Heng Hup Holdings Limited

興合控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1891

2019
Interim Report

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 Directors

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. Yeung Ching Man

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

40F, Sunlight Tower
No. 248, Queen's Road East
Wanchai
Hong Kong

AUDITOR

PricewaterhouseCoopers

COMPLIANCE ADVISER

Shenwan Hongyuan Capital (H.K.) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 54, 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 HIGHLIGHTS

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

	Six months ended 30 June	
	2019	2018
	RM'000	RM'000
	(Unaudited)	(Unaudited)
Revenue	**498,973**	413,496
Gross profit	**29,104**	29,220
Profit before interest, tax and depreciation	**13,194**	17,333
Depreciation	**(1,478)**	(1,080)
Finance costs, net	**(248)**	(200)
Profit before income tax	**11,468**	16,053
Income tax expenses	**(3,638)**	(4,964)
Net profit for the period attributable to owners of the Company	**7,830**	11,089
Add: Listing expenses	**3,664**	2,909
Adjusted net profit for the period attributable to owners of the Company	**11,494**	13,998

	As at	
	30 June	31 December
	2019	2018
	RM'000	RM'000
	(Unaudited)	(Audited)
Total non-current assets	**27,615**	22,762
Total current assets	**190,409**	132,725
Total assets	**218,024**	155,487
Total non-current liabilities	**6,405**	4,744
Total current liabilities	**31,757**	33,345
Total liabilities	**38,162**	38,089
Net current assets	**158,652**	99,380
Net assets/Equity attributable to owners of the Company	**179,862**	117,398

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

During the six months ended 30 June 2019 (the "**period**" or the "**period under review**"), we have achieved better performance in terms of revenue. Our revenue exceeded RM499.0 million (six months ended 30 June 2018: RM413.5 million), representing an increase of 20.7% as compared to the same period of 2018. With regard to the profitability, we recorded a net profit for the period of RM7.8 million (six months ended 30 June 2018: RM11.1 million), representing a decrease of 29.3% as compared to the same period of 2018. If excluding the listing expenses from the net profit for the period of the Company, the adjusted net profit for the six months ended 30 June 2019 was RM11.5 million, representing a decrease of 17.9% from RM14.0 million as compared to the same period of 2018. Sales volume of the scrap ferrous metals for six months ended 30 June 2019 was 333,270 tonnes (six months ended 30 June 2018: 265,864 tonnes), representing an increase of 25.4% as compared to the same period of 2018. Our performance in 2019 reflected the continuous growth of demand of our recycled products during the period under review.

On 15 March 2019 (the "**Listing Date**"), the Company's shares were successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited (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**") with gross proceeds of HK$125.0 million. This marked a major milestone in the development of the Group. Net proceeds from the Listing amounted to approximately HK$78.8 million, after deduction of underwriting commission and estimated expenses in the amount of HK$46.2 million, 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 setting up a new scrapyard.

The Group believes that we are still the market Leader in the Malaysian scrap ferrous metal trading industry as demonstrated in the increase of our sales volume for scrap ferrous metals by 25.4% for the six months ended 30 June 2019 as compared with the same period in 2018. 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 People's Republic of China (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、海關總署聯合公告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.

With the continuous urbanisation, and launch and replacement of electrical appliance and automobiles, the used batteries traded in Malaysia is expected to continue grow in 2019.

With economic growth and continuous rise in disposable income, the rising demand for consumer goods among Malaysia's customers has fueled the needs for paper-based packaging materials, which in turn contributes to the growth for waste paper trading industry. Supported by the government incentives for resources recycling and rising demand for consumer goods, waste paper trading is likely to enjoy the growth.

On 30 January 2019, Heng Hup Metal Sdn Bhd, 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 establish a Joint Venture Company, namely Heng Hup Chiho Recycling (Malaysia) Sdn Bhd (the "**JV**") to provide scrap motor dismantling services to Chiho in Malaysia with an initial start-up cost of approximately RM2.0 million and Heng Hup Metal Sdn Bhd holds 49% of the equity interest in the JV.

Moving forward, 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 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$6.9 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). The Group has progressively placed the orders for the new trucks.

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$5.6 million or approximately 7.1% of the net proceeds of the Share Offer to purchase two metal cutters. The two metal cutters had been delivered and are currently in used at our yards.

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$1.8 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. The management has met the selected enterprise resources planning system vendor and the new system is estimated to be in used in first quarter of 2020.

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$8.7 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 coast of Peninsular Malaysia. The management is currently in the progress to look for a suitable location for the said new scrapyard.

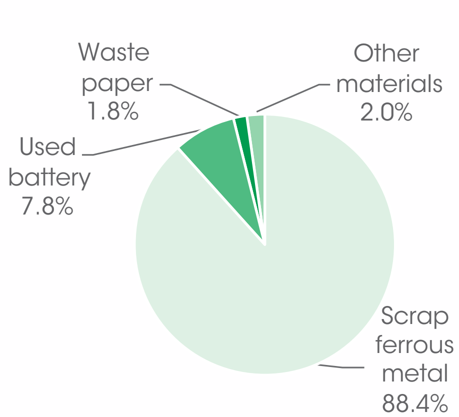
e. With the aim of centralising the scrapyard operation and our administrative activities in the same location in Selangor and expanding our existing scrapyard in Selangor, we plan to utilise HK$12.3 million or 15.6% of the net proceeds of the Share Offer to construct a new scrapyard cum an office building on a piece of land, which is self-owned and adjacent to the existing scrapyard in Selangor. The Group has submitted the building plan for the new scrapyard cum an office building to the relevant government authorities and currently is pending for approval.

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$35.5 million or 45.1% of the net proceeds of the Share Offer as additional working capital for the purchase of scrap ferrous metals. The proceeds allocated had been fully utilised.

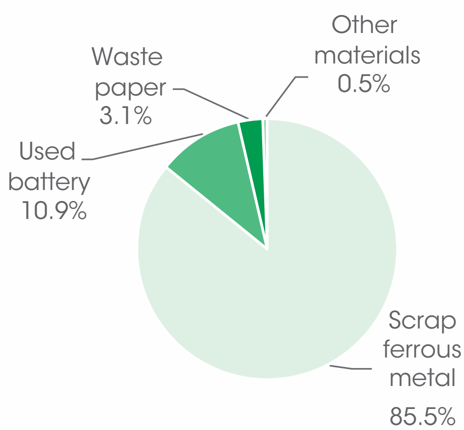
FINANCIAL REVIEW

Revenue

Revenue of the Group for the six months ended 30 June 2019 was RM499.0 million (six months ended 30 June 2018: RM413.5 million), representing an increase of 20.7% as compared to the same period of 2018. The breakdown of our total revenue by product types for the periods under review are as below:



SIX MONTHS ENDED 30 JUNE 2019



SIX MONTHS ENDED 30 JUNE 2018

The increase in the Group's revenue was mainly attributable to increase in sales volume of scrap ferrous metals of 25.4% as compared to the corresponding period in 2018.

The increase in sales volume of scrap ferrous metals was primarily attributable to three reasons. Firstly, the Group's business strategy to diversify its customer base by increasing the sales volume to Customer B during the six months ended 30 June 2019. Secondly, there was an increase in demand for the scrap ferrous metals in Malaysia for six months period ended 30 June 2019. Thirdly, the net proceeds from the Share Offer has enhanced the Group's capability to purchase more scrap ferrous metals from suppliers for trading purposes.

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

	Six months ended 30 June			
	2019		2018	
	Volume sold (tonnes)	**Revenue (RM' 000)**	Volume sold (tonnes)	Revenue (RM' 000)
Customer A*	**201,576**	**253,194**	259,901	345,219
Customer B*	**124,224**	**177,622**	1,653	2,252
Export	**6,440**	**9,667**	470	730
Others	**1,030**	**782**	3,840	5,222
Total	**333,270**	**441,265**	265,864	353,423

* Included a group of companies with common shareholders.

Gross Profit

The Group's gross profit for the six months ended 30 June 2019 decreased marginally from RM29.2 million to RM29.1 million as compared with the corresponding period in 2018 despite revenue increase by 20.7%. The decrease in gross profit of scrap ferrous metals was primarily attributable to decrease in gross margin for scrap ferrous metal from RM102 per tonne for the six months ended 30 June 2018 to RM87 per tonne for the first half of 2019.

The Group's gross profit margin declined to 5.8% for the six months ended 30 June 2019 as compared to 7.1% for the six months ended 30 June 2018. 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 decrease in gross margin was mainly attributable to the increase in scrap ferrous metal purchase costs and also decrease in selling prices for scrap ferrous metal.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased from RM4.0 million for the six months ended 30 June 2018 to RM7.1 million for the six months ended 30 June 2019, 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 RM9.1 million for the six months ended 30 June 2018 to RM10.3 million for the six months ended 30 June 2019 was mainly attributable to the increase in listing expenses of RM0.8 million for the six months ended 30 June 2019 in connection with the Listing.

Taxation

Malaysian corporate income tax has been provided at the rate of 24% of the estimated assessable profit. Our effective tax rate for the six months ended 30 June 2019 was 31.7% (six months ended 30 June 2018: 30.8%). The higher effective tax rate of 31.7% was mainly attributable to the non-deductible listing expenses of RM3.7 million incurred during the six months ended 30 June 2019.

Profit Attributable to Owners of the Company

The Group's profit attributable to owners for the six months ended 30 June 2019 was RM7.8 million (six months ended 30 June 2018: RM11.1 million), The decrease was mainly attributable to the increase in selling and distribution expenses as discussed above.

Key Financial Ratios

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

	As at	
Liquidity Ratios	**30 June 2019**	31 December 2018
Current ratio	**6.0 times**	4.0 times
Gearing ratio	**0.07 times**	0.09 times
	For six months ended 30 June	
	2019	2018
Inventories' turnover period	**5.0 days**	5.1 days
Trade receivables' turnover period	**36.7 days**	34.2 days
Trade payables' turnover period	**4.8 days**	5.6 days

Working Capital

The inventories turnover period of the Group was 5.0 days for the six months ended 30 June 2019 as compared to 5.1 days for the six months ended 30 June 2018. The inventories' turnover period remained relatively stable for the six months ended 30 June 2019 and 2018.

The Group's trade receivables' turnover period was 36.7 days for the six months ended 30 June 2019 as compared to 34.2 days for the six months ended 30 June 2018. Such increase was mainly attributable to the slow payment from a steel mill customer.

The Group's trade payables' turnover period was 4.8 days for the six months ended 30 June 2019 as compared to 5.6 days for the six months ended 30 June 2018. The improved trade payables' turnover period was mainly attributable to the net proceeds from the Share Offer which has enhanced the Group's working capital to settle the purchase of scrap ferrous metals from suppliers at a faster pace.

Liquidity and Financial Resources

As at 30 June 2019, the Group's total equity funds attributable to owners amounted to RM179.9 million (as at 31 December 2018: RM117.4 million) including retained earnings of RM95.9 million (as at 31 December 2018: RM87.9 million). The Group's working capital amounted to RM158.7 million (as at 31 December 2018: RM99.4 million) of which cash and cash equivalents and bank deposits were RM43.0 million (as at 31 December 2018: RM10.6 million).

Taking into account the cash and cash equivalents on hand, our operating cash flows, banking facilities available to us and the net proceeds 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 12 months. 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 30 June 2019 were RM12.9 million (as at 31 December 2018: RM10.7 million). The borrowings were mainly used to finance the procurement of scrap ferrous metals and capital expenditure.

The Group's gearing ratio as at 30 June 2019 was 0.07 times (as at 31 December 2018: 0.09 times). Gearing ratio is calculated based on total interest-bearing debts divided by total equity as at the end of the period.

Future Plans for Material Investments and Capital Assets

As at 30 June 2019, 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**").

Material Acquisitions and Disposals of Subsidiaries

During the six months ended 30 June 2019, the Group did not have any material acquisitions and disposals of subsidiaries, saved as disclosed in Note 1.1.

Pledge of Assets

As at 30 June 2019, the Group has pledged the following assets to banks to secure certain bank borrowings and general banking facilities granted to the Group:

	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
Right-of-use assets	**10,515**	–
Property, plant and equipment	**-**	10,470
Investment properties	**3,405**	3,412
Pledged bank deposits	**5,310**	5,232
	19,230	19,114

Contingent Liabilities

The Group did not have any significant contingent liability as at 30 June 2019 (as at 31 December 2018: Nil).

Capital Commitments

As at 30 June 2019, the Group had no material capital commitment in respect of acquisition of property, plant and equipment (as at 31 December 2018: RM2.4 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 liabilities. The management monitors our foreign currency closely and will consider hedging significant foreign currency exposure should the need arise.

The Group's interest rate risk mainly arises from borrowings. Borrowings excluding 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. As at 30 June 2019, 96% of its total trade receivables (as at 31 December 2018: 78%) was due from these 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 the Group's outstanding trade receivables from this group of customers is low.

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

Cash flow forecasting is performed by the operating entities of the Group and aggregated by Group finance. The Group finance monitors rolling forecasts of 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.

DISCLOSURE OF INTERESTS

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

As at 30 June 2019, 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 Securities and Futures Ordinance ("**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 for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (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) As at 30 June 2019, the total number of issued shares is 1,000,000,000 shares.

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

(3) The Sia Brothers entered into a deed of acting in concert confirmation and undertaking dated 20 August 2018. As such, each of the Sia Brothers, being parties to the deed of acting in concert confirmation and undertaking, is deemed under the SFO to be interested in the 510,000,000 Shares collectively held through 5S Holdings (BVI) Limited ("**5S Holdings**") and the 48,000,000 Shares held by each of the other Sia Brothers. In other words, each of the Sia Brother is interested in the 750,000,000 Shares, among which 510,000,000 shares are held in the capacity as interest in a controlled corporation, 192,000,000 shares are held in the capacity as interests held jointly with another person and 48,000,000 shares are held in the capacity as beneficial owner.

Save as disclosed above, as at 30 June 2019, none of the Directors and the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2019 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 SHARES

As at 30 June 2019, 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 3)	75%
Ms. Loh Hui Mei	Interest of spouse	750,000,000 (L) (Note 4)	75%
Ms. Peong Ai Teen	Interest of spouse	750,000,000 (L) (Note 5)	75%
Ms. Yang Mei Feng	Interest of spouse	750,000,000 (L) (Note 6)	75%
Ms. Juan Sook Fong	Interest of spouse	750,000,000 (L) (Note 7)	75%

Notes

(1) As at 30 June 2019, the total number of issued shares is 1,000,000,000 shares.

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

(3) 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.

(4) Ms. Loh Hui Mei is the spouse of Datuk Sia Keng Leong. As such, Ms. Loh Hui Mei is deemed under the SFO to be interested in the Shares in which Datuk Sia Keng Leong is interested.

(5) Ms. Peong Ai Teen is the spouse of Mr. Sia Kok Chong. As such, Ms. Peong Ai Teen is deemed under the SFO to be interested in the Shares in which Mr. Sia Kok Chong is interested.

(6) Ms. Yang Mei Feng is the spouse of Mr. Sia Kok Seng. As such, Ms. Yang Mei Feng is deemed under the SFO to be interested in the Shares in which Mr. Sia Kok Seng is interested.

(7) Ms. Juan Sook Fong is the spouse of Mr. Sia Kok Heong. As such, Ms. Juan Sook Fong is deemed under the SFO to be interested in the Shares in which Mr. Sia Kok Heong is interested.

Save as disclosed above, and as at 30 June 2019, 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.

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 adopted 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 (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 30 June 2019. 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, exercised, cancelled or lapsed under the Share Option Scheme since its adoption. Accordingly, as at 30 June 2019, there was no share option outstanding under the Share Option Scheme.

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 out 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 30 June 2019, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the businesses of the Group.

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Company has adopted the code provisions as set out in the Code of Corporate Governance (the "**Corporate Governance Code**") as contained in Appendix 14 to the Listing Rules as its own code of corporate governance practices 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 provide strong and consistent leadership to the Group. The Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole. During the period from the date of listing to 30 June 2019, the Board is of the opinion that the Company has complied with all the provisions in the Corporate Governance Code apart from the deviation above.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the period from the date of listing to 30 June 2019. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the period from the date of listing to 30 June 2019.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the condensed consolidated financial statements for the six months ended 30 June 2019 which give a true and fair view of the affairs of 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 condensed consolidated 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.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group had 112 (as at 30 June 2018: 109) employees in Malaysia. For the six months ended 30 June 2019, total staff costs and related expenses of the Group (including the Directors' remuneration) were RM5.3 million (six months ended 30 June 2018: RM5.6 million), representing a decrease of 4.8% as compared to the same period of 2018. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination.

Remuneration of the Group's employees includes basic salaries, allowances, bonus and other employee benefits, and is determined with reference to their experience, qualifications and general market conditions. The emolument policy for the employees of the Group is set up by the Board on the basis of their merit, qualification and competence. We provide regular training to our employees in order to improve their skills and knowledge. The training courses range from further educational studies to skill training to professional development courses for management personnel.

FINANCIAL HIGHLIGHTS

A summary of the Group's results, assets and liabilities for the six months ended 30 June 2019 is set out on page 4 of this interim report. This summary does not form part of the unaudited condensed consolidated financial statements.

MOVEMENTS IN SHARE CAPITAL

There is no change to share capital of the Company from the listing date (i.e, 15 March 2019) to 30 June 2019.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, during the period from the date of listing to 30 June 2019, the Company has maintained the public float as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

CHANGES IN DIRECTORS' INFORMATION

As at 30 June 2019, the was no change in the information of the Company's directors.

USE OF PROCEEDS

The net proceeds raised by the Company from the Share Offer were approximately RM41.0 million (equivalent to approximately HK$78.8 million) (based on the final Offer Price of HK$0.50 per Offer Share), after deducting underwriting fees and all related expenses incurred in the amount of HK$46.2 million. The Company intends to apply the net proceeds on a pro rata basis for the purposes as disclosed in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

			Net proceeds (RM'million)
	Available RM' 000	**Utilised RM' 000**	**Unutilised RM' 000**
Partially replacing our fleet of trucks	3,604	1,172	2,432
Enhancing our processing abilities	2,908	2,598	310
Setting up a new enterprise resource planning system	942	–	942
Setting up a new scrapyard in the east coast of Peninsular Malaysia	4,546	–	4,546
Expansion of our scrapyard in Selangor, Malaysia	6,389	163	6,226
The Group's working capital for our scrap ferrous metal trading business	18,471	18,471	–
General working capital or for other general corporate purpose (excluding the purchase of scrap materials)	4,096	–	4,096
Total	**40,956**	**22,404**	**18,522**

As at the date of this report, there were no changes of the business plans from those disclosed in the Prospectus.

INTERIM DIVIDEND

The Board does not declare the payment of any dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

The Board has subsequently on 23 September 2019 resolved to declare the payment of a special dividend of HK0.005 cents per ordinary share. The Dividend will be payable on 13 November 2019 to shareholders whose names appear on the register of members of the Company at the close of business on 14 October 2019.

EVENTS OCCURRED SINCE THE END OF THE SIX MONTHS ENDED 30 JUNE 2019

Other than as disclosed elsewhere in this report, the Board is not aware of any significant event affecting the Group and requiring disclosures that took place subsequent to 30 June 2019 up to the date of this report.

COMPLIANCE WITH LAWS AND REGULATIONS

During the reporting period, the Company was in compliance with the relevant laws and regulations that have a significant impact on the Company, and was not involved in any material legal proceeding.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company (being Ms. Sai Shiow Yin, Mr. Puar Chin Jong and Mr. Chu Kheh Wee) has reviewed with management the condensed consolidated financial information for the six months ended 30 June 2019, including accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 10 October 2019 to 14 October 2019 (both days inclusive) during which period no transfer of share(s) will be effected. In order to qualify for the special dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with Tricor Investor Services Limited, the Company's Hong Kong branch share registrar and transfer office, at 54th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4.30 pm on 9 October 2019.

PUBLICATION OF INTERIM REPORT

This report is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.henghup.com). The interim report of the Company for the six months ended 30 June 2019 will be despatched to the shareholders of the Company and published on the aforesaid websites in due course.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019 and 2018

	Notes	For the six months ended 30 June **2019** **RM'000** **(Unaudited)**	2018 RM'000 (Unaudited)
Revenue	3	**498,973**	413,496
Cost of sales	6	**(469,869)**	(384,276)
Gross profit		**29,104**	29,220
Other income	4	**26**	93
Other gains, net	5	**264**	111
Distribution and selling expenses	6	**(7,118)**	(4,043)
Administrative expenses	6	**(10,327)**	(9,128)
Finance costs, net	7	**(248)**	(200)
Share of post-tax loss of an associate		**(233)**	–
Profit before income tax		**11,468**	16,053
Income tax expenses	8	**(3,638)**	(4,964)
Profit for the period attributable to the owners of the company		**7,830**	11,089
Other comprehensive income for the period:			
Exchange differences on translation of:			
foreign operations		**250**	–
Total comprehensive income for the period attributable to owners of the Company		**8,080**	11,089
Earnings per share attributable to owners of the Company for the period *(expressed in sen per share)*			
– Basic earnings per share	10	**0.87**	1.48
– Diluted earnings per share	10	**0.87**	1.48

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 June 2019 and 31 December 2018

	Notes	**As at 30 June 2019 RM'000 (Unaudited)**	As at 31 December 2018 RM'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	**10,668**	18,657
Right-of-use assets	12	**12,072**	–
Investment properties	13	**4,039**	4,052
Investment in an associate		**783**	–
Deferred income tax assets		**53**	53
		27,615	22,762
Current assets			
Inventories		**17,512**	8,794
Trade and other receivables	14	**129,852**	113,127
Fixed deposits and pledged bank deposits		**24,464**	5,232
Cash and cash equivalents		**18,581**	5,572
		190,409	132,725
Total assets		**218,024**	155,487
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital/Combined capital	15	**5,206**	112,313
Share premium		**49,306**	–
Capital reserve		**29,168**	(82,826)
Foreign translation reserve		**250**	–
Retained earnings		**95,932**	87,911
Total equity		**179,862**	117,398

As at 30 June 2019 and 31 December 2018

	Notes	**As at 30 June 2019 RM'000 (Unaudited)**	As at 31 December 2018 RM'000 (Audited)
Non-current liabilities			
Finance lease liabilities	17	**-**	763
Lease liabilities	17	**2,666**	–
Borrowings	17	**3,739**	3,981
		6,405	4,744
Current liabilities			
Trade and other payables	16	**24,727**	26,536
Current income tax liabilities		**556**	841
Finance lease liabilities	17	**-**	371
Lease liabilities	17	**1,474**	–
Borrowings	17	**5,000**	5,597
		31,757	33,345
Total liabilities		**38,162**	38,089
Total equity and liabilities		**218,024**	155,487

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 June 2019 and 2018

	Notes	Share Capital RM'000	Share Premium RM'000	Capital Reserve RM'000	Foreign Translation Reserve RM'000	Retained Earnings RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
As at 1 January 2019 (Audited)		**112,313**	**-**	**(82,826)**	**-**	**87,911**	**117,398**	**-**	**117,398**
Effect arising from the Reorganisation	15	**(112,313)**	**-**	**111,994**	**-**	**191**	**(128)**	**-**	**(128)**
Total comprehensive income for the period, net of tax		**-**	**-**	**-**	**-**	**7,830**	**7,830**	**-**	**7,830**
Other comprehensive income		**-**	**-**	**-**	**250**	**-**	**250**	**-**	**250**
		-	**-**	**29,168**	**250**	**95,932**	**125,350**	**-**	**125,350**
Transactions with owners in their capacity as owners									
Issuance of ordinary shares relating to initial public offering	15	**1,301**	**63,780**	**-**	**-**	**-**	**65,081**	**-**	**65,081**
Underwriting commissions and other share issuance costs		**-**	**(10,569)**	**-**	**-**	**-**	**(10,569)**	**-**	**(10,569)**
Capitalisation of ordinary shares	15	**3,905**	**(3,905)**	**-**	**-**	**-**	**-**	**-**	**-**
Total transactions with owners in their capacity as owners		**5,206**	**49,306**	**-**	**-**	**-**	**54,512**	**-**	**54,512**
As at 30 June 2019 (Unaudited)		**5,206**	**49,306**	**29,168**	**250**	**95,932**	**179,862**	**-**	**179,862**

	Combined Capital RM'000	Retained Earnings RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
As at 1 January 2018 (Audited)	6,750	63,233	69,983	393	70,376
Total comprehensive income for the period, net of tax	–	11,089	11,089	–	11,089
	6,750	74,322	81,072	393	81,465
Transactions with owners in their capacity as owners					
Acquisition of non-controlling interests	–	56	56	(393)	(337)
Total transactions with owners in their capacity as owners	–	56	56	(393)	(337)
As at 30 June 2018 (Unaudited)	6,750	74,378	81,128	–	81,128

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended 30 June 2019 and 2018

	Note	For the six months ended 30 June 2019 RM' 000 (Unaudited)	2018 RM' 000 (Unaudited)
Cash flows from operating activities			
Cash (used in)/generated from operations	20	**(13,957)**	10,123
Tax paid		**(3,922)**	(2,383)
Net cash (used in)/generated from operating activities		**(17,879)**	7,740
Cash flows from investing activities			
Investment in an associate		**(1,016)**	–
Purchases of property, plant and equipment		**(1,725)**	(708)
Additions in right-of-use assets		**(135)**	–
Proceeds from disposal of property, plant and equipment		**–**	162
Interests received		**143**	162
Increase in pledged bank deposits		**(78)**	(3,330)
Net cash used in investing activities		**(2,811)**	(3,714)
Cash flows from financing activities			
Interests paid		**(391)**	(362)
Proceeds from borrowings		**3,686**	–
Repayments of borrowings		**(5,513)**	(4,637)
Repayments to directors		**–**	(233)
Proceeds from Share Offer		**65,081**	–
Listing expenses paid		**(10,569)**	(288)
Net cash generated from/(used in) financing activities		**52,294**	(5,857)
Net increase/(decrease) in cash and cash equivalents		**31,604**	(1,831)
Effect of exchange rate changes		**250**	–
Cash and cash equivalents at beginning of the periods		**5,340**	13,458
Cash and cash equivalents at end of the periods		**37,194**	11,627
Cash at bank and on hand		**18,581**	11,627
Fixed deposits and pledged bank deposits		**24,464**	10,433
Bank overdrafts (Note 17)		**(541)**	–
		42,504	22,060
Fixed deposit pledged as security		**(5,310)**	(10,433)
Cash and cash equivalents		**37,194**	11,627

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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, Datuk 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.

(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.

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

1.1 Reorganisation *(Continued)*

(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.

(x) The ordinary shares of the Company has been increased by 749,992,560 shares by way of additional issue of 749,992,560 shares at HK$0.01 each on 15 March 2019 (the "**Capitalisation**").

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.

On 15 March 2019, the Company's shares were successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

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 30 June 2019	 As at 31 December 2018
Directly held:					
Heng Hup (BVI) Limited	British Virgin Islands, 17 April 2018	50,000 ordinary shares of US$1 each	Investment holding	**100%**	100%
Indirectly held:					
Heng Hup Holdings (Malaysia) Sdn. Bhd.	Malaysia, 22 December 2017	1,560 ordinary shares	Investment holding	**100%**	100%
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%
Heng Hup Paper Sdn. Bhd.	Malaysia, 3 July 2008	1,000,000 ordinary shares	Dealing with recycle paper and its related products	**100%**	100%
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%
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%
Heng Hup Metal (Johor) Sdn. Bhd.	Malaysia, 27 May 2009	250,000 ordinary shares	Trading scrap ferrous metals, shares used batteries and other scraps	**100%**	100%

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

1.2 Basis of presentation

Immediately prior to and after the Reorganisation and during the six months ended 30 June 2019 and 2018, 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 Re-organisation, 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.

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.

For the purpose of this report, the unaudited condensed consolidated financial statements for the six months ended 30 June 2019 and 2018 have been prepared and presented as a continuation of the unaudited condensed consolidated 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.

The unaudited condensed consolidated financial statements have been prepared by including the unaudited condensed consolidated 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, which ever is a shorter period.

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.

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

1.2 Basis of presentation *(Continued)*

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.

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 (together, the "**Group**") 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 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**").

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

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the unaudited condensed consolidated financial statements are in accordance with 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 six months ended 30 June 2019 and 2018 set out below. The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

The preparation of the unaudited condensed consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Except as described below, the accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the annual combined financial statements for the year ended 31 December 2018.

2.2 Adoption of New standards

In 2019, the Group has adopted the following new standard and interpretation which are pertinent to the Group's operations and effective for accounting periods beginning on or after 1 January 2019:

Amendments to IFRS 9	Prepayment Features with Negative Compensation
IFRS 16	Leases
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
IFRIC-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Other than as explained below regarding the impact of IFRS 16 Leases, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial statements. The nature and impact of the new and revised IFRSs are described below:

IFRS 16 replaces IAS 17 Leases, IFRIC-Int 4 Determining whether an Arrangement contains a Lease, SIC-Int 15 Operating Leases – Incentives and SIC-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as adjustments to the opening balances at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

2.2 Adoption of New standards *(Continued)*

New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC-Int 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non- lease components and to account for the lease and the associated non-lease components (e.g. property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g. photocopiers); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the condensed consolidated statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the condensed consolidated statement of financial position.

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

2.2 Adoption of New standards *(Continued)*

As a lessee – Leases previously classified as operating leases *(Continued)*

Impacts on transition (Continued)

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

– Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application; and

– Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease.

Summary of new accounting policies

	Carrying amount previously reported at 31 December 2018 RM'000	Changes RM'000	**Carrying amount under IFRS 16 at 1 January 2019** RM'000
Non-current assets			
Property, plant and equipment	18,657	(10,469)	**8,188**
Right-of-use assets	–	11,519	**11,519**
Non-current liabilities			
Lease liabilities	–	1,449	**1,449**
Finance lease liabilities	763	(763)	**-**
Current liabilities			
Lease liabilities	–	735	**735**
Finance lease liabilities	371	(371)	**-**
Total lease liabilities	1,134	1,050	2,184

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

2.2 Adoption of New standards *(Continued)*

Summary of new accounting policies *(Continued)*

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	RM'000 (Unaudited)
Operating lease commitments as at 31 December 2018	1,101 *
Incremental borrowing rates as at 1 January 2019	6.81% to 7.37%
Lease liabilities as at 1 January 2019	1,050

* Included in the operating lease commitments as at 31 December 2018 are cancellable operating leases in which the Group shall not early terminate the said leases and the Group shall exercise its options to extend the lease terms. Prior to the adoption of IFRS 16, the cancellable operating lease were not disclosed as operating lease commitments in the annual financial statements for the year ended 31 December 2018.

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for investment properties.

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

2.2 Adoption of New standards *(Continued)*

Summary of new accounting policies *(Continued)*

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rates at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss.

The carrying amounts of the Group's right-of-use assets and lease liabilities and the movement during the period under review are as follows:

	Right-of-use assets RM' 000 (Unaudited)	**Lease liabilities RM' 000 (Unaudited)**
As at 1 January 2019	**11,519**	**1,050**
Additions during the period	**880**	**745**
Depreciation	**(327)**	**-**
Interest expenses	**-**	**23**
Payments	**-**	**(251)**
As at 30 June 2019	**12,072**	**1,567**

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

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

A number of new standards and amendments to standards and interpretation have been issued but not effective for accounting periods beginning on or after 1 January 2019 and have not been early adopted by the Group in preparing the 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
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 impact on the condensed consolidated financial statements of the Group.

3 REVENUE AND SEGMENT INFORMATION

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

No segmental analysis is prepared as the Group has been operating in a single operating segment, i.e. trading of recycling materials. The Group as a whole is regarded as an operating segment.

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.

3 REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) Revenue by location of goods delivery

During the six months ended 30 June 2019, 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 30 June 2019 and 31 December 2018, 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:

	For the six months ended 30 June	
	2019	2018
	RM'000	RM'000
	(Unaudited)	(Unaudited)
Customer 1	**120,675**	–
Customer 2	**60,684**	158,752
Customer 3	**43,033**	94,742

4 OTHER INCOME

	For the six months ended 30 June	
	2019	2018
	RM'000	RM'000
	(Unaudited)	(Unaudited)
Compensation received	**9**	58
Rental income	**1**	3
Others	**16**	32
	26	93

5 OTHER GAINS, NET

	For the six months ended 30 June	
	2019	2018
	RM'000	RM'000
	(Unaudited)	(Unaudited)
Gain on disposal of property, plant and equipment	**-**	139
Property, plant and equipment written-off	**-**	(38)
Foreign exchange gains	**264**	10
	264	111

6 EXPENSES BY NATURE

	For the six months ended 30 June	
	2019	2018
	RM'000	RM'000
	(Unaudited)	(Unaudited)
Cost of trading goods sold	**466,574**	381,346
Employee benefit expenses	**5,331**	5,600
Depreciation expenses	**1,478**	1,080
Auditors' remuneration		
– Audit services	**134**	146
– Non-audit services	**176**	2
Listing expenses	**3,664**	2,909
Transportation costs	**5,092**	1,650
Other expenses	**4,865**	4,714
Total cost of sales, distribution and selling expenses and administrative expenses	**487,314**	397,447

7 FINANCE COSTS, NET

	For the six months ended 30 June	
	2019	2018
	RM' 000	RM' 000
	(Unaudited)	(Unaudited)
Interest income from bank deposits	**143**	162
Interest expense on loans	**(278)**	(303)
Interest expense on finance leases	**(67)**	(41)
Interest expense on bank overdrafts	**(23)**	(18)
Interest expense on lease liabilities	**(23)**	–
Finance costs	**(391)**	(362)
Finance costs, net	**(248)**	(200)

8 INCOME TAX EXPENSE

Malaysian corporate income tax has been provided at the rate of 24% (six months ended 30 June 2018: 24%) of the estimated assessable profit for the six months ended 30 June 2019.

	For the six months ended 30 June	
	2019	2018
	RM' 000	RM' 000
	(Unaudited)	(Unaudited)
Current tax:		
Malaysian corporate income tax	**3,638**	4,847
Deferred income tax	**-**	117
Income tax expenses	**3,638**	4,964

8 INCOME TAX EXPENSE *(Continued)*

The reconciliations from the tax amount at the statutory income tax rate 24% (six months ended 30 June 2018: 24%) and the Group's tax expense are as follows:

	For the six months ended 30 June	
	2019	2018
	RM'000	RM'000
	(Unaudited)	(Unaudited)
Profit before tax	**11,468**	16,053
Tax at Malaysian statutory income tax rate	**2,752**	3,853
Tax effect of expenses not deductible for tax purpose	**886**	1,111
Income tax expense for the periods	**3,638**	4,964

9 INTERIM DIVIDEND

The Board does not declare the payment of any dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

The Board has subsequently on 23 September 2019 resolved to declared the payment of a special dividend of HK0.005 cents per ordinary share.

10 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective periods. The weighted average number of shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the Reorganisation as described in Note 1.1 and the Capitalisation as described in Note 1.1(x) had been effected on 1 January 2018. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	For the six months ended 30 June	
	2019	2018
	RM'000	RM'000
	(Unaudited)	(Unaudited)
Earnings:		
Profit for the periods attributable to the owners of the Company	**7,830**	11,089
Number of shares:		
Weighted average number of shares in issue	**899,171,271**	750,000,000
Basic earnings per share (expressed in sen)	**0.87**	1.48

Diluted earnings per share is equal to basis earnings per share as the Group has no potentially dilutive shares outstanding during the six months ended 30 June 2019 and 2018.

11 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired property, plant and equipment with aggregate cost of RM3,618,000 (six months ended 30 June 2018: RM3,702,000). No item was disposed off during six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

12 RIGHT-OF-USE ASSETS

As discussed in Note 2.2, the Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. In addition, the depreciated carrying amount of the finance leased assets which were previously included in property, plant and equipment is also identified as right-of-use assets. Further details on the net book value of the Group's right-of-use assets by class of underlying asset are set out in Note 2.2.

During the six months ended 30 June 2019, the Group entered into a number of lease agreements for use of leasehold land, and therefore recognised the additions to right-of-use assets of RM135,000.

13 INVESTMENT PROPERTIES

The Group did not acquire any investment properties during the six months ended 30 June 2019 (six months ended 30 June 2018: RM419,000). No investment properties was disposal of during the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

14 TRADE AND OTHER RECEIVABLES

	As at 30 June 2019 RM'000 (Unaudited)	As at 31 December 2018 RM'000 (Audited)
Trade receivables	**107,232**	96,028
Other receivables	**1,616**	1,021
Deposits and prepayments	**5,129**	4,263
Downpayment to suppliers	**15,125**	11,654
Other tax receivables	**106**	161
Amount due from an associate	**644**	–
	129,852	113,127

14 TRADE AND OTHER RECEIVABLES *(Continued)*

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. As at 30 June 2019, the ageing analysis of the trade receivables based on invoice date were as follows:

	As at 30 June 2019 RM'000 (Unaudited)	As at 31 December 2018 RM'000 (Audited)
0 – 30 days	**99,373**	64,792
31 – 60 days	**5,512**	7,227
61 – 120 days	**1,338**	19,877
Over 120 days	**1,009**	4,132
	107,232	96,028

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 six months ended 30 June 2019 and 2018, 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 six months ended 30 June 2019 and 2018.

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

	As at 30 June 2019 RM'000 (Unaudited)	As at 31 December 2018 RM'000 (Audited)
– RM	**107,186**	95,906
– United State Dollar	**46**	122
	107,232	96,028

14 TRADE AND OTHER RECEIVABLES *(Continued)*

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

	As at 30 June 2019 RM'000 (Unaudited)	As at 31 December 2018 RM'000 (Audited)
– RM	**3,102**	1,021
– United State Dollar	**452**	–
	3,554	1,021

Amount due from an associated is non-trade in nature, unsecured, non-interest bearing and are repayable on demand.

15 SHARE CAPITAL

	As at 30 June 2019	
	Number of shares '000	**Share capital RM'000**
Authorised:		
As at 1 January 2019 (Audited)	**38,000**	**190**
Created during the period	**1,962,000**	**10,216**
As at 30 June 2019 (Unaudited)	**2,000,000**	**10,406**
Issued and fully paid:		
As at 1 January 2019 (Audited)	**10**	**112,313**
Effect arising from the Reorganisation	**–**	**(112,313)**
Issuance of ordinary shares relating to the Share Offer	**250,000**	**1,301**
Capitalisation of ordinary shares	**749,990**	**3,905**
As at 30 June 2019 (Unaudited)	**1,000,000**	**5,206**

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).

16 TRADE AND OTHER PAYABLES

	As at 30 June 2019 RM'000 (Unaudited)	As at 31 December 2018 RM'000 (Audited)
Trade payables	**14,436**	10,692
Accrued salaries	**3,523**	4,917
Other payables and accruals	**6,768**	10,927
	24,727	26,536

The carrying amounts of the Group's trade payables are denominated in RM and approximate their fair values.

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

	As at 30 June 2019 RM'000 (Unaudited)	As at 31 December 2018 RM'000 (Audited)
– RM	**6,429**	10,927
– United State Dollar	**339**	–
	6,768	10,927

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

	As at 30 June 2019 RM'000 (Unaudited)	As at 31 December 2018 RM'000 (Audited)
0 – 30 days	**14,436**	10,555
31 – 60 days	**-**	137
	14,436	10,692

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

17 BORROWINGS

	As at 30 June 2019 RM'000 (Unaudited)	As at 31 December 2018 RM'000 (Audited)
Non-current		
Bank borrowings		
Term loans (Note a)	**3,739**	3,981
Finance lease liabilities (Note b)	**1,617**	763
Lease liabilities (Note d)	**1,049**	–
	6,405	4,744
Current		
Bank borrowings		
Term loans (Note a)	**484**	489
Finance lease liabilities (Note b)	**957**	371
Lease liabilities (Note d)	**517**	–
Bank overdraft	**541**	232
Trust receipt loans (Note c)	**3,975**	4,876
	6,474	5,968
Total borrowings	**12,879**	10,712

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, right-of-use assets, investment properties, assets classified as held for sale and pledged bank deposits of the Group of RM19,230,000 (as at 31 December 2018: RM19,114,000) as at 30 June 2019 respectively.

As at 30 June 2019, the Group had aggregate banking facilities of approximately RM31,514,000 (as at 31 December 2018: RM27,514,000). Unused facilities amounted to approximately RM19,344,000 (as at 31 December 2018: RM14,802,000) as at 30 June 2019.

The relevant banks have agreed that the personal guarantee provided by the Sia Brothers will be replaced by corporate guarantee provided by the Company upon listing.

The personal guarantee provided by the Sia Brothers are currently in the progress being replaced by corporate guarantee provided by the Company.

17 BORROWINGS *(Continued)*

(a) Term loans

Term loans mature at various dates up to 2031.

As at 30 June 2019 and 31 December 2018, the Group's term loans were repayable as follows:

	As at 30 June 2019 RM' 000 (Unaudited)	As at 31 December 2018 RM' 000 (Audited)
Within 1 year	**484**	489
Between 1 and 2 years	**402**	429
Between 2 and 5 years	**1,252**	1,222
Over 5 years	**2,085**	2,330
	3,739	3,981
	4,223	4,470

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

	As at 30 June 2019 %(p.a.) (Unaudited)	As at 31 December 2018 %(p.a.) (Audited)
Interest rates	**5.29 – 7.85**	5.29 – 7.85

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

As at 30 June 2019, 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 RM1,798,000 (as at 31 December 2018: RM1,837,000).

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.

17 BORROWINGS *(Continued)*

(a) Term loans *(Continued)*

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 30 June 2019 and 31 December 2018 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.

(b) Lease liabilities

(i) Lease liabilities – debts

The Group has lease liabilities 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.

	As at 30 June 2019 RM'000 (Unaudited)	As at 31 December 2018 RM'000 (Audited)
Gross lease liabilities – minimum lease payments		
Not later than 1 year	**1,092**	433
Later than 1 year and not later than 5 years	**1,766**	818
	2,858	1,251
Future finance charges on lease liabilities	**(284)**	(117)
	2,574	1,134
Total present value of lease liabilities is as follows:		
Not later than 1 year	**957**	371
Later than 1 year and not later than 5 years	**1,617**	763
	2,574	1,134

17 BORROWINGS *(Continued)*

(b) Lease liabilities *(Continued)*

(ii) Lease liabilities – pursuant to IFRS 16

	As at 30 June 2019 RM'000 (Unaudited)	As at 31 December 2018 RM'000 (Audited)
Maturity analysis – contractual undiscounted cash flows		
Not later than 1 year	**558**	–
Later than 1 year and not later than 5 years	**1,092**	–
Total undiscounted lease liabilities	**1,650**	–
Lease liabilities included in the statement of financial position		
Not later than 1 year	**517**	–
Later than 1 year and not later than 5 years	**1,049**	–
	1,566	–

The Group has lease liabilities for storage production and office which the remaining tenure life from one to three years. The rights to the leased assets are reverted to the lessor in the event of default of the lease liabilities by the Group.

The group determined the discounted rate by using effective interest rate of term loan as disclose in note (a).

(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:

	As at 30 June 2019 %(p.a.) (Unaudited)	As at 31 December 2018 %(p.a.) (Audited)
Interest rates	**5.26 – 5.45**	5.26 – 5.45

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

18 CAPITAL COMMITMENTS

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

	As at 30 June 2019 RM'000 (Unaudited)	As at 31 December 2018 RM'000 (Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
– purchase of plant and machinery	-	2,429

19 RELATED PARTY TRANSACTIONS

The Group is controlled by 5S Holdings 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, Mr. Sia Kok Seng, Mr. Sia Kok Chin, Datuk Sia Keng Leong, Mr. Sia Kok Heong and Mr. Sia Kok Chong.

(a) Transactions

In addition to those disclosed elsewhere in the condensed consolidated financial statements, the Group had the following transactions with its related parties during the six months ended 30 June 2019.

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

	For the six months ended 30 June	
	2019 RM'000 (Unaudited)	2018 RM'000 (Unaudited)
Sales of goods to related parties controlled by a director/directors	-	5
Purchases of goods from related parties controlled by a director/directors	(1,565)	(3,138)
Disposal of assets classified as held for sale to Sia Brothers (Note 1.1(viii))	-	1,686

19 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Year end balances

	As at 30 June 2019 RM'000 (Unaudited)	As at 31 December 2018 RM'000 (Audited)
Receivable from:		
– An associate	**644**	–

The balance is unsecured, non-interest bearing and repayable on demand.

20 CASH GENERATED FROM OPERATIONS

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

	For the six months ended 30 June	
	2019 RM'000 (Unaudited)	2018 RM'000 (Unaudited)
Cash flows from operating activities		
Profit before income tax	**11,468**	16,053
Adjustments for:		
Finance costs	**391**	362
Finance income	**(143)**	(162)
Depreciation expenses	**1,478**	1,080
Gain on disposal of property, plant and equipment	**-**	(138)
Property, plant and equipment written-off	**-**	39
Share of post-tax loss of an associate	**233**	–
	13,427	17,234
Changes in working capital		
Increase in inventories	**(8,718)**	(4,665)
(Increase)/decrease in trade and other receivables	**(16,852)**	10,438
Decrease in trade and other payables	**(1,814)**	(12,670)
Decrease in amounts with related parties	**-**	(214)
Cash (used in)/generated from operations	**(13,957)**	10,123

20 CASH GENERATED FROM OPERATIONS *(Continued)*

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

	For the six months ended 30 June	
	2019	2018
	RM'000	RM'000
	(Unaudited)	(Unaudited)
Net book amount	**-**	24
Gains on disposal of property, plant and equipment	**-**	138
Proceeds from disposal of property, plant and equipment	**-**	162

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

	As at 30 June 2019	As at 31 December 2018
	RM'000	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

20 CASH GENERATED FROM OPERATIONS *(Continued)*

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

	Lease liabilities RM'000	Other bank borrowings RM'000	Amounts due to directors RM'000	Total RM'000
At 1 January 2018 (Audited)	578	11,252	37,141	50,044
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 (Audited)	1,134	9,578	–	11,785
At 1 January 2019 (Audited)	**1,134**	**9,578**	**-**	**11,785**
Proceeds	**3,686**	**-**	**-**	**3,686**
Repayments	**(680)**	**(839)**	**-**	**(1,519)**
Other non-cash movement	**-**	**-**	**-**	**-**
At 30 June 2019 (Unaudited)	**4,140**	**8,739**	**-**	**13,952**

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.

21 SUBSEQUENT EVENTS

Other than as disclosed elsewhere in this report, the Board is not aware of any significant event affecting the Group and requiring disclosures that took place subsequent to 30 June 2019 up to the date of this report.