HHH

Heng Hup Holdings Limited
興合控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1891

ANNUAL REPORT
2018

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. 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 Director

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

AUDIT 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

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

COMPANY SECRETARY

Ms. Ng Wing Yan (ACIS, ACS)

AUTHORISED REPRESENTATIVES

Mr. 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
Shah Alam
Selangor
Malaysia

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

21st Floor, CCB Tower
3, Connaught Road Central
Hong Kong

AUDITOR

PricewaterhouseCoopers

COMPLIANCE ADVISER

Shenwan Hongyuan Capital (H.K.) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFIDER 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
Level 22, Hopewell Centre
183 Queen's Road East
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 518
Dataran Sunway, Kota Damansara
47810 Petaling Jaya
Selangor Darul Ehsan
Malaysia

STOCK CODE

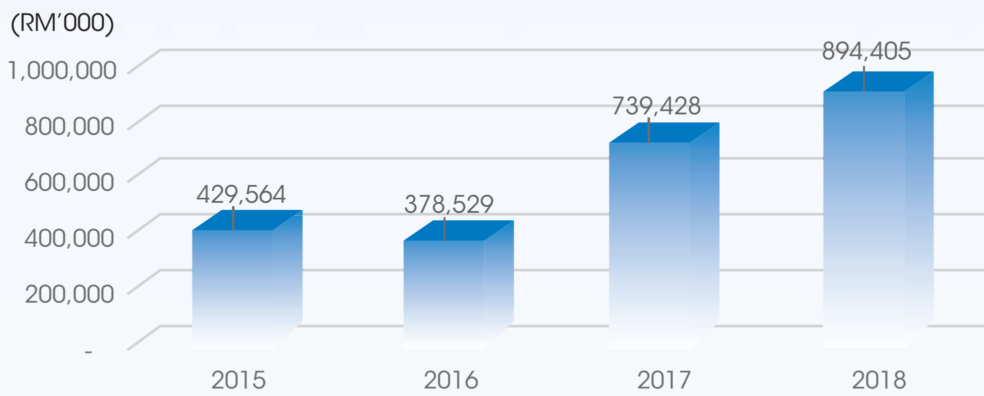
Hong Kong Stock Exchange 1891

COMPANY WEBSITE

www.henghup.com

FINANCIAL HIGHLIGHT

REVENUE



The table below sets out the breakdown of our total revenue by products types for the periods indicated:

	2018		2017		2016		2015	
	Revenue RM'000	**% of Total revenue %**	Revenue RM'000	% of Total revenue %	Revenue RM'000	% of Total revenue %	Revenue RM'000	% of Total revenue %
Ferrous scrap metal	**785,527**	**87.8**	613,342	82.9	315,095	83.3	383,799	89.3
Used batteries	**79,250**	**8.9**	69,484	9.4	45,499	12.0	32,541	7.6
Waste paper	**23,212**	**2.6**	24,474	3.3	12,614	3.3	12,042	2.8
Other materials	**6,416**	**0.7**	32,128	4.4	5,321	1.4	1,182	0.3
Total	**894,405**	**100.0**	739,428	100.0	378,529	100.0	429,564	100.0

The table below sets out the summarized financial information of our Group:

	Year ended 31 December			
	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000
Revenue	**894,405**	739,428	378,529	429,564
Gross profit	**58,394**	53,791	31,710	35,643
Profit before income tax	**32,273**	30,956	16,058	18,600
Profit and total comprehensive income for the year	**24,622**	23,111	12,051	13,672
Sales volume of scrap ferrous metals (tonnes)	**580,911**	519,069	375,998	464,955
Total assets	**155,487**	159,154	128,098	124,512
Total liabilities	**38,089**	88,778	80,833	81,298
Equity attributable to owners of our Company	**117,398**	69,983	47,148	43,087

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present to the shareholders the first annual report of Heng Hup Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018. We had an excellent year in 2018 with revenue and net profit growing approximately 21% and 6.5% in which revenue and net profit for financial year ended 31 December 2018 were recorded at RM894.4 million and RM24.6million respectively. The increase in revenue was primarily due to the continuous demand of the scrap ferrous metals in Malaysia during the year.

The Company's shares were successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 15 March 2019. This marked a major milestone for the Group. Furthermore, the Group had on 30 January 2019 entered into a joint venture agreement with Chiho Environmental Group, the largest listed metal recycling companies globally and have set up a joint venture company, namely Heng Hup Metal - Chiho Recycling (Malaysia) Sdn Bhd in Malaysia. We anticipate that there will be continuous growth in demand of scrap ferrous metals in Malaysia and such joint venture will definitely contribute positively to the Group's business.

On 13 April 2018, the government from The People's Republic of China ("**PRC**") promulgated the "Announcement No. 6 [2018] of the Ministry of Ecology and Environment, the Ministry of Commerce, the National Development and Reform Commission and the General Administration of Customs—on Adjusting the Catalogue for the Management of the Import of Solid Wastes"(生態環境部、商務部、國家發展和改革委員會、海關總署公告2018年第6號—關於調整《進口廢物管理目錄》的公告) to formally ban the direct import of 32 types of scrap materials into the country. The first round of ban took effect on 31 December 2018 for 16 categories of scrap materials, including but not limited to steel slag, post-industrial plastics, compressed auto pieces, small electric motors, insulated wires and vessels. The second round of ban is expecting to take effect on 31 December 2019, the scope of which includes the remaining categories such as wood pellets, stainless steel scrap, and non-ferrous scraps (excluding aluminium and copper) such as titanium and magnesium.

The aforesaid policy led to the change in trade destinations of scrap materials from the PRC to the Southeast and South Asian countries. As a result, scrap materials recyclers with importing ability and facilities in the PRC had moved to alternative locations such as Malaysia for processing and sales of scrap materials. Accordingly, the scrap metals traders in Malaysia that are in partnership with such scrap materials recyclers are benefiting from the additional supply of scrap ferrous metals from the PRC.

Hence, we believe the steel industry prospects will continue to provide a favourable backdrop to the development of our business. In this regard, we have formulated our business strategies, not only to strengthen our leading position in the Malaysian scrap ferrous metal trading industry, but more importantly, to capture the business opportunities generated by the aforesaid favourable macro backdrop of the steel industry in Malaysia. Also, the Group aims to strengthen our market shares in Malaysia and the Directors believe that there are still plenty of room for the growth of our business due to the continuously demand of scrap metal in Malaysia.

Lastly, on behalf of the Board, I would like to take this opportunity to express their appreciation and gratitude to the Group's management and staff who dedicated their endless efforts and devoted services, and to our shareholders, suppliers, clients and bankers for their continuous support.

Sia Kok Chin
Chairman and Chief Executive Officer
Malaysia
Date: 27 March 2019

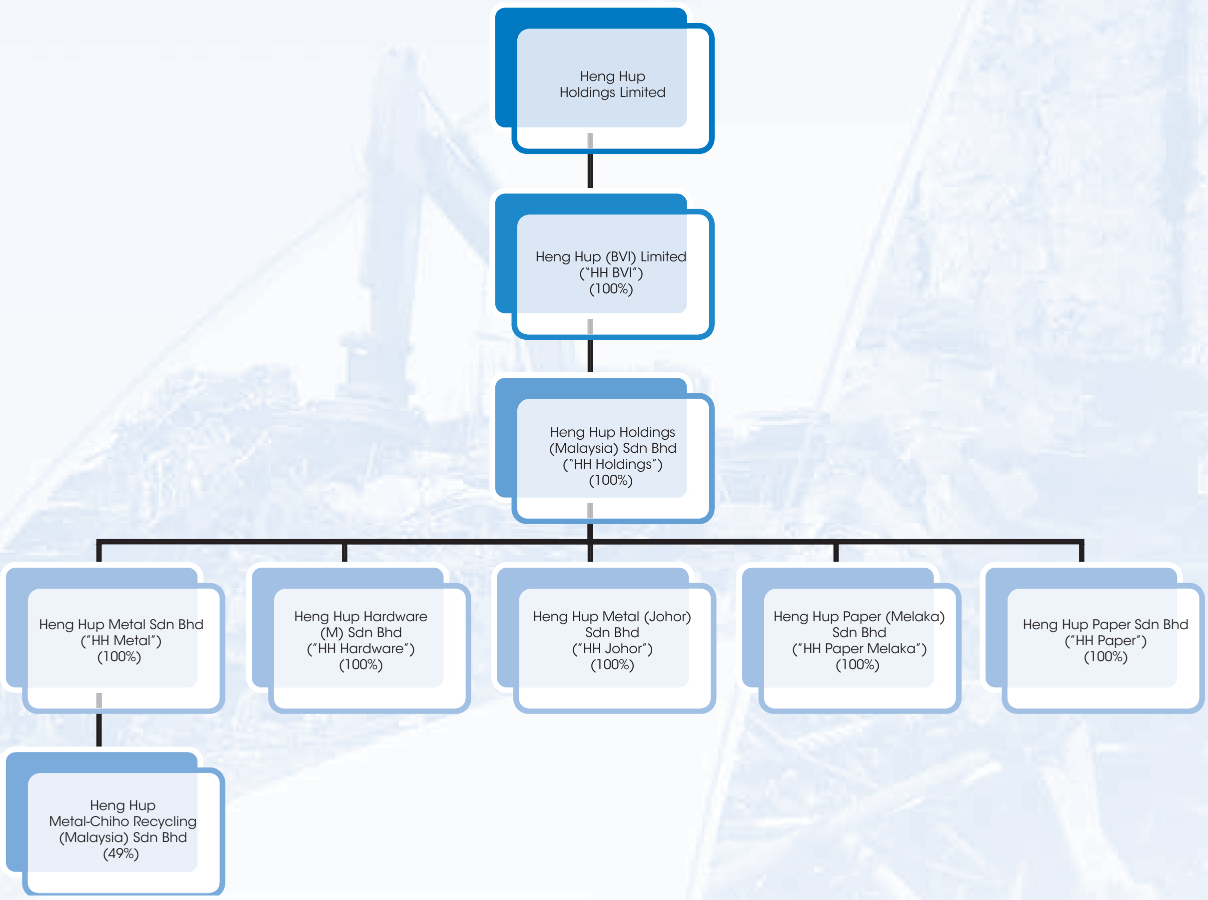
COMPANY PROFILE

We are a leading scrap ferrous metal trader in Malaysia. Over the years, we have established a nationwide supplier base of feeder yards from which we source recyclable scrap ferrous metals for sales to steel mills in Malaysia. We also operate three scrapyards equipped with the processing machinery mainly for ferrous metals strategically located in areas where the availability of scrap ferrous metals can be assured and nearby our steel mill customers in the states of Melaka, Selangor and Johor, with an aggregate land area of approximately 35,000 sq.m.. In addition, supported by a fleet of 33 self-owned trucks among which, 18 are trucks with laden weight of 20 tonnes or above as at the date of this annual report, we can always respond to the logistics needs of our small and medium-sized suppliers, who have only limited logistics support, on a timely basis.

We always pride ourselves on our capability to source sizeable volume of scrap ferrous metals to meet the production needs of our steel mill customers. For FY2017 and FY2018, we sold 519,069 tonnes and 580,911 tonnes of scrap ferrous metal, respectively, which accounted for 82.9% and 87.8% of our revenue, respectively. Alongside with the scrap ferrous metal trading, to a lesser extent, we also trade used batteries and waste paper, which, in aggregate, accounted for 12.7% and 11.5% of our total revenue for FY2017 and FY2018, respectively. We also operate one scrapyard mainly for waste paper located in the state of Melaka, with a land area of approximately 1,436 sq.m..

In the past, dumping of steel products from the PRC exporters had posed strong headwinds to the steel industry in Malaysia. However, following the PRC's supply-side restructuring to eliminate excess steel manufacturing capacity in 2016 and the implementation of protective measures (such as imposing additional import duties on steel products) for the domestic steel industry by the Malaysian government in April 2017, it is expected that the domestic steel industry will continue to make a strong recovery in the years to come which, in turn, should lead to a greater demand for scrap ferrous metals from domestic steel mills to satisfy their production needs.

Our Group structure as at the date of this annual report is as below:



DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Board currently consists of eight Directors, comprising five executive Directors and three independent non-executive Directors. The flowing table sets forth information regarding the Directors.

Name	Age	Position	Date of appointment as Directors
Executive Directors			
Mr. Sia Kok Chin	45	Chairman and chief executive officer	12 April 2018
Datuk Sia Keng Leong	55	Executive Director	12 April 2018
Mr. Sia Kok Chong	53	Executive Director	12 April 2018
Mr. Sia Kok Seng	49	Executive Director	12 April 2018
Mr. Sia Kok Heong	43	Executive Director	12 April 2018
Independent non-executive directors			
Ms. Sai Shiow Yin	36	Independent non-executive Director	19 February 2019
Mr. Puar Chin Jong	48	Independent non-executive Director	19 February 2019
Mr. Chu Kheh Wee	48	Independent non-executive Director	19 February 2019

EXECUTIVE DIRECTORS

Mr. Sia Kok Chin, aged 45, was appointed as our Director in April 2018 and was appointed as the chairman of our Board and our chief executive officer, and designated as our executive Director in June 2018. Mr. Sia Kok Chin is the chairman of the nomination committee of the Company. Mr. Sia Kok Chin joined Heng Hup Hardware as the manager in August 2001. Mr. Sia Kok Chin is also a director of HH BVI, HH Holdings, HH Metal, HH Paper, HH Paper Melaka, HH Hardware and HH Metal Johor, which are our subsidiaries. Mr. Sia Kok Chin has over 16 years of experience in the scrap material trading industry. Mr. Sia Kok Chin is primarily responsible for overall management, strategic planning and day-to-day business operations of our Group.

Mr. Sia Kok Chin completed his secondary education in Sekolah Menengah Jenis Kebangsaan Seg Hwa in Malaysia in December 1991. Mr. Sia Kok Chin has been the treasurer of Malaysia Metal Recyclers Association since 2016.

Mr. Sia Kok Chin is a brother of Datuk Sia Keng Leong, Mr. Sia Kok Chong, Mr. Sia Kok Seng and Mr. Sia Kok Heong, all of which are our executive Directors and Controlling Shareholders, and a brother-in-law of Mr. Goh Eng Kiat, being our regional manager.

Mr. Sia Kok Chin has not been a director of any listed company in the last three years.

Datuk Sia Keng Leong, aged 55, was appointed as our Director in April 2018 and designated as our executive Director in June 2018. Datuk Sia Keng Leong became an owner of Heng Hup Hardware in May 2003. Datuk Sia Keng Leong is also a director of HH BVI, HH Holdings, HH Metal, HH Paper, HH Paper Melaka, HH Hardware and HH Metal Johor, which are our subsidiaries. Since joining Heng Hup Hardware in 2003, Datuk Sia Keng Leong has accumulated over 14 years of experience in the scrap material trading industry. Datuk Sia Keng Leong is primarily responsible for the operations of HH Hardware and HH Paper Melaka.

Datuk Sia Keng Leong completed his secondary education in Sekolah Menengah Jenis Kebangsaan Seg Hwa in Malaysia in December 1981.

Datuk Sia Keng Leong is a brother of Mr. Sia Kok Chin, Mr. Sia Kok Chong, Mr. Sia Kok Seng and Mr. Sia Kok Heong, all of which are our executive Directors and Controlling Shareholders, and a brother-in-law of Mr. Goh Eng Kiat, being our regional manager.

Datuk Sia Keng Leong has not been a director of any listed company in the last three years.

Mr. Sia Kok Chong, aged 53, was appointed as our Director in April 2018 and designated as our executive Director in June 2018. Mr. Sia Kok Chong is one of the founders of Heng Hup Hardware. Mr. Sia Kok Chong is also a director of HH BVI, HH Holdings, HH Metal, HH Paper, HH Paper Melaka, HH Hardware and HH Metal Johor, which are our subsidiaries. Since the formation of Heng Hup Hardware in 1996, Mr. Sia Kok Chong has accumulated over 21 years of experience in the scrap material trading industry. Mr. Sia Kok Chong is primarily responsible for the operations of HH Metal Johor.

Mr. Sia Kok Chong attended his secondary education in Sekolah Menengah Jenis Kebangsaan Seg Hwa in Malaysia.

Mr. Sia Kok Chong is a brother of Mr. Sia Kok Chin, Datuk Sia Keng Leong, Mr. Sia Kok Seng and Mr. Sia Kok Heong, all of which are our executive Directors and Controlling Shareholders, and a brother-in-law of Mr. Goh Eng Kiat, being our regional manager.

Mr. Sia Kok Chong has not been a director of any listed company in the last three years.

Mr. Sia Kok Seng, aged 49, was appointed as our Director in April 2018 and designated as our executive Director in June 2018. Mr. Sia Kok Seng is one of the founders of Heng Hup Hardware. Mr. Sia Kok Seng is also a director of HH BVI, HH Holdings, HH Metal, HH Paper, HH Paper Melaka, HH Hardware and HH Metal Johor, which are our subsidiaries. Since the formation of Heng Hup Hardware in 1996, Mr. Sia Kok Seng has accumulated over 21 years of experience in the scrap material trading industry. Mr. Sia Kok Seng is primarily responsible for the operations of HH Paper and HH Metal.

Mr. Sia Kok Seng attended his secondary education in Sekolah Menengah Jenis Kebangsaan Seg Hwa in Malaysia.

Mr. Sia Kok Seng is a brother of Mr. Sia Kok Chin, Datuk Sia Keng Leong, Mr. Sia Kok Chong and Mr. Sia Kok Heong, all of which are our executive Directors and Controlling Shareholders, and a brother-in-law of Mr. Goh Eng Kiat, being our regional manager.

Mr. Sia Kok Seng has not been a director of any listed company in the last three years.

Mr. Sia Kok Heong, aged 43, was appointed as our Director in April 2018 and designated as our executive Director in June 2018. Mr. Sia Kok Heong joined our Group as a director of HH Hardware in March 2005. Mr. Sia Kok Heong is also a director of HH BVI, HH Holdings, HH Metal, HH Paper, HH Paper Melaka and HH Metal Johor, which are our subsidiaries. Mr. Sia Kok Heong has over 12 years of experience in the scrap material trading industry. Mr. Sia Kok Heong is primarily responsible for the operations of HH Hardware and HH Paper Melaka.

Mr. Sia Kok Heong received a diploma in electrical/electronic engineering from the Institut Teknologi Pertama in Malaysia in June 1995.

Mr. Sia Kok Heong is a brother of Mr. Sia Kok Chin, Datuk Sia Keng Leong, Mr. Sia Kok Chong and Mr. Sia Kok Seng, all of which are our executive Directors and Controlling Shareholders, and a brother-in-law of Mr. Goh Eng Kiat, being our regional manager.

Mr. Sia Kok Heong has not been a director of any listed company in the last three years.

Independent non-executive Directors

Ms. Sai Shiow Yin, aged 36, was appointed as our independent non-executive Director on 19 February 2019 and is mainly responsible for providing independent judgement on our Group's strategy, performance, resources and standard of conduct. Ms. Sai is the chairlady of the audit committee and the remuneration committee; and a member of the nomination of the Company.

Ms. Sai received a bachelor's degree of commerce in accounting and economics from Deakin University in Australia in April 2005 and a master's degree of commerce from the same university in April 2011. Ms. Sai was admitted as a member of CPA Australia in July 2010.

Ms. Sai has worked for Atalian Global Services Sdn. Bhd., being a facility management provider in cleaning, technical maintenance, landscaping and energy management services, since July 2018 and currently holds the position of Regional Performance Improvement Director in Asia Region, and is responsible for, among other things, improving the financial performance to the Asia region of the group. From December 2014 to June 2018, Ms. Sai worked for Appraisal Property Management Sdn. Bhd., being a real estate service provider and an affiliate of the Jones Lang LaSalle group of companies, as a client accounting senior finance manager as her last position and was responsible for, among other things, client accounting transitions, and providing inputs into client finance strategy, data and people management. From April 2012 to October 2014, Ms. Sai worked for SunPower Solar Malaysia Sdn. Bhd., being an international solar energy company, as the head of finance and was responsible for, among other things, providing accounting controllership oversight of Asia-Pacific, Europe and Middle East regions, cash flow management and intercompany transaction of the same region and financial reporting. From March 2009 to June 2011, Ms. Sai worked for Jones Lang LaSalle (VIC) Pty Ltd. (in partnership with Telstra) as the senior accountant and was responsible for financial assessment. From June 2006 to April 2009, Ms. Sai worked for Knight Frank Australia Pty Ltd., being an international real estate consultancy firm, initially as an assistant accountant in property accounting services and then as an accountant in national finance and was responsible for accounting matters.

Ms. Sai has not been a director of any listed company in the last three years.

Mr. Puar Chin Jong, aged 48, was appointed as our independent non-executive Director on 19 February 2019 and is mainly responsible for providing independent judgement on our Group's strategy, performance, resources and standard of conduct. Mr Puar is a member of the audit committee and the remuneration committee of the Company.

Mr. Puar received a bachelor's degree of economics in business administration from the University of Malaya in Malaysia in August 1994. Mr. Puar was admitted as an associate of the Chartered Institute of Management Accountants in May 2001.

Mr. Puar has worked for S P Setia Project Management Sdn. Bhd., being a subsidiary of S P Setia Berhad (a company engaging in property development and listed on the Main Board of Bursa Malaysia Securities Berhad), since October 2016 and currently holds the position of head of corporate affairs and is responsible for managing the corporate finance activities of the group. From February 2013 to August 2016, Mr. Puar worked for RHB Investment Bank Berhad, being a multinational investment bank and listed on the Main Board of Bursa Malaysia Securities Berhad, as a senior vice president and was responsible for corporate finance activities. From November 2003 to February 2013, Mr. Puar worked for Alliance Investment Bank Berhad, being an investment bank and listed on the Main Board of Bursa Malaysia Securities Berhad, and last held the position of senior vice president and head of capital market — equity execution and was responsible for corporate finance activities.

Mr. Puar has not been a director of any listed company in the last three years.

Mr. Chu Kheh Wee, aged 48, was appointed as our independent non-executive Director on 19 February 2019 and is mainly responsible for providing independent judgement on our Group's strategy, performance, resources and standard of conduct. Mr. Chu is a member of the audit committee, the remuneration committee and the nomination committee of the Company.

Mr. Chu received a diploma in cost accounting from the London Chamber of Commerce and Industry in 1990. Mr. Chu was admitted as a registered accountant and a chartered accountant of the Malaysian Institute of Accountants in December 1999 and June 2001, respectively, an associate member of the Chartered Institute of Management Accountants in August 1996 and a Chartered Global Management Accountant in May 2011.

Mr. Chu founded Executive Prosight Resources in February 2011 for the purpose of providing business and corporate advisory and employment services. From October 2007 to October 2008, Mr. Chu worked for D'Tiara Corp. Sdn. Bhd., being a company engaging in investment, development and sale of properties and resorts, as the chief financial officer and was responsible for the proposed listing application of such company on the Alternative Investment Market (currently known as AIM) of the London Stock Exchange. Mr. Chu founded K W Chu Trading Services in April 2006 for the purpose of providing management, accounting and other consulting works concerning trade and business. From October 2004 to September 2007, Mr. Chu worked for Oil-Line Engineering and Associates Sdn. Bhd., being a subsidiary of OilCorp Berhad, as a senior manager and was responsible for advising on corporate finance matters of the aforesaid company. From May 2002 to September 2004, Mr. Chu worked for Tenaga Nazar (M) Sdn. Bhd., being an affiliated company of OilCorp Berhad (a company engaging in the provision of engineering, procurement, construction, technical and contract related services in Malaysia, the Middle East and the ASEAN countries), as a senior manager of corporate finance and was responsible for managing corporate finance matters of the aforesaid company. From November 2000 to May 2002, Mr. Chu worked for Worthy Builders Sdn. Bhd., being a civil engineering company, and last held the position of senior finance manager. From August 1999 to October 2000, Mr. Chu worked for Chase Perdana Berhad, being a company engaging in the provision of construction and civil engineering services, as a finance manager. From January 1997 to August 1999, Mr. Chu worked for Golden Plus Builders Sdn. Bhd., being a subsidiary of Golden Plus Holdings Berhad (a company engaging in property development and construction businesses in Malaysia and the PRC), as a finance manager. Mr. Chu was responsible for managing the financial affairs of Worthy Builders Sdn. Bhd., Chase Perdana Berhad and Golden Plus Builders Sdn. Bhd.

Mr. Chu has not been a director of any listed company in the last three years.

SENIOR MANAGEMENT

The following table presents certain information concerning the senior management of our Group:

Name	Age	Year Join	Position
Mr. Goh Eng Kiat	60	2009	Regional Manager
Mr. Lee Heng Wai	38	2015	Finance Manager

Mr. Goh Eng Kiat, aged 60, joined our Group as a director of HH Metal Johor and our regional manager in May 2009 and is mainly responsible for managing our operations in the states of Melaka and Johor.

Mr. Goh completed his secondary education in Seg Hwa N. T. Secondary School in Malaysia in December 1977. Prior to joining our Group in January 2009, Mr. Goh worked for Seng Hiap Glass Sdn. Bhd., being a company engaging in the manufacture of glasses, as a contract manager from February 2000 to August 2008 and was responsible for administrative works, product costing, project contract tendering and supervision of field works.

Mr. Goh is the brother-in-law of Mr. Sia Kok Chin, Datuk Sia Keng Leong, Mr. Sia Kok Chong, Mr. Sia Kok Seng and Mr. Sia Kok Heong (the "**Sia Brothers**"), all of which are our executive Directors and Controlling Shareholders.

Mr. Goh has not been a director of any listed company in the last three years.

Mr. Lee Heng Wai, aged 38, joined our Group as an accountant in January 2015. He is currently our finance manager and is mainly responsible for accounts and treasury related matters of our Group.

Mr. Lee received a bachelor's degree in accountancy from Universiti Utara Malaysia in September 2003. Mr. Lee was admitted as a chartered accountant of the Malaysian Institute of Accountants in November 2006.

Prior to joining our Group in January 2015, Mr. Lee worked for Abbvie Sdn. Bhd., being a biopharmaceutical company, as a senior financial analyst from September 2012 to December 2014 and was responsible for finance matters. From April 2011 to September 2012, Mr. Lee worked for EITA Electric Sdn. Bhd., being a company engaging in the marketing and distribution of electrical and electronic components and equipment, as an accountant and was responsible for accounting matters. From October 2007 to July 2010, Mr. Lee worked for Ann Joo Resources Berhad, being a company listed on the Main Board of Bursa Malaysia Securities Berhad and engaging in the manufacture and trading of steel and steel related products, as an accountant and was responsible for accounting matters.

Mr. Lee has not been a director of any listed company in the last three years.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 December 2018, we have achieved better performance both in terms of revenue and profitability. Our revenue amounted to RM894.4 million (2017: RM739.4 million), representing an increase of 21.0% as compared to the previous year. With regard to the profitability, we recorded a net profit of RM24.6 million (2017: RM23.1 million). Sales volume of the scrap ferrous metals for year ended 31 December 2018 was 580,911 tonnes (2017: 519,069 tonnes), representing an increase of 11.9% as compared to the previous year. Our performance in 2018 reflected the continuous growth of demand of our recycled products during the year.

On 15 March 2019, the Company's shares were successfully listed on the Main Board of the Stock Exchange, pursuant to which 250,000,000 shares were issued by the Company at the offering price of HK$0.50 per share (the "**Share Offer**"). This marked a major milestone in the development of our Group. Net proceeds from the Listing amounted to approximately HK$80.8 million, after deduction of underwriting commission and estimated expenses payable by the Company in connection with the Share Offer, and majority of the funds raised continued to be used for procurement of scrap ferrous metals, expansion of our scrapyard facilities, replacement our fleet of trucks and set up a new scrapyard.

2016/2017 was a watershed period of the steel industry in Malaysia. The PRC supply-side restructuring to eliminate excess steel manufacturing capacity in 2016 and the imposition of additional import duties on steel products by the Malaysian government in 2017 laid an encouraging macro backdrop for the revival of the steel industry in Malaysia. Average price of steel bar hit the bottom in 2016 and started to trade up in 2017. Correspondingly, the procurement price offered by steel mills for scrap ferrous metals also went up. Domestic crude steel production rose from 2.8 million tonnes in 2016 to 3.7 million tonnes in 2017 representing an increase of over 32%, whilst import volume of finished steel products was reduced from 7.5 million tonnes to 7.1 million tonnes during the same period. Going forward, the crude steel production by local steel mills is forecast to grow at a compound annual growth rate ("**CAGR**") of 10.2% from 2018 to 2022, whilst import volume of finished steel products is forecast to decrease at a CAGR of -2.1% for the same forecast period. In other words, the domestically manufactured steel products are going to play a much bigger role in the local steel consumption market and, to a certain extent, gradually replace part of the imported products.

As a result, the demands for domestic scrap ferrous metals will also grow in order to satisfy the increasing production needs from the local steel mills. The domestic supply volume of scrap ferrous metals is forecast to grow at a CAGR of 9.7% from 2018 to 2022. The demand for scrap ferrous metals always outstrips its supply in Malaysia. The shortfall in supply has been satisfied by import of scrap ferrous metals. Steel mills can always absorb the domestic scrap ferrous metals supply once it is made available to them. Therefore, scrap ferrous metals providers with financial resources, logistics support and suppliers network are in a better position to capture the expected growth of the scrap metal industry in Malaysia.

On 13 April 2018, the PRC government promulgated the "Announcement No. 6 [2018] of the Ministry of Ecology and Environment, the Ministry of Commerce, the National Development and Reform Commission and the General Administration of Customs—on Adjusting the Catalogue for the Management of the Import of Solid Wastes" (生態環境部、商務部、國家發展和改革委員會、海關總署公告2018年第6號— 關於調整《進口廢物管理目錄》的公告) to formally ban the direct import of 32 types of scrap materials. The first round of ban took effect from 31 December 2018 for 16 categories of scrap materials, including steel slag, post-industrial plastics, compressed auto pieces, small electric motors, insulated wires and vessels. The second round will take effect from 31 December 2019, the scope of which includes the remaining categories such as wood pellets, stainless steel scrap, and non-ferrous scrap (excluding aluminium and copper) such as titanium and magnesium.

The aforesaid policy led to change in trade destinations of scrap materials from the PRC to the Southeast and South Asian countries. As a result, scrap materials recyclers with import and facilities in the PRC had moved into alternative locations such as Malaysia for processing and sales of scrap materials. Accordingly, Malaysian scrap ferrous metals traders in partnership with such scrap materials recyclers benefit from securing additional supply of scrap ferrous metals.

Hence, we believe the steel industry prospects will continue to provide a favourable background to the development of our business. In this regard, we have formulated our business strategies, not only to strengthen our leading position in the Malaysian scrap ferrous metal trading industry, but more importantly, to capture the business opportunities generated by the aforesaid favourable macro background of the steel industry in Malaysia.

The volume of used battery traded in Malaysia has recorded a robust growth at a CAGR of 18.6% from 2013 to 2017, which was mainly attributable to the increase in output of automobiles, electrical appliances and generation of end-of-life electronic products and scrap automobiles. With the continuous urbanisation, and launch and replacement of electrical appliance and automobiles, the used batteries traded in Malaysia is expected to grow at a CAGR of 11.0% from 2018 to 2022.

With economic growth and continuous rise in disposable income, the rising demand for consumer goods among Malaysia's customers has fuelled the needs for paper-based packaging materials, which in turn contributes to the growth for waste paper trading industry. The volume of waste paper traded increased at a CAGR of 10.3%, from 501.5 thousand tonnes in 2013 to 743.2 thousand tonnes in 2017. Supported by the government incentives for resources recycling and rising demand for consumer goods, waste paper trading is likely to enjoy the growth. The volume of waste paper traded in Malaysia are forecasted to rise at a CAGR of 10.8% from 2018 to 2022.

Looking forward into 2019, the Group will continue to leverage off our core competitive advantages to achieve remarkable growth in our revenue and profitability. We plan to continue to strengthen our market leading position in the Malaysian scrap ferrous metal trading industry, by expanding our supplier and customer bases and increasing our business volume of scrap ferrous metals. We plan to achieve our objectives through implementing the following strategies:

a. Our Directors believe the offer to mobilise our trucks to assist our suppliers under direct delivery sales serves as a value-added service to facilitate the delivery of scrap ferrous metals from our suppliers to our steel mill customers when needed and is conducive to the growth of our business as Direct Delivery Sales have been accounting for a significant portion of our revenue and it helps promote the loyalty of our suppliers. Therefore, we intend to utilise HK$7.1 million or 8.8% of the net proceeds of the Share Offer to purchase 12 new trucks (9 of them will replace the trucks which are over seven years old and fully depreciated in our accounts).

b. Our largest customer, Customer A, has agreed to offer us a higher procurement price for oversized scrap ferrous metals which are cut into the prescribed size. As such, we intend to utilise approximately HK$5.7 million or approximately 7.1% of the net proceeds of the Share Offer to purchase two metal cutters.

c. Given the favourable background of the steel industry for domestic steel mills in Malaysia, we believe our business will continue to grow and the amount of transaction data and financial records to be processed will also increase. Therefore, we intend to utilise HK$1.9 million or 2.3% of the net proceeds of the Share Offer to set up our own enterprise resources planning system which would enable us to process such data and records on a timely basis, to improve our operational efficiency and to reduce our administrative costs in the long run.

d. We were engaged by a new steel mill customer, Customer B, as its approved scrap metal provider in April 2018. Customer B is located in the state of Pahang, the east coast of Peninsular Malaysia, and we plan to utilise HK$9.0 million or 11.1% of the net proceeds of the Share Offer to set up a new scrapyard to mainly serve this customer, as well as to expand our network of sourcing on the east cost of Peninsular Malaysia.

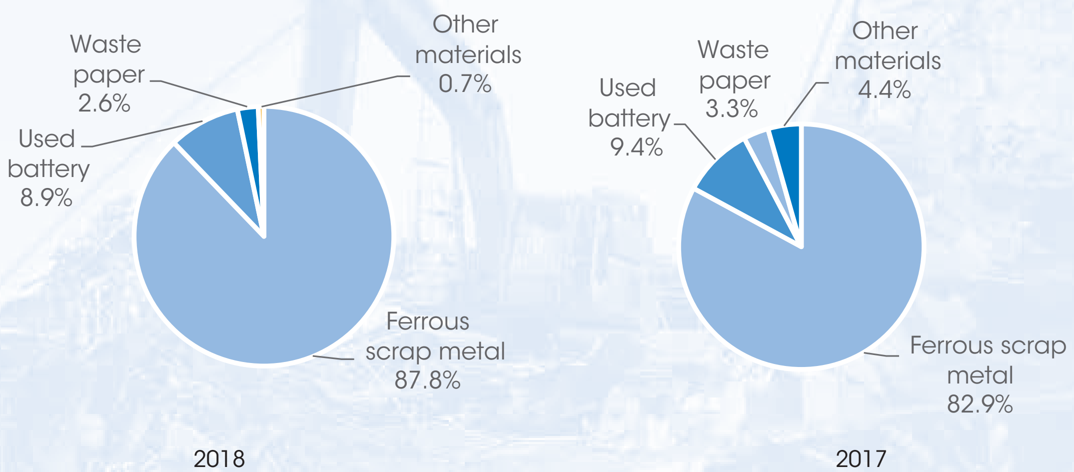
e. With the aim of centralising the scrapyard operation and our administrative activities in the same location in Selangor and expanding our existing scrapyard in Selangor, we we plan to utilise HK$12.6 million or 15.6% of the net proceeds of the Share Offer to construct a new scrapyard cum an office building on a piece of land, which is self-owned and adjacent to the existing scrapyard in Selongor.

f. Cash flow is crucial to the scrap material trading business as working capital is needed to settle the buying price of the scrap materials shortly upon delivery or in some cases, in advance. Our Directors believe that our readiness for settling with our suppliers has boosted our suppliers' confidence in supplying scrap materials to us, both in terms of volume and priority. we intend to apply HK$36.4 million or 45.1% of the net proceeds of the Share Offer as additional working capital for the purchase of scrap ferrous metals.

FINANCIAL REVIEW

Revenue

Revenue of the Group for the year ended 31 December 2018 was RM894.4 million (2017: RM739.4 million), representing an increase of 21.0% as compared to last year. The breakdown of our total revenue by product types for the years under review are as below:



The increase in the Group's revenue was mainly attributable to (a) the increase in sales volume of scrap ferrous metals of 11.9%; and (b) the increase in the average selling price of scrap ferrous metals of 14.4% as compared to the year ended 31 December 2017.

The increase in sales volume of scrap ferrous metals was primarily attributable to two reasons. Firstly, there was an increase in demand for the scrap ferrous metals in Malaysia for year ended 31 December 2018. Secondly, the shorten trade receivables turnover days which enhanced the Group's capability to purchase more scrap ferrous metals from suppliers for trading purposes. The increase in average selling price of scrap ferrous metals was primarily attributable to the increase in the market price of steel products.

Our revenue from sales of scrap ferrous metal during the financial year under review are contributed by the following customers:

	Year ended 31 December			
	2018		2017	
	Volume sold *(tonnes)*	**Revenue** *(RM'000)*	Volume sold *(tonnes)*	Revenue *(RM'000)*
Customer A	**513,588**	**686,799**	514,107	607,613
Customer B	**46,592**	**67,015**	—	—
Export	**9,677**	**15,762**	—	—
Others	**11,054**	**15,951**	4,962	5,729
Total	**580,911**	**785,527**	519,069	613,342

Gross Profit

The Group's gross profit for year ended 31 December 2018 increased from RM53.7 million to RM58.4 million as compared with last year. The fluctuation in the Group's gross profit was in line with the change in the Group's revenue.

The Group's gross profit margin was declined to 6.5% for the year ended 31 December 2018 as compared to 7.3% for the year ended 31 December 2017. We do not consider the gross profit margin is a meaningful indicator to analyse our financial performance, as the pricing for scrap ferrous metals is basically dictated by our top steel mill customer, who determines the procurement price at which it agrees to take up scrap ferrous metals from us. Instead, our business objective is to maximise the gross margin between the procurement price set by our customer and the buying price we pay for scrap ferrous metals from our suppliers. The gross margin we earned was relatively stable, which improved from RM97 per tonne for year ended 31 December 2017 to RM98 per tonne for year ended 31 December 2018.

Other income

Other income decreased from RM1.1 million for year ended 31 December 2017 to RM0.1 million for year ended 31 December 2018, primarily due to a decrease in insurance compensation received.

Other gains net

The Group's gain on disposal of assets classified as held for sale of RM9.3 million in the year ended 31 December 2018. In July and August 2018, our Group entered into certain agreements for the sale of investment properties located in Malaysia to our Directors for an aggregate consideration of RM11.0 million based on market valuation, of which RM10.5 million were offset by the amounts due to Directors pursuant to a settlement agreement dated 31 July 2018. As at December 2018, all transactions were completed.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased from RM7.6 million for year ended 31 December 2017 to RM11.2 million for year ended 31 December 2018, primarily due to the increase in truck hire expenses as the Group has engaged more external transporters for delivery of scrap materials.

Administrative Expenses

The increase in the Group's administrative expenses from RM15.9 million for year ended 31 December 2017 to RM24.2 million was mainly attributable to the increase in listing expenses of RM7.2 million for year ended 31 December 2018, which primarily consist of professional fees in connection with the Share Offer.

Taxation

Malaysian corporate income tax has been provided at the rate of 24% of the estimated assessable profit. Our effective tax rate for year ended 31 December 2018 was 23.7% (2017: 25.3%). The relatively lower effective tax rate of 23.7% was mainly attributable to the gain on disposal of assets classified as held for sale of RM9.3 million, which was subject to lower tax rate of 5%. Such effect was partially offset by the non-deductible listing expenses of RM8.3 million incurred during the year under review.

Profit Attributable to Owners of the Company

The Group's profit attributable to owners for year ended 31 December 2018 was RM24.6 million (2017: RM23.1 million), which is in tandem with the increase in profit before tax expenses.

Key Financial Ratios

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

	As At 31 December	
Liquidity Ratios	**2018**	2017
Current ratio	**4.0 times**	1.7 times
Gearing ratio	**0.1 times**	0.2 times

	For the year ended 31 December	
	2018	2017
Inventory turnover period	**3.9 days**	2.8 days
Trade receivables' turnover period	**36.1 days**	41.1 days
Trade payables' turnover period	**5.5 days**	8.2 days

Working Capital

The inventory turnover period of the Group was 3.9 days for the year ended 31 December 2018 as compared to 2.8 days for the previous year. The marginal increase was primarily due to increase in volume of inventories maintain at our scrapyards to satisfy the increasing needs of our customers.

The Group's trade receivables' turnover period was 36.1 days for the year ended 31 December 2018 as compared to 41.1 days for the previous year. Such decrease was mainly attributable to the prompt payment from our steel mill customers as a result of the improvement in the steel industry.

The Group's trade payables' turnover period was 5.5 days for year ended 31 December 2018 as compared to 8.2 days for the previous year.

Liquidity and Financial Resources

As at 31 December 2018, the Group's total equity funds attributable to owners amounted to RM117.4 million (2017: RM70.0 million) including retained earnings of RM87.9 million (2017: 63.2 million). The Group's working capital amounted to RM99.4 million (2017: RM55.1 million) of which cash and cash equivalents and bank deposits were RM10.8 million (2017: RM21.2 million).

Taking into account the cash and cash equivalents on hand, our operating cash flows, banking facilities available to us and the net proceeds to be received from the share offer, the Group has adequate liquidity and financial resources to meet the working capital requirements as well as to fund its budgeted expansion plans in the next financial year. The Board will continue to follow a prudent treasury policy in managing its bank balances and cash and maintain a strong and healthy liquidity to ensure that the Group is well positioned to achieve its business objectives and strategies.

Total borrowings of the Group as at 31 December 2018 were RM10.7 million (2017: RM12.5 million). The borrowings were mainly used to finance the procurement of scrap ferrous metals and capital expenditure.

The Group's gearing ratio as at 31 December 2018 was 0.1 times (2017: 0.2 times). Gearing ratio is calculated based on total interest-bearing debts divided by total equity as at the end of the year.

Future Plans for Material Investments and Capital Assets

As at 31 December 2018. 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**").

On 30 January 2019, HH Metal, a wholly-owned indirect subsidiary of the Company has entered into a joint venture agreement with Chiho Environmental Group Limited ("**Chiho**"), a company listed on the Main Board of the Stock Exchange, to develop a processing facility to provide scrap motor dismantling services to Chiho in Malaysia with an initial startup cost of RM2.0 million.

Material Acquisitions and Disposals of Subsidiaries

During the year ended 31 December 2018, the Group did not have any material acquisitions and disposals of subsidiaries, saved as disclosed in Note 1.1 to the combined financial statements.

Pledge of Assets

At 31 December 2018, the Group has pledged the following assets to banks to secure certain bank borrowings and general banking facilities granted to the Group:

	2018 **RM'000**	2017 RM'000
Property, plant and equipment	**10,470**	10,618
Investment properties	**3,412**	3,654
Assets classified as held for sale	**—**	1,686
Pledged bank deposits	**5,232**	7,103
	19,114	23,061

Contingent Liabilities

The Group did not have any significant contingent liability as at 31 December 2018 (2017: Nil).

Capital Commitments

As at 31 December 2018, the Group has a total capital commitment in respect of acquisition of property, plant and equipment of RM2.4 million (2017: RM0.5 million).

Risk Management

The Group in its ordinary course of business is exposed to market risk such as market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group operates in Malaysia and the Group's transactions are mainly denominated in RM which is the functional and presentation currency for most of the Group's entities. 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 liabilties. 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 finance lease liabilities obtained at variable rates expose the Group to cash flow interest rate risk.

The credit risk of the Group mainly arises from cash and cash equivalents, 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 occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

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 has significant concentration of credit risk from customers for scrap ferrous metals such as steel mills and ferrous metal trading companies. At 31 December 2018, 78% (2017: 88%) of its total trade receivables was due from this group of customers. As the Group is the few approved scrap metal providers to the steel mill customers and based on the past repayment history and forward-looking estimates, our Directors believe that the credit risk inherent in our 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 direct 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 our Group and aggregated by group finance. The Group finance monitors rolling forecasts of the 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.

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's shares have been listed on to the Stock Exchange since 15 March 2019 (the "**Listing Date**"). The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). Save as the code provision A.2.1 deviated in paragraph headed "Chairman and Chief Executive Officer", the Company has complied with the code provisions as set out in the CG Code during the period from the Listing Date to the date of this annual report (the "**Period**"). The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

As the Company was not yet listed on the Main Board of the Stock Exchange until the Listing Date, the CG Code was not applicable to the Company during the period under review. However, in the opinion of the Directors the Company has fully complied with the CG Code during the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its code of conduct regarding dealings in the securities of the Company. Having made specific enquiry of all the Directors of the Company, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code during the Period.

The Board has also adopted the Model Code to regulate all dealings by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision A.6.4 of the CG Code. No incident of non-compliance with the Model Code by the Company's relevant employees has been noted during the Period.

BOARD OF DIRECTORS (THE "BOARD")

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") (together, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

Directors' and Senior Management's Liability Insurance and Indemnity

The Company has arranged appropriate liability insurance to indemnify the Group's Directors and senior management for their liabilities arising out of corporate activities. The insurance coverage will be reviewed on an annual basis.

Board Composition

The Board currently comprises five executive Directors, namely Mr. Sia Kok Chin, Datuk Sia Keng Leong, Mr. Sia Kok Chong, Mr. Sia Kok Seng and Mr. Sia Kok Heong and three independent non-executive Directors, namely Ms. Sai Shiow Yin, Mr. Puar Chin Jong and Mr. Chu Kheh Wee.

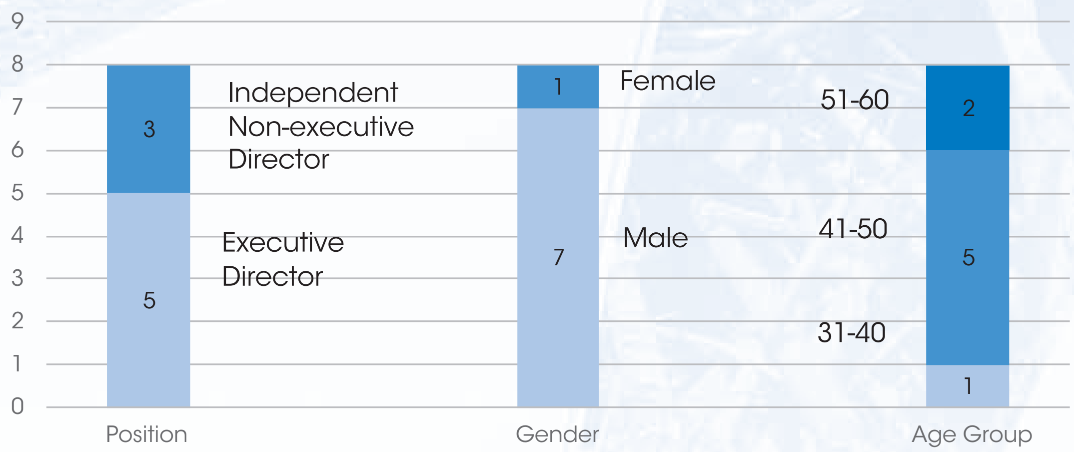
Since the Listing Date and up to the date of this annual report, the Board at all times met the requirements of the Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise. All the independent non-executive Directors have appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

Board Diversity Policy

Pursuant to the code provision A.5.6 of the CG Code, listed issuers are required to adopt a board diversity policy. The policy specifies that in designing of the composition of the Board, board diversity shall be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The appointment of Directors will be based on meritocracy, and candidates will be evaluated against objective criteria, having due regard for the benefits of diversity of the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, culture, educational background, professional experience, knowledge and skills.

The composition of the Board will be disclosed in the Corporate Governance Report every year and the Nomination Committee will supervise the implementation of this policy. The Nomination Committee will review the effectiveness of this policy, as appropriate, discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

Details on the biographies and experience of the Directors are set out on page 8 to page 11 of this annual report.



The Nomination Committee has reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable the Company to maintain high standard of operation.

The Nomination Committee will continue to review the Board composition and diversity regularly to ensure that the Company has the right balance as the Company move forward. However, the Board appointment will continue to be made on the basis of merit and the potential contributions that selected candidates will offer to the Board.

Confirmation of Independence by the Independent Non-executive Directors

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

None of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship), with any other Director.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

In regards to the CG Code provision requiring directors to disclose the number and nature of offices held in public companies or organizations and other significant commitments as well as their identity and the time involved to the issuer, Directors have agreed to disclose their commitments to the Company in a timely manner.

Induction and Continuous Professional Development

Pursuant to code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

Each newly appointed Director has been provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under relevant statues, laws, rules and regulations.

Prior to the Listing, each of Mr. Sia Kok Chin, Datuk Sia Keng Leong, Mr. Sia Kok Chong, Mr. Sia Kok Seng, Mr. Sia Kok Heong, Ms. Sai Shiow Yin, Mr. Puar Chin Jong and Mr. Chu Kheh Wee has attended the training courses conducted by the legal adviser of the Company. The content of such training related to the duties of directors and on-going obligations of listed companies.

All the Directors, namely Mr. Sia Kok Chin, Datuk Sia Keng Leong, Mr. Sia Kok Chong, Mr. Sia Kok Seng, Mr. Sia Kok Heong, Ms. Sai Shiow Yin, Mr. Puar Chin Jong and Mr. Chu Kheh Wee, have been updated with the latest developments regarding the Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. In addition, continuing briefing and professional development to Directors will be arranged whenever necessary.

Chairman and Chief Executive Officer

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. There is deviation from the code provision A.2.1 of the CG Code as the positions of chairman and chief executive officer are held by Mr. Sia Kok Chin who has managing our business since 2001. The Directors consider that vesting the roles of the chairman of the Board and the chief executive officer in Mr. Sia Kok Chin is beneficial to the management and business development of the Group and will provides 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.

Appointment and re-election of Directors

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from 19 February 2019. Each of the independent non-executive Directors has signed an appointment letter with the Company for a term of three years commencing from 19 February 2019.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

In accordance with the Company's amended and restated memorandum and articles of association (the "**Memorandum & Articles**"), the Directors are subject to re-election at every annual general meeting. Shareholders of the Company entitled to vote at the annual general meeting for the election of Directors and to elect a Board consisting of at least the minimum number of Directors set under the articles of association of the Company (the "**Articles**") and all the Directors shall cease to hold office immediately before such election, but are eligible for re-election at such meeting.

The procedures and process of appointment, re-election and removal of directors are set out in the Company's Memorandum & Articles. The Nomination Committee is responsible for reviewing the Board composition, monitoring and make recommendations to the Board on the appointment, re-election and succession planning of Directors, in particular the chairman and the chief executive officer.

Board Meetings

The Company adopts the practice of holding board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. For other Board and committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are dispatched to the Directors or committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings are kept by the Company with copies circulated to all Directors for information and records.

Minutes of the board meetings and committee meetings are recorded in sufficient detail the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each board meeting and committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. The minutes of the board meetings are open for inspection by Directors.

Since the Listing Date and up to the date of this annual report, two board meetings were held and the attendance of the individual Directors at these meetings is set out in the table below:

Directors	**Attendance/ number of meetings held**
Mr. Sia Kok Chin	2/2
Datuk Sia Keng Leong	2/2
Mr. Sia Kok Chong	2/2
Mr. Sia Kok Seng	2/2
Mr. Sia Kok Heong	2/2
Ms. Sai SHiow Yin	2/2
Mr. Puar Chin Jong	2/2
Mr. Chu Kheh Wee	2/2

Delegation by the Board

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

BOARD COMMITTEES

The Board has established three Board committees to strengthen its functions and corporate governance practices, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee. The Audit Committee, the Nomination Committee and the Remuneration Committee perform their specific roles in accordance with their respective written terms of reference.

Audit Committee

The Audit Committee comprises three members, namely Ms. Sai Shiow Yin (chairlady), Mr. Puar Chin Jong and Mr. Chu Kheh Wee, all of them are independent non-executive Directors. The primary duties of the Audit Committee include examining independently the financial positions of the Company, overseeing the Company's financial reporting system, risk management and internal control system, the audit process and proposals of internal management, communicating independently with, monitoring and verifying the work of internal audit and external auditors.

Due to the fact that the Company was listed on 15 March 2019, no Audit Committee meeting was held during the year ended 31 December 2018.

Since the Listing Date and up to the date of this annual report, one meeting of the Audit Committee was held and the attendance record of the Audit Committee members is set out in the table below:

Directors	**Attendance/ number of meetings held**
Ms. Sai Shiow Yin	1/1
Mr. Puar Chin Jong	1/1
Mr. Chu Kheh Wee	1/1

The Audit Committee reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function), risk management systems and processes and the reappointment of the external auditor and fulfilled duties as required aforesaid. The Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor.

They also reviewed final results of the Company and its subsidiaries for the fiscal year as well as the audit report prepared by the external auditor relating to accounting issues and major findings in course of audit. There are proper arrangements for employees, in confidence, to raise concerns about possible improprieties in financial reporting, internal control and other matters. The written terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

Nomination Committee

The Nomination Committee currently comprises three members, namely Mr. Sia Kok Chin (chairman), Ms. Sai Shiow Yin and Mr. Chu Kheh Wee, the majority of them are independent non-executive Directors.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, to make recommendation to the Board regarding candidates to fill vacancies on the Board and/or in the management, and to assess the independence of the independent non-executive Directors.

The Nomination Committee will assess the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision. Their written terms of reference are available on the websites of the Stock Exchange and the Company.

Due to the fact that the Company was listed on 15 March 2019, no Nomination Committee meeting was held during the year ended 31 December 2018.

Since the Listing Date and up to the date of this annual report, one meeting of the Nomination Committee was held on and the attendance record of the Nomination Committee members is set out in the table below:

Directors	**Attendance/ number of meetings held**
Mr. Sia Kok Chin	1/1
Ms. Sai SHiow Yin	1/1
Mr. Chu Kheh Wee	1/1

The Nomination Committee assessed the independence of independent non-executive Directors, considered the re-appointment of the retiring Directors, reviewed the time commitment required from the non-executive Director and fulfilled duties as required aforesaid.

The Board has adopted a Board diversity policy (the "**Policy**") in accordance with the requirements of the Listing Rules with effect from 29 March 2018 which sets out the approach to achieve diversity on the Board. All Board appointments shall be based on meritocracy, and candidates will be considered against selection criteria, having regard for the benefits of diversity on the Board. Selection of candidates will be based on range of diversity perspectives, which would include but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee will monitor the implementation of the Policy and will from time to time review the Policy, as appropriate, to ensure the effectiveness of the Policy.

Remuneration Committee

The Remuneration Committee comprises three members, namely Ms. Sai Shiow Yin (chairlady), Mr Puar Chin Jong and Mr. Chu Kheh Wee, all of them are independent non-executive Directors.

The primary duties of the Remuneration Committee are to recommend the Board on the Group's remuneration policy and structure for the Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy, to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives, and to make recommendations to the Board on the remuneration packages of the executive Directors and senior management.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company. Due to the fact that the Company was listed on 15 March 2019, no Remuneration Committee meeting was held during the year ended 31 December 2018.

Since the Listing Date and up to the date of this annual report, one meeting of the Remuneration Committee was held and the attendance record of the Remuneration Committee members is set out in the table below:

Directors	Attendance/ number of meetings held
Ms. Sai Shiow Yin	1/1
Mr. Puar Chin Jong	1/1
Mr. Chu Kheh Wee	1/1

The Remuneration Committee discussed and reviewed the remuneration policy for Directors and senior management of the Company, made recommendations to the Board on the remuneration packages of individual executive Directors and senior management and fulfilled duties as required aforesaid.

Details of the remuneration by band of the members of senior management of the Company, whose biographies are set out on page 8 to page 12 of this annual report, for the year ended 31 December 2018 are set out in the combined financial statements on page 96 to page 97 of this annual report.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the 2018 Financial Year which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with quarterly updates on Company's performance, positions and prospects.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statements by the auditor of the Company regarding their reporting responsibilities on the combined financial statements and the consolidated financial statements of the Company is set out in the Independent Auditor's Report on page 47 to page 50 and page 102 to 104 of this annual report respectively.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for maintaining an adequate risk management and internal control systems to safeguard Shareholders' investments and Company's assets and with the support of the Audit Committee, reviewing the effectiveness of such systems on an annual basis. The Company has implemented various internal control and risk management policies, including Asset Depreciation Provision Management Policy, Inventory Management Policy and Financing and Guarantee Management Policy. The risk management and internal control policies are designed to help achieve business objectives, safeguarding assets against unauthorised use, and maintaining proper accounting records for the provision of reliable financial information for internal use and for publication. The establishment of risk management and internal control systems is to provide reasonable, but not absolute, assurance against material misstatement of financial statements or loss of assets and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

The Company has engaged external consultants to perform a review of the internal control and risk management systems of the Group. With the assistance of the external consultants, the Company is able to take mitigating and remedial measures to address the identified risks and such actions and measures are integrated in the day-to-day activities of the Group and their effectiveness is closed monitored. The internal audit, internal control and risk management systems and policies are reviewed by the Board on an ongoing basis in order to make it practical and effective in providing reasonable assurance in relation to the identification of business risks.

The Company has put in place a policy on handling and dissemination of inside information which sets out the procedures and internal controls for handling and dissemination of inside information in a timely manner in such a way to avoid placing any person in a privileged dealing position. The inside information policy also provides guidelines to employees of the Group to ensure proper safeguards exists to prevent the Company from breaching the statutory and listing rule disclosure requirements. The Company has appropriate internal control and reporting systems to identify and assess potential inside information. Dissemination of inside information of the Company shall be conducted by publishing the relevant information on the websites of the Stock Exchange and the Company, according to the requirements of the Listing Rules.

The Audit Committee assists the Board in the review, which covers operational, financial and compliance controls, internal audit and risk management functions, to maintain an adequate and effective internal control system to safeguard the interests of the shareholders and the assets of the Group, The Board shall conduct an annual review of the effectiveness of the internal control system of the Group by, including but not limited to, considering a written report prepared by the external consultants to the Audit Committee covering the above aspects. The Board considers the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programme and budget. The Company has complied with the requirements under C.2.1 to and C.3.3 of the CG Code relating to risk management and internal control since 1 January 2018.

AUDITOR'S REMUNERATION

Pricewaterhousecooper ("**PwC**") was appointed as the Company's auditors to audit the financial statements of the Company for the year ended 31 December 2018 prepared in accordance with IFRSs. Aggregate fees in respect of audit and audit-related services and non-audit services provided by PwC payable by the Company during the year ended 31 December 2018 were set out on page 80 of this annual report.

COMPANY SECRETARY AND PRIMARY CONTACT OF THE COMPNAY

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company engages Ms. Ng Wing Yan, the assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited (a company secretarial service provider), as its company secretary. Ms. Ng Wing Yan's primary contact person in the Company is Mr. Lee Heng Wai, the finance manager.

Ms. Ng Wing Yan is aware of the requirements of Rule 3.29 of the Listing Rules. Considering that the Shares were only listed on the Stock Exchange on 15 March 2019, Ms. Ng Wing Yan will comply with the requirements of Rule 3.29 of the Listing Rules for the year ending 31 December 2019. During the year ended 31 December 2018, Ms. Ng Wing Yan has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

GENERAL MEETING

Since the Listing Date and up to the date of this annual report, no general meeting was held. The annual general meeting ("**AGM**") of the Company will be held on 15 June 2019.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable shareholders and investors to make the informed investment decisions.

The AGM of the Company provides opportunity for shareholders to communicate directly with the Directors. The Chairman of the Company and the chairmen of the Board Committees of the Company will attend the AGMs to answer shareholders' questions. The external auditor of the Company will also attend the AGMs to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

To promote effective communication, the Company adopts a shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and its shareholders and maintains a website at www.henghup.com where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. In 2019, the Company will focus more on the demands of investors and analysts, pay close attention to important policies of the environmental protection and energy conservation industry and allow timely access by the public to sufficient business information and recent developments of the Company.

SHARHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution will be proposed for each issue at shareholders` meetings, including the election of individual directors. All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each shareholders' meeting.

Procedures for Shareholders to Convene an Extraordinary General Meeting

According to Article 12.3 of the Articles, general meetings can be convened on the written requisition of any two or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company deposited at the principal office of the Company in Hong Kong. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Procedures for Shareholders to Propose a Person for Election as a Director

If a shareholder of the Company wishes to propose a person other than a Director for election as a Director at the Company's general meeting ("**Proposal**"), he/she should lodge a written notice setting out the Proposal and his/her contact details at the principal place of business of the Company or the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited. The Proposal should include the biographical details of the proposed Director and a written notice signed by the proposed Director confirming his/her willingness to be elected, the accuracy and completeness of his/her biographical details.

Shareholders' inquires

If you have any query in connection with your shareholdings, please write to or contact the Company's Hong Kong share registrar, Tricor Investor Services Limited, at:

Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong
Tel: (852) 2980 1066
Fax: (852) 2262 7584
Website: www.tricorglobal.com

Investor Relations and Communications

The Company has set up a website at www.henghup.com as a channel to promote communication, publishing announcements, financial information and other relevant information of the Company. Shareholders are welcome to make enquiries directly to the Company at its principal place of business in Malaysia. The Company will deal with all enquiries in a timely and appropriate manner. The primary contacts of the Company are Mr. Sia Kok Chin and Mr. Sia Kok Heong (email: ir@henghup.com.my or tel: +603 7845 2292).

CHANGE IN COSTITUTIONAL DOCUMENTS

The memorandum and articles of association of the Company have been amended and restated with effect from the Listing Date.

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2018.

DIRECTORS' REPORT

The Board is pleased to present its report together with the audited combined financial statements and consolidated financial statements of the Group for the year ended 31 December 2018.

CORPORATE INFORMATION

Basic information about the Company is set out in the sections headed "Corporate Information" and "Company Profile" on page 2 to page 3 and page 6 to page 7 of this annual report.

REORGANISATION AND SHARE OFFER

The Company was incorporated as an exempted company in the Cayman Islands with limited liability on 12 April 2018.

Pursuant to a reorganisation (the "**Reorganisation**") to rationalize the structure of the Company and its subsidiaries (collectively, the "**Group**") in preparation for the public listing of the Company's Shares on the Stock Exchange, the Company became the holding company of the Group. Details of Reorganisation are set out in the note 1.1 of the combined financial statements.

The Company's shares were listed on the Stock Exchange on 15 March 2019.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 12 April 2018. The Company's shares were listed on the Stock Exchange on 15 March 2019.

As a result of the completion of the Reorganisation as described in note 1.1 to the combined financial statements, the Operating Companies became indirectly wholly-owned subsidiaries of the Company. The activities and particulars of the Company's subsidiaries are shown under note 1.1 to the combined financial statements. An analysis of the Group's revenue and operating profit for the year by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report and note 5 to the combined financial statements.

BUSINESS REVIEW

A review of the Group's business during the year, which includes a discussion of the principal risks and uncertainties facing by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year, and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairman's Statement" on page 5 and "Management Discussion and Analysis" from page 13 to page 19 in this annual report respectively. The financial risk management objectives and policies of the Group can also be found in note 3 to the combined financial statements and the consolidated financial statements. In addition, a discussion on relationships with its key stakeholders is included in the section headed "Management Discussion and Analysis" in this annual report. The review forms part of this directors' report.

RESULTS AND APPROPRIATION

The combined results and consolidated results of the Group for the year ended 31 December 2018 are set out on page 51 and page 105 of this annual report respectively.

FINAL DIVIDEND

The Company may distribute dividends by way of cash or by other means that we consider appropriate. A decision to declare and pay any dividends would require the approval of our Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to shareholders' approval. Our Board will review dividend policy from time to time in light of our results of operations, our cash flows, our financial condition, our Shareholders' interest, our capital requirements, the general business conditions and strategies, and other factors our Board may deem relevant in determining whether dividends are to be declared and paid. Any declaration and payment as well as the amount of dividends will be subject to the Articles and Cayman Companies Law. No dividend shall be declared or paid except out of our distributable profit and funds that are lawfully available for distribution under the Cayman Companies Law.

The Board has resolved not to recommend payment of any final dividend for the year ended 31 December 2018 (2017: Nil).

FOUR YEARS FINANCIAL SUMMARY

A summary of the Group's results, assets, liabilities for the last four financial years are set out on page 4 of this annual report. This summary does not form part of the audited combined financial statements and the consolidated financial statements.

DONATIONS

The Group did not make any donations during the year.

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

On 15 March 2019, the Listing Date, the shares of the Company were listed on the Main Board of the Stock Exchange, pursuant to which 250,000,000 shares were issued by the Company at the offering price of HK$0.50 per share, with net proceeds of approximately RM42.1 million (equivalent to approximately HK$80.8 million), after deduction of underwriting commission and estimated expenses payable by the Company in connection with the Share Offer. As of the date of this annual report, the Company does not anticipate any change to its plan on the use of proceeds as stated in the Prospectus.

Accordingly, since the Listing Date and up to the date of this annual report, the Company has utilised HKD30.0 million of the proceeds from the Share Offer for working capital for our scrap ferrous metal trading business and for other general corporate purposes in the ways as disclosed in the Prospectus, with a remaining balance of HKD50.8 million. For the amounts not utilised yet, the Company will use the net proceeds in the ways as disclosed in the Prospectus in the future.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2018, the Group's largest customers accounted for 87.4% (2017: 82.2%) of the Group's total revenue. The Group's five largest customers accounted for 95.7% (2017: 97.2%) of the Group's total revenue.

For the year ended 31 December 2018, the Group's largest suppliers accounted for 4.8% (2017: 4.3%) of the Group's total cost of procurement. The Group's five largest suppliers accounted for 19.0% (2017: 15.9%) of the Group's total cost of procurement.

Save as disclosed in the Prospectus which published on 27 February 2019, none of the Directors or any of their associates (as defined under Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest suppliers or the Group's five largest customers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year ended 31 December 2018 are set out in note 14 to the combined financial statements.

SHARES CAPITAL ISSUED DURING THE YEAR

Details of movements in the share capital of the Company during the year ended 31 December 2018 are set out in note 21 and note 9 to the combined financial statements and consolidated financial statements respectively.

PURCHASE, SALE OF REDEMPTION OF THE COMPANY'S LISTED SECURITES

The shares of the Company were first listed on the Main Board of the Stock Exchange on the Listing Date. Neither the Company nor any member of the Group has purchased, sold or redeemed any of the Company's shares during the period from the Listing Date and up to the date of this annual report.

PRE-EMPTIVE RIGHTS

There were no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which obliges the Company to offer new Shares on a pro-data basis to existing Shareholders.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2018 are set out on page 54 and page 107 in the combined statement of charges in equity and the consolidated statement of changes in equity respectively.

DISTRIBUTBLE RESERVES

As at 31 December 2018, the Company has no distributable reserves.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2018 are set out in note 23 to the combined financial statements.

DIRECTORS

The Directors who held office during the year ended 31 December 2018 and up to the date of this annual report were:

Executive Directors

Mr. Sia Kok Chin (appointed on 12 April 2018)
Datuk Sia Keng Leong (appointed on 12 April 2018)
Mr. Sia Kok Chong (appointed on 12 April 2018)
Mr. Sia Kok Seng (appointed on 12 April 2018)
Mr. Sia Kok Heong (appointed on 12 April 2018)

Independent Non-executive Directors

Ms. Sai Shiow Yin (appointed on 19 February 2019)
Mr. Puar Chin Jong (appointed on 19 February 2019)
Mr. Chu Kheh Wee (appointed on 19 February 2019)

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group as at the date of this annual report are set out on page 8 to page 12 in the section headed "Directors and Senior Management" to this annual report.

EQUITY-LINKED AGREEMENTS

There were no equity-linked agreements entered into during the year or which subsisted at the end of the year.

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, 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 s (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.

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 annual 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 100,000,000 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, 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 annual report, there was no share option outstanding under the Share Option Scheme.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received a confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent during the period from their respective appointments and up to the date of this annual report.

DIRECTORS' SERVICE CONTRACT AND LETTER OF APPOINTMENTS

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from 19 February 2019.

Each of the non-executive Directors and the independent non-executive Directors has signed an appointment letter with the Company for a term of three years commencing from 19 February 2019.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

No transactions, arrangements and contracts of significance in relation to the Group's business (including those to which the Company's subsidiaries, fellow subsidiaries or its parent company was a party) in which a director of the Company or an entity connected with a director had material interest, whether directly or indirectly, subsisted during the year ended 31 December 2018.

PERMITTED INDEMNITY

Pursuant to the Memorandum & Articles, every Director shall be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a director of the Company. The Company has arranged appropriate liability insurance to indemnify the Directors for their liabilities arising out of corporate activities.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business were entered into or subsisted during the year ended 31 December 2018.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

There was no contract of significance to which the Company or its holding company or any of its subsidiaries was a party and in which any Controlling Shareholder had a material interest subsisted during the year ended 31 December 2018.

EMPLOYEES

The Group had 109 employees as at 31 December 2018, as compared to 103 employees as at 31 December 2017. The employees of the Company are employed under employment contracts which set out, among other things, their job scope and remuneration. Further details of their employment terms are set out in the employee handbook of the Company. The Company determines the employees' salaries based on their job nature, scope of duty, and individual performance. The Company also provides various benefits to the employees including medical care, retirement and other benefits as well as on-the-job education, training and other opportunities to improve their skills and knowledge.

EMOLUMENT POLICY

The Remuneration Committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance of the directors and senior management and comparable market practices.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five highest paid individuals are set out in notes 30 to the Combined financial statements.

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 the Company was not listed on the Main Board of the Stock Exchange as at 31 December 2018, Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance ("**SFO**") and section 352 of the SFO were not applicable to the Directors or chief executives of the Company as at 31 December 2018.

As at the date of this annual report, 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 were as follows:

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

Name of Director	Nature of interest	Number of ordinary shares (Note 1)	Approximate percentage of shareholding
Mr. 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) The letter "L" denotes the entity's long position in the Shares.

(2) 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 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.

Save as disclosed above, as at the date of this annual report, 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 year ended 31 December 2018 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 the Company was not listed on the Main Board of the Stock Exchange as at 31 December 2018, Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO were not applicable to the substantial shareholders of the Company as at 31 December 2018.

As at the date of this annual report, 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 fall 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 of ordinary shares (Note 1)**	**Approximate percentage of shareholding**
5S Holdings	Beneficial owner	510,000,000 (L)	51%
Ms. Koo Lee Ching	Interest of spouse	750,000,000 (L) (Note 2)	75%
Ms. Loh Hui Mei	Interest of spouse	750,000,000 (L) (Note 3)	75%
Ms. Peong Ai Teen	Interest of spouse	750,000,000 (L) (Note 4)	75%
Ms. Yang Mei Feng	Interest of spouse	750,000,000 (L) (Note 5)	75%
Ms. Juan Sook Fong	Interest of spouse	750,000,000 (L) (Note 6)	75%

Notes

(1) The letter "L" denotes the entity's long position in the Shares.

(2) Ms. Koo Lee Ching is the spouse of Mr. Sia Kok Chin. As such, Ms. Koo Lee Ching is deemed under the SFO to be interested in the Shares in which Mr. Sia Kok Chin is interested.

(3) 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.

(4) 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 Chongis interested.

(5) 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.

(6) 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 the date of this annual report, 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 fall 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.

COMPLIANCE WITH NON-COMPETITION DEED

Each of the Controlling Shareholders, namely 5S Holdings, Mr. Sia Kok Chin, Datuk Sia Keng Leong, Mr. Sia Kok Chong, Mr. Sia Kok Seng and Mr. Sia Kok Heong, has executed a deed of non- competition on 19 February 2019 pursuant to which they have irrevocably and unconditionally undertaken to the Company (for the Company itself and on behalf of the members of the Group) that, during the period that the Non-Competition Deed remains effective, he/it/she shall not, and shall procure that his/its/her close associates (other than any member of the Company) shall not, directly or indirectly, develop, acquire, participate in, hold any right or interest or invest in or engage in, render any services for or otherwise be involved in any business in competition with or likely to be in competition with the existing business activities of the Company in Malaysia or any other area in which the Company carries on business.

The Company shall seek opinion and decision from the independent non-executive Directors who are responsible for reviewing and determining whether to accept or decline such new business opportunity provided by Controlling Shareholders or its associates.

The details of the Deed of Non-competition have been disclosed in the Prospectus under the section headed "Relationship with Controlling Shareholders".

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 2018, 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.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, the continuing connected transactions of the Group as set out below are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company has obtained approval from the Stock Exchange in respect of the annual caps of the exempt continuing connected transactions upon the Global Offering and such transactions were exempted from announcement and the independent Shareholders' approval requirement.

(a) Tenancy agreement in respect of the tenancy of part of the Melaka Scrapyard I by HH Hardware

On 19 February 2019, HH Hardware entered into a tenancy agreement (the "**HH Hardware Tenancy Agreement**") with Datuk Sia Keng Leong, Mr. Sia Kok Chong, Mr. Sia Kok Seng and Mr. Sia Kok Heong, pursuant to which HH Hardware has agreed to rent PM 14, Lot 695, Mukim Cheng, Melaka, Malaysia, i.e. part of the Melaka Scrapyard I, from Datuk Sia Keng Leong, Mr. Sia Kok Chong, Mr. Sia Kok Seng and Mr. Sia Kok Heong as our scrap ferrous metal scrapyard in Melaka, Malaysia for a fixed term commencing on the Listing Date and expiring on 31 December 2021. The monthly rent payable by HH Hardware is RM10,000. The HH Hardware Tenancy Agreement was entered into in substitution for the tenancy agreement dated 1 March 2018 entered into between the same parties (the "**Old HH Hardware Tenancy Agreement**").

With respect to the connected transactions contemplated under the HH Hardware Tenancy Agreement, the proposed annual caps for the three years ending on 31 December 2021 are listed below:

Proposed annual caps for the year ending 31 December		
2019	**2020**	**2021**
RM	**RM**	**RM**
120,000	120,000	120,000

Reasons for the transactions

Our Group had been using the properties at PM 14, Lot 695, Mukim Cheng, Melaka, Malaysia as part of our scrap ferrous metal scrapyard in the state of Melaka. Having considered that the rent is comparable to the prevailing market rent of comparable properties in the locality, and additional renovation and associated costs which we may incur if we move out of the properties under the HH Hardware Tenancy Agreement and relocate to another premises, our Directors consider that it is desirable and in the interests of our Group and our Shareholders as a whole that our Group continues to use the properties under the HH Hardware Tenancy Agreement as part of our scrap ferrous metal scrapyard in the state of Melaka.

(b) Tenancy agreement in respect of the tenancy of the Melaka Scrapyard II by HH Paper Melaka

On 19 February 2019, HH Paper (Melaka) entered into a tenancy agreement (the "**HH Paper Melaka Tenancy Agreement**") with Mr. Sia Kok Heong, pursuant to which HH Paper Melaka has agreed to rent PN 20151, Lot 4862, Mukim Cheng, Melaka, Malaysia, i.e. the Melaka Scrapyard II, from Mr. Sia Kok Heong as our waste paper scrapyard in Melaka, Malaysia for a fixed term commencing on the Listing Date and expiring on 31 December 2021. The monthly rent payable by HH Paper Melaka is RM3,800. The HH Paper (Melaka) Tenancy Agreement was entered into in substitution for the tenancy agreement dated 26 October 2016 (the "**First HH Paper (Melaka) Tenancy Agreement**"), the letter of extension dated 25 October 2017 (the "**Letter of Extension**") and the tenancy agreement dated 24 August 2018 entered into between the same parties (the "**Second HH Paper (Melaka) Tenancy Agreement**").

With respect to the connected transactions contemplated under the HH Paper Melaka Tenancy Agreement, the proposed annual caps for the three years ending on 31 December 2021 are listed below:

Proposed annual caps for the year ending 31 December		
2019 **RM**	**2020** **RM**	**2021** **RM**
45,600	45,600	45,600

Reasons for the transactions

Our Group had been using the properties at PN 20151, Lot 4862, Mukim Cheng, Melaka, Malaysia as our waste paper scrapyard in the state of Melaka. Having considered that the rent is comparable to the prevailing market rent of comparable properties in the locality, and additional renovation and associated costs which we may incur if we move out of the properties under the HH Paper Melaka Tenancy Agreement and relocate to another premises, our Directors consider that it is desirable and in the interests of our Group and our Shareholders as a whole that our Group continues to use the properties under the HH Paper Melaka Tenancy Agreement as our waste paper scrapyard in the state of Melaka.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, the continuing connected transactions of the Group as set out below are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company has obtained approval from the Stock Exchange in respect of the annual caps of the non-exempt continuing connected transactions upon the Share Offer and such transactions were exempted from announcement and the independent Shareholders' approval requirement.

(a) Master purchase agreement in respect of the purchase of scrap ferrous metals and used batteries from Long Hin Recycle & Trading Sdn. Bhd. ("Long Hin")

Our Group has from time to time purchased scrap ferrous metals and used batteries from Long Hin in the ordinary and usual course of business and it is anticipated that our Group will continue to purchase scrap ferrous metals and used batteries from Long Hin after the Listing.

On 19 February 2019, our Company entered into a master purchase agreement (the "**Long Hin Master Purchase Agreement**") with Long Hin, pursuant to which our Company may, but is not obliged to, purchase scrap ferrous metals and used batteries from Long Hin for a fixed term commencing on the Listing Date and expiring on 31 December 2021, subject to the annual caps set out below.

With respect to the connected transactions contemplated under the Long Hin Master Purchase Agreement, the proposed annual caps for the three years ending on 31 December 2021 are listed below:

Proposed annual caps for the year ending 31 December		
2019 RM	**2020 RM**	**2021 RM**
0.4 million	0.5 million	0.6 million

(b) Master purchase agreement in respect of the purchase of scrap ferrous metals, used batteries and waste paper from Lek Seng and Lek Seng Metal Sdn. Bhd.

Our Group has from time to time purchased scrap ferrous metals, used batteries and waste paper from Lek Seng and Lek Seng Metal Sdn. Bhd. in the ordinary and usual course of business and it is anticipated that our Group will continue to purchase scrap ferrous metals, used batteries and waste paper from Lek Seng and Lek Seng Metal Sdn. Bhd. after the Listing. As Lek Seng and Lek Seng Metal Sdn. Bhd. are connected with each other, the transactions of our Group with each of them are aggregated pursuant to Rules 14A.81 and 14A.82 of the Listing Rules.

On 19 February 2019, our Company entered into a master purchase agreement (the "**Lek Seng Master Purchase Agreement**") with Lek Seng and Lek Seng Metal Sdn. Bhd., pursuant to which our Company may, but is not obliged to, purchase scrap ferrous metals, used batteries and waste paper from Lek Seng and Lek Seng Metal Sdn. Bhd. for a fixed term commencing on the Listing Date and expiring on 31 December 2021, subject to the annual caps set out below.

Proposed annual caps for the year ending 31 December		
2019 RM	**2020 RM**	**2021 RM**
40.0 million	45.0 million	50.0 million

(c) Master purchase agreement in respect of the purchase of scrap ferrous metals, used batteries and waste paper from Chye Seng Huat Trading, Chye Seng Huat Sdn. Bhd. and Soon Lee Metal Sdn. Bhd.

Our Group has from time to time purchased scrap ferrous metals, used batteries and waste paper from Chye Seng Huat Trading, Chye Seng Huat Sdn. Bhd. and Soon Lee Metal Sdn. Bhd. in the ordinary and usual course of business and it is anticipated that our Group will continue to purchase scrap ferrous metals, used batteries and waste paper from Chye Seng Huat Trading, Chye Seng Huat Sdn. Bhd. and Soon Lee Metal Sdn. Bhd. after the Listing. As Chye Seng Huat Trading, Chye Seng Huat Sdn. Bhd. and Soon Lee Metal Sdn. Bhd. are connected with each other, the transactions of our Group with each of them are aggregated pursuant to Rules 14A.81 and 14A.82 of the Listing Rules.

On 19 February 2019, our Company entered into a master purchase agreement (the "**Chye Seng Huat Trading Master Purchase Agreement**") with Chye Seng Huat Trading, Chye Seng Huat Sdn. Bhd. and Soon Lee Metal Sdn. Bhd., pursuant to which our Company may, but is not obliged to, purchase scrap ferrous metals, used batteries and waste paper from Chye Seng Huat Trading, Chye Seng Huat Sdn. Bhd. and Soon Lee Metal Sdn. Bhd. for a fixed term commencing on the Listing Date and expiring on 31 December 2021, subject to the annual caps set out below.

With respect to the connected transactions contemplated under the Chye Seng Huat Trading Master Purchase Agreement, the proposed annual caps for the three years ending on 31 December 2021 are listed below:

Proposed annual caps for the year ending 31 December		
2019 **RM**	**2020** **RM**	**2021** **RM**
35.0 million	40.0 million	45.0 million

For details of the information with respect to the connected transactions mentioned above, please refer to the disclosure as set out in the section headed "Connected Transactions" of the Prospectus.

CONFIRMATION BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors have reviewed each of the above mentioned continuing connected transactions and confirmed that:

1. the transactions stated in the section headed "— Exempt Continuing Connected Transactions" in this annual report have been generated during the Group's ordinary and usual course of business on normal commercial terms (or more favorable than normal commercial terms available for the Group), and that the terms of such transactions are fair and reasonable, and are in the interests of the Company and its shareholders as a whole; and

2. the transactions and proposed annual caps stated in this section headed "— Non-exempt Continuing Connected Transactions" in this annual report have been generated during the Group's ordinary and usual course of business on normal commercial terms (or more favorable than normal commercial terms available for the Group), and that the terms of such transactions are fair and reasonable, and are in the interests of the Company and its shareholders as a whole.

Due to the fact that the Company was listed on 15 March 2019, during the year ended 31 December 2018, no related party transactions disclosed in note 29 and note 11 to the combined financial statements and the consolidated financial statements respectively constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group during the year ended 31 December 2018 are set out in Note 29 and Note 11 to the combined financial statements and consolidated financial statements respectively.

As the Company had not been listed on the Hong Kong Stock Exchange on 31 December 2018, the transactions do not fall under "Connected Transactions" or "Continuing Connected Transactions" in accordance with Chapter 14A of the Listing Rules during the year ended 31 December 2018.

Agreements for the continuing connected transactions as disclosed in the Prospectus were signed after the reporting period. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

MAJOR SUBSEQUENT EVENTS

On 30 January 2019, HH Metal, a wholly-owned indirect subsidiary of the Company has entered into a joint venture agreement with Chiho Environmental Group Limited ("**Chiho**"), a company listed on the Main Board of the Hong Kong Stock Exchange, to develop a processing facility to provide scrap motor dismantling services to Chiho in Malaysia with an initial startup cost of RM2.0 million.

In conjunction with the Share Offer, the Company has undertaken the public offering of 125,000,000 shares and the placing of 125,000,000 shares by the Company for subscription at the offer price.

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 of the Corporate Governance Code contained in Appendix 14 to 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 A.2.1 of the Corporate Governance Code. Mr. 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 Mr Sia Kok Chin is beneficial to the management and business development of the Group and will provides strong and consistent leadership to the Group. The Board will continue to review an 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.

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 20 to 30 of this annual report. During the Period, the Company has fully complied with the CG Code.

SUFFICIENCY OF PUBLIC FLOAT

Based on 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 and permitted under the Listing Rules, are held by the public at all times as of the date of this report.

AUDITORS

The combined financial statements and the consolidated financial statements for the year ended 31 December 2018 have been audited by PricewaterhouseCoopers, Certified Public Accountants, who retire and being eligible, offer themselves for re-appointment at the forthcoming AGM.

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the year ended 31 December 2018.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Due to the nature of our business that only sorting, bundling and shredding are involved in our processing, our Group does not generally generate industrial pollutants and had not incurred any cost of compliance with applicable Malaysian environmental protection laws, rules and regulations. Our Group had no material non-compliance issue in respect of any applicable Malaysian environmental protection laws, rules and regulations. As advised by our Malaysian Legal Advisers, our Directors do not expect any environmental issue in relation to the scrapyards where our Group carries out processing. The Group will continue to commit to its social responsibilities and exert its advantages as an environmental protection enterprise and make consistent efforts to forage an environment with blue sky and white clouds.

Details of the environment, social responsibilities and governance of the Company will be set out in the Environmental, Social Responsibilities and Governance Report ("**ESG Report**") to be issued by the Company separately pursuant to Rule 13.91 and Appendix 27 to the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 11 June 2019 to 15 June 2019, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM to be held on 15 June 2019. In order to be eligible to attend and vote at the 2019 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 pm on 10 June 2019.

On behalf of the Board

Sia Kok Chin
Chairman and Chief Executive Officer
Malaysia
Date: 27 March 2019

INDEPENDENT AUDITOR'S REPORT ON COMBINED FINANCIAL STATEMENTS

羅兵咸永道

To the Shareholders of Heng Hup Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The combined financial statements of Heng Hup Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 51 to 101, which comprise:

- the combined statement of financial position as at 31 December 2018;
- the combined statement of comprehensive income for the year then ended;
- the combined statement of changes in equity for the year then ended;
- the combined statement of cash flows for the year then ended; and
- the notes to the combined financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the combined financial statements give a true and fair view of the combined financial position of the Group as at 31 December 2018, and of its combined financial performance and its combined cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Combined Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("**IESBA Code**"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the combined financial statements of the current period. These matters were addressed in the context of our audit of the combined financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is related to revenue recognition.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition Refer to note 2.22 and note 5 to the combined financial statements. The Group recognised revenue of RM894,405,000 for the year ended 31 December 2018. The sale of recycling materials is recognised at the point in time when the control of the goods is transferred to the customers, being when the goods are delivered to the customers. We focus on this area due to its magnitude and the high volume of transactions involved. Any errors arising from recording of revenue might have a significant impact to the combined financial statements. As a result, a significant amount of effort was spent on auditing this area.	We understood, evaluated and validated management's key internal controls in its revenue recognition process. We performed data analytics to analyse entries in the detailed sales ledger over the matching of revenue transactions to accounts receivables and/or cash at bank or on hand to identify non-routine transactions. We inquired management of the rationale over non-routine transactions and checked to supporting documents for corroboration. We tested samples of sales transactions by tracing to supporting documents such as customers' goods receipt notes or shipping documents for exports, invoices, and bank statements for settlements of the transactions. In addition, on a sample basis, we circularised confirmations with customers to confirm the balance outstanding as at year end. We also performed cut-off testing on a sample of revenue transactions before and after year end to assess whether revenues were recognised in the proper period. Based on our work performed, we did not identify any material exceptions.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the combined financial statements and our auditor's report thereon.

Our opinion on the combined financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the combined financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the combined financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE COMBINED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the combined financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE COMBINED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the combined financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the combined financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Kam Chiu, Raymond.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2019

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018 RM'000**	2017 RM'000
Revenue	5	**894,405**	739,428
Cost of sales	8	**(836,011)**	(685,637)
Gross profit		**58,394**	53,791
Other income	6	**129**	1,073
Other gains, net	7	**9,387**	253
Distribution and selling expeses	8	**(11,234)**	(7,570)
Administrative expenses	8	**(24,198)**	(15,905)
Operating profit		**32,478**	31,642
Finance income	10	**433**	224
Finance costs	10	**(638)**	(910)
Finance costs, net		**(205)**	(686)
Profit before income tax		**32,273**	30,956
Income tax expenses	11	**(7,651)**	(7,845)
Profit and total comprehensive income for the years		**24,622**	23,111
Profit attributable to:			
Owners of the Company		**24,622**	22,835
Non-controlling interests		**—**	276
		24,622	23,111

The notes on pages 56 to 101 are an integral part of these combined financial statements.

COMBINED STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 RM'000	2017 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**18,657**	17,386
Investment properties	15	**4,052**	3,654
Deferred income tax assets	25	**53**	—
		22,762	21,040
Current assets			
Inventories	16	**8,794**	8,542
Trade and other receivables	17	**113,127**	97,870
Amount due from related parties	29	**—**	8,773
Pledged bank deposits	18	**5,232**	7,103
Cash and cash equivalents	19	**5,572**	14,140
		132,725	136,428
Assets classified as held for sale	20	**—**	1,686
Total assets		**155,487**	159,154
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Combined capital	21	**112,313**	6,750
Capital reserve		**(82,826)**	—
Retained earnings		**87,911**	63,233
		117,398	69,983
Non-controlling interests	24	**—**	393
Total equity		**117,398**	70,376

As at 31 December 2018

	Notes	2018 RM'000	2017 RM'000
Non-current liabilities			
Finance lease liabilities	23	**763**	382
Borrowings	23	**3,981**	6,409
Deferred income tax liabilities	25	**—**	636
		4,744	7,427
Current liabilities			
Trade and other payables	22	**26,536**	28,346
Current income tax liabilities		**841**	3,761
Finance lease liabilities	23	**371**	196
Borrowings	23	**5,597**	5,525
Amounts due to related parties	29	**—**	6,382
Amounts due to Directors	29	**—**	37,141
		33,345	81,351
Total liabilities		**38,089**	88,778
Total equity and liabilities		**155,487**	159,154

The combined financial statements on pages 51 to 101 were approved and authorised for issue by the Board of Directors on 27 March 2019 and are signed on its behalf by:

Mr. Sia Kok Chin
Director

Mr. Sia Kok Seng
Director

The notes on pages 56 to 101 are an integral part of these combined financial statements.

COMBINED STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company					
	Combined Capital RM'000	Capital Reserve Note A RM'000	Retained Earnings RM'000	Total RM'000	Non-Controlling Interests RM'000	Total equity RM'000
As at 1 January 2017	6,750	—	40,398	47,148	117	47,265
Total comprehensive income for the year, net of tax	—	—	22,835	22,835	276	23,111
As at 31 December 2017	6,750	—	63,233	69,983	393	70,376
As at 1 January 2018	**6,750**	**—**	**63,233**	**69,983**	**393**	**70,376**
Total comprehensive income for the year, net of tax	**—**	**—**	**24,622**	**24,622**	**—**	**24,622**
Transactions with owners in their capacity as owners						
Acquisition of non-controlling interests	**—**	**—**	**56**	**56**	**(393)**	**(337)**
Issuance of share capital at the date of incorporate (Note 1.1(iv))	**—**	**—**	**—**	**—**	**—**	**—**
Issue of ordinary shares pursuant to a Group reorganisation (Note 1.1(vi))	**82,826**	**(82,826)**	**—**	**—**	**—**	**—**
Issuance of ordinary shares pursuant to settlement of balances with related parties (Note 1.1 (viii))	**22,737**	**—**	**—**	**22,737**	**—**	**22,737**
Total transactions with owners in their capacity as owners	**105,563**	**(82,826)**	**56**	**22,793**	**(393)**	**22,400**
As at 31 December 2018	**112,313**	**(82,826)**	**87,911**	**117,398**	**—**	**117,398**

Note A: Capital reserve of RM82,826,000 represents the difference between the aggregate value of the capital of group subsidiaries acquired over the share capital of the Heng Hup Holdings (Malaysia) Sdn. Bhd. issued in exchange thereof, please refer to Note 1.1.

The notes on pages 56 to 101 are an integral part of these combined financial statements.

COMBINED STATEMENTS OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 RM'000	2017 RM'000
Cash flows fom operating activities			
Cash generated from operations	31	**9,309**	16,979
Tax paid		**(11,260)**	(5,389)
Net cash generated (used in)/from operating activities		**(1,951)**	11,590
Cash flows from investing activities			
Purchases of property, plant and equipment	14	**(2,667)**	(981)
Purchases of investment properties	15	**(419)**	(73)
Proceeds from disposal of property, plant and equipment	31	**175**	225
Proceeds from disposal of assets classified as held for sale	31	**465**	—
Interests received		**433**	224
Decrease/(increase) in pledged bank deposits		**1,871**	(202)
Net cash used in investing activities		**(142)**	(807)
Cash flows from financing activities			
Interests paid		**(638)**	(849)
Proceeds from borrowings	31	**—**	1,982
Repayments of borrowings	31	**(2,356)**	(3,492)
Advances (repayments to)/from Directors	31	**(1,001)**	2,479
Listing expenses paid		**(1,693)**	(251)
Acquisition of non-controlling interests	24	**(337)**	—
Net cash used in financing activities		**(6,025)**	(131)
Cash and cash equivalents at beginning of the years		**13,458**	2,806
Net (decrease)/increase in cash and cash equivalents		**(8,118)**	10,652
Cash and cash equivalents at end of the years	19	**5,340**	13,458

The notes on pages 56 to 101 are an integral part of these combined financial statements.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1 REORGANISATION, BASIS OF PRESENTATION AND GENERAL INFORMATION

1.1 Reorganisation

In preparing for the listing of the Heng Hup Holdings Limited's (the "**Company**") shares on the Main Board of The Stock Exchange of Hong Kong Limited, the following reorganisation activities were carried out.

Prior to the incorporation of the Company and the completion of the reorganisation as described below (the "**Reorganisation**"), the business of the Company and its subsidiaries (together, the "**Group**") was primarily carried out by Heng Hup Metal Sdn. Bhd., Heng Hup Paper Sdn. Bhd., Heng Hup Paper (Melaka) Sdn. Bhd., Heng Hup Hardware (M) Sdn. Bhd. (formerly known as Heng Hup Recycle Sdn. Bhd.) and Heng Hup Metal (Johor) Sdn. Bhd. (collectively, the "**Operating Companies**").

Pursuant to the Reorganisation, the Operating Companies were transferred to the Company through the following steps:

(i) On 22 December 2017, Heng Hup Holdings (Malaysia) Sdn. Bhd. was incorporated in Malaysia. One share was allotted and issued, credited as fully paid, to each of Mr. Sia Kok Chin, Datnk Sia Keng Leong, Mr. Sia Kok Chong, Mr. Sia Kok Seng and Mr. Sia Kok Heong (collectively, the "**Sia Brothers**"), all as initial subscribers.

(ii) On 18 January 2018, Heng Hup Hardware (M) Sdn. Bhd. acquired 20% of the issued share capital of Heng Hup Metal (Johor) Sdn. Bhd. from Goh Eng Kiat for a cash consideration of RM337,000, which was based on 20% of the net asset value of Heng Hup Metal (Johor) Sdn. Bhd. as at 30 November 2017 and settled by Heng Hup Hardware (M) Sdn. Bhd. in cash in January 2018.

(iii) On 10 April 2018, 5S Holdings (BVI) Limited was incorporated in the British Virgin Islands. 2,000 shares were allotted and issued, credited as fully paid at par, to each of the Sia Brothers as initial subscribers. On 13 April 2018, 5S Holdings (BVI) Limited allotted and issued 5,000 shares, 1,250 shares, 1,250 shares, 1,250 shares and 1,250 shares, all credited as fully paid at par, to Mr. Sia Kok Chin, Datuk Sia Keng Leong, Mr. Sia Kok Chong, Mr. Sia Kok Seng and Mr. Sia Kok Heong respectively.

1 REORGANISATION, BASIS OF PRESENTATION AND GENERAL INFORMATION *(Continued)*

1.1 Reorganisation *(Continued)*

(iv) On 12 April 2018, the Company was incorporated in the Cayman Islands. One share was allotted and issued for cash at par to the initial third party subscriber and such share was transferred to 5S Holdings (BVI) Limited on the same date, and further allotted and issued 6,799 shares, for cash at par, to 5S Holdings (BVI) Limited and 640 shares, for cash at par, to each of the Sia Brothers.

(v) On 17 April 2018, Heng Hup (BVI) Limited was incorporated in the British Virgin Islands. 10,000 shares were allotted and issued, credited as fully paid at par, to the Company as the initial subscriber.

(vi) a) On 7 May 2018, Heng Hup Holdings (Malaysia) Sdn. Bhd. acquired the entire issued share capital of Heng Hup Paper Sdn. Bhd. from the Sia Brothers for an aggregate nominal consideration of RM5, which was satisfied by Heng Hup Holdings (Malaysia) Sdn. Bhd. by issuing and allotting one share to each of the Sia Brothers for RM1 per share (the "**Share Swap I**"). The Share Swap I was completed on 24 May 2018.

b) On 7 May 2018, Heng Hup Holdings (Malaysia) Sdn. Bhd. acquired the entire issued share capital of Heng Hup Paper (Melaka) Sdn. Bhd. from the Sia Brothers for an aggregate nominal consideration of RM5, which was satisfied by Heng Hup Holdings (Malaysia) Sdn. Bhd. by issuing and allotting one share to each of the Sia Brothers for RM1 per share (the "**Share Swap II**"). The Share Swap II was completed on 24 May 2018.

c) On 7 May 2018, Heng Hup Holdings (Malaysia) Sdn. Bhd. acquired the entire issued share capital of Heng Hup Metal (Johor) Sdn. Bhd. from Heng Hup Hardware (M) Sdn. Bhd. for an aggregate nominal cash consideration of RM1, which was paid by Heng Hup Holdings (Malaysia) Sdn. Bhd. in May 2018.

d) On 1 June 2018, Heng Hup Holdings (Malaysia) Sdn. Bhd. acquired the entire issued share capital of Heng Hup Hardware (M) Sdn. Bhd. from the Sia Brothers for an aggregate nominal consideration of RM5, which was satisfied by Heng Hup Holdings (Malaysia) Sdn. Bhd. by issuing and allotting one share to each of the Sia Brothers for RM1 per share (the "**Share Swap III**"). The Share Swap III was completed on 13 June 2018.

e) On 3 July 2018, Heng Hup Holdings (Malaysia) Sdn. Bhd. acquired the entire issued share capital of Heng Hup Metal Sdn. Bhd. from the Sia Brothers for an aggregate nominal consideration of RM5, which was satisfied by Heng Hup Holdings (Malaysia) Sdn. Bhd. by issuing and allotting one share to each of the Sia Brothers for RM1 per share (the "**Share Swap IV**"). The Share Swap IV was completed on 12 July 2018.

As a result of the above reorganisation steps, each of the Operating Companies became a wholly-owned subsidiary of Heng Hup Holdings (Malaysia) Sdn. Bhd.

(vii) On 31 July 2018, Heng Hup Holdings (Malaysia) Sdn. Bhd. underwent a share sub-division such that every existing share in the capital of Heng Hup Holdings (Malaysia) Sdn. Bhd. was sub-divided into 50 shares.

1 REORGANISATION, BASIS OF PRESENTATION AND GENERAL INFORMATION *(Continued)*

1.1 Reorganisation *(Continued)*

(viii) a) The debts due and owing by Heng Hup Metal Sdn. Bhd. to the Sia Brothers and a related company controlled by the Sia Brothers in the aggregate amount of RM27,989,000 as at 31 May 2018 were settled by way of:

(i) transfer of three properties for an aggregate consideration of RM7,845,000 to the Sia Brothers on 31 July 2018;

(ii) set-off of the debts owing by My Santuariee Sdn. Bhd., 5S Foods & Beverages Sdn. Bhd., 5S Battery Sdn. Bhd., Solid Lift Sdn. Bhd., 5S Resources Sdn. Bhd. and 5S Unity Properties Sdn. Bhd. (being companies owned by Sia Brothers) to Heng Hup Metal Sdn. Bhd. in the amount of RM8,817,000 as at 31 May 2018 after being novated to the Sia Brothers;

(iii) allotment and issue of 541,959 shares of Heng Hup Metal Sdn. Bhd. to Heng Hup Holdings (Malaysia) Sdn. Bhd. at an issue price of RM20.9 per share on 31 July 2018; and

(iv) allotment and issue of 31 shares of Heng Hup Holdings (Malaysia) Sdn. Bhd. to each of the Sia Brothers at an issue price of RM73,536 per share on 31 July 2018.

b) The debt due and owing by Heng Hup Hardware (M) Sdn. Bhd. to the Sia Brothers in the aggregate amount of RM14,194,000 as at 31 May 2018 was settled by way of:

(i) transfer of one property for a consideration of RM2,650,000 to the Sia Brothers on 31 July 2018;

(ii) set-off of the debt owing by 5S Unity Properties Sdn. Bhd. and Heng Hup Hardware (being entities owned by the Sia Brothers) to Heng Hup Hardware (M) Sdn. Bhd. in the amount of RM133,311 as at 31 May 2018 after being novated to the Sia Brothers;

(iii) allotment and issue of 1,558,774 shares of Heng Hup Hardware (M) Sdn. Bhd. to Heng Hup Holdings (Malaysia) Sdn. Bhd. at an issue price of RM7.32 per share on 31 July 2018; and

(iv) allotment and issue of 31 shares of Heng Hup Holdings (Malaysia) Sdn. Bhd. to each of the Sia Brothers at an issue price of RM73,536 per share on 31 July 2018.

(ix) On 13 February 2019, Heng Hup (BVI) Limited acquired the entire issued share capital of Heng Hup Holdings (Malaysia) Sdn. Bhd. from the Sia Brothers for an aggregate nominal cash consideration of RM5 and settled by Heng Hup (BVI) Limited in February 2019.

As a result of the above reorganisation step, Heng Hup Holdings (Malaysia) Sdn. Bhd. became the wholly-owned subsidiary of Heng Hup (BVI) Limited on 13 February 2019.

1 REORGANISATION, BASIS OF PRESENTATION AND GENERAL INFORMATION *(Continued)*

1.1 Reorganisation *(Continued)*

Upon completion of the above reorganisation steps on 13 February 2019, the Operating Companies became indirectly wholly-owned subsidiaries of the Company.

Upon the completion of the Reorganisation and as at the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Name of subsidiaries	Place and date of incorporation	Issued and paid up capital	Principal activities	Effective interest held by the Group As at 31 December 2018	 As at 31 December 2017	Note
Directly held:						
Heng Hup (BVI) Limited	British Virgin Islands, 17 April 2018	50,000 ordinary shares of US$1 each	Investment holding	**100%**	N/A	(i)
Indirectly held:						
Heng Hup Holdings (Malaysia) Sdn. Bhd.	Malaysia, 22 December 2017	1,560 ordinary shares	Investment holding	**100%**	100%	(ii)
Heng Hup Metal Sdn. Bhd.	Malaysia, 3 July 2008	3,541,959 ordinary shares	Trading of scrap ferrous metals, used batteries and other scraps	**100%**	100%	(ii)
Heng Hup Paper Sdn. Bhd.	Malaysia, 3 July 2018	1,000,000 ordinary shares	Dealing with recycle paper and its related products	**100%**	100%	(ii)
Heng Hup Paper (Melaka) Sdn. Bhd.	Malaysia, 13 March 2009	250,000 ordinary shares	Trading and recycling of paper and other related products	**100%**	100%	(ii)
Heng Hup Hardware (M) Sdn. Bhd. (Formerly known as Heng Hup Recycle Sdn. Bhd.)	Malaysia, 24 March 2005	4,058,774 ordinary shares	Trading of scrap ferrous metals, used batteries and other scraps	**100%**	100%	(ii)
Heng Hup Metal (Johor) Sdn. Bhd.	Malaysia, 27 May 2009	250,000 ordinary shares	Trading scrap ferrous metals, used batteries and other scraps	**100%**	80%	(ii)

Notes:

(i) There is no statutory audit requirement for this company.

(ii) The statutory auditor of these companies is PricewaterhouseCoopers PLT, Malaysisa.

1.2 Basis of presentation

Immediately prior to and after the Reorganisation and during the years ended 31 December 2018 and 2017, the business of trading of scrap ferrous metals, used batteries, waste paper and other scraps (the "**Listing Business**") was primary conducted by the Operating Companies. Pursuant to the Reorganisation, the Listing Business were transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and the transfer does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management and the ultimate owners of the Listing Business remain substantially the same.

Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Listing Business under the Operating Companies. The acquisitions of the equity interests owned by the Sia Brothers in the Operating Companies through cash considerations and share swaps as described in the Reorganisation steps in Note 1.1 have been accounted for as recapitalisation of the single business by pooling the interests of the Sia Brothers in the Listing Business.

1 REORGANISATION, BASIS OF PRESENTATION AND GENERAL INFORMATION *(Continued)*

1.2 Basis of presentation *(Continued)*

The non-controlling interests in the Listing Business represented equity interests other than that of the Sia Brothers. During the Reorganisation, the Group acquired these non-controlling interests in the Listing Business (Note 24).

For the purpose of this report:

(a) the combined financial statements have been prepared and presented as a continuation of the combined financial statements of the Operating Subsidiaries, with the assets and liabilities of the Group recognised and measured at the carrying amounts of the Listing Business for all periods presented.

(b) the excess of the cash consideration of RM56,000 over the carrying amount of the non-controlling interest acquired during the Reorganisation as described above has been accounted as an equity transaction (Note 24).

The combined financial statements have been prepared by including the combined financial statements of the companies engaged in the Listing Business, under the common control of the Sia Brothers immediately before and after the Reorganisation and now comprising the Group as if the current group structure had been in existence throughout the periods presented, or since the date when the combining companies first came under the control of the Sia Brothers, whichever is a shorter period.

1.3 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 Company is an investment holding company and its subsidiaries are principally engaged in trading of scrap ferrous metals, used batteries, waste paper and other scraps.

The Company's ultimate holding company is 5S Holdings (BVI) Limited. The ultimate controlling party of the Group are the Sia Brothers.

These combined financial statements is presented in Malaysian Ringgit ("**RM**") unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these combined 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 principal accounting policies applied in the preparation of the Combined Financial Statements which are in accordance with the International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange and the applicable disclosure requirements of the Hong Kong Companies Ordinance Cap. 622 for the years ended 31 December 2018 and 2017 set out below. The combined financial statements have been prepared under the historical cost convention.

The preparation of the Combined 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the combined financial statements are disclosed in Note 4.

Application of IFRS 9 and IFRS 15

IFRS 9 "Financial Instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities, and introduces new rules of hedge accounting and a new impairment model for financial assets. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

IFRS 15, "Revenue from contracts with customers" replaces the previous revenue standards IAS 18 "Revenue" and IAS 11 "Construction Contracts" and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

The Group has applied IFRS 9 and IFRS 15 consistently throughout the years ended 31 December 2018 and 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

Application of IFRS 9 and IFRS 15 *(Continued)*

(a) 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 during the financial year ended 31 December 2018 and have not been early adopted by the Group in preparing these combined financial statements:

		Effective for accounting periods beginning on or after
IFRS 10 and IAS 28 (Admendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
IAS 28 (Amendments)	Long-term Interest in Associates and Joint Ventures	1 January 2019
IAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement	1 January 2019
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
IFRS 16	Leases	1 January 2019
IFRIC Int-23	Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements Projects	Annual Improvements 2015-2017 cycle	1 January 2019
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
IAS 1 and IAS 8 (Amendments)	Definition of Material	1 January 2020
IFRS 3 (Amendments)	Definition of a Business	1 January 2020
IFRS 17	Insurance Contracts	1 January 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

Application of IFRS 9 and IFRS 15 *(Continued)*

(a) New standards and amendments to standards and interpretations not yet adopted (Continued)

The above new standards, new interpretations and amended standards are not expected to have any impact on the combined financial statements of the Group, except those set out below:

(i) IFRS 16 "Leases"

Under IFRS 16, lessees are required to recognise a lease liability reflecting future lease payments and a right-of-use asset for all lease contracts in the balance sheet. Lessees will also have to present interest expense on the lease liability and depreciation on the right-of-use asset in the income statement. In comparison with operating leases under IAS 17, this will change not only the allocation of expenses but also the total amount of expenses recognised for each period of the lease term. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. The new standard has included an optional exemption for certain short-term leases and leases of low-value assets. This exemption can only be applied by lessees.

The Group is a lessee of certain land and buildings and property, plant and equipment which are currently classified as operating leases. The Group's current accounting policy for such leases, as set out in Note 2.24, is to record the rental expenses in Group's combined statements of comprehensive income for the current year with the disclosure of related future minimum lease payments as operating lease commitments (Note 27(b)). As at 31 December 2018, the Group's total non-cancellable operating lease commitments amounted to RM4,000 (Note 27(b)). The new standard will therefore result in an increase in right-of-use assets and increase in lease liabilities in the combined statement of financial position. In the combined statements of comprehensive income, as a result, the annual rental will decrease while depreciation of right-of-use of assets and interest expense arising from the lease liabilities will increase. Given that the total non-cancellable operating lease commitments account for less than 0.1% of the total liabilities of the Group as at 31 December 2018, the directors of the Company expect that the adoption of IFRS 16 as compared with the current accounting policy would not result in significant impact on the Group's financial results and positions. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Except for the Reorganisation, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former shareholders of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition- by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRSs.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors and senior management led by the Group's chief executive officer that makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The combined financial statements are presented in RM, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the combined statements of comprehensive income during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated lives, as follows:

Leasehold land	Over unexpired lease period between 60 to 94 years
Buildings	2%
Plant and machinery	10% - 20%
Office furniture and equipment	10% - 40%
Motor vehicles	20%
Leasehold improvements	10%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains/(losses), net' in the combined statements of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Assets classified as held for sale

Non-current assets are classified as held for sale when their carrying amount are to be recovered principally through sale transactions and sales are considered highly probable. It is stated at the lower of carrying amount and fair value less costs to sell. Investment properties, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.7.

2.7 Investment properties

Investment properties, principally comprising land and buildings and building in progress, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives of 50 to 99 years and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the investment property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

2.8 Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets under the amortised cost category. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.9.2 Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

2.9.3 Debt instruments measured at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the combined statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables only, the Group applies the simplified approach permitted by IFRS 9, which requires to recognise the lifetime expected credit losses. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to its recognised amount is recognised in profit or loss, as an impairment loss or a reversal of an impairment loss.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the trade receivables. Expected credit losses on trade receivables are calculated by using the provision matrix approach. Trade receivables are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

Trade and other receivables are written off (either partially or in full) when there is no reasonable expectation of recovery.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of trading goods comprises the actual cost of purchase plus the costs of bringing the inventories to their present location and condition.

2.13 Trade and other receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See Note 2.9.2 for further information about the Group's accounting for trade receivables and Note 2.11 for a description of the Group's impairment policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Cash and cash equivalents

In the combined statements of cash flows, cash and cash equivalents include cash on hand and bank balances less bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the combined statements of financial position.

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the combined statements of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.18 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Current and deferred income tax

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries, joint ventures and associates operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred income tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the parent and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Employee benefits

(a) Defined contribution plans

For defined contribution plans, the Group pays contributions to publicly administered pension plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(d) Bonus plan

The Group recognises a provision for bonus when contractually obligated or when there is a past practice that have created a constructive obligation.

2.21 Provisions

Provisions for legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Revenue recognition

Revenue is recognised when or as the control of the goods is transferred to the customers, being when the goods are delivered to the customers.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

2.23 Interest income

Interest income is recognised on a time proportion basis, taking into account of the principal outstanding and the effective interest rate over the period to maturity, when it is determined that such income will accrue to the Group.

2.24 Leases

As the lessee

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statements of comprehensive income on a straight-line basis over the period of the lease.

As the lessor

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

When assets are leased out under an operating lease, the asset is included in the combined statements of financial position based on the nature of the asset.

Lease income on operating leases is recognised over the term of the lease on a straight-line basis.

2.25 Dividends distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's major financial instruments include trade and other receivables, amounts due from related parties, pledged bank deposits, cash and cash equivalents, trade and other payables, amounts due to related parties, amounts due to directors and borrowings. Details of the financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Market risk

(i) Foreign currency risk

Our Group operates in Malaysia and our Group's transactions are mainly denominated in RM which is the functional and presentation currency for most of our Group's entities.

Our Group is not exposed to significant foreign currency risk.

(ii) Interest rate risk

Our Group's interest rate risk mainly arises from borrowings. Borrowings excluding finance lease liabilities obtained at variable rates expose our Group to cash flow interest rate risk.

If the interest rate has increased/decreased by 100 basis points with all other variables held constant, post-tax profit would have been approximately RM96,000 (2017: RM119,000) lower/higher for the year ended 31 December 2018.

Based on the simulations performed, the impact on pre-tax profit of a 100 basis points shift would have a maximum increase by the following magnitude:

If interest rates on finance lease liabilities had been 100 basis points higher/lower with all variables held constant, pre-tax profit would have been approximately RM37,000 (2017: RM23,000) higher/lower for the year ended 31 December 2018, mainly as a results of a decrease/increase in the fair value of the finance lease liabilities.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

The credit risk of our Group mainly arises from cash and cash equivalents, trade and other receivables and amounts due from related parties. The carrying amounts of these balances represent our 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 occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It 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 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
- 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.

(i) Credit risk of cash and bank balances

To manage this risk arising from cash and bank deposits, our 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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(ii) Credit risk of trade receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group considers the credit risk characteristics and the days past due to measure the expected credit losses. During the years ended 31 December 2018 and 2017, the expected losses rate for customers of sales of goods is minimal (i.e. less than 1%), given there is no history of significant defaults from customers and insignificant impact from forward-looking estimates. Therefore, there is no provision for trade receivables made during the years ended 31 December 2018 and 2017.

The Group made no write-off of trade receivables during the years ended 31 December 2018 and 2017.

Our Group has significant concentration of credit risk from customers for scrap ferrous metals such as steel mills and ferrous metal trading companies. At 31 December 2018, 78% (2017: 88%) of its total trade receivables was due from this group of customers. As our Group is the few approved scrap metal providers to the steel mill customers and based on the past repayment history and forward-looking estimates, our directors believe that the credit risk inherent in our 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.

(iii) Credit risk of amounts due from related parties and other receivables

Other debt instruments at amortised cost include other receivables and amounts due related parties. Other receivables are mainly loans to employees of our Group.

As at 31 December 2018 and 2017, all of these financial assets are considered to have low credit risk, and thus the impairment provision recognised during the years was limited to 12 months expected losses. Management considered other receivables from third parties and related parties to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The Group has assessed that the 12 months expected credit losses for these receivables are not material, and thus, no loss allowance provision was recognised during the years ended 31 December 2018 and 2017.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk

Cash flow forecasting is performed by the operating entities of our Group and aggregated by group finance. 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 our Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration of our Group's debt financing plans, covenant compliance, and if applicable external regulatory or legal requirements, such as currency restrictions.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

	Within 1 Year RM'000	Between 1 and 5 years RM'000	Over 5 years RM'000
At 31 December 2017			
Non-derivative financial liabilities			
Borrowings (excluding finance lease liabilities)[1]	5,944	3,831	6,772
Finance lease liabilities[1]	228	404	—
Trade and other payables	18,458	—	—
Amounts due to related parties	6,382	—	—
Amounts due to directors	37,141	—	—
	68,153	4,235	6,772
At 31 December 2018			
Non-derivative financial liabilities			
Borrowings (excluding finance lease liabilities)[1]	**5,896**	**2,569**	**2,969**
Finance lease liabilities[1]	**433**	**818**	**—**
Trade and other payables	**26,536**	**—**	**—**
	32,865	**3,387**	**2,969**

[1] The amounts include interest payable.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remained unchanged from prior years.

The capital structure of the Group consists of debt, which includes bank borrowings as disclosed in Note 23, net of cash and cash equivalents and equity attributable to owners of the Company, comprising capital and reserves.

The directors of the Company review the capital structure periodically. The directors of the Company also balance the overall capital structure through the payment of dividends and new share issues. No changes were made in the objectives, policies or processes during the year ended 31 December 2018.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital. Total debt is calculated as total borrowings, including current and non-current borrowings, as shown in the Note 23 to the combined financial statements. Total capital is calculated as "total equity", as shown in the combined statements of financial position.

The gearing ratios of the Group were as follows:

	2018 **RM'000**	2017 RM'000
Total borrowings (Note 23)	**10,712**	12,512
Total capital	**117,398**	70,376
Gearing ratio	**9%**	18%

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Current income tax

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain, such as taxability of income, deductibility of expenses and etc. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences would impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

5 REVENUE AND SEGMENT INFORMATION

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

The Group has been operating in a single operating segment, i.e. trading of recycling materials.

The chief operating decision-makers have been identified as the executive directors and senior management led by the Group's chief executive officer. The executive directors and senior management review the Group's internal reporting to assess performance and allocate resources. A management approach has been used for the operating segment reporting.

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

(a) Revenue by location of goods delivery

During the year ended 31 December 2018, the Group mainly traded in Malaysia and most of the revenue were generated in Malaysia.

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

(b) Non-current assets

As at 31 December 2018 and 2017, the non-current assets were all located in Malaysia.

(c) Major customers

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

	2018 RM'000	2017 RM'000
Customer 1	**278,624**	292,133
Customer 2	**95,459**	64,574
Customer 3	**203,992**	160,362
Customer 4	**78,976**	82,178

6 OTHER INCOME

	2018 RM'000	2017 RM'000
Compensation received (Note)	**59**	952
Rental income	**10**	19
Others	**60**	102
	129	1,073

Note:

Compensation received mainly include compensation from insurance claim. During the year ended 31 December 2017, an insurance compensation of RM453,000 was received in relation to the fire incident occurred in October 2016 at the Group's scrapyard in Melaka, which resulted in a loss of property, plant and equipment with a net book value of RM184,000 (Note 7) and inventory of RM370,000 (Note 16) during the year ended 31 December 2016.

During the year ended 31 December 2017, a compensation of RM314,000 was received from a vendor regarding the termination of a sale and purchase agreement of a piece of land by such vendor.

7 OTHER GAINS, NET

	2018 RM'000	2017 RM'000
Gain on disposal of property, plant and equipment	**145**	225
Gain on disposal of assets held for sale	**9,274**	—
Property, plant and equipment written-off	**(39)**	(3)
Foreign exchange gains	**7**	31
	9,387	253

8 EXPENSES BY NATURE

	2018 RM'000	2017 RM'000
Cost of trading goods sold	**829,227**	679,679
Employee benefit expenses (Note 9)	**15,985**	15,548
Depreciation expenses	**2,356**	2,304
Auditors' remuneration		
– Audit services	**137**	172
– Non-audit services	**—**	30
Listing expenses	**8,302**	1,152
Transportation costs	**7,052**	4,363
Other expenses	**8,384**	5,864
Total cost of sales, distribution and selling expenses and administrative expenses	**871,443**	709,112

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2018 RM'000	2017 RM'000
Salaries, bonus and other allowances	**14,574**	14,095
Contribution to defined contribution plans	**1,042**	1,186
Other employee benefits	**369**	267
Total employee benefit expenses	**15,985**	15,548

The five individuals whose emoluments were the highest in the Group for the year are five directors whose emoluments are reflected in the analysis shown in Note 30(a).

10 FINANCE COSTS, NET

	2018 RM'000	2017 RM'000
Interest income from bank deposits	**433**	224
Interest expense on loans	**(538)**	(801)
Interest expense on finance leases	**(69)**	(49)
Interest expense on bank overdrafts	**(31)**	(60)
Finance costs	**(638)**	(910)
Finance costs, net	**(205)**	(686)

11 INCOME TAX EXPENSE

Malaysian corporate income tax has been provided at the rate of 24% (2017: 24%) of the estimated assessable profit for the years ended 31 December 2018 and 2017.

Malaysian real property gains tax has been provided at the rate of 15% of the gains derived from disposal of real property investments for the year ended 31 December 2018.

	2018 RM'000	2017 RM'000
Current tax:		
Malaysian corporate income tax	**7,639**	7,695
Malaysian real property gains tax	**464**	—
	8,103	7,695
Under provision in prior years:		
Malaysian corporate income tax	**201**	—
	8,304	7,695
Deferred income tax (Note 25)	**(689)**	150
Under provision of deferred income tax in prior year	**36**	—
	(653)	150
Income tax expenses	**7,651**	7,845

The reconciliations from the tax amount at the statutory income tax rate 24% (2017: 24%) and the Group's tax expense are as follows:

	2018 RM'000	2017 RM'000
Profit before tax	**32,273**	30,956
Tax at Malaysian statutory income tax rate	**7,746**	7,429
Tax effect of expenses not deductible for tax purpose	**1,466**	416
Different tax rates arising from gain from real property investments	**(1,762)**	—
Under provision in respect of prior years	**201**	—
Income tax expense for the years	**7,651**	7,845

12 DIVIDENDS

No dividend was paid or proposed during the years ended 31 December 2018 and 2017, nor has any dividend been proposed by the Company since the end of the reporting period in respect of the years ended 31 December 2018 and 2017.

13 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the group reorganisation and the preparation of the results for each of the year ended 31 December 2018 and 2017 on a combined basis as disclosed in Note 1.2 above.

14 PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings RM'000	Plant and machinery RM'000	Office Furniture and equipment RM'000	Motor Vehicles RM'000	Leasehold Improvements RM'000	Total RM'000
1 January 2017						
Cost	11,623	7,973	1,930	10,157	292	31,975
Accumulated depreciation	(829)	(4,153)	(912)	(7,608)	(131)	(13,633)
Net book amount	10,794	3,820	1,018	2,549	161	18,342
Year ended 31 December 2017						
Opening net book amount	10,794	3,820	1,018	2,549	161	18,342
Additions	—	827	440	8	46	1,321
Depreciation Charge	(176)	(1,196)	(516)	(370)	(16)	(2,274)
Written-off	—	(1)	(2)	—	—	(3)
Closing net book amount	10,618	3,450	940	2,187	191	17,386
At 31 December 2017/ 1 January 2018						
Cost	11,623	7,805	2,249	10,165	338	32,180
Accumulated depreciation	(1,005)	(4,355)	(1,309)	(7,978)	(147)	(14,794)
Net book amount	10,618	3,450	940	2,187	191	17,386
Year ended 31 December 2018						
Opening net book amount	**10,618**	**3,450**	**940**	**2,187**	**191**	**17,386**
Additions	**27**	**1,735**	**275**	**1,591**	**74**	**3,702**
Disposals	**—**	**—**	**(6)**	**(24)**	**—**	**(30)**
Written-off	**—**	**(38)**	**—**	**—**	**—**	**(38)**
Depreciation Charge	**(176)**	**(805)**	**(213)**	**(1,130)**	**(39)**	**(2,363)**
Closing net book amount	**10,469**	**4,342**	**996**	**2,624**	**226**	**18,657**
At 31 December 2018						
Cost	**11,650**	**9,031**	**2,338**	**10,911**	**432**	**34,362**
Accumulated depreciation	**(1,181)**	**(4,689)**	**(1,342)**	**(8,287)**	**(206)**	**(15,705)**
Net book amount	**10,469**	**4,342**	**996**	**2,624**	**226**	**18,657**

Notes:

(a) As at 31 December 2018, buildings with a net book value of approximately RM10,469,000 (2017: RM10,618,000) were pledged to banks to secure the banking facilities granted to the Group (Note 26).

14 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation expense is charged in the combined statements of comprehensive income as follows:

	2018 **RM'000**	2017 RM'000
Cost of sales	**833**	846
Distribution and administrative expenses	**1,530**	1,428
	2,363	2,274

Acquisition of property, plant and equipment during the financial year were financed by:

	2018 **RM'000**	2017 RM'000
Payment by cash	**2,667**	981
Finance leases	**1,035**	340
	3,702	1,321

Net book value of certain plant and machinery and motor vehicles where the Group is a lessee under finance lease arrangements are as follows:

	2018 **RM'000**	2017 RM'000
Cost	**2,179**	5,486
Accumulated depreciation	**(401)**	(2,667)
Net book amount	**1,778**	2,819

These leases are between 2 to 5 years and ownership of the assets lie within the Group.

15 INVESTMENT PROPERTIES

	2018 RM'000	2017 RM'000
Land and buildings		
At 1 January	**3,654**	5,297
Additions	**419**	73
Depreciation	**(21)**	(30)
Transfer to assets classified as held for sale (Note 20)	**—**	(1,686)
At 31 December	**4,052**	3,654

Notes:

(i) The above investment properties, which are located in Malaysia during the year ended 31 December 2018 are depreciated on a straight-line basis over the remaining useful lives. The carrying amount of land and building held for rental income as at 31 December 2018 amounted to RMNil (2017: RM210,000), which was transferred to assets classified as held for sale on 31 December 2017. The remaining balance of carrying amount include land and building held for appreciation.

(ii) The Group has pledged investment properties to secure banking facilities granted to the Group during the year ended 31 December 2018 (Note 26).

(iii) Rental income from these investment properties, which was transferred to assets classified as held for sale on 31 December 2017 recognised in the combined statements of comprehensive income for the year ended 31 December 2018 amounted to RM5,000 (2017: RM19,000) (Note 6).

(iv) Depreciation expense has been charged to administrative expenses.

(v) The fair value of the investment properties at 31 December 2018 amounted to RM4,450,000 (2017: RM4,310,000). The estimate has been determined by professional valuer engaged by the directors of the Company with reference to the current prices as at the reporting dates in an active market for properties of similar natures. Investment properties comprise land and buildings located in Malaysia.

16 INVENTORIES

	2018 RM'000	2017 RM'000
Trading goods	**8,794**	8,542

The cost of trading good sold recognised as expense and included in cost of sales amounted to RM829,227,000 (2017: RM679,679,000) during the year ended 31 December 2018.

17 TRADE AND OTHER RECEIVABLES

	2018 RM'000	2017 RM'000
Trade receivables	**96,028**	81,256
Other receivables	**1,021**	280
Deposits and prepayments	**4,263**	1,220
Downpayment to suppliers	**11,654**	15,114
Other tax receivables	**161**	—
	113,127	97,870

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. At 31 December 2018, the ageing analysis of the trade receivables based on invoice date were as follows:

	2018 RM'000	2017 RM'000
0 - 30 days	**64,792**	59,781
31 - 60 days	**7,227**	9,258
61 - 120 days	**19,877**	2,111
Over 120 days	**4,132**	10,106
	96,028	81,256

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group considers the credit risk characteristics and the days past due to measure the expected credit losses. During the years ended 31 December 2018 and 2017, the expected losses rate for customers of sales of goods is minimal, given there is no history of significant defaults from customers. Therefore, there is no provision for trade receivables during the years ended 31 December 2018 and 2017.

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

	2018 RM'000	2017 RM'000
– RM	**95,906**	81,256
– United State Dollar	**122**	—
	96,028	81,256

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

18 PLEDGED BANK DEPOSITS

Pledge bank deposits represents deposits pledged to banks to secure general banking facilities granted to the Group. Deposits amounting to RM5,232,000, (2017: RM7,103,000) have been pledged to secure short-term bank borrowings in 31 December 2018.

19 CASH AND CASH EQUIVALENTS

	2018 **RM'000**	2017 RM'000
Cash at bank and on hand	**5,572**	14,140

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	2018 **RM'000**	2017 RM'000
– RM	**5,495**	14,048
– Singapore Dollar	**77**	92
	5,572	14,140

Cash and cash equivalents include the following for the purpose of the combined statements of cash flows:

	2018 **RM'000**	2017 RM'000
Cash at bank and on hand	**5,572**	14,140
Bank overdrafts (Note 23)	**(232)**	(682)
	5,340	13,458

20 ASSETS CLASSIFIED AS HELD FOR SALE

	2018 RM'000	2017 RM'000
Investment properties	—	1,686

Pursuant to the directors' resolutions approved on 31 December 2017, the Board of Directors approved the sale of the investment properties to the directors.

On 31 July 2018, the Group entered into a settlement agreement for the sale of the investment properties located in Malaysia with carrying amount of RM1,331,000 to the directors of the Company at a consideration of RM10,495,000 settled by the amounts due to directors. The transaction was completed on 31 July 2018.

On 9 August 2018, the Group entered into a sale and purchase agreement with Mr. Sia Kok Chin for the sale of a land with carrying amount of RM145,000 at a cash consideration of RM145,000. The transaction was completed on 10 August 2018.

On 9 August 2018, the Group entered into a sale and purchase agreement with the Sia Brothers for the sale of a building with carrying amount of RM210,000 at a cash consideration of RM320,000. The transaction was completed on 10 August 2018.

The assets classified as held for sale were pledged to secure banking facilities granted to the Group in 31 December 2017 (Note 26). The pledge of the assets classified as held for sale have been released in May and June 2018 respectively.

21 COMBINED CAPITAL

As mentioned in Note 1.2 above, the combined financial statements have been prepared as if the current group structure had been in existence throughout the year ended 31 December 2018 and 2017 or since the respective dates of incorporation/establishment of the combining companies, or since the date when the combining companies first came under the control of the Sia Brothers, where there is a shorter period. Share capital during the years ended 31 December 2018 and 2017 represents the combined share capital of the companies comprising the Group after elimination of inter-company transactions and balances.

22 TRADE AND OTHER PAYABLES

	2018 RM'000	2017 RM'000
Trade payables	**10,692**	14,681
Other tax payables	**—**	713
Accrued salaries	**4,917**	7,610
Other payables and accruals	**10,927**	5,342
	26,536	28,346

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

	2018 RM'000	2017 RM'000
– RM	**10,692**	13,200
– Renminbi	**—**	1,481
	10,692	14,681

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

	2018 RM'000	2017 RM'000
0 - 30 days	**10,555**	12,506
31 - 60 days	**137**	831
61 - 120 days	**—**	846
Over 120 days	**—**	498
	10,692	14,681

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

23 BORROWINGS

	2018 RM'000	2017 RM'000
Non-current		
Bank borrowings		
Term loans (Note a)	**3,981**	6,409
Finance lease liabilities (Note b)	**763**	382
	4,744	6,791
Current		
Bank borrowings		
Term loans (Note a)	**489**	710
Finance lease liabilities (Note b)	**371**	196
Bank overdraft (Note 19)	**232**	682
Trust receipt loans	**4,876**	4,133
	5,968	5,721
Total borrowings	**10,712**	12,512

Notes: All borrowings are denominated in RM.

Certain bank borrowings are guaranteed by personal guarantee provided by the Sia Brothers and are secured by property, plant and equipment, investment properties, assets classified as held for sale and pledged bank deposits of the Group of RM23,762,000 (2017: RM23,061,000) as at 31 December 2018 respectively (Note 26).

As at 31 December 2018, the Group had aggregate banking facilities of approximately RM27,514,000 (2017: RM28,395,000). Unused facilities amounted to approximately RM14,802,000 (2017: RM13,857,000) as at 31 December 2018.

The personal guarantee provided by the Sia Brothers will be replaced by corporate guarantee provided by the Company upon listing.

23 BORROWINGS *(Continued)*

(a) Term loans

Term loans mature at various dates up to 2031.

As at 31 December 2018 and 2017, the Group's term loans were repayable as follows:

	2018 RM'000	2017 RM'000
Within 1 year	**489**	710
Between 1 and 2 years	**429**	683
Between 2 and 5 years	**1,222**	1,885
Over 5 years	**2,330**	3,841
	3,981	6,409
	4,470	7,119

The effective interests rates of term loans (per annum) at the reporting dates are as follows:

	2018 % (p.a.)	2017 % (p.a.)
Interests rates	**5.29-7.85**	5.35-7.85

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

As at 31 December 2018, the carrying amount of term loans from banks in Malaysia that are not repayable within one year from the end of the reporting period but contains repayable on demand clause amounted to RM1,837,000 (2017: RM3,134,000).

The directors of the Company have obtained legal opinion that, in accordance with the case laws established in Malaysia, the mere inclusion of a repayment on demand clause in a term loan agreement governed under the laws of Malaysia would not allow the banks to early terminate the facilities granted and to seek immediate repayment from the borrower unless there is a breach by the borrower, as the clause would not override other terms and conditions provided in the term loan agreement.

Accordingly, the liability associated with the term loans of the Group raised in Malaysia that contained a repayable on demand clause is classified as current and/or non-current liability as at 31 December 2018 and 2017 in accordance with other terms and conditions as stated in the respective term loan agreement.

Any change to the precedence established by the case laws in Malaysia relating to the interpretation of the repayment on demand clause in the future may have an impact to the classification of the term loans of the Group.

23 BORROWINGS *(Continued)*

(b) Finance lease liabilities

The Group has finance leases for various items of plant and machinery and motor vehicles. The rights to the leased assets are reverted to the lessor in the event of default of the lease liabilities by the Group.

	2018 RM'000	2017 RM'000
Gross finance lease liabilities – minimum lease payments		
Not later than 1 year	433	228
Later than 1 year and not later than 5 years	818	404
	1,251	632
Future finance charges on finance leases	(117)	(54)
	1,134	578
Total present value of finance lease liabilities is as follows:		
Not later than 1 year	371	196
Later than 1 year and not later than 5 years	763	382
	1,134	578

(c) Trust receipt loans

Trust receipt loans mature within 1 year.

Trust receipt loans are utilised by the Group to finance sales of goods to selected customers approved by the bank up to 70% of the documentary invoice values.

The effective interests rates of trust receipt loans (per annum) at the reporting dates are as follows:

	2018 % (p.a.)	2017 % (p.a.)
Interests rates	5.26-5.45	4.98-6.49

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

24 NON-CONTROLLING INTERESTS

	2018 **RM'000**	2017 RM'000
At 1 January	**393**	117
Share of profit for the year	**—**	276
Acquisition of non-controlling interests (Note a)	**(393)**	—
At 31 December	**—**	393

Notes:

(a) Acquisition of additional interests in a subsidiary — Heng Hup Metal (Johor) Sdn. Bhd.

On 18 January 2018, the Group acquired the remaining 20% of the issued shares of Heng Hup Metal (Johor) Sdn. Bhd. for a cash consideration of RM337,000. Heng Hup Metal (Johor) Sdn. Bhd. became a wholly-owned subsidiary of the Group after the transaction. As a result, the difference of RM56,000 between the cash consideration of RM337,000 and the carrying amount of the non-controlling interests acquired in the amount of RM393,000 was recorded in equity attributable to the owners of the Company.

25 DEFERRED INCOME TAX

	2018 **RM'000**	2017 RM'000
Deferred income tax assets/(liabilities)	**53**	(636)

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

Deferred income tax (liabilities)/assets	**Accelerated tax depreciation RM'000**
At 1 January 2017	(486)
Charge to the combined statements of comprehensive income	(150)
At 31 December 2017	(636)
Credited to the combined statements of comprehensive income	689
At 31 December 2018	53

26 PLEDGES OF ASSETS

At the end of years ended 31 December 2018 and 2017, the Group has pledged the following assets to banks to secure certain bank borrowings and general banking facilities granted to the Group:

	2018 RM'000	2017 RM'000
Property, plant and equipment	**10,470**	10,618
Investment properties	**3,412**	3,654
Assets classified as held for sale	**—**	1,686
Pledged bank deposits	**5,232**	7,103
	19,114	23,061

27 COMMITMENTS

(a) Capital commitments

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

	2018 RM'000	2017 RM'000
Capital expenditure cotracted for but not provided in the combined financial statements in respect of:		
– acquisition of investment properties	**—**	481
– purchase of plant and machinery	**2,429**	—

(b) Operating lease commitments — as lessee

The future aggregate minimum lease payments under non-cancellable operating leases in respect of rental of premises are as follows:

	2018 RM'000	2017 RM'000
– Not later than 1 year	**1**	1
– Later than 1 year and not later than 5 years	**3**	3
	4	4

28 FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets at amortised cost RM'000
31 December 2017	
Assets as per combined statements of financial position	
Trade and other receivables excluding prepayments	81,736
Amounts due from related parties	8,773
Pledged bank deposits	7,103
Cash and cash equivalents (excluding bank overdrafts)	14,140
Total	111,752
31 December 2018	
Assets as per combined statements of financial position	
Trade and other receivables excluding prepayments	**105,989**
Pledged bank deposits	**5,232**
Cash and cash equivalents (excluding bank overdrafts)	**5,572**
Total	**116,793**

	Financial liabilities at amortised cost RM'000
31 December 2017	
Liabilities as per combined statements of financial position	
Borrowings	12,512
Trade and other payables excluding non-financial liabilities	18,458
Amounts due to related parties	6,382
Amounts due to Directors	37,141
Total	74,493
31 December 2018	
Liabilities as per combined statements of financial position	
Borrowings	**10,712**
Trade and other payables excluding non-financial liabilities	**26,536**
Total	**37,248**

29 RELATED PARTIES TRANSACTIONS

The Group is controlled by 5S Holdings (BVI) Limited which owns 68% of the Company's shares. The remaining 32% of shares are equally held by the five directors of the Company. The ultimate controlling party of the Group are the five directors of the Company including, Sia Kok Seng, Sia Kok Chin, Sia Keng Leong, Sia Kok Heong and Sia Kok Chong.

(a) Transactions

In addition to those disclosed elsewhere in the Combined Financial Statements, the Group had the following transactions with its related parties during the year ended 31 December 2018.

The related party transactions described below were carried out on terms and conditions negotiated and agreed between the Group and the related parties.

	2018 RM'000	2017 RM'000
Sales of goods to related parties controlled by a Director/Directors	**6**	21
Purchases of goods from related parties controlled by a Director/Directors	**(4,923)**	(5,895)
Disposal of assets classified as held for sale to Sia Brothers (Note 1.1(viii))	**1,686**	—

(b) Key management compensation

Key management includes all directors of the Company. The compensations paid or payable to key management for employee services are shown in Note 30(a).

(c) Year end balances

	2018 RM'000	2017 RM'000
Receivables from:		
– Related parties	**–**	8,773
Payable to:		
– Related parties	**–**	6,382
– Directors	**–**	37,141
	–	43,523

The balances are unsecured, non-interest bearing and repayable on demand. The outstanding balances have been subsequently settled pursuant to the arrangement as set out in the Reorganisation in Note 1.1 and by cash.

30 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP.622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP.622G))

(a) Directors' emoluments

The remuneration shown below represents remuneration received by the directors in their capacity as directors of the Companies comprising the Group during the years ended 31 December 2018 and 2017.

The remuneration of the directors for the year ended 31 December 2018 is set out below:

	Fees RM'000	Salaries and allowances RM'000	Performance bonus RM'000	Employer's contribution to a retirement benefit scheme RM'000	Other benefits RM'000	Total RM'000
Year ended 31 December 2018						
Sia Kok Seng	**72**	**1,088**	**340**	**116**	**1**	**1,617**
Sia Kok Chin	**72**	**1,097**	**340**	**120**	**1**	**1,630**
Sia Keng Leong	**72**	**1,174**	**340**	**37**	**1**	**1,624**
Sia Kok Heong	**72**	**1,175**	**340**	**37**	**1**	**1,625**
Sia Kok Chong	**72**	**1,186**	**340**	**84**	**1**	**1,683**
	360	**5,720**	**1,700**	**394**	**5**	**8,179**

The remuneration of the directors for the year ended 31 December 2017 is set out below:

	Fees RM'000	Salaries and allowances RM'000	Performance bonus RM'000	Employer's contribution to a retirement benefit scheme RM'000	Other benefits RM'000	Total RM'000
Year ended 31 December 2017						
Sia Kok Seng	72	772	986	172	1	2,003
Sia Kok Chin	72	772	947	172	1	1,964
Sia Keng Leong	72	772	640	172	1	1,657
Sia Kok Heong	72	772	644	172	1	1,661
Sia kok Chong	72	772	641	163	1	1,649
	360	3,860	3,858	851	5	8,934

30 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP.622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP.622G)) *(Continued)*

(b) Directors' retiement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the year ended 31 December 2018 (2017: nil).

(c) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2018, the Company did not pay consideration to any third parties for making available directors' services (2017: nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and controlled entities with such directors

As at 31 December 2018 and 2017, there are no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and controlled entities with such directors (2017: nil).

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 2018 (2017: nil).

Ms. Sai Shiow Yin, Mr. Puar Chin Jong and Mr. Chu Kheh Wee were appointed as the Company's independent non-executive directors on 19 February 2019. During the years ended 31 December 2018 and 2017, the independent non-executive directors were not yet appointed and did not receive any remuneration.

31 CASH GENERATED FROM OPERATIONS

Reconciliation from profit before income tax to cash generated from operations:

	2018 RM'000	2017 RM'000
Cash flows fom operating activities		
Profit before income tax	**32,273**	30,956
Adjustments for:		
Finance costs	**638**	910
Finance income	**(433)**	(224)
Depreciation expenses	**2,356**	2,304
Gain on disposal of property, plant and equipment	**(145)**	(225)
Gain on disposal of assets held for sale	**(9,274)**	—
Property, plant and equipment written-off	**38**	3
	25,453	33,724
Changes in working capital		
Increase in inventories	**(252)**	(6,567)
Increase in trade and other receivables	**(13,566)**	(7,230)
(Decrease)/increase in trade and other payables	**(1,810)**	3,769
Decrease in amounts with related parties	**(516)**	(6,717)
Cash generated from operations	**9,309**	16,979

31 CASH GENERATED FROM OPERATIONS *(Continued)*

In the combined statements of cash flows, proceeds from sale of property, plant and equipment comprise:

	2018 **RM'000**	2017 RM'000
Net book amount	**29**	—
Gains on disposal of property, plant and equipment	**146**	225
Proceeds from disposal of property, plant and equipment	**175**	225

In the combined statements of cash flows, proceeds from sale of assets classified as held for sale comprise:

	2018 **RM'000**	2017 RM'000
Net book amount	**1,686**	—
Gain on disposal of assets classified as held for sale	**9,274**	—
Less: Consideration settled by amounts due to directors	**(10,495)**	—
Proceeds from disposal of assets classified as held for sale	**465**	—

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

	Finance lease liabilities	**Bank borrowings**	**Amounts due to Directors**	**Total**
At 1 January 2017	1,073	11,866	34,662	47,601
Proceeds	—	1,982	2,479	4,461
Repayments	(835)	(2,657)	—	(3,492)
Other non-cash movement	340	61	—	401
At 31 December 2017	578	11,252	37,141	48,971
At 1 January 2018	**578**	**11,252**	**37,141**	**48,971**
Proceeds	**1,035**	**—**	**—**	**1,035**
Repayments	**(628)**	**(1,674)**	**(1,001)**	**(3,303)**
Other non-cash movement	**149**	**—**	**(36,140)**	**(35,991)**
At 31 December 2018	**1,134**	**9,578**	**—**	**10,712**

Note: Pursuant to the Reorganisation (Note 1.1(viii), the amounts due to directors amounted to RM36,140,000 were settled by consideration other than cash.

32 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

AS AT 31 DECEMBER 2018

	Notes	2018 RM'000
ASSETS		
Non-current assets		
Investment in subsidiaries		**39**
Current assets		
Cash and cash equivalent		**—***
Total assets		**39**
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital		**—***
Accumulated losses	33	**(110)**
Total equity		**(110)**
Current liabilities		
Accruals		**64**
Amounts due to related parties		**85**
Total liabilities		**149**
Total equity and liabilities		**39**

Note: *RM50

The balance sheet of the Company was approved by the Board of Directors on 27 March 2019 and was signed on its behalf.

Mr. Sia Kok Chin
Director

Mr. Sia Kok Seng
Director

33 STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

For the financial period ended 31 DECEMBER 2018

	Share Capital RM'000	Accumulated Losses RM'000	Total equity RM'000
As at date of incorporation	—*	—	—
Total comprehensive loss for the period, net of tax	—	(110)	(110)
As at 31 December 2018	—	(110)	(110)

Note: *RM50

34 SUBSEQUENT EVENTS

On 30 January 2019, HH Metal, a wholly-owned indirect subsidiary of the Company has entered into a joint venture agreement with Chiho Environmental Group Limited ("**Chiho**"), a company listed on the Main Board of the Hong Kong Stock Exchange, to develop a processing facility to provide scrap motor dismantling services to Chiho in Malaysia with an initial startup cost of RM2.0 million.

On 15 March 2019, the Company issued 250,000,000 shares in a share offer and raised a cash proceeds of HK$125,000,000 (before listing expenses).

Saved as disclosed in Note 1.1 and elsewhere in the combined financial statements, there is no other subsequent event took place subsequent to 31 December 2018.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

羅兵咸永道

To the Shareholders of Heng Hup Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Heng Hup Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 105 to 122, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of comprehensive income for the period from 12 April 2018 (date of incorporation) to 31 December 2018;
- the consolidated statement of changes in equity for the period from 12 April 2018 (date of incorporation) to 31 December 2018;
- the consolidated statement of cash flows for the period from 12 April 2018 (date of incorporation) to 31 December 2018; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the period from 12 April 2018 (date of incorporation) to 31 December 2018 in accordance with International Financial Reporting Standards ("**IFRSs**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("**IESBA Code**"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

We have determined that there are no key audit matters to communicate in our report.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Kam Chiu, Raymond.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from 12 April 2018 (date of incorporation) to 31 December 2018

	Note	**For the period from 12 April 2018 (date of incorporation) to 31 December 2018 RM**
Administrative expenses	5	**(123,589)**
Loss before income tax		**(123,589)**
Income tax expense	6	**—**
Loss for the period		**(123,589)**
Other comprehensive loss, net of tax		**—**
Total comprehensive loss for the period		**(123,589)**

The notes on pages 109 to 122 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 RM
ASSETS		
Current assets		
Cash and cash equivalents	8	**39,176**
Total assets		**39,176**
EQUITY AND LIABILITIES		
Equity attributable to		
Share capital	9	**50**
Accumulated losses		**(123,589)**
Total deficit		**(123,539)**
LIABILITIES		
Current liabilities		
Other payables		**64,309**
Amounts due to related parties	10	**98,406**
Total liabilities		**162,715**
Total equity and liabilities		**39,176**

The financial statements on pages 105 to 122 were approved and authorised for issued by the Board of Director on 27 March 2019 and were signed on its behalf.

Mr. Sia Kok Chin
Director

Mr. Sia Kok Seng
Director

The notes on pages 109 to 122 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from 12 April 2018 (date of incorporation) to 31 December 2018

	Share capital RM	Accumulated losses RM	Total RM
At 12 April 2018 (date of incorporation)			**39,176**
Issuance of ordinary shares	**50**	**—**	**50**
Total comprehensive loss for the period	**—**	**(123,589)**	**(123,589)**
At 31 December 2018	**50**	**(123,589)**	**(123,539)**

The notes on pages 109 to 122 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from 12 April 2018 (date of incorporation) to 31 December 2018

	Note	For the period from 12 April 2018 (date of incorporation) to 31 December 2018 RM
Cash flows from operating activities		
Loss for the period and operating cash flows before movements in working capital		**(123,589)**
		(123,589)
Change in working capital		
Increase in other payables		**64,309**
Net cash used in operating activities		**(59,280)**
Cash flows from financing activities		
Issuance of ordinary shares	9	**50**
Advances from related parties	11	**98,406**
Net cash generated from financing activities		**98,456**
Net increase in cash and cash equivalents		**39,176**
Cash and cash equivalents at beginning of the period		**—**
Cash and cash equivalents at end of the period	8	**39,176**

The notes on pages 109 to 122 are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Heng Hup Holdings Limited (the "**Company**") was incorporated on 12 April 2018 as an exempted company in the Cayman Islands under the Companies Law of the Cayman Islands with limited liability. The Company and its subsidiary (together, the "**Group**") are principally engaged in investment holding. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company's ultimate holding company is 5S Holdings (BVI) Limited. The ultimate controlling party of the Group are Mr. Sia Kok Chin, Datuk Sia Keng Leong, Mr. Sia Kok Chong, Mr. Sia Kok Seng and Mr. Sia Kok Heong (collectively, the "**Sia Brothers**").

Prior to the incorporation of the Company and the completion of the Reorganisation, the business of trading of scrap ferrous metals, used batteries, waste paper and other scraps (the "**Listing Business**") was primarily carried out by Heng Hup Metal Sdn. Bhd., Heng Hup Paper Sdn. Bhd., Heng Hup Paper (Melaka) Sdn. Bhd., Heng Hup Hardware (M) Sdn. Bhd. (formerly known as Heng Hup Recycle Sdn. Bhd.) and Heng Hup Metal (Johor) Sdn. Bhd. (collectively, the "**Operating Companies**").

On 17 April 2018, Heng Hup (BVI) Limited was incorporated in the British Virgin Islands. 10,000 shares were allotted and issued, credited as fully paid at par, to the Company as the initial subscriber.

In preparing for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited and as part of a series of steps in a reorganisation (the "**Reorganisation**"), the Company was incorporated with an objective that the Company would become the penultimate holding company of the Listing Business.

Upon the completion of the Reorganisation on 13 February 2019, the Operating Companies became the wholly-owned subsidiaries of the Company.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 15 March 2019.

These 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.

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the consolidated financial statements which are in accordance with the International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") are set out below. The consolidated financial statements has been prepared under the historical cost convention.

The preparation of the 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

a) 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 during the year ended 31 December 2018 and have not been early adopted by the Group in preparing these consolidated financial statements:

		Effective for accounting periods beginning on or after
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
IAS 28 (Amendments)	Long-term Interest in Associates and Joint Ventures	1 January 2019
IAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement	1 January 2019
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
IFRS 16	Leases	1 January 2019
IFRIC Int-23	Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements Projects	Annual Improvements 2015-2017 cycle	1 January 2019
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
IAS 1 and IAS 8 (Amendments)	Definition of Material	1 January 2020
IFRS 3 (Amendments)	Definition of a Business	1 January 2020
IFRS 17	Insurance Contracts	1 January 2021

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

2.2 Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former shareholders of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

The Group recognises any non-controlling interest in the acquiree on an acquisition- by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRSs.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates, which is Hong Kong Dollar (the "**functional currency**"). The consolidated financial statements are presented in RM, which is the Company's and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

The Group translate its items of income and expenses as well as its assets and liabilities from functional currency into presentation currency using following procedures:

- assets and liabilities are translated at the closing rate at the date of the statement of financial position;
- income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income and reported as a component of equity. They are not subsequently reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Financial assets

2.4.1 Classification

The Group classifies its financial assets under the amortised cost category. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.4.2 Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

2.4.3 Debt instruments measured at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

2.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.6 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables only, the Group applies the simplified approach permitted by IFRS 9, which requires to recognise the lifetime expected credit losses. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to its recognised amount is recognised in profit or loss, as an impairment loss or a reversal of an impairment loss.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the trade receivables. Expected credit losses on trade receivables are calculated by using the provision matrix approach. Trade receivables are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Impairment of financial assets *(Continued)*

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

Trade and other receivables are written off (either partially or in full) when there is no reasonable expectation of recovery.

2.7 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents include cash on hand and bank balances less bank overdrafts.

2.8 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.9 Other payables

Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.10 Current and deferred income tax

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries, joint ventures and associates operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Current and deferred income tax *(Continued)*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred income tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the parent and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.11 Dividends distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's major financial instruments include cash and cash equivalents. Details of the financial instruments are disclosed in respective notes.

The risk associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Market risk

(i) Currency risk

As at 31 December 2018, the Company considers the risk of movements in exchange rates between the RM and the United State Dollars ("**US$**") and between the RM and Hong Kong Dollars ("**HK$**") to be insignificant as the transactions denominated in foreign currencies are immaterial to the Group. Management considers that the Group is not exposed to significant foreign exchange risk.

(ii) Interest rate risk

The Group has no significant interest-bearing assets or liabilities, the Group's income and operating cash flow are substantially independent of changes in market interest rates.

(b) Credit risk

The credit risk of the Group mainly arises from cash and cash equivalents. The carrying amounts of the balances represent the Group's maximum exposure to credit risk in relation to financial assets.

To manage this risk arising from cash and cash equivalents, 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.

(c) Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group relies on amounts due to related parties as significant source of liquidity.

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting sheet date to the contractual maturity date.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

	On demand or less than 1 month RM
At 31 December 2018	
Non-derivative financial liabilities	
Other payables	64,309
Amounts due to related parties	98,406

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

3.3 Fair value estimation

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The management of the Group considers that the carrying amounts of all financial assets and financial liabilities recorded at amortised cost in the statement of financial position at respective reporting periods approximate to their corresponding fair values.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results.

The directors, however, are of the opinion that there are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities of the Group.

5 EXPENSES BY NATURE

The administrative expenses are analysed as follows:

	For the period from 12 April 2018 (date of incorporation) to 31 December 2018 RM
Legal and professional fee	**123,589**
Total administrative expenses	**123,589**

6 INCOME TAX EXPENSE

There is no income tax expense during the period as the Group is in a loss making position.

7 FINANCIAL INSTRUMENTS BY CATEGORY

	2018 RM
Financial assets	
Financial asset at amortised cost	
- Cash and cash equivalents	**39,176**
Financial liabilities	
Financial liabilities at amortised cost	
- Other payables	**64,309**
- Amounts due to related parties	**98,406**

8 CASH AND CASH EQUIVALENTS

	2018 RM
Cash at bank	**39,176**

The cash at bank are denominated in US$.

9 SHARE CAPITAL

	Number of shares	2018 Share capital HK$	Share capital RM
Issued and fully paid			
At 12 April 2018 (date of incorporation)			
Issuance of ordinary shares upon incorporation	**10,000**	**100**	**50**
At 31 December 2018	**10,000**	**100**	**50**

The Company was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands on 12 April 2018 with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each.

On 12 April 2018, one share was allotted and issued for cash at par to Sharon Pierson, the initial third party subscriber, and such share was transferred to 5S Holdings (BVI) Limited on the same date, and further allotted and issued 6,799 shares, for cash at par, to 5S Holdings (BVI) Limited and 640 shares, for cash at par, to each of the Sia Brothers.

On 19 February 2019, the authorised share capital of the Company has increased from HK$380,000 divided into 38,000,000 shares of HK$0.01 each to HK$20,000,000 divided into 2,000,000,000 shares of HK$0.01 each.

On 14 March 2019, 749,990,000 shares of HK$0.01 each were allotted and issued, credited as fully paid at par, by way of capitalisation of a sum of HK$7,499,900 standing to the credit of the share premium account of the Company.

On 15 March 2019, the Company issued 250,000,000 shares through a share offer at the Main Board of The Stock Exchange of Hong Kong Limited and received a cash proceeds of HK$125,000,000 (before listing expenses).

10 DIVIDEND

No dividend has been declared during the period from 12 April 2018 (date of incorporation) to 31 December 2018.

11 RELATED PARTIES TRANSACTIONS

The Group is controlled by 5S Holdings (BVI) Limited which owns 68% of the Company's shares. The remaining 32% of shares are equally held by the five directors of the Company. The ultimate controlling party of the Group are the Sia Brothers.

(a) Transactions

In addition to those disclosed elsewhere in the financial statements, the Group had no other transactions with its related parties during the period from 12 April 2018 (date of incorporation) to 31 December 2018.

(b) Key management compensation

The directors of the Company is considered to be key management of the Company. None of the directors received or will not receive any fees or emoluments in respect of their services to the Company during the period from 12 April 2018 (date of incorporation) to 31 December 2018.

(c) Period-end balances

	2018 **RM**
Amounts due to:	
- Related parties	**98,406**

The balances are unsecured, interest free and repayable on demand. The balances are denominated in RM.

12 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	As at 31 December 2018 RM
ASSETS		
Non-current assets		
Investment in a subsidiary	(a)	**39,126**
Current assets		
Cash and cash equivalents		**50**
Total asset		**39,176**
EQUITY AND LIABILITIES		
Equity attributable to		
Share capital	9	**50**
Accumulated losses	(b)	**(110,148)**
Total deficit		**(110,098)**
LIABILITIES		
Current liabilities		
Other payables		**64,309**
Amounts due to related parties		**84,965**
Total liabilities		**149,274**
Total deficit and liabilities		**39,176**

The balance sheet of the Company was approved by the Board of Directors on 27 March 2019 and was signed on its behalf:

Mr. Sia Kok Chin
Director

Mr. Sia Kok Seng
Director

12 STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

(a) Investment in a subsidiary

Investment in a subsidiary is carried at cost. Details of the subsidiary is as follows:

Name of subsidiary	Country of incorporation	Group's effective equity interest 2018	Principal activity
Heng Hup (BVI) Limited	British Virgin Islands	100%	Investment holding

(b) Reserve movement of the Company

	Accumulated loss RM
At 12 April 2018 (date of incorporation)	
Total comprehensive loss for the period	**(110,148)**
At 31 December 2018	**(110,148)**

13 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP.622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP.622G))

(a) Directors' emoluments (equivalent to key management compensation)

The directors, who represent key management personnel of the Company, having authority and responsibility for planning, directing and controlling the activities of the Company, did not receive or will not receive any fees or emoluments in respect of their services to the Company during the period from 12 April 2018 (date of incorporation) to 31 December 2018.

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the period from 12 April 2018 (date of incorporation) to 31 December 2018.

(c) Consideration provided to third parties for making available directors' services

During the period from 12 April 2018 (date of incorporation) to 31 December 2018, the Company does not pay consideration to any third parties for making available directors' services.

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and controlled entities with such directors

As at 31 December 2018, they are no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and connected entities with such directors.

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the period from 12 April 2018 (date of incorporation) to 31 December 2018.

14 SUBSEQUENT EVENTS

Saved as disclosed elsewhere in the consolidated financial statements, there is no other subsequent event took place subsequent to 31 December 2018.