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

ANNUAL RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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

The board (the "**Board**") of directors (the "**Directors**") of Heng Hup Holdings Limited 興合控股有限公司(the "**Company**") is pleased to announce the annual results of the Company and its subsidiaries (collectively, the "**Group**") for the financial year ended 31 December 2023 ("**FYE 2023**"), together with the comparative figures for the financial year ended 31 December 2022 ("**FYE 2022**") as follows:

FINANCIAL HIGHLIGHTS

- Revenue for the FYE 2023 amounted to RM1,346.98 million (equivalent to approximately HK$2,317.98 million), representing a decrease of approximately 4.1% from RM1,404.58 million (equivalent to approximately HK$2,464.17 million) recorded in FYE 2022.

- Gross profit for the FYE 2023 amounted to RM77.08 million (equivalent to approximately HK$132.64 million), representing an increase of approximately 47.3% from RM52.33 million (equivalent to approximately HK$91.81 million) recorded in FYE 2022.

- Profit attributable to owners of the Company for the FYE 2023 amounted to RM8.54 million (equivalent to approximately HK$14.70 million), representing an increase of 258.7% from RM2.38 million (equivalent to approximately HK$4.18 million) in FYE 2022.

- The equity attributable to owners of the Group as at 31 December 2023 amounted to RM213.30 million (equivalent to approximately HK$357.11 million), representing an increase of 4.2% from RM204.76 million (equivalent to approximately HK$359.22 million) in 2022.

- The Board had decided not to recommend the payment of final dividend in respect of the FYE 2023 (2022: Nil).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2023

	Notes	**2023** **RM'000**	2022 *RM'000*
Revenue	*3*	**1,346,983**	1,404,575
Cost of sales	*6*	**(1,269,904)**	(1,352,246)
Gross profit		**77,079**	52,329
Other income	*4*	**1,605**	6,411
Other losses, net	*5*	**(572)**	(1,568)
Distribution and selling expenses	*6*	**(31,683)**	(25,755)
Administrative expenses	*6*	**(28,552)**	(24,945)
Operating profit		**17,877**	6,472
Finance income	*7*	**666**	249
Finance costs	*7*	**(4,194)**	(2,446)
Finance costs, net		**(3,528)**	(2,197)
Profit before income tax		**14,349**	4,275
Income tax expense	*8*	**(6,111)**	(2,800)
Profit and total comprehensive income for the year		**8,238**	1,475
Net profit and total comprehensive income for the year attributable to owners of the Company			
– Owners of the Company		**8,540**	2,381
– Non-controlling interest		**(302)**	(906)
Earnings per share attributable to owners of the Company for the year (expressed in sen per share)			
– Basic and diluted earnings per share	*10*	**0.85**	0.24

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 RM'000	2022 RM'000
ASSETS			
Non-current assets			
Goodwill		**964**	–
Property, plant and equipment		**31,828**	22,760
Intangible asset		**276**	305
Investment properties		**5,895**	5,953
Deposits	*11*	**17,636**	17,636
Right-of-use assets		**23,980**	21,359
Deferred income tax assets		**876**	1,118
		81,455	69,131
Current assets			
Inventories		**68,022**	49,404
Trade and other receivables	*11*	**204,024**	125,091
Current income tax recoverable		**3,319**	4,175
Pledged bank deposits		**5,561**	5,437
Cash and bank balances		**19,725**	25,218
		300,651	209,325
Total assets		**382,106**	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		**129,298**	120,758
		213,297	204,757
Non-controlling interest		**(707)**	(977)
Total equity		**212,590**	203,780

	Notes	**2023**	2022
		RM'000	*RM'000*
Non-current liabilities			
Borrowings		**16,862**	12,894
Lease liabilities		**1,858**	829
Deferred income tax liabilities		**818**	646
		19,538	14,369
Current liabilities			
Trade and other payables	*12*	**66,894**	19,382
Current income tax liabilities		**–**	463
Borrowings		**81,535**	39,393
Lease liabilities		**1,549**	1,069
		149,978	60,307
Total liabilities		**169,516**	74,676
Total equity and liabilities		**382,106**	278,456

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

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, iron ore and other scraps in Malaysia.

The Company's ultimate holding company is 5S Holdings (BVI) Limited. The ultimate controlling parties 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.

The consolidated financial information is presented in Malaysian Ringgit ("**RM**") unless stated otherwise.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES AND DISCLOSURES

The principal accounting policies applied in the preparation of the consolidated financial information 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 information of the Group has been prepared in accordance with IFRS Accounting 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 information has been prepared under the historical cost convention.

The preparation of consolidated financial information 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.

2.2 Amended standards and annual improvements adopted by the Group

The Group had applied the following amended standards and annual improvements which are mandatory effective for annual period beginning on 1 January 2023 for the preparation of the Group's consolidated financial information:

IAS 1 and IFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
IAS 8 (Amendment)	Definition of Accounting Estimates
IAS 12 (Amendment)	Deferred income tax related to assets and liabilities arising from a single transaction
IFRS 17	Insurance Contracts
IAS 12 (Amendment)	International Tax Reform – Pillar Two Model Rules

The application of the amended standards and annual improvements in the current period did not have any material impact to the Group's financial positions and performance for the current and prior period, nor on the disclosures set out in this consolidated financial information.

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

A number of new standards and amendments to standards have been issued but not effective for annual periods beginning on or after 1 January 2024 and have not been early adopted by the Group in preparing this consolidated financial information:

		Effective for annual periods beginning on or after
Amendments to IAS 1	Classification of Lliabilities as Current or Non-current	1 January 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendment to IAS 7 and IFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The above new standards and amendments to standards are not expected to have any significant impact on the consolidated financial information of the Group.

3. REVENUE AND SEGMENT INFORMATION

The Group is mainly engaged in the trading of scrap ferrous metals, used batteries, waste paper, iron ore and other scraps.

The Group has been operating in a single operating segment, which is the trading of recycling materials.

The chief operating decision-makers are 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. The Group uses a management approach for operating segment reporting.

The chief operating decision-makers assess the performance of the operating segment based on a measure of profit before income tax.

During the financial years ended 31 December 2023 and 31 December 2022, the Group mainly traded in Malaysia and the majority of its revenue was generated in Malaysia.

All revenue is recognised at a point in time upon delivery.

Major customers

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

	2023	2022
	RM'000	*RM'000*
Customer 1	**722,142**	627,551
Customer 2	**252,536**	573,488

4. OTHER INCOME

	2023	2022
	RM'000	*RM'000*
Provision for logistic service income (note)	**–**	4,129
Rental income	**571**	437
Compensation received	**4**	143
Processing fee income	**–**	1,080
Handling fee	**303**	465
Others	**727**	157
	1,605	6,411

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 year. As a result, logistic service income for the finance year ended 31 December 2023 amounted to approximately RM6.2 million has been classified as revenue of the Group.

5. OTHER LOSSES, NET

	2023	2022
	RM'000	*RM'000*
Other gains		
Gain on disposal of property, plant and equipment	**161**	69
Other losses		
Property, plant and equipment written-off	**(88)**	(16)
Reversal of provision for loss allowance on trade receivables	**193**	73
Foreign exchange losses, net	**(19)**	(103)
Write-off of downpayment to suppliers	**(801)**	(1,358)
Write-off of investment in an associate	**–**	(6)
Write-off of amount due from an associate	**–**	(113)
Reversal of impairment loss/(Impairment loss) on investment properties	**13**	(88)
Write-off of trade receivables	**(31)**	(26)
	(733)	(1,637)
Other losses, net	**(572)**	(1,568)

6. EXPENSES BY NATURE

	2023	2022
	RM'000	*RM'000*
Cost of trading goods sold	**1,246,843**	1,337,299
Employee benefit expenses	**25,868**	20,502
Depreciation expenses		
– property, plant and equipment	**6,007**	5,232
– right-of-use assets	**1,817**	1,349
– investment properties	**71**	71
Amortisation expenses		
– intangible assets	**105**	176
Auditors' remuneration		
– audit services	**1,190**	532
– non-audit services	**86**	53
Transportation costs	**22,520**	18,178
Lease expenses relating to		
– low value assets	**437**	131
– short term leases	**128**	479
Repair and maintenance expenses	**5,791**	5,281
Legal and professional fees	**788**	938
Secretarial fees	**228**	356
Custom duty	**731**	622
Subcontractor labour charge	**707**	1,012
Other expenses	**16,822**	10,735
Total cost of sales, distribution and selling expenses and administrative expenses	**1,330,139**	1,402,946

7. FINANCE COSTS, NET

	2023	2022
	RM'000	*RM'000*
Interest income from bank deposits	**666**	249
Interest expense on bank borrowings	**(3,822)**	(2,061)
Interest expense on hire purchase liabilities	**(260)**	(282)
Interest expense on lease liabilities	**(96)**	(65)
Interest expense on bank overdraft	**(16)**	(38)
Finance costs	**(4,194)**	(2,446)
Finance costs, net	**(3,528)**	(2,197)

8. INCOME TAX EXPENSE

Malaysian corporate income tax has been provided at the rate of 24% (2022: 24%) of the estimated assessable profit for the years ended 31 December 2023 and 31 December 2022.

	2023	2022
	RM'000	*RM'000*
Malaysian corporate income tax		
– current	**5,823**	3,135
– over provision in prior year	**(102)**	(184)
	5,721	2,951
Deferred income tax	**390**	(151)
Income tax expense	**6,111**	2,800

9. DIVIDENDS

	2023	2022
	RM'000	*RM'000*
In respect of the financial year ended 31 December 2021		
– dividend of HK$0.008 per share paid on 15 July 2022	**–**	4,467

At the forthcoming annual general meeting, no dividend will be declared for financial year ended 31 December 2023.

10. EARNINGS PER SHARE

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

	2023	2022
	RM'000	*RM'000*
Earnings:		
Profit for the years attributable to the owners of the Company	**8,540**	2,381
Number of shares:		
Weighted average number of shares in issue	**1,000,000,000**	1,000,000,000
Basic and diluted earnings per share (expressed in sen)	**0.85**	0.24

As at 31 December 2023 and 31 December 2022, the Company has no outstanding potential dilutive shares.

11. TRADE AND OTHER RECEIVABLES

	2023	2022
	RM'000	*RM'000*
Non-current		
Deposits for acquisition of leasehold land*	**17,636**	17,636
Current		
Trade receivables	**187,006**	111,809
Less: provision for loss allowance	**(1,039)**	(1,232)
	185,967	110,577
Other receivables	**2,201**	527
Deposits and prepayments	**5,128**	3,003
Downpayment to suppliers	**10,630**	10,885
Other tax receivables	**98**	99
	204,024	125,091
	221,660	142,727

* On 3 March 2022, the Group entered into a 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 and paid a refundable deposit of RM17,636,000. 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 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 aging analysis of the trade receivables based on invoice date is as follows:

	2023	2022
	RM'000	*RM'000*
0 – 30 days	**139,127**	96,668
31 – 60 days	**16,261**	14,671
61 – 120 days	**29,671**	468
Over 120 days	**1,947**	2
	187,006	111,809

The carrying amounts of the Group's trade receivable are denominated in Ringgit Malaysia (RM).

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

	2023	2022
	RM'000	*RM'000*
At 1 January	**1,232**	1,305
Reversal of provision for loss allowance	**(193)**	(73)
At 31 December	**1,039**	1,232

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

12. TRADE AND OTHER PAYABLES

	2023	2022
	RM'000	*RM'000*
Trade payables	**43,391**	9,942
Accrued payroll liabilities	**8,642**	5,976
Loans from directors *(Note)*	**5,652**	–
Other payables and accruals	**9,209**	3,464
	66,894	19,382

Note: The loans from directors are unsecured, repayable on demand at mutually agreed interest rates.

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

	2023	2022
	RM'000	*RM'000*
– RM	**43,391**	9,026
– United States Dollar	**–**	916
	43,391	9,942

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

	2023	2022
	RM'000	*RM'000*
0 – 30 days	**37,735**	9,853
31 – 60 days	**1,634**	10
61 – 120 days	**2,669**	–
Over 120 days	**1,353**	79
	43,391	9,942

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

BUSINESS REVIEW

The Group is a key player in Malaysia's scrap ferrous metal trading sector, largely attributable to our steadfast commitment to integrity, which underpins all our business interactions. We are dedicated to fulfilling our commitments and meeting our customers' needs. We are pleased to announce the Group's financial results for the financial year ended 31 December 2023 ("**FYE 2023**").

The Group's revenue for FYE 2023 was recorded at RM1.35 billion, compared to RM1.40 billion for the financial year ended 31 December 2022 ("**FYE 2022**"), representing a decline of approximately 4.1%. This decline was primarily attributed to a lower average selling price of scrap ferrous metal, which is a key revenue source for the Group.

However, the sales volume of scrap ferrous metal for the Group in FYE 2023 reached 725,577 tonnes, approximately 7.5% higher than 675,062 tonnes in FYE 2022. This increase in sales volume indicates a sign of recovery in demand and is a common market phenomenon known as the price-volume effect. Despite this positive development, the year 2023 remain challenging for the Group as the average scrap ferrous metal prices for FYE 2023 remain low since the second half of 2022. The average scrap ferrous metal prices in FYE 2023 were recorded approximately 9.5% lower compared to FYE 2022 from the metal average trading price of RM1,891.00 per tonne to RM1,711.00 per tonne.

The Group recorded a profit after tax of RM8.24 million in FYE 2023, a remarkable improvement of approximately 459% compared to the profit after tax of RM1.48 million in FYE 2022. These favourable results were mainly attributable to enhancement in our procurement and operation efficiency, resulting in an improvement in the gross profit margin of scrap ferrous metal.

During the year, the Group undertook several initiatives to strengthen our market position in our core businesses. We expanded our geographical footprint to the northern region of Malaysia by establishing a new scrapyard at Sungai Petani, in the State of Kedah. This move enables the Group to capitalise on the vibrant economy and dynamic industry development in the northern part of Malaysia, which present abundant opportunities for securing scrap ferrous metal from suppliers to serve our customers in the northern region.

Additionally, during the second half of 2023, the Group ventured into steel slag recycling and trading of iron-ore businesses through its two new subsidiaries, namely East China Metallurgy Sdn. Bhd. and Heng Hup Resources Sdn. Bhd.. These ventures enabled the Group to expand its ferrous product portfolio to our downstream clientele and steel millers. The trading of iron-ore, in particular, has partially contributed to a higher profit margin for the Group during FYE 2023 under review.

The steel industry contends with persistent challenges stemming from market volatility attributed to a weakening construction sector, escalating inflation rates, elevated operational expenses, and the prevalent issues of overcapacity and underutilization, where domestic steel production exceeds current market demands. In light of these challenges, the Group will continue to maintain vigilance while remaining responsive to market changes. We will also focus on optimising operational efficiency to strengthen our market-leading position in the Malaysian scrap ferrous metal trading industry.

MANAGEMENT DISCUSSION AND ANALYSIS

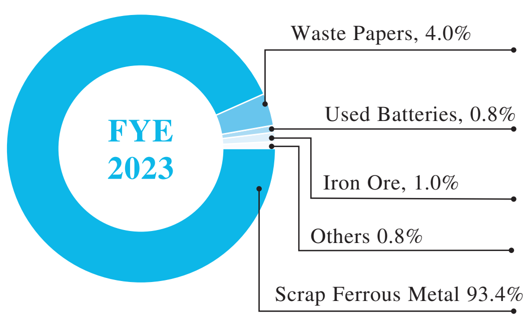
Financial Review

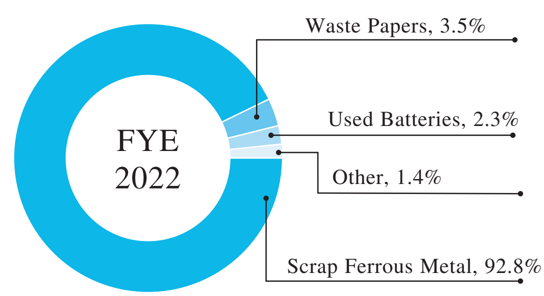
Revenue

The Group recorded a total revenue of RM1,346.98 million for the FYE 2023 representing a marginal decrease of approximately 4.1% as compared to revenue of RM1,404.58 million in FYE 2022.

The decrease in the Group's revenue in FYE 2023 was mainly attributable to the lower average selling price of scrap ferrous metal. The average selling price of scrap ferrous metal in the first half of 2022 was approximately RM2,100.00 per tonne, while the average price in the second half of 2022 dropped to approximately RM1,700.00 per tonne. This decline in scrap metal selling price has been observed since the second half of 2022, contributing to the overall decrease in revenue for FYE 2023.

The breakdown of the total revenue of our Group by product types for the years under review is as follows:





Gross Profit

The Group's gross profit improved by RM24.75 million from RM52.33 million in FYE 2022 to RM77.08 million in FYE 2023. The increase was mainly attributable to the higher sales volume and lower procurement cost incurred which resulted in higher gross profit margin for scrap ferrous metal during the FYE 2023. Furthermore, the trading of iron ore since the second half of 2023 also partially contributed the favourable gross profit during the year under review.

Other income

Other income reduced from RM6.41 million for the FYE 2022 to RM1.61 million for the FYE 2023, mainly due to the reclassification of provisions of logistic services income from other income to revenue of the Group. The revenue generated from the provision of logistic services was RM6.21 million for FYE 2023 as compared to RM4.13 million recorded in FYE 2022.

Other losses, net

Our Group's other net losses was RM0.57 million for the FYE 2023, which represented a lower net loss of RM1.00 million compared to FYE 2022. The decrease was mainly due to lower write-off of downpayment to suppliers during FYE 2023.

Distribution and Selling Expenses

The Group's distribution and selling expenses for FYE 2023 and FYE 2022 were recorded at RM31.68 million and RM25.76 million respectively, representing an increase of approximately 23%. The increase was primarily due to the increase in domestic transportation cost, such as, diesel cost, repair and maintenance costs of motor vehicle cost etc, resulting from the higher sales volume of scrap metal and newly iron-ore trading activities during the year.

Administrative Expenses

The Group recorded its administrative expenses of RM28.55 million for the FYE 2023, represented an increase of approximately 14.4% compared to RM24.95 million for FYE 2022. The increase was mainly due to higher staff cost, higher depreciation for property, plant and equipment and right-of-use assets.

Taxation

Malaysian corporate income tax has been provided at the rate of 24% (2022: 24%) of the estimated assessable profit. Our effective tax rate for the FYE 2023 was 42.6% (2022: 65.5%). The high effective tax rate was mainly attributable to the exist of non-deductible expenditures for tax purposes in FYE 2023.

Profit Attributable to Owners of the Company

The Group's profit attributable to owners for the FYE 2023 was RM8.54 million (2022: RM2.38 million), which is in tandem with the increase in profit before income tax.

Key Financial Ratios

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

	As at 31 December	
Liquidity Ratios	**2023**	2022
Current ratio	**2.0 times**	3.5 times
Gearing ratio	**0.46 times**	0.27 times

	For the year ended 31 December	
	2023	2022
Inventories' turnover period	**17 days**	14 days
Trade receivables' turnover period	**40 days**	32 days
Trade payables' turnover period	**8 days**	4 days

Working Capital

The inventories' turnover period of the Group was 17 days for FYE 2023 as compared to 14 days in the previous year. The increase in inventories turnover period was due to higher Group's inventories level as at 31 December 2023 resulted from the additional new category of inventories purchased during the year, such as iron-ore and steel slag.

The Group's trade receivables' turnover period was 40 days for FYE 2023 as compared to 32 days in the previous year. The increase mainly attributable to higher revenue generated during the last quarter of FYE 2023.

The Group's trade payables' turnover period increased to 8 days for FYE 2023, compared to 4 days in the previous year. The increase was due to longer payment term made to suppliers.

Liquidity and Financial Resources

As at 31 December 2023, the Group's total equity attributable to owners amounted to RM213.30 million (2022: RM204.76 million) including retained earnings of RM129.30 million (2022: RM120.76 million). The Group's working capital amounted to RM150.7 million (2022: RM149.0 million) of which cash and bank balances, and pledged bank deposits were RM25.29 million (2022: RM30.66 million).

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

Total borrowings of the Group as at 31 December 2023 were RM98.4 million (2022: RM52.3 million). The borrowings were mainly used to finance the procurement of scrap ferrous metals and capital expenditure such as new plant and machineries and motor vehicles.

The Group's gearing ratio as at 31 December 2023 was 0.46 times (2022: 0.27 times). Gearing ratio is calculated based on total debts divided by total equity as at the end of the year. The increase in gearing ratio was mainly attributable to the additional drawdown of term loan and increase in short-term banking facilities utilised.

Future Plans for Material Investments and Capital Assets

As of 31 December 2023, the Group has no plans for material investments or capital assets beyond those disclosed in the "Future Plans and Use of Proceeds" section of the Company's prospectus issued on 27 February 2019 (the "**Prospectus**") and the Company's announcement for change in use of proceeds dated 16 July 2020 and 12 July 2023.

Pledge of Assets

As at 31 December 2023 and 31 December 2022, the Group had pledged the following assets to banks in order to secure certain bank borrowings and general banking facilities granted to the Group:

	2023	2022
	RM'000	*RM'000*
Property, plant and equipment	**533**	610
Right-to-use assets	**19,017**	19,577
Investment properties	**5,320**	5,365
Pledged bank deposits	**5,561**	5,437
	30,431	30,989

Contingent Liabilities

The Group did not have any contingent liabilities as at 31 December 2023 (2022: Nil).

Capital Commitments

As of 31 December 2023, the Group has capital commitment of RM11.76 million (2022: RM11.76 million) for the acquisition of property, plant and equipment.

Risk Management

The Group is exposed to market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk in its ordinary course of business. The management monitors and manages these risks to implement appropriate measures in a timely and effective manner.

As most of the Group's operating 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 exposures if necessary.

The Group's interest rate risk arises primarily from borrowings 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 and trade and other receivables. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group considers the probability of default upon initial recognition of an asset and assesses whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. In determining whether there is a significant increase in credit risk, the Group compares the risk of a default as at the date of initial recognition and considers available reasonable and supportive forward-looking information. The Group incorporates the following indicators in its assessment:

- internal credit rating;

- external credit rating;

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;

- actual or expected significant changes in the operating results of individual property owner or the borrower;

- significant increases in credit risk on other financial instruments of the individual property owner or the same borrower; and/or

- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

The Group manages credit risk associated with cash and bank deposits 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. As at 31 December 2023, the expected loss rate for trade receivables was 0.6% (2022: 1.1%). The provision for trade receivables as at 31 December 2023 was RM1 million (2022: RM1.2 million).

The trade receivables written off during the FYE 2023 amounted to RM0.031 million (2022: RM0.026 million).

The Group has a significant concentration of credit risk from customers for scrap ferrous metals such as steel mills and ferrous metal trading companies. As at 31 December 2023, 77% (2022: 84%) of its total trade receivables were due from this group of customers. As our Group is one of the few approved scraps metal providers to the steel mill customers and based on the past repayment history and forward-looking estimates, the Directors believe that the credit risk inherent in the Group's outstanding trade receivables from this group of customers is low.

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

Cash flow forecast is performed by the operating entities of the Group and aggregated by the Group finance. The Group finance monitors rolling forecasts of the 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 or legal requirements, such as currency restrictions.

EVENTS OCCURRED SINCE THE END OF THE FYE 2023

The Board is not aware of any significant events that have occurred subsequent to the FYE 2023 and up to the date of this announcement that would require disclosure.

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 Company's announcement 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**[(2)] *(RM'000)*	**Balance as at 31 December 2022** *(RM'000)*	**Change in use of proceeds**[(3)] *(RM'000)*	**New allocation for net proceeds**[(4)] *(RM'000)*	**Amount utilised during the year ended 31 December 2023** *(RM'000)*	**Balance as at 31 December 2023** *(RM'000)*
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	–	–	–	–	–
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)	–	–	–
The Group's working capital for our scrap ferrous metal trading business	18,471	4,546	23,017	–	2,000	2,000	2,000	–
General working capital for other general corporate purpose (excluding the purchase of scrap materials)	4,096	–	4,096	–	2,649	2,649	2,649	–
Set up and renovation costs inclusive of furniture, fixture and fittings of our corporate office in Selangor	–	–	–	–	700	700	700	–
	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) New allocation after the change in use of proceeds as per announcement dated 16 July 2020.

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

(4) New allocation after the change in use of proceeds as per announcement dated 12 July 2023.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, the Group employed 323 individuals in Malaysia, an increase from 209 in 2022. The total staff costs and related expenses, including the Directors' remuneration, for the FYE 2023 was RM25.86 million, representing an increase of 26.1% as compared to RM20.50 million in FYE 2022. The higher staff cost and related expenses of the Group for FYE 2023 was mainly attributable to additional headcounts, the increase in executive directors' remuneration, staff salary and related expenditures.

The Group's remuneration policy for employees includes basic salaries, allowances, bonuses and, other employee benefits, which are determined based on their experience, qualifications and general market conditions. The Board sets the emolument policy for employees based on their merit, qualification and competence. The Group regularly provides training to its employees to enhance their skills and knowledge.

PRE-EMPTIVE RIGHTS

The articles of association of the Company, as well as the laws of Cayman Islands, do not provide for any provisions of pre-emptive rights that would require the Company to offer new shares on a pro-rata basis to its existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the FYE 2023.

DIVIDENDS

The Board has decided not to recommend the payment of final dividend in respect of the FYE 2023 (2022: Nil).

CLOSURE OF REGISTER OF MEMBERS FOR 2024 AGM

The annual general meeting of the Company will be held on Saturday, 15 June 2024 ("**2024 AGM**"). The register of members of the Company will be closed from Tuesday, 11 June 2024 to Saturday, 15 June 2024, both days inclusive. During this period, no share transfer will be processed. In order to determine shareholders' eligibility to attend and vote at the 2024 AGM, shareholders must lodge transfer documents and relevant share certificates for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 pm on Friday, 7 June 2024.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this announcement, the Company has maintained the public float as required under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company acknowledges the significance of good corporate governance in enhancing its management and safeguarding the interests of the shareholders. For the FYE 2023, the Company has been in compliance to the code provisions outlined in the Corporate Governance Code as detailed in Appendix C1 of the Listing Rules, with the exception of deviation from the code provision C.2.1. The chairman of the Board (the "**Chairman**") and Chief Executive Officer (the "**CEO**"), Datuk Sia Kok Chin, has led the Group since 2001. The Board believes that vesting both positions in Datuk Sia Kok Chin is advantageous to the Group's management and business development, providing consistent and strong leadership. The Board will continue to evaluate and consider splitting the roles of the Chairman and CEO when appropriate, taking into account the Group's overall circumstances.

The Board will continue to review and monitor its code of corporate governance practices of the Company with an aim of maintaining a high standard of corporate governance.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**") as set out in Appendix C3 of 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 their office or employment, are likely to possess inside information in relation to the Group or the Company's securities.

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

AUDIT AND RISK MANAGEMENT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The audit and risk management committee of the Company consisting of Ms. Sai Shiow Yin, Mr. Puar Chin Jong and Mr. Chu Kheh Wee reviewed consolidated financial information for the FYE 2023, including accounting principles and practices adopted by the Group. The Audit and Risk Management Committee has also discussed internal controls and financial reporting matters with the management of the Company.

The figures in respect of the preliminary announcement of the Group's consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the FYE 2023 have been agreed upon by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants. Consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company's website (www.henghup.com). The printed version of the annual report of the Company for the FYE 2023 will be despatched to the shareholders of the Company upon request and published on the aforesaid websites on or before 30 April 2024.

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

Hong Kong, 28 March 2024

As at the date of this announcement, the Directors are:

Executive Directors
Datuk Sia Kok Chin
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