 30 June 2023 *RM'000* *(Unaudited)*	As at 31 December 2022 *RM'000* *(Audited)*
• RM	**16,917**	9,026
• United States Dollar	**–**	916
	16,917	9,942

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

	As at 30 June 2023 *RM'000* *(Unaudited)*	As at 31 December 2022 *RM'000* *(Audited)*
0 – 30 days	**16,411**	9,853
31 – 60 days	**319**	10
61 – 120 days	**137**	–
Over 120 days	**50**	79
	16,917	9,942

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

BUSINESS REVIEW AND PROSPECTS

The first half of 2023 presented significant challenges for the Group, as it experienced lower revenue and net profit compared to the same period in 2022. These declines were primarily driven by the softening of the steel market. Furthermore, the pricing of scrap ferrous metal has remained consistently low since the latter half of 2022.

Malaysia's domestic steel demand is projected to recover gradually through 2023. However, the consumption level is expected to remain below pre-Covid-19 levels, as forecasted by the Malaysia Iron and Steel Industry Federation ("**MISIF**"). Geopolitical tension, global economic downturns, and stability of the financial market are also anticipated to influence the steel market's performance in 2023.

For the six months period ended 30 June 2023 ("**1H 2023**"), the Group recorded a total revenue of RM574.8 million. This marks a substantial decrease of approximately 33.8% compared to the corresponding period ended 30 June 2022 ("**1H 2022**") which recorded revenue of RM868.0 million. The decline in revenue was mainly due to lower sales volume and the decreased selling price of scrap ferrous metal. The sales volume of scrap ferrous metal during 1H 2023 and 1H 2022 was 308,891 tonnes and 384,646 tonnes, respectively, representing a decline of approximately 20%. Consequently, the Group's net profit after tax for 1H 2023 experienced a substantial decrease of about 68.1%, amounting to RM2.5 million, as compared to the RM7.7 million recorded in 1H 2022.

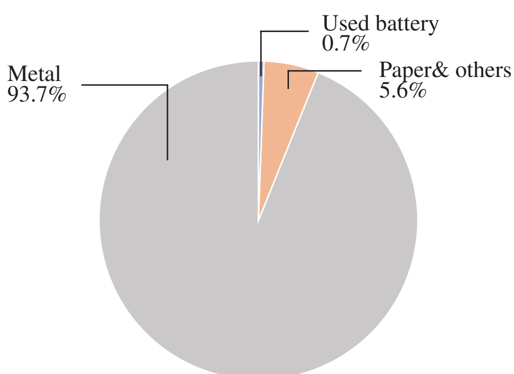
Considering the ongoing challenges in the steel market, the Group maintains a vigilant stance and a strong commitment to risk management. It aims to be responsive to market condition and optimize operational efficiency to enhance shareholders value.

Financial Review

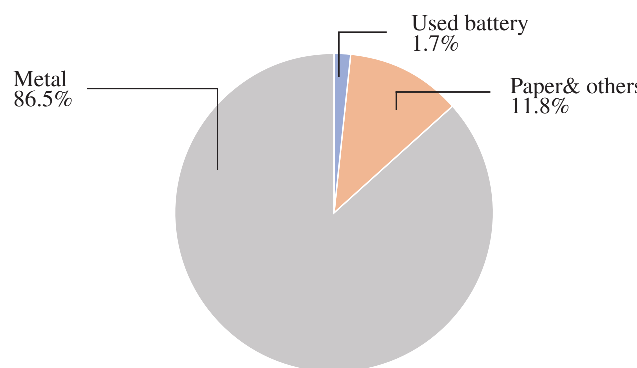
Revenue

Revenue of the Group for 1H 2023 was RM574.8 million (1H 2022: RM868.0 million), representing a decline of 33.8% as compared to the same period of 2022. The breakdown of our total revenue by product types for the periods under review are as below:

Six months ended 30 June 2023



Six months ended 30 June 2022



The sales of scrap ferrous remain the key contributor to the Group's revenue. Therefore, the decrease in sales volume and low selling price of scrap ferrous metal in the 1H 2023 were the main factors that contributed to lower Group's revenue as compared to 1H 2022. The average selling price of scrap ferrous metal during 1H 2023 was about RM1,740 per metric tonne, representing approximately 17% lower against the average selling price during the corresponding period 1H 2022.

The Group's revenue and volume from the sales of scrap ferrous metal during the period under review are as follows:

Six months period ended 30 June			
2023		2022	
Volume sold *(tonnes)*	**Revenue *(RM'000)***	Volume sold *(tonnes)*	Revenue *(RM'000)*
308,891	**538,630**	384,646	810,457

Gross Profit

The Group's gross profit for the 1H 2023 decreased by 16.1% from RM35.3 million to RM29.6 million as compared with the corresponding period in 1H 2022. The decrease in gross profit was primarily attributable to the lower sales volume and low selling price of scrap ferrous metal.

Nevertheless, the Group's gross profit margin has improved to 5.1% for the 1H 2023 as compared to 4.1% in the 1H 2022.

Distribution and Selling Expenses

In view of the lower sales volume recorded during 1H 2023, the Group recorded a lower distribution and selling expenses of RM11.3 million in the 1H 2023 as compared to RM13.2 million posted during 1H 2022, represented a decrease of approximately 14.4%.

Administrative Expenses

The Group's administrative expenses for 1H 2023 and 1H 2022 were recorded as RM13.4 million and RM11.6 million respectively, represented an increase of 15.5%. The increase was mainly attributable to the increase in head count on office and operation personnel, payroll adjustment and higher legal and professional expenses with regard to the additional bank facilities granted by a financial institution.

Share of Results of An Associate

The Group's share of results of an associate is nil for 1H 2023, same as the corresponding period in 2022. 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 1H 2023 was 42.8% (1H 2022: 36.7%). The higher effective tax rate was mainly due to higher non-deductible expenditures for tax purposes.

Profit Attributable to Owners of the Company

The Group's profit attributable to owners of the Company for 1H 2023 was RM2.5 million (1H 2022: RM7.8 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 2023 (Unaudited)	As at 31 December 2022 (Audited)
Liquidity Ratios		
Current ratio	**2.7 times**	3.5 times
Gearing ratio	**37.6%**	26.6%

	For the six months ended 30 June	
	2023	2022
Inventories' turnover period	**16 days**	12 days
Trade receivables' turnover period	**38 days**	27 days
Trade payables' turnover period	**4 days**	7 days

Working Capital

The inventories' turnover period of the Group was 16 days for 1H 2023 as compared to 12 days for 1H 2022. The increase was due to the lower sales volume recorded during the period under review.

The Group's trade receivables' turnover period was 38 days for 1H 2023 as compared to 27 days for 1H 2022. The increase was mainly attributable to the slow payment from steel mill customers.

The Group's trade payables' turnover period was 4 days for 1 H 2023 as compared to 7 days for 1H 2022. The shorten of turnover period was mainly due to higher down payment to suppliers.

Liquidity and Financial Resources

As of 30 June 2023, the Group's total equity attributable to owners of the Company amounted to RM207.2 million (as at 31 December 2022: RM204.8 million) including retained earnings of RM123.2 million (as at 31 December 2022: RM120.8 million). The Group's working capital amounted to RM155.8 million (as at 31 December 2022: RM149.0 million) of which cash and bank balances, pledged bank deposits and fixed deposits were RM44.9 million (as at 31 December 2022: RM30.7 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 2023 were RM75.4 million (as at 31 December 2022: RM52.3 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 2023 was 37.6% (as at 31 December 2022: 26.6%). 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 2023, 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 announcements for change in use of proceeds dated 16 July 2020 and 12 July 2023.

Material Acquisitions and Disposals of Subsidiaries, Associates or Joint Ventures

During the first six months ended 30 June 2023, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

Pledge of Assets

As at 30 June 2023, 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 2023 *RM'000* **(Unaudited)**	As at 31 December 2022 *RM'000* (Audited)
Property, Plant and Equipment	**571**	610
Right-of-use assets	**19,164**	19,577
Investment properties	**5,418**	5,365
Pledged bank deposits	**5,494**	5,437
	30,647	30,989

Contingent Liabilities

The Group did not have any significant contingent liability as at 30 June 2023 (as at 31 December 2022: Nil).

Capital Commitments

As at 30 June 2023, the Group has capital commitment to the bank in respect of the acquisition of property, plant and equipment of RM11.8 million (as at 31 December 2022: RM11.8 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.

As most of the Group's operation subsidiaries are located in Malaysia and conduct their transactions in Malaysia Ringgit (RM), which is also the functional and presentation currency, the Group is not significantly exposed to foreign currency risk.

Since most of the Group's business transactions, assets and liabilities are denominated in RM, the Group has minimal exposure to foreign currency risk. While the Group currently does not have a foreign currency hedging policy for foreign currency transactions, assets and liabilities, the management closely monitors foreign currency exposure and may consider hedging significant exposure if necessary.

The Group's interest rate risk arises primarily from borrowing obtained at variable rates, which 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.

The Group manages credit risk associated with cash and bank depositors by only transacting with reputable commercial banks that are considered high-credit-quality financial institutions. There has been no recent history of default in relation to these financial institutions, and the expected credit loss of cash at banks is close to zero.

The Group applies the simplified approach prescribed by IFRS 9 to provide for expected credit losses for all trade receivables which permits the use of the lifetime expected loss provision. The Group considers the credit risk characteristics, days past due, and forward-looking information to measure the expected credit losses. During the six months ended 30 June 2023, the expected loss rate for trade receivable was 0.9% (1H 2022: 1.0%). The provision for trade receivables for 1H 2023 was nil (1H 2022: Nil).

The Group has no write-off of trade receivables during 1H 2023 and 1H 2022.

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 2023, 84% (as at 31 December 2022: 84%) of its total trade receivables 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.

Our Group monitors the outstanding debts from its customers individually due to the concentration of credit risk. Based on historical repayment trend, there is no correlation between the risk of default occurring and the collection 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, taking into consideration the Group's debt financing plans, covenant compliance, and if applicable external regulatory requirements, such as currency restrictions.

EVENTS OCCURRED SINCE THE END OF THE SIX MONTHS ENDED 30 JUNE 2023

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 2023 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 announcements dated 16 July 2020 and 12 July 2023 in relation to the change in use of the proceeds.

	Available (RM'000)	Change in use of proceeds[1] (RM'000)	New allocation for net proceeds (RM'000)	Balance as at 31 December 2022 (RM'000)	Amount utilised during the six months ended 30 June 2023 (RM'000)	Balance as at 30 June 2023 (RM'000)	Change in use of proceeds[2] (RM'000)	New Allocation for unutilized amount of net proceeds (RM'000)	Expected timeline for fully utilizing the remaining proceeds (taking into account of the new allocation)[3]
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	–	–	–			
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	(5,349)	–	–
The Group's working capital for our scrap ferrous metal trading business	18,471	4,546	23,017	–	–	–	2,000	2,000	Fourth quarter of 2023
General working capital for other general corporate purpose (excluding the purchase of scrap materials)	4,096	–	4,096	–	–	–	2,649	2,649	Fourth quarter of 2023
Set up and renovation costs inclusive of furniture, fixture and fittings of our corporate office in Selangor							700	700	Third quarter of 2023
Total	40,956	–	40,956	5,349	–	5,349	–	5,349	

(1) The change in use of proceeds as per announcement dated 16 July 2020.

(2) The change in use of proceeds as per announcement dated 12 July 2023.

(3) 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 and 12 July 2023.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group had 227 (as at 30 June 2022: 178) employees in Malaysia. For the six months ended 30 June 2023, total staff costs and related expenses of the Group (including the Directors' remuneration) were RM11.0 million (1H 2022: RM9.3 million), representing an increase of 18.3% as compared to the same period in 2022. The higher staff cost and related expenses of the Group (including Directors' remuneration) for 1H 2023 was mainly attributable to higher head count and salary adjustments during the period under review as compared to the corresponding period in 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 2023.

INTERIM DIVIDEND

The Board does not declare the payment of any dividend for 1H 2023 (1H 2022: 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 1H 2023 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 MANAGEMENT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit and Risk Management 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 1H 2023, 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 1H 2023 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, 26 August 2023

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