HHH

Heng Hup Holdings Limited
興合控股有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code: 1891

ANNUAL REPORT
2019

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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
Certified Public Accountants
Registered Public Interest
Entity Auditor

COMPLIANCE ADVISER

Shenwan Hongyuan Capital (H.K.) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICER 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 HIGHLIGHT

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

	Year ended 31 December				
	2019	2018	2017	2016	2015
	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000
Revenue	**990,604**	894,405	739,428	378,529	429,564
Gross profit	**50,352**	58,394	53,791	31,710	35,643
Profit before interest, tax and depreciation	**16,197**	34,841	33,946	19,414	22,310
Depreciation	**(3,154)**	(2,363)	(2,304)	(2,553)	(2,632)
Finance costs, net	**(181)**	(206)	(686)	(803)	(1,078)
Share of results of an associate	**(976)**	–	–	–	–
Profit before income tax	**11,886**	32,273	30,956	16,058	18,600
Income tax expenses	**(5,214)**	(7,651)	(7,845)	(4,007)	(4,928)
Net profit for the year	**6,672**	24,622	23,111	12,051	13,672
Profit attributable to:					
Owners of our Company	**6,672**	24,622	22,835	12,061	13,634
Non-controlling interests	**-**	–	276	(10)	38

	As at 31 December				
	2019	2018	2017	2016	2015
	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000
Total non-current assets	**28,500**	22,762	21,040	23,639	23,312
Total current assets	**172,274**	132,725	136,428	104,459	101,200
Assets classified as held for sale	**-**	–	1,686	–	–
Total assets	**200,774**	155,487	159,154	128,098	124,512
Total non-current liabilities	**6,470**	4,744	7,427	7,152	8,573
Total current liabilities	**18,447**	33,345	81,351	73,681	72,725
Total liabilities	**24,917**	38,089	88,778	80,833	81,298
Net current assets	**153,827**	99,380	55,077	30,778	28,475
Equity attributable to owners of our Company	**175,857**	117,398	69,983	47,148	43,087
Non-controlling interests	**-**	–	393	117	127
Net assets	**175,857**	117,398	70,376	47,265	43,214

CHAIRMAN'S STATEMENT

Dear Shareholders

On behalf of the Board of Directors (the "**Board**"), we are pleased to present to you the Annual Report and the Audited Financial Statements of Heng Hup Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019.

Our Group is a leading scrap ferrous metal trader in Malaysia which have established a nationwide supplier base of feeder yards from which we source recycle scrap ferrous metals for sales to steel mills in Malaysia.

2019 had been a challenging and volatile year. The growth of our country's economy was impacted by concerns about the US-China trade-war, moderating global economic growth and exchange rate volatility. In spite of these issues and challenges, during the year ended 31 December 2019, our revenue achieved RM990.6 million (2018: RM894.4 million), representing an increase of 10.8% as compared to the previous year. Sales volume of the scrap ferrous metals for year ended 31 December 2019 was 692,899 tonnes (2018: 580,911 tonnes), representing an increase of 19.3% as compared to the previous year. Our performance in 2019 reflected the continuous growth of demand of our recycled products during the year.

However, the steel market in Malaysia witnessed a sustained price fall since mid of year 2019, following the price trend in the international steel market as driven by the global excess supply and the protracted Sino-US trade tension. Steel mills in the midst of such price decline offered our Group a lower buying price. In addition, the market competition amongst scrap ferrous metal traders in securing supplies in Malaysia has become more intense during 2019 which has resulted the increase in procurement prices. As a result, our Company experienced a gradual tightening in our gross margin for the scrap ferrous metal trading business since July 2019. Thus, we recorded a net profit of RM6.7 million (2018: RM24.6 million).

On 23 September 2019, the Directors had proposed and paid special dividend of HK$0.005 per ordinary share on 1,000,000,000 ordinary shares in respect of the year ended 31 December 2019 amounting to a total of RM2,675,000 (equivalent to approximately HK$5,000,000). The special dividend paid of approximately RM2.7 million represents 40.1% of the net profit attributable to the owners of the Company for the year, which was consistent with the intended dividends payable of no less than 30% of our distributable profit for any particular year as stated in the Dividend Policy disclosed in the Prospectus dated 27 February 2019.

There are also signs of improvement in market sentiment following the announcements of some mega infrastructure and development projects, and construction activities are expected to ramp up eventually. Nonetheless, the recent outbreak of coronavirus in worldwide has disrupted the supply chains and steel prices, contributing to short-term market uncertainty and risk. The major global and local uncertainties may affect construction market recovery. At this juncture, management is unable to reliably estimate the financial impact of COVID-19 on the Group's financial results for the year ending 31 December 2020 as the pandemic has yet to run its full course hence the current situation is still fluid. The Directors shall continuously assess the impact of COVID-19 on its operations as well as the financial position for the year ending 31 December 2020.

The year 2020 is off to a very complex start with a number of crises unfolding around the world and downside risks on the economic side, locally and globally. In a year of high volatility and multiple elements of disruption, we will exercise caution and hope to achieve a satisfactory performance in this turbulent business environment.

Lastly, I would like to express my sincere gratitude and appreciation to my fellow colleagues on the Board, the management team and all employees of the Group for their invaluable insights and dedicated efforts throughout this period of change. I would also like to convey my thanks to all our stakeholders, valued customers, business associates and various regulatory authorities for their unstinting support and continuous confidence in us. We look forward to achieve new milestones with you and continue to strengthen our leading position in the Malaysia scrap ferrous metal trading industry.

Sia Kok Chin
Chairman and Chief Executive Officer

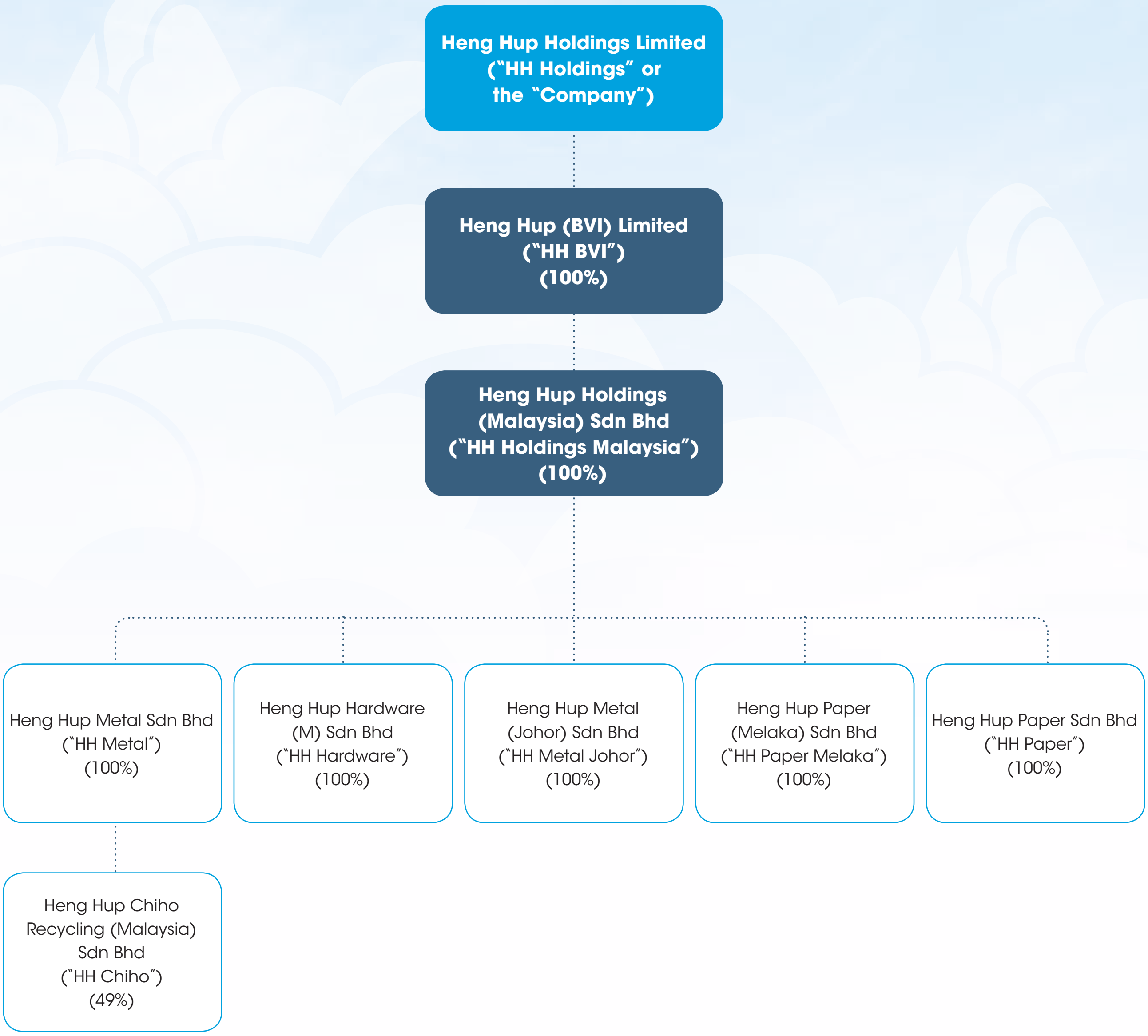
Date: 27 March 2020
Malaysia

COMPANY PROFILE

We are a leading scrap ferrous metal trader in Malaysia. Over the years, we have established a nationwide supplier base of feeder yards from which we source recyclable scrap ferrous metals for sales to steel mills in Malaysia. We also operate three scrapyards equipped with the processing machinery mainly for ferrous metals strategically located in areas where the availability of scrap ferrous metals can be assured and nearby our steel mill customers in the states of Melaka, Selangor and Johor, with an aggregate land area of approximately 35,000 sq.m.. In addition, supported by a fleet of 41 self-owned trucks among which, 26 are trucks with laden weight of 20 tonnes or above as at the date of this annual report, we can always respond to the logistics needs of our small and medium-sized suppliers, who have only limited logistics support, on a timely basis.

We always pride ourselves on our capability to source sizeable volume of scrap ferrous metals to meet the production needs of our steel mill customers. For FY2018 and FY2019, we sold 580,911 tonnes and 692,899 tonnes of scrap ferrous metal, respectively, which accounted for 87.8% and 87.5% of our revenue, respectively. Alongside with the scrap ferrous metal trading, to a lesser extent, we also trade used batteries and waste paper, which, in aggregate, accounted for 11.5% and 10.8% of our total revenue for FY2018 and FY2019, respectively. We also operate one scrapyard mainly for waste paper located in the state of Melaka, with a land area of approximately 1,436 sq.m..

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



DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

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

Name	Age	Position	Date of appointment as Directors
Executive Directors			
Mr. Sia Kok Chin	46	Chairman and chief executive officer	12 April 2018
Datuk Sia Keng Leong	56	Executive Director	12 April 2018
Mr. Sia Kok Chong	54	Executive Director	12 April 2018
Mr. Sia Kok Seng	50	Executive Director	12 April 2018
Mr. Sia Kok Heong	44	Executive Director	12 April 2018
Independent non-executive directors			
Ms. Sai Shiow Yin	37	Independent non-executive Director	19 February 2019
Mr. Puar Chin Jong	49	Independent non-executive Director	19 February 2019
Mr Chu Kheh Wee	49	Independent non-executive Director	19 February 2019

EXECUTIVE DIRECTORS

Mr. Sia Kok Chin, aged 46, was appointed as our Director in April 2018 and was appointed as the chairman of our Board and our chief executive officer, and designated as our executive Director in June 2018. Mr. Sia Kok Chin is the chairman of the nomination committee of the Company. Mr. Sia Kok Chin joined Heng Hup Hardware as the manager in August 2001. Mr. Sia Kok Chin is also a director of HH BVI, HH Holdings Malaysia, HH Metal, HH Paper, HH Paper Melaka, HH Hardware and HH Metal Johor, which are our subsidiaries. Mr. Sia Kok Chin has over 17 years of experience in the scrap material trading industry. Mr. Sia Kok Chin is primarily responsible for overall management, strategic planning and day-to-day business operations of our Group.

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

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

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

Datuk Sia Keng Leong, aged 56, was appointed as our Director in April 2018 and designated as our executive Director in June 2018. Datuk Sia Keng Leong became an owner of Heng Hup Hardware in May 2003. Datuk Sia Keng Leong is also a director of HH BVI, HH Holdings Malaysia, HH Metal, HH Paper, HH Paper Melaka, HH Hardware and HH Metal Johor, which are our subsidiaries. Since joining Heng Hup Hardware in 2003, Datuk Sia Keng Leong has accumulated over 15 years of experience in the scrap material trading industry. Datuk Sia Keng Leong is primarily responsible for the operations of HH Hardware and HH Paper Melaka.

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

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

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

Mr. Sia Kok Chong, aged 54, was appointed as our Director in April 2018 and designated as our executive Director in June 2018. Mr. Sia Kok Chong is one of the founders of Heng Hup Hardware. Mr. Sia Kok Chong is also a director of HH BVI, HH Holdings Malaysia, HH Metal, HH Paper, HH Paper Melaka, HH Hardware and HH Metal Johor, which are our subsidiaries. Since the formation of Heng Hup Hardware in 1996, Mr. Sia Kok Chong has accumulated over 22 years of experience in the scrap material trading industry. Mr. Sia Kok Chong is primarily responsible for the operations of HH Metal Johor.

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

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

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

Mr. Sia Kok Seng, aged 50, was appointed as our Director in April 2018 and designated as our executive Director in June 2018. Mr. Sia Kok Seng is one of the founders of Heng Hup Hardware. Mr. Sia Kok Seng is also a director of HH BVI, HH Holdings Malaysia, HH Metal, HH Paper, HH Paper Melaka, HH Hardware and HH Metal Johor, which are our subsidiaries. Since the formation of Heng Hup Hardware in 1996, Mr. Sia Kok Seng has accumulated over 22 years of experience in the scrap material trading industry. Mr. Sia Kok Seng is primarily responsible for the operations of HH Paper and HH Metal.

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

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

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

Mr. Sia Kok Heong, aged 44, was appointed as our Director in April 2018 and designated as our executive Director in June 2018. Mr. Sia Kok Heong joined our Group as a director of HH Hardware in March 2005. Mr. Sia Kok Heong is also a director of HH BVI, HH Holdings Malaysia, HH Metal, HH Paper, HH Paper Melaka and HH Metal Johor, which are our subsidiaries. Mr. Sia Kok Heong has over 13 years of experience in the scrap material trading industry. Mr. Sia Kok Heong is primarily responsible for the operations of HH Hardware and HH Paper Melaka.

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

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

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

Independent non-executive Directors

Ms. Sai Shiow Yin, aged 37, was appointed as our independent non-executive Director on 19 February 2019 and is mainly responsible for providing independent judgement on our Group's strategy, performance, resources and standard of conduct. Ms. Sai is the chairlady of the audit committee and the remuneration committee; and a member of the nomination committee of the Company.

Ms. Sai received a Bachelor's Degree of Commerce in Accounting and Economics from Deakin University in Australia in April 2005 and a Master's Degree of Commerce in Financial Planning from the same university in April 2011. Ms. Sai was admitted as a member of CPA Australia in July 2010.

Ms. Sai has worked for Atalian Global Services Sdn. Bhd., being a subsidiary of Atalian Servest Group in France (a multinational company provide global facility management in cleaning, security, technical maintenance, landscaping and energy management services), since July 2018 and currently holds the position of Regional Performance Improvement Director in Asia Region, and is responsible for, among other things, improving the financial performance to the Asia region of the group. From December 2014 to June 2018, Ms. Sai worked for Jones Lang LaSalle Malaysia Sdn Bhd, being a subsidiary of Jones Lang LaSalle group (a multinational company provide professional services and investment management specializing in real estate and listed on the Big Board of NYSE and is a Fortune 500 Company), as a client accounting senior finance manager and was responsible for, among other things, client accounting transitions, and providing inputs into client finance strategy, data and people management. From April 2012 to October 2014, Ms. Sai worked for SunPower Solar Malaysia Sdn. Bhd., being an international solar energy leader and listed on the NASDAQ, an American Stock Exchange, as the head of finance and was responsible for, among other things, providing accounting controllership oversight of Asia-Pacific, Europe regions, cash flow management and intercompany transaction of the same region and financial reporting. From March 2009 to June 2011, Ms. Sai worked for Jones Lang LaSalle (VIC) Pty Ltd. (in partnership with Telstra Limited – a company listed on the ASX20 in Australia as a blue chip company) as the senior accountant and was responsible for all financial assessment. From June 2006 to April 2009, Ms. Sai worked for Knight Frank Australia Pty Ltd., being an multinational property consultancies where the headquarters in UK, initially as an assistant accountant in property accounting services and then as an national accountant in corporate finance and was responsible for all accounting matters.

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

Mr. Puar Chin Jong, aged 49, was appointed as our independent non-executive Director on 19 February 2019 and is mainly responsible for providing independent judgement on our Group's strategy, performance, resources and standard of conduct. Mr Puar is a member of the audit committee and the remuneration committee of the Company.

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

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

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

Mr. Chu Kheh Wee, aged 49, was appointed as our independent non-executive Director on 19 February 2019 and is mainly responsible for providing independent judgement on our Group's strategy, performance, resources and standard of conduct. Mr. Chu is a member of the audit committee, the remuneration committee and the nomination committee of the Company.

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

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

Mr. Chu was appointed in December 2019 as executive director of SMRT Holdings Berhad, a Malaysian company listed on the Ace Market of Bursa Malaysia Securities Berhad, Malaysia.

SENIOR MANAGEMENT

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

Name	Age	Year Join	Position
Mr. Goh Eng Kiat	61	2009	Regional Manager
Mr. Lee Heng Wai	39	2015	Finance Manager

Mr. Goh Eng Kiat, aged 61, joined our Group as a director of HH Metal Johor and our regional manager in May 2009 and is mainly responsible for managing our operations in the states of Melaka and Johor.

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

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

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

Mr. Lee Heng Wai, aged 39, joined our Group as an accountant in January 2015. He is currently our finance manager and is mainly responsible for accounts and treasury related matters of our Group.

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 December 2019, our revenue achieved RM990.6 million (2018: RM894.4 million), representing an increase of 10.8% as compared to the previous year. Sales volume of the scrap ferrous metals for year ended 31 December 2019 was 692,899 tonnes (2018: 580,911 tonnes), representing an increase of 19.3% as compared to the previous year. Our performance in 2019 reflected the continuous growth of demand of our recycled products during the year.

However, the steel market in Malaysia witnessed a sustained price fall since mid of year 2019, following the price trend in the international steel market as driven by the global excess supply and the protracted Sino-US trade tension. The steel bar price dropped from RM2,240 per tonne in July 2019 to RM1,950 per tonne in December 2019, down by RM290 per tonne or 12.9% according to Ministry of International Trade Industry ("**MITI**") in Malaysia. Steel mills in the midst of such price decline offered our Group a lower buying price. In addition, the market competition amongst scrap ferrous metal traders in securing supplies in Malaysia has become more intense during 2019 which has resulted the increase in procurement prices. As a result, our Company experienced a gradual tightening in our gross margin for the scrap ferrous metal trading business since July 2019. Thus, we recorded a net profit of RM6.7 million (2018: RM24.6 million).

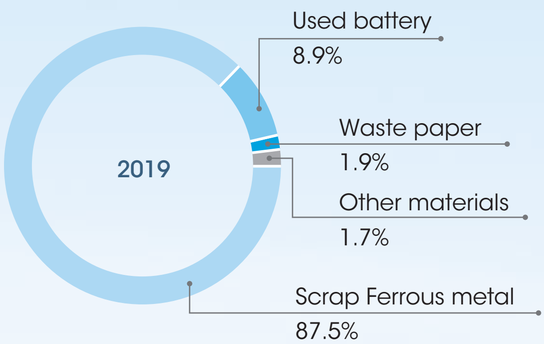
The domestic steel bar price regained its rising momentum from an exceptionally low level in third quarter of 2019 and continued into beginning of 2020. According to MITI in Malaysia, the steel bar price was RM2,170 per tonne as at 13 March 2020. There are also sign of improvement in market sentiment following the announcements of some mega infrastructure and development projects, and construction activities are expected to ramp up eventually. Nonetheless, the recent outbreak of coronavirus in worldwide has disrupted the supply chains and steel prices, contributing to short-term market uncertainty and risk. The major global and local uncertainties may affect construction market recovery.

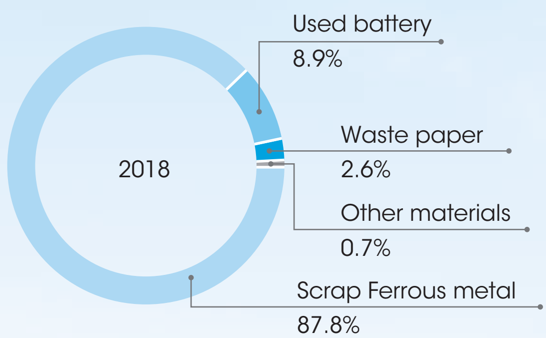
Looking forward into 2020, the Group will continue to leverage off our core competitive advantages to achieve remarkable growth in our revenue and profitability. We plan to continue to strengthen our market leading position in the Malaysian scrap ferrous metal trading industry, by expanding our supplier and customer bases and increasing our business volume of scrap ferrous metals. We will exercise caution and hope to achieve a satisfactory performance in this turbulent business environment.

FINANCIAL REVIEW

Revenue

Revenue of the Group for the year ended 31 December 2019 was RM990.6 million (2018: RM894.4 million), representing an increase of 10.8% as compared to last year. The breakdown of our total revenue by product types for the years under review are as below:





The increase in the Group's revenue was mainly attributable to the increase in sales volume of scrap ferrous metals of 19.3%. The increase in sales volume of scrap ferrous metals was primarily attributable to two reasons. Firstly, there was an increase in demand for the scrap ferrous metals in Malaysia for year ended 31 December 2019. Secondly, the shortened trade receivables turnover days enhanced the Group's capability to purchase more scrap ferrous metals from suppliers for trading purposes.

Despite the increase in sale volume of scrap ferrous metals, the average selling price of scrap ferrous metals decreased by 7.4%, which was mainly attributable to sustained price fall for steel bar price since mid of year 2019, basically following the price trend in the international steel market as driven by the global excess supply and the protracted Sino-US trade tension. As a result, steel mills in the midst of such price decline eventually offering our Group a lower buying price.

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

	Year Ended 31 December							
	2019				2018			
	Volume sold *(tonnes)*	*%*	**Revenue** *(RM'000)*	*%*	Volume sold *(tonnes)*	*%*	Revenue *(RM'000)*	*%*
Local	**669,766**	**96.7**	**838,067**	**96.7**	571,234	98.3	769,765	98.0
Export	**23,133**	**3.3**	**29,200**	**3.3**	9,677	1.7	15,762	2.0
Total	**692,899**	**100.0**	**867,267**	**100.0**	580,911	100.0	785,527	100.0

Gross Profit

Despite that the revenue for year ended 31 December 2019 increased by 10.8% as compared with last year, our Group's gross profit for year ended 31 December 2019 decreased from RM58.4 million to RM50.4 million as compared with last year.

Our Group's gross profit margin declined to 5.1% for the year ended 31 December 2019 as compared to 6.5% for the year ended 31 December 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.

Our Company experienced a gradual tightening in our gross margin for the scrap ferrous metal trading business since July 2019 mainly due to two reasons. Firstly, procurement price offered by our customers generally declined in response to the general price decrease in steel products. Secondly, the market competition amongst scrap ferrous metal traders in securing supplies in Malaysia has become more intense during 2019 which has resulted in higher buying prices in sourcing suppliers. Our Group was not able to reduce the procurement price payable to the suppliers for scrap ferrous metal by the same magnitude as its customers lowered their buying price offered to our Group.

Other income

Other income decreased from RM0.13 million for year ended 31 December 2018 to RM0.09 million for year ended 31 December 2019, mainly attributable to less insurance compensation claimed during the year.

Other (losses)/gains, net

Our Group's other (losses)/gain, nets decreased from net gains of RM9.4 million for year ended 31 December 2018 to net losses of RM0.8 million for year ended 31 December 2019. This was mainly attributable to the absence of one-off gain of RM9.3 million on the disposal of assets classified as held for sale recognised in year ended 31 December 2018. Further, there was a provision for loss allowance on trade receivables of RM1.2 million provided for during the year pursuant to the measurement of expected credit losses allowance on trade receivables.

Distribution and Selling Expenses

Our Group's distribution and selling expenses increased from RM11.2 million for year ended 31 December 2018 to RM19.4 million for year ended 31 December 2019, primarily due to the increase in truck hire expenses for engaging external logistic companies to cope with growing demands of scrap ferrous metal from a new customer located in the state of Pahang, Malaysia.

Administrative Expenses

The decrease in the Group's administrative expenses from RM24.2 million for year ended 31 December 2018 to RM17.2 million was mainly attributable to two reasons. Firstly, the listing expenses decreased by RM4.5 million for year ended 31 December 2019, which primarily consisted of professional fees in connection with the Listing of the Company. Secondly, the executive directors have collectively agreed to waive their incentives and bonuses for the year ended 31 December 2019.

Taxation

Malaysian corporate income tax has been provided at the rate of 24% of the estimated assessable profit. Our effective tax rate for year ended 31 December 2019 was 43.9% (2018: 23.7%). The high effective tax rate of 43.9% was mainly attributable to the non-deductible listing expenses of RM3.8 million incurred during the year and also the realisation of deferred tax assets in relation to the prior years' accrued bonuses paid during the year.

Profit Attributable to Owners of the Company

The Group's profit attributable to owners for year ended 31 December 2019 was RM6.7 million (2018: RM24.6 million), which is in tandem with the decrease in profit before tax expenses.

Key Financial Ratios

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

	As At 31 December	
Liquidity Ratios	**2019**	2018
Current ratio	**9.3 times**	4.0 times
Gearing ratio	**0.06 times**	0.1 times
	For the year ended 31 December	
	2019	2018
Inventories' turnover period	**5.6 days**	3.9 days
Trade receivables' turnover period	**34.6 days**	36.1 days
Trade payables' turnover period	**3.4 days**	5.5 days

Working Capital

The inventories' turnover period of the Group was 5.6 days for the year ended 31 December 2019 as compared to 3.9 days for the previous year. The marginal increase was primarily due to increase in volume of inventories maintained at our scrapyards to satisfy the increasing demands of our customers.

The Group's trade receivables' turnover period was 34.6 days for the year ended 31 December 2019 as compared to 36.1 days for the previous year. Such decrease was mainly attributable to the stringent credit monitoring policy adopted by the Group during the year ended 31 December 2019.

The Group's trade payables' turnover period was 3.4 days for year ended 31 December 2019 as compared to 5.5 days for the previous year. 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 metal from suppliers at a faster pace.

Liquidity and Financial Resources

As at 31 December 2019, the Group's total equity attributable to owners amounted to RM175.9 million (2018: RM117.4 million) including retained earnings of RM91.9 million (2018: 87.9 million). The Group's working capital amounted to RM153.8 million (2018: RM99.4 million) of which cash and bank balances, pledged bank deposits and fixed deposits were RM45.3 million (2018: RM10.8 million).

Taking into account the cash and cash equivalents on hand, 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 financial year. The Board will continue to follow a prudent treasury policy in managing its bank balances and cash and maintain a strong and healthy liquidity to ensure that the Group is well positioned to achieve its business objectives and strategies.

Total borrowings of the Group as at 31 December 2019 were RM10.5 million (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 31 December 2019 was 0.06 times (2018: 0.1 times). Gearing ratio is calculated based on total interest-bearing debts divided by total equity as at the end of the year.

Future Plans for Material Investments and Capital Assets

As at 31 December 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 year ended 31 December 2019, the Group did not have any material acquisitions and disposals of subsidiaries, saved as disclosed in Note 1 to the consolidated financial statements.

Pledge of Assets

At 31 December 2019, the Group has pledged the following assets to banks to secure certain bank borrowings and general banking facilities granted to the Group:

	2019 **RM'000**	2018 RM'000
Property, plant and equipment	**-**	10,469
Right-of-use assets	**10,294**	–
Investment properties	**3,397**	3,412
Pledged bank deposits	**5,140**	5,232
	18,831	19,113

Contingent Liabilities

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

Capital Commitments

As at 31 December 2019, the Group has capital commitment in respect of acquisition of plant and equipment of RM1.7 million (2018: RM2.4 million).

Risk Management

The Group in its ordinary course of business is exposed to 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 operating subsidiaries. The Group is not exposed to significant foreign currency risk.

The Group has minimal exposure to foreign currency risk as most of the business transactions, assets and liabilities are principally denominated in RM. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The management monitors our foreign currency closely and will consider hedging significant foreign currency exposure should the need arise.

The Group's interest rate risk mainly arises from borrowings. Borrowings excluding hire purchase liabilities obtained at variable rates expose the Group to cash flow interest rate risk.

The credit risk of the Group mainly arises from cash and 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 as at the date of initial recognition. The Group considers available reasonable and supportive forwarding looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of individual debtor

- significant increases in credit risk on other financial instruments of the individual debtor

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

To manage this risk arising from cash and bank deposits, our Group only transacts with reputable commercial banks which are all high-credit-quality financial institutions. There has been no recent history of default in relation to these financial institutions. The expected credit loss of cash and bank balances is close to zero.

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 year ended 31 December 2019, the expected losses rate for trade receivables is 1.3% (2018: less than 1%). The provision for trade receivables made during the year ended 31 December 2019 is RM1.2 million (2018: Nil).

The Group made no write-off of trade receivables during the years ended 31 December 2019 and 2018.

The Group has significant concentration of credit risk from customers for scrap ferrous metals such as steel mills and ferrous metal trading companies. At 31 December 2019, 92% (2018: 94%) of its total trade receivables was due from this group of customers. As our Group is one of the few approved scrap metal providers to the steel mill customers and based on the past repayment history and forward-looking estimates, the Directors believe that the credit risk inherent in the Group's outstanding trade receivables from this group of customers is low.

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

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.

EVENTS OCCURRED SINCE THE END OF THE YEAR ENDED 31 DECEMBER 2019

The recent outbreak of Coronavirus Disease 2019 ("**COVID-19**") since early of year 2020 has seen significant cases increased worldwide which prompted The World Health Organisation to declare it as a pandemic on 11 March 2020. A series of precautionary and control measures have been and continued to be implemented across the world. The Malaysian Government imposed the MCO from 18 March 2020 to 14 April 2020. Consequently, the MCO is expected to have material adverse effects on the Malaysia's economy for year 2020.

The management of the Group has assessed the overall impact of the situation on the Group's operations and financial position and concluded that there are no material effects on the consolidated financial statements for the year ended 31 December 2019. As at the date of this annual report, management is unable to reliably estimate the financial impact of COVID-19 on the Group's financial results for the year ending 31 December 2020 as the pandemic has yet to run its full course hence the current situation is still fluid. The Directors shall continuously assess the impact of COVID-19 on its operations as well as the financial position for the year ending 31 December 2020.

CORPORATE GOVERNANCE REPORT

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. During the date of listing of the Company to year ended 31 December 2019, the Company has been in compliance with 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 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.

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 for Securities Transactions by Directors of Listed Issuer" (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities.

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

BOARD OF DIRECTORS (THE "BOARD")

Responsibilities

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

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

Directors' and Senior Management's Liability Insurance and Indemnity

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

Board Composition

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

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

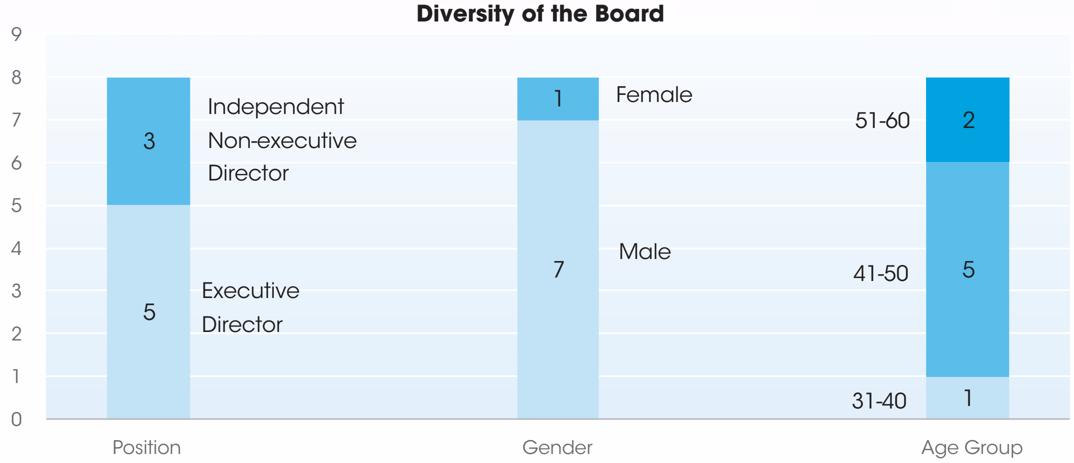
Board Diversity Policy

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

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

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

Diversity of the Board



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

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

Confirmation of Independence by the Independent Non-executive Directors

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

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

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

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

Induction and Continuous Professional Development

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

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

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

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

Chairman and Chief Executive Officer

Under the code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. There is deviation from the code provision A.2.1 of the Corporate Governance Code as the positions of chairman and chief executive officer are held by Mr. Sia Kok Chin who has managing our business since 2001. The Directors consider that vesting the roles of the chairman of the Board and the chief executive officer in Mr. Sia Kok Chin is beneficial to the management and business development of the Group and will provides strong and consistent leadership to the Group. The Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Appointment and re-election of Directors

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

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

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

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

Board Meetings

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

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

Since the date of listing of the Company and up to the year ended 31 December 2019, four board meetings were held and the attendance of the individual Directors at these meetings is set out in the table below:

Directors	Attendance/ number of meetings held
Mr. Sia Kok Chin	4/4
Datuk Sia Keng Leong	4/4
Mr. Sia Kok Chong	4/4
Mr. Sia Kok Seng	4/4
Mr. Sia Kok Heong	4/4
Ms. Sai Shiow Yin	4/4
Mr. Puar Chin Jong	4/4
Mr. Chu Kheh Wee	4/4

Delegation by the Board

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

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

BOARD COMMITTEES

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

Audit Committee

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

Since the date of listing of the Company and up to the year ended 31 December 2019, four meetings of the Audit Committee were held and the attendance record of the Audit Committee members is set out in the table below:

Directors	Attendance/ number of meetings held
Ms. Sai Shiow Yin	4/4
Mr. Puar Chin Jong	4/4
Mr. Chu Kheh Wee	4/4

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

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

Nomination Committee

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

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

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

Since the date of listing of the Company and up to the year ended 31 December 2019, one meeting of the Nomination Committee was held on and the attendance record of the Nomination Committee members is set out in the table below:

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

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

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

Remuneration Committee

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

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

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

Since the date of listing of the Company and up to the year ended 31 December 2019, one meeting of the Remuneration Committee was held and the attendance record of the Remuneration Committee members is set out in the table below:

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

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

Details of the remuneration by band of the members of senior management of the Company, whose biographies are set out on page 8 to page 11 of this annual report, for the year ended 31 December 2019 are set out in the consolidated financial statements on page 101 of this annual report.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the 2019 Financial Year which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

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

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

The statements by the auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on page 47 to page 51 of this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

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

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

AUDITOR'S REMUNERATION

For the year ended 31 December 2019, the Group had engaged the Group's external auditor, PricewaterhouseCoopers ("**PwC**"), to provide audit and non-audit services. Aggregate fees in respect of audit and non-audit services provided by PwC during the year ended 31 December 2019 were set out on page 83 of this annual report.

COMPANY SECRETARY AND PRIMARY CONTACT OF THE COMPANY

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

During the year ended 31 December 2019, Ms. Yeung Ching Man has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

CONVENING OF GENERAL MEETING

The Board strives to maintain an on-going dialogue with the Shareholders of the Company. Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings. The process of the Company's general meeting is monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that Shareholders' needs are best served. The Company uses annual general meeting as one of the principal channels for communicating with the Shareholders. The Company ensures that Shareholders' views are communicated to the Board.

At the annual general meeting, each substantially separate issue has been considered by a separate resolution, including the election of individual Directors. The Chairman of the Board, chairmen of the respective Board committees and the external auditor usually attend annual general meetings to communicate with and answer questions from the Shareholders.

The last annual general meeting of the Company was the 2019 annual general meeting (the "**2019 AGM**") which was held at Saujana Hotels & Resorts, Jalan Lapangan Terbang SAAS, 40150 Selangor, Malaysia on Saturday, 15 June 2019 at 10:00 a.m. The attendance of individual Director at the annual general meeting held in 2019 is set out in the table below.

Name of Directors	**Number of annual general meeting attended/held**
Executive Directors	
Mr. Sia Kok Chin	1/1
Datuk Sia Keng Leong	1/1
Mr. Sia Kok Chong	1/1
Mr. Sia Kok Seng	1/1
Mr. Sia Kok Heong	1/1
Independent non-executive directors	
Ms. Sai Shiow Yin	1/1
Mr. Puar Chin Jong	1/1
Mr. Chu Kheh Wee	1/1

All resolutions put to Shareholders at the 2019 AGM were passed. The Company's Hong Kong branch share registrar were appointed as scrutineers to monitor and count the poll votes cast at that meeting. The results of the voting by poll were published on the websites of the Company and the Stock Exchange.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

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

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

To promote effective communication, the Company adopts a shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and its shareholders and maintains a website at www.henghup.com where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. In 2020, the Company will focus more on the demands of investors and analysts, pay close attention to important policies of the environmental protection and energy conservation industry and allow timely access by the public to sufficient business information and recent developments of the Company.

SHAREHOLDERS' RIGHTS

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

Procedures for Shareholders to Convene an Extraordinary General Meeting

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

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

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

Shareholders' inquiries

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

Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
Tel: (852) 2980 1333
Fax: (852) 2810 8185
Email: is-enquiries@hk.tricorglobal.com

Investor Relations and Communications

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

CHANGE IN CONSTITUTIONAL DOCUMENTS

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

DIRECTORS' REPORT

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

CORPORATE INFORMATION

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

REORGANISATION AND SHARE OFFER

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

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

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

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

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

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

BUSINESS REVIEW

A review of the Group's business during the year, which includes a discussion of the principal risks and uncertainties facing by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year, and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairman's Statement" on page 5 and "Management Discussion and Analysis" from page 13 to page 18 in this annual report respectively. The financial risk management objectives and policies of the Group can also be found in note 3 to the consolidated financial statements and the consolidated financial statements. In addition, a discussion on relationships with its key stakeholders is included in the section headed "Management Discussion and Analysis" in this annual report. The review forms part of this directors' report.

RESULTS AND APPROPRIATIONS

The consolidated results of the Group for the year ended 31 December 2019 are set out on page 52 of this annual report.

DIVIDEND

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

The Board resolved on 23 September 2019 to declare the payment of a special divided of HK$0.005 per ordinary share. The special dividend was paid on 13 November 2019 to shareholders whose names appear in the register of members of the Company at the close of business on 14 October 2019.

The Board does not recommended the payment of any final dividend for the year ended 31 December 2019 (2018: Nil).

FIVE YEARS FINANCIAL SUMMARY

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

DONATIONS

The Group contributed approximately RM93,890 in cash and in-kind donations during the year to various charity organisations in Malaysia and majority our donations went toward children, youth and elderly causes mainly for education and community programmes and activities.

USE OF PROCEEDS FROM THE SHARE OFFER

The shares of the Company have been listed and traded on the Stock Exchange on 15 March 2019.

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.

	As at 31 December 2019		
	Available (RM' 000)	**Utilised (RM' 000)**	**Net Proceeds Unutilised (RM' 000)**
Partially replacing our fleet of trucks	3,604	2,044	1,560
Enhancing our processing abilities	2,908	2,598	310
Setting up a new enterprise resource planning system	942	372	570
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	723	5,666
The Group's working capital for our scrap ferrous metal trading business	18,471	18,471	–
General working capital for other general corporate purpose (excluding the purchase of scrap materials)	4,096	4,096	–
Total	40,956	28,304	12,652

As at the date of this annual report, there were no changes of the business plans from those disclosed in the section headed "Future Plans and Use of Proceeds" of the Prospectus of the Company issued on 27 February 2019.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2019, the Group's largest customers accounted for 84.5% (2018: 87.4%) of the Group's total revenue. The Group's five largest customers accounted for 96.3% (2018: 95.7%) of the Group's total revenue.

For the year ended 31 December 2019, the Group's largest suppliers accounted for 5.8% (2018: 4.8%) of the Group's total cost of procurement. The Group's five largest suppliers accounted for 20.7% (2018: 19.0%) of the Group's total cost of procurement.

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year ended 31 December 2019 are set out in note 15 to the consolidated financial statements.

SHARES CAPITAL ISSUED DURING THE YEAR

Details of movements in the share capital of the Company during the year ended 31 December 2019 are set out in note 21 to the consolidated financial statements.

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

Neither the Company nor any member of the Group has purchased, sold or redeemed any of the Company's shares during the period from the date of listing of the Company and up to the year ended 31 December 2019.

PRE-EMPTIVE RIGHTS

There were no provisions for pre-emptive rights under the articles of association of the Company, which requires the Company to offer new Shares on a pro-data basis to existing Shareholders.

DISTRIBUTABLE RESERVES

The Company has distributable reserve of RM0.4 million as at 31 December 2019.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2019 are set out in note 23 to the consolidated financial statements.

DIRECTORS

The Directors who held office during the year ended 31 December 2019 and up to the date of this annual report were:

Executive Directors

Mr. Sia Kok Chin
Datuk Sia Keng Leong
Mr. Sia Kok Chong
Mr. Sia Kok Seng
Mr. Sia Kok Heong

Independent Non-executive Directors

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

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

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

EQUITY-LINKED AGREEMENTS

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

SHARE OPTION SCHEME

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

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

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

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

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

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' SERVICE CONTRACT AND LETTER OF APPOINTMENTS

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

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

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

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

No transactions, arrangements and contracts of significance in relation to the Group's business (including those to which the Company's subsidiaries, fellow subsidiaries or its parent company was a party) in which a director of the Company or an entity connected with a director had material interest, whether directly or indirectly, subsisted during the year ended 31 December 2019.

PERMITTED INDEMNITY

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

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business were entered into or subsisted during the year ended 31 December 2019.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

There was no contract of significance to which the Company or its holding company or any of its subsidiaries was a party and in which any Controlling Shareholder had a material interest subsisted during the year ended 31 December 2019.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had 129 (2018: 109) employees in Malaysia. For the year ended 31 December 2019, total staff costs and related expenses of the Group (including the Directors' remuneration) were RM10.8 million (2018: RM16.0 million), representing a decrease of 32.5% as compared to the year ended 31 December 2018. The decrease was mainly attributable to the executive directors have collectively agreed to waive their incentives and bonuses for the year ended 31 December 2019. 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.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

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

As at 31 December 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 SFO (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

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

Name of Director	Nature of interest	Number and class of Shares	Approximate percentage of shareholding (Note 1)
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 31 December 2019, the total number of issued shares was 1,000,000,000 ordinary shares.

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

(3) The Sia Brothers entered into a deed of acting in concert confirmation and undertaking dated 20 August 2018. As such, each of the Sia Brothers, being parties to the deed of acting in concert confirmation and undertaking, is deemed under the SFO to be interested in the 510,000,000 Shares collectively held through 5S Holdings BVI Limited ("**5S Holding**") 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.

Interests in associated corporation were as below:

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

Save as disclosed above, as at 31 December 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 year ended 31 December 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

As at 31 December 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 and class of Shares	Approximate percentage of shareholding (Note 1)
5S Holdings	Beneficial owner	510,000,000 ordinary shares (L) (Note 3)	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 31 December 2019, the total number of issued shares was 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 31 December 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.

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 (the "**Deed of Non-competition**") pursuant to which they have irrevocably and unconditionally undertaken to the Company (for the Company itself and on behalf of the members of the Group) that, during the period that the Non-Competition Deed remains effective, he/it/she shall not, and shall procure that his/its/her close associates (other than any member of the Company) shall not, directly or indirectly, develop, acquire, participate in, hold any right or interest or invest in or engage in, render any services for or otherwise be involved in any business in competition with or likely to be in competition with the existing business activities of the Company in Malaysia or any other area in which the Company carries on business.

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

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 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.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

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

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

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

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

Annual caps for the year ended/ending 31 December		
2019	**2020**	**2021**
RM	**RM**	**RM**
120,000	120,000	120,000

Reasons for the transactions

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

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

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

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

Annual caps for the year ended/ending 31 December		
2019	**2020**	**2021**
RM	**RM**	**RM**
45,600	45,600	45,600

Reasons for the transactions

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

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

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

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

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

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

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

Annual caps for the year ended/ending 31 December		
2019	**2020**	**2021**
RM	**RM**	**RM**
0.4 million	0.5 million	0.6 million

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

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

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

Annual caps for the year ended/ending 31 December		
2019	**2020**	**2021**
RM	**RM**	**RM**
40.0 million	45.0 million	50.0 million

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

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

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

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

Annual caps for the year ended/ending 31 December		
2019	**2020**	**2021**
RM	**RM**	**RM**
35.0 million	40.0 million	45.0 million

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

CONFIRMATION BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group during the year ended 31 December 2019 are set out in Note 29 to the consolidated financial statements. The related party transactions disclosed in note 29 to the consolidated financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Board has adopted the principles and the code provisions of the Corporate Governance Code contained in Appendix 14 to Listing Rules to ensure that the Company's business activities and decision making processes are regulated in a proper and prudent manner, except for the deviation from the code provision A.2.1 of the Corporate Governance Code. Mr. Sia Kok Chin, as the chairman of the Board and the chief executive officer, has been managing our business since 2001. The Directors consider that vesting the roles of the chairman of the Board and the chief executive officer in Mr Sia Kok Chin is beneficial to the management and business development of the Group and will provides strong and consistent leadership to the Group. The Board will continue to review an consider splitting the roles of the chairman of the Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 19 to 30 of this annual report. During the Period, the Company has fully complied with the Corporate Governance Code.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued share capital, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, are held by the public at all times as of the date of this report.

AUDITORS

The consolidated financial statements for the year ended 31 December 2019 have been audited by PricewaterhouseCoopers, Certified Public Accountants, who retire and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the year ended 31 December 2019.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 16 June 2020 to Saturday, 20 June 2020, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting to be held on Saturday, 20 June 2020 (the "**2020 AGM**"). In order to be eligible to attend and vote at the 2020 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 pm on Monday, 15 June 2020.

On behalf of the Board

Sia Kok Chin
Chairman and Chief Executive Officer
Malaysia
Date: 27 March 2020

INDEPENDENT AUDITOR'S REPORT
ON CONSOLIDATED FINANCIAL STATEMENTS

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Heng Hup Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 52 to 108, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

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

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

KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition
- Impairment assessment of trade receivables

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition	
Refer to note 2.22 and 5 to the consolidated financial statements. The Group recognised revenue of RM990,604,000 for the year ended 31 December 2019. The sale of recycling materials is recognised at the point in time when the control of the goods is transferred to the customers, being when the goods are delivered to the customers. We focus on this area due to its magnitude and the high volume of transactions involved. Any errors arising from recording of revenue might have a significant impact to the consolidated financial statements. As a result, a significant amount of effort was spent on auditing this area.	Our procedures to test the revenue recognition among others included the following: We understood, evaluated and validated management's key internal controls in its revenue recognition process. We performed data analytics to analyse entries in the detailed sales ledger over the matching of revenue transactions to accounts receivables and/or cash and bank in order to identify non-routine transactions. We inquired management of the rationale over non-routine transactions and checked to supporting documents for corroboration. We tested samples of sales transactions by tracing to supporting documents such as customers' goods receipt notes or shipping documents for exports, invoices, and bank statements for settlements of the transactions. Performed cut-off testing on a sample of revenue transactions before and after year end to assess whether revenues were recognised in the proper period. For accrued revenue where invoices have yet to be raised as of year-end, we have verified on a sample basis that the Group has earned the right to consideration in exchange for goods that the Group has delivered to the customer by sighting to customers' goods receipt notes as well as subsequent invoices raised to customers after year-end. On a sample basis, we circularised confirmations with customers to confirm the balance outstanding as at year end. Based on our work performed, we did not identify any material exceptions.

Key Audit Matter	**How our audit addressed the Key Audit Matter**
Impairment assessment of trade receivables Refer to notes 2.11, 3.1(b)(ii) and 18 to the consolidated financial statements. As at 31 December 2019, the Group had trade receivable of approximately of RM91,545,000 which includes expected credit loss ("ECL") allowance of RM1,207,000. The Group monitors the outstanding debts from its customers individually due to the high concentration of credit risk. The Group applies the simplified approach to assess the expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. Management applied significant judgement in performing assessment of expected credit losses for trade receivables which takes into account past repayment history, credit risk characteristics and relevant forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses. We focused on this area due to the significant management judgement used to evaluate the recoverability of such balances.	Audit procedures performed over this key audit matters were as follows: Discussed with management to understand the underlying assumptions used in the simplified approach under IFRS 9 when determining the ECL for trade receivables. Agreed trade receivables amount as at year end to the general ledger to ensure completeness and tested the accuracy of the ageing against supporting documents. In assessing the inputs used in the ECL model on trade receivables, we performed the following procedures: Agreed the ageing profile of individual customer to the trade receivables ageing report, verified the default risk score used by management to the underlying source where applicable, considered the appropriateness of the forward-looking information such as macroeconomic of Malaysia and the outlook of the steel industry in Malaysia, and held discussions with management to understand the factors they have considered in adjusting the inputs. We assessed and challenged, where appropriate, the basis of adjustments to the customer default risk score as well as the reasonableness of the forward-looking information. Tested mathematical accuracy of the model used. Reviewed the adequacy of the Group's disclosures included in note 3.1(b)(ii) and 18 to the accompanying consolidated financial statements. We found that management's judgement used to assess the impairment of the trade receivables in the year to be supported by available evidence.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 RM'000	2018 RM'000
Revenue	5	**990,604**	894,405
Cost of sales	8	**(940,252)**	(836,011)
Gross profit		**50,352**	58,394
Other income	6	**85**	129
Other (losses)/gains, net	7	**(827)**	9,387
Distribution and selling expenses	8	**(19,402)**	(11,234)
Administrative expenses	8	**(17,165)**	(24,198)
Operating profit		**13,043**	32,478
Finance income		**543**	433
Finance costs		**(724)**	(638)
Finance costs, net	10	**(181)**	(205)
Share of results of an associate	14	**(976)**	–
Profit before income tax		**11,886**	32,273
Income tax expense	11	**(5,214)**	(7,651)
Net profit and total comprehensive income for the year attributable to the owners of the Company		**6,672**	24,622
Earnings per share attributable to shareholders of the Company for the year (expressed in sen per share)			
Basic earnings per share	13	**0.70**	3.28
Diluted earnings per share	13	**0.70**	3.28

The notes on pages 58 to 108 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 RM'000	2018 RM'000
ASSETS			
Non-current assets			
Investment in an associate	14	**984**	–
Property, plant and equipment	15	**11,726**	18,657
Investment properties	16	**4,025**	4,052
Right-of-use assets	24	**11,747**	–
Deferred income tax assets	25	**18**	53
		28,500	22,762
Current assets			
Inventories	17	**20,224**	8,794
Trade and other receivables	18	**104,681**	113,127
Current income tax recoverable		**2,035**	–
Pledged bank deposits	19	**5,140**	5,232
Fixed deposits	19	**11,986**	–
Cash and bank	20	**28,208**	5,572
		172,274	132,725
Total assets		**200,774**	155,487
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	21	**5,206**	–
Paid in capital	21	**-**	112,313
Share premium		**49,306**	–
Capital reserve		**29,487**	(82,826)
Retained earnings		**91,858**	87,911
Total equity		**175,857**	117,398

The notes on pages 58 to 108 are an integral part of these consolidated financial statements

	Notes	2019 RM'000	2018 RM'000
Non-current liabilities			
Borrowings	23	**5,042**	4,744
Lease liabilities	24	**967**	–
Deferred income tax liabilities	25	**461**	–
		6,470	4,744
Current liabilities			
Trade and other payables	22	**12,401**	26,536
Current income tax liabilities		**56**	841
Borrowings	23	**5,429**	5,968
Lease liabilities	24	**561**	–
		18,447	33,345
Total liabilities		**24,917**	38,089
Total equity and liabilities		**200,774**	155,487

The consolidated financial statements on pages 52 to 108 were approved and authorised for issue by the Board of Directors on 27 March 2020 and are signed on its behalf by:

Mr. Sia Kok Chin
Director

Mr. Sia Kok Seng
Director

The notes on pages 58 to 108 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company						
	Paid-in capital (Note 21) RM' 000	Share premium RM' 000	Capital reserve (Note (a)) RM' 000	Retained earnings RM' 000	Total RM' 000	Non-controlling interests RM' 000	Total equity RM' 000
As at 1 January 2018	6,750	–	–	63,233	69,983	393	70,376
Net profit and total comprehensive income for the year, net of tax	–	–	–	24,622	24,622	–	24,622
	6,750	–	–	87,855	94,605	393	94,998
Transactions with owners in their capacity as owners							
Acquisition of non-controlling interests (Note (b))	–	–	–	56	56	(393)	(337)
Issue of ordinary shares pursuant to a Group reorganisation	82,826	–	(82,826)	–	–	–	–
Issuance of ordinary shares pursuant to settlement of balances with related parties	22,737	–	–	–	22,737	–	22,737
Total transactions with owners in their capacity as owners	105,563	–	(82,826)	56	22,793	(393)	22,400
As at 31 December 2018	112,313	–	(82,826)	87,911	117,398	–	117,398

The notes on pages 58 to 108 are an integral part of these consolidated financial statements

	Attributable to owners of the Company							
	Share capital (Note 21) RM'000	Paid-in capital (Note 21) RM'000	Share premium RM'000	Capital reserve (Note (a)) RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
As at 1 January 2019	-	112,313	-	(82,826)	87,911	117,398	-	117,398
Adoption of IFRS 16 (Note 2.1(a))	-	-	-	-	(50)	(50)	-	(50)
Restated balance as at 1 January 2019	-	112,313	-	(82,826)	87,861	117,348	-	117,348
Net profit and total comprehensive income for the year, net of tax	-	-	-	-	6,672	6,672	-	6,672
Transactions with owners in their capacity as owners								
Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other share issuance costs of RM10,569,000	1,301	-	53,211	-	-	54,512	-	54,512
Capitalisation of share premium into ordinary shares (Note 21)	3,905	-	(3,905)	-	-	-	-	-
Issuance of dividends (Note 12)	-	-	-	-	(2,675)	(2,675)	-	(2,675)
Effect arising from a Group reorganisation (Note (c))	-	(112,313)	-	112,313	-	-	-	-
Total transactions with owners in their capacity as owners	5,206	(112,313)	49,306	112,313	(2,675)	51,837	-	51,837
As at 31 December 2019	5,206	-	49,306	29,487	91,858	175,857	-	175,857

Note:

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

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

(c) Upon completion of the Reorganisation, the Company became the holding company and the combined capital of the underlying subsidiaries was transferred capital reserve.

The notes on pages 58 to 108 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 RM'000	2018 RM'000
Cash flows from operating activities			
Cash (used in)/generated from operations	31	**(1,021)**	9,309
Tax paid		**(7,538)**	(11,260)
Net cash used in operating activities		**(8,559)**	(1,951)
Cash flows from investing activities			
Investment in an associate	14	**(1,960)**	–
Purchases of property, plant and equipment	15	**(3,664)**	(2,667)
Purchases of investment properties		**-**	(419)
Placement of fixed deposits		**(11,986)**	–
Proceeds from disposal of property, plant and equipment	31	**126**	175
Proceeds from disposal of assets classified as held for sale	31	**-**	465
Interests received		**543**	433
Withdrawal of pledged bank deposits		**92**	1,871
Net cash used in investing activities		**(16,849)**	(142)
Cash flows from financing activities			
Interests paid		**(583)**	(638)
Repayments of borrowings	31	**(2,470)**	(2,356)
Repayments to directors	31	**-**	(1,001)
Principal elements of lease payments	31	**(508)**	–
Dividends paid	12	**(2,675)**	–
Proceeds from the issuance of ordinary shares relating to initial public offering	21	**65,081**	–
Listing expenses paid		**(10,569)**	(1,693)
Acquisition of non-controlling interests		**-**	(337)
Net cash generated from/(used in) financing activities		**48,276**	(6,025)
Net increase/(decrease) in cash and cash equivalents		**22,868**	(8,118)
Cash and cash equivalents at beginning of the year		**5,340**	13,458
Cash and cash equivalents at end of the year	20	**28,208**	5,340

The notes on pages 58 to 108 are an integral part of these consolidated financial statements

1 GENERAL INFORMATION AND BASIS OF PRESENTATION

1.1 General information

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

The Company is an investment holding company and its subsidiaries (together, the "**Group**") are principally engaged in trading of scrap ferrous metals, used batteries, waste paper and other scraps in Malaysia (the "**Business**").

Prior to the incorporation of the Company and the completion of a reorganisation (the "**Reorganisation**") in preparation for the listing of the Company's share on the Main Board of The Stock Exchange of Hong Kong Limited, the Business of 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. and Heng Hup Metal (Johor) Sdn. Bhd. (collectively, the "**Operating Companies**"), and are controlled by 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**").

The Reorganisation was completed on 13 February 2019 and since then, the Company became the holding company of the Operating Companies and all other companies now comprising the Group. The Company's shares were successfully listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 15 March 2019.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and the applicable disclosure requirements of the Rules Governing the Listing of Securities of The Stock Exchange and the applicable disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention.

Immediately prior to the Reorganisation, the Group's business was primarily conducted through the Operating Companies. Pursuant to the Reorganisation, the Group's business were transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Group's business with no change in management and the ultimate owners of the Group's business remain substantially the same.

The Group resulting from the Reorganisation is regarded as a continuation of the Group's business under the Operating Companies. Accordingly, the consolidated financial statements have been prepared and presented at the carrying amount of the Operating Companies as a continuation of the Group's business as if the Group structure had always existed as at 1 January 2018.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(a) New and amended standards, interpretation and improvements adopted by the Group

The following new and amended standards, interpretation and improvements have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2019:

Annual improvements project (Amendments)	Annual improvements 2015-2017 Cycle
IFRS 16	Leases
IFRIC-Int 23	Uncertainty over income tax treatments
IFRS 9 (Amendments)	Prepayment features with negative compensation
IAS 28 (Amendments)	Long-term interests in associates and joint ventures
IAS 19 (Amendments)	Plan amendment, curtailment or settlement

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(a) New and amended standards, interpretation and improvements adopted by the Group *(Continued)*

The following explains the impact of the adoption of IFRS 16 Leases ("IFRS 16") on the Group's financial statements.

During the financial year, the Group changed its accounting policies on leases upon adoption of IFRS 16. The Group has elected to use the simplified retrospective transition method and to apply a number of practical expedients as provided in IFRS 16.

Under the simplified retrospective transition method, the 2018 comparative information was not restated and the cumulative effects of initial application of IFRS 16 where the Group is a lessee were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019. The comparative information continued to be reported under the previous accounting policies governed under IAS 17 "Leases" and IFRIC 4 "Determining whether an arrangement contains a Lease".

(i) Adjustments recognised on adoption of IFRS 16

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail below.

	31 December 2018 (As originally presented) RM'000	Effect of IFRS 16 RM'000	1 January 2019 (Restated) RM'000
Consolidated statement of financial position (extract)			
Non-current assets			
Property, plant and equipment	18,657	(10,469)	8,188
Right-of-use assets	–	11,645	11,645
	18,657	1,176	19,833
Equity			
Retained earnings	87,911	(50)	87,861
Non-current liabilities			
Lease liabilities	–	856	856
Current liabilities			
Lease liabilities	–	370	370

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(a) New and amended standards, interpretation and improvements adopted by the Group *(Continued)*

(i) Adjustments recognised on adoption of IFRS 16 *(Continued)*

The table below shows the reconciliation of operating lease commitments disclosed as at 31 December 2018 to the lease liabilities recognised as at 1 January 2019:

	RM' 000
Operating lease commitments disclosed as at 31 December 2018	4
Less: Low-value leases recognised on a straight-line basis as expense	(4)
Add: Adjustments upon adoption of IFRS 16	1,226
Lease liabilities recognised as at 1 January 2019	1,226
Of which are:	
Current lease liabilities	370
Non-current lease liabilities	856
	1,226

There was no material impact on the earnings per share, the segment profits for the year ended 31 December 2019 and the segment assets as at 31 December 2019 as a result of the adoption of IFRS 16.

(ii) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying IAS 17 and IFRIC 4 "Determining whether an arrangement contains a Lease".

Apart from aforementioned IFRS 16, there are no other new standards or amendments to standards, interpretation and annual improvement that are effective for the first time for this financial period that have a material impact on the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(b) New and amended standards not yet adopted by the Group

The following new and amended standards, interpretation, improvements and revised framework are not effective for financial year beginning on 1 January 2019, and have not been applied in preparing these consolidated financial statements:

		Effective for annual periods beginning on or after
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting	1 January 2020
IAS 1 and IAS 8 (Amendments)	Definition of material	1 January 2020
IFRS 3 (Amendments)	Definition of a business	1 January 2020
IAS 39, IFRS 7 and IFRS 9 (Amendments)	Hedge accounting	1 January 2020
IFRS 17	Insurance contracts	1 January 2021
IFRS 10 & IAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	Not yet determined by IASB

The Group will apply the above new and amended standards, interpretation, improvements and revised framework when they become effective. The directors of the Company is in the process of assessing the financial impact of the other new and amended standards, interpretation, improvements and revised framework, but is not yet in a position to state whether they would have significant impacts on its results of operations and financial position.

2.2 Subsidiaries

2.2.1 Consolidation

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation *(Continued)*

(a) Business combination

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

2.4 Segment reporting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('**the functional currency**'). Upon the acquisition of its subsidiaries on 13 February 2019, the Company then adopted Ringgit Malaysia ("**RM**") as its functional currency, which is the functional currency of its operating subsidiaries in Malaysia. The consolidated financial statements are presented in RM, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

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

2.6 Property, plant and equipment

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

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

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

Leasehold land	Over unexpired lease period between 60 to 94 years
Plant and machinery	10% – 20%
Office furniture and equipment	10% – 40%
Motor vehicles	20%
Fixtures and fittings	10%

Accounting policies applied from 1 January 2019

From 1 January 2019, leasehold land are presented as a separate line item in the consolidated statement of financial position. See accounting policy Note 2.24(a) on right-of-use assets for these assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Property, plant and equipment *(Continued)*

Accounting policies applied until 31 December 2018

Until 31 December 2018, leased assets (including leasehold land) under lease arrangement classified as finance lease (refer to accounting policy Note 2.12(a) on finance leases applied until 31 December 2018) are amortised in equal instalments over the period of the respective leases that range from 60 to 99 years.

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

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

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

2.7 Investment properties

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

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

2.8 Impairment of non-financial assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Financial assets

2.9.1 Classification

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

2.9.2 Recognition and measurement

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

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

2.9.3 Debt instruments measured at amortised cost

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

2.10 Offsetting financial instruments

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Impairment of financial assets

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

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

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

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

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

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of trading goods comprises the actual cost of purchase plus the costs of bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and the estimated costs necessary to make the sale.

2.13 Trade and other receivables

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Cash and cash equivalents

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

2.15 Share capital

(a) Classification

Ordinary shares are classified as equity.

(b) Share issue costs

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

2.16 Trade payables

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

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

2.17 Borrowings

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Borrowing costs

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

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

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

2.19 Current and deferred income tax

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

(a) Current income tax

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

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

(b) Deferred income tax

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Current and deferred income tax *(Continued)*

(b) Deferred income tax *(Continued)*

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

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

2.20 Employee benefits

(a) Defined contribution plans

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

(b) Termination benefits

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

(c) Employee leave entitlements

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Employee benefits *(Continued)*

(d) Bonus plan

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

2.21 Provisions

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

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

2.22 Revenue recognition

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

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

2.23 Interest income

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Leases

2.24.1 Accounting policies applied since 1 January 2019

(a) As the lessee

From 1 January 2019, leases are recognised as right-of-use ('ROU') asset and a corresponding liability at the date on which the leased asset is available for use by the Group (i.e. the commencement date).

Lease term

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities.

ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Leases *(Continued)*

2.24.1 Accounting policies applied since 1 January 2019 *(Continued)*

(a) As the lessee *(continued)*

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group presents the lease liabilities as a separate line item in the consolidated statement of financial position. Interest expense on the lease liability is presented within the finance cost in consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Leases *(Continued)*

2.24.1 Accounting policies applied since 1 January 2019 *(Continued)*

(a) As the lessee *(continued)*

Reassessment of lease liabilities

The Group is also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

Short term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture and equipment. Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line bases as an expense in profit or loss.

(b) As the lessor

Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term (note 16). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.24.2 Accounting policies applied until 31 December 2018

(a) As the lessee

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Leases *(Continued)*

2.24.2 Accounting policies applied until 31 December 2018 *(Continued)*

(b) As the lessor

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

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

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

2.25 Hire purchase liabilities

Property, plant and equipment acquired under hire purchase are capitalised in the financial statements and depreciated in accordance with the policy set out in Note 2.6 above. The corresponding outstanding obligations due under the hire purchase after deducting finance expenses are included as liabilities in the financial statements. Finance charges are allocated to profit or loss over the period of the hire purchase agreements on a straight line basis.

2.26 Dividends distribution

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign currency risk

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

Our Group is not exposed to significant foreign currency risk.

(ii) Interest rate risk

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

If the interest rate on borrowings excluding hire purchase liabilities has increased/decreased by 100 basis points with all other variables held constant, post-tax profit would have been approximately RM78,000 (2018: RM96,000) lower/higher for the year ended 31 December 2019.

If interest rates on hire purchase liabilities had been 100 basis points higher/lower with all variables held constant, pre-tax profit would have been approximately RM96,000 (2018: RM37,000) higher/lower for the year ended 31 December 2019, mainly as a result of a decrease/increase in the fair value of the hire purchase liabilities.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

The credit risk of our Group mainly arises from cash and cash equivalents, trade and other receivables and amounts due from related parties. The carrying amounts of these balances represent our Group's maximum exposure to credit risk in relation to financial assets.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of individual debtor
- significant increases in credit risk on other financial instruments of the individual debtor
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the Group and changes in the operating results of the debtor

(i) Credit risk of cash and bank balances

To manage this risk arising from cash and bank deposits, our Group only transacts with reputable commercial banks which are all high-credit-quality financial institutions. There has been no recent history of default in relation to these financial institutions. The expected credit loss of cash and bank balances is close to zero.

(ii) Credit risk of trade receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group considers the credit risk characteristics and the days past due to measure the expected credit losses. During the year ended 31 December 2019, the expected losses rate for trade receivables is 1.3% (FY2018: less than 1%). The provision for trade receivables made during the year ended 31 December 2019 is RM1.207 million (FY2018: Nil).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(ii) Credit risk of trade receivables *(Continued)*

The Group made no write-off of trade receivables during the years ended 31 December 2019 and 2018.

The Group has significant concentration of credit risk from customers for scrap ferrous metals such as steel mills and ferrous metal trading companies. At 31 December 2019, 92% (2018: 94%) of its total trade receivables was due from this group of customers. As the Group is one of a few approved scrap metal providers to the steel mill customers and based on the past repayment history and forward-looking estimates, the directors believe that the credit risk inherent in the Group's outstanding trade receivables from this group of customers is low.

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

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

Other debt instruments at amortised cost include other receivables and amounts due related parties.

As at 31 December 2019 and 2018, all of these financial assets are considered to have low credit risk, and thus the impairment provision recognised during the years was limited to 12 months expected losses. Management considered other receivables from third parties and related parties to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The Group has assessed that the 12 months expected credit losses for these receivables are not material, and thus, no loss allowance provision was recognised during the years ended 31 December 2019 and 2018.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk

Cash flow forecasting is performed by the operating entities of our Group and aggregated by group finance. Group finance monitors rolling forecasts of our Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that our Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration of our Group's debt financing plans, covenant compliance, and if applicable external regulatory or legal requirements, such as currency restrictions.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year RM'000	**Between 1 and 5 years RM'000**	**Over 5 years RM'000**
At 31 December 2019			
Non-derivative financial liabilities			
Borrowings[1]	**5,614**	**3,083**	**2,095**
Lease liabilities[1]	**598**	**1,002**	**-**
Trade and other payables	**12,401**	**-**	**-**
	18,613	**4,085**	**2,095**
At 31 December 2018			
Non-derivative financial liabilities			
Borrowings[1]	6,329	3,387	2,969
Trade and other payables	26,536	–	–
	32,865	3,387	2,969

1 The amounts include interest payable.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital management

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

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

The directors of the Company review the capital structure periodically. The directors of the Company also balance the overall capital structure through the payment of dividends and new share issues. No changes were made in the objectives, policies or processes during the year ended 31 December 2019.

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

The gearing ratios of the Group were as follows:

	2019 **RM'000**	2018 RM'000
Total borrowings (Note 23)	**10,471**	10,712
Total capital	**175,857**	117,398
Gearing ratio	**6%**	9%

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Measurement of ECL allowance for financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of reporting period. Details of the key assumptions and inputs used are disclosed in Note 3.1(b).

(b) Current income tax

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

5 REVENUE AND SEGMENT INFORMATION

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

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

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

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

(a) Revenue by location of goods delivery

During the years ended 31 December 2019 and 2018, the Group mainly traded in Malaysia and most of the revenue were generated in Malaysia.

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

(b) Non-current assets

As at 31 December 2019 and 2018, all non-current assets were all located in Malaysia.

6 OTHER INCOME

	2019 RM'000	2018 RM'000
Compensation received	**9**	59
Rental income	**7**	10
Others	**69**	60
	85	129

7 OTHER (LOSSES)/GAINS, NET

	2019 RM'000	2018 RM'000
Other gains		
Gain on disposal of property, plant and equipment	**126**	145
Gain on disposal of assets held for sale	**–**	9,274
Foreign exchange gains, net	**254**	6
	380	9,425
Other losses		
Property, plant and equipment written-off	**–**	(38)
Provision for loss allowance on trade receivables	**(1,207)**	–
Other (losses)/gains, net	**(827)**	9,387

8 EXPENSES BY NATURE

	2019 RM'000	2018 RM'000
Cost of trading goods sold	**933,219**	829,227
Employee benefit expenses (Note 9)	**10,826**	15,985
Depreciation expenses		
– property, plant and equipment	**2,446**	2,363
– right-of-use assets	**708**	–
Amortisation expenses	**27**	21
Auditors' remuneration		
– Audit services	**650**	137
– Non-audit services	**220**	–
Listing expenses	**3,778**	8,302
Transportation costs	**15,721**	7,052
Other expenses	**9,224**	8,356
Total cost of sales, distribution and selling expenses and administrative expenses	**976,819**	871,443

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2019 RM'000	2018 RM'000
Salaries, bonus and other allowances	**9,737**	14,574
Contribution to defined contribution plans	**801**	1,042
Other employee benefits	**288**	369
Employee benefit expenses (Note 8)	**10,826**	15,985

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

10 FINANCE COSTS, NET

	2019 RM'000	2018 RM'000
Interest income from bank deposits	**543**	433
Interest expense on loans	**(480)**	(538)
Interest expense on hire purchase liabilities	**(141)**	(69)
Interest expense on lease liabilities	**(50)**	–
Interest expense on bank overdrafts	**(53)**	(31)
Finance costs	**(724)**	(638)
Finance costs, net	**(181)**	(205)

11 INCOME TAX EXPENSE

Malaysian corporate income tax has been provided at the rate of 24% (2018: 24%) of the estimated assessable profit for the years ended 31 December 2019 and 2018.

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

	2019 RM'000	2018 RM'000
Current tax:		
Malaysian corporate income tax	**4,064**	7,639
Malaysian real property gains tax	**-**	464
	4,064	8,103
Under provision in prior years:		
Malaysian corporate income tax	**654**	201
	4,718	8,304
Deferred income tax (Note 25)	**496**	(689)
Under provision of deferred income tax in prior year	**-**	36
	496	(653)
Income tax expense	**5,214**	7,651

The reconciliations from the tax amount at the Malaysian corporate income tax rate of 24% (2018: 24%) and the Group's tax expense are as follows:

	2019 RM'000	2018 RM'000
Profit before tax	**11,886**	32,273
Tax at Malaysian corporate income tax rate	**2,853**	7,746
Tax effect of expenses not deductible for tax purpose	**1,707**	1,466
Different tax rates arising from gain from real property investments	**-**	(1,762)
Under provision in respect of prior years	**654**	201
Income tax expense for the years	**5,214**	7,651

12 DIVIDENDS

On 23 September 2019, the Directors had proposed and paid special dividend of HK$0.005 per ordinary share on 1,000,000,000 ordinary shares in respect of the financial year ended 31 December 2019 amounting to a total of RM2,675,000 (equivalent to approximately HK$5,000,000).

No final dividend was paid or proposed by the Company since the end of the reporting period in respect of the year ended 31 December 2019.

13 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company for the financial year by the weighted average number of ordinary shares issued during the respective financial year. The weighted average number of shares used for such purpose has been retrospectively adjusted for the effects of the issuance of shares in connection with the Reorganisation as described in Note 1.1 and the capitalisation of 749,992,500 shares had been effected on 1 January 2019. Diluted earnings per share is calculated by dividing the profit attributable to owners of the Company for the financial year by the weighted average number of ordinary shares issued during the respective financial year adjusted for the dilutive effects of all potential ordinary shares.

	2019 **RM' 000**	2018 RM' 000
Earnings:		
Profit for the years attributable to the owners of the Company	**6,672**	24,622
Number of shares:		
Weighted average number of shares in issue	**950,000,000**	750,000,000
Basic earnings per share (expressed in sen per share)	**0.70**	3.28

As at 31 December 2019 and 31 December 2018, the Company has no outstanding potentially dilutive shares.

14 INVESTMENT IN AN ASSOCIATE

	2019 RM'000
The amounts recognised in the consolidated statement of financial position are as follows:	
Unquoted shares – at cost	**1,960**
Share of results of an associate	**(976)**
Closing carrying value	**984**

The associate as listed below has registered capital consisting solely of paid-in capital, which is held indirectly by the Group. The associate is an unlisted limited liability Company in Malaysia and hence there is no quoted market price available for their shares.

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

Name of entity	Place of incorporation	Principal place of operation	Principal activities	Class of shares held	Proportion of ownership interest and voting rights As at 31 December 2019	Proportion of ownership interest and voting rights As at 31 December 2018
Heng Hup Chiho Recycling (Malaysia) Sdn Bhd ("**Heng Hup Chiho**")	Malaysia	Malaysia	Business of motor scrap and other mix metal scrap dismantling	Ordinary	49%	-

Set out below are the summarised financial information for Heng Hup Chiho which is accounted for using the equity method.

Summarised statement of financial position

	2019 RM'000
Total current assets	**1,815**
Total non-current assets	**1,227**
Total current liabilities	**(1,033)**
Net assets	**2,009**

14 INVESTMENT IN AN ASSOCIATE *(Continued)*

Summarised statement of comprehensive income

	2019 RM'000
Revenue	**1,915**
Net loss and total comprehensive loss for the period since the incorporation date to 31 December 2019	**(1,991)**

Reconciliation of the above summarised financial information to the carrying amount of the interest in the Heng Hup Chiho recognised in the consolidated financial statements:

	2019 RM'000
Net assets of Heng Hup Chiho as at 31 December	**2,009**
Interests in associate	**49%**
Share of net assets	**984**

As at 31 December 2019, there is an amount due from associate of RM86,000 (Note 18) which is unsecured, interest free with no fixed term of repayment.

15 PROPERTY, PLANT AND EQUIPMENT

	Leasehold lands RM'000	Plant and machinery RM'000	Office furniture and equipment RM'000	Motor vehicles RM'000	Fixtures and fittings RM'000	Total RM'000
At 1 January 2018						
Cost	11,623	7,805	2,249	10,165	338	32,180
Accumulated depreciation	(1,005)	(4,355)	(1,309)	(7,978)	(147)	(14,794)
Net book amount	10,618	3,450	940	2,187	191	17,386
Year ended 31 December 2018						
Opening net book amount	10,618	3,450	940	2,187	191	17,386
Additions	27	1,735	275	1,591	74	3,702
Disposals	–	–	(6)	(24)	–	(30)
Written-off	–	(38)	–	–	–	(38)
Depreciation Charge	(176)	(805)	(213)	(1,130)	(39)	(2,363)
Closing net book amount	10,469	4,342	996	2,624	226	18,657
At 31 December 2018						
Cost	11,650	9,031	2,338	10,911	432	34,362
Accumulated depreciation	(1,181)	(4,689)	(1,342)	(8,287)	(206)	(15,705)
Net book amount	10,469	4,342	996	2,624	226	18,657

Notes:

(a) Leasehold land with a net book value of approximately RM10,469,000 were pledged to banks to secure the banking facilities granted to the Group (Note 26).

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Leasehold lands RM'000	Plant and machinery RM'000	Office furniture and equipment RM'000	Motor vehicles RM'000	Fixtures and fittings RM'000	Construction in progress RM'000	Total RM'000
1 January 2019							
Cost	11,650	9,031	2,338	10,911	432	-	34,362
Accumulated depreciation	(1,181)	(4,689)	(1,342)	(8,287)	(206)	-	(15,705)
Effect of adoption of IFRS 16 (Note 2.1(a))	(10,469)	-	-	-	-	-	(10,469)
Net book amount (restated)	-	4,342	996	2,624	226	-	8,188
Year ended 31 December 2019							
Opening net book amount (restated)	-	4,342	996	2,624	226	-	8,188
Additions	-	4,056	337	1,456	-	135	5,984
Depreciation charge	-	(1,061)	(271)	(1,077)	(37)	-	(2,446)
Closing net book amount	-	7,337	1,062	3,003	189	135	11,726
As at 31 December 2019							
Cost	-	13,087	2,675	12,367	432	135	28,696
Accumulated depreciation	-	(5,750)	(1,613)	(9,364)	(243)	-	(16,970)
Net book amount	-	7,337	1,062	3,003	189	135	11,726

Depreciation expense is charged in the consolidated statement of comprehensive income as follows:

	2019 RM'000	2018 RM'000
Cost of sales	1,086	833
Distribution and administrative expenses	1,360	1,530
	2,446	2,363

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

	2019 RM'000	2018 RM'000
Payment by cash	3,664	2,667
Hire purchase liabilities	2,320	1,035
	5,984	3,702

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Net book value of certain plant and machinery and motor vehicles which are under hire purchase arrangements are as follows:

	2019 **RM'000**	2018 RM'000
Cost	**5,587**	2,179
Accumulated depreciation	**(1,064)**	(401)
	4,523	1,778

The terms of the hire purchase arrangements are between 2 to 5 years.

16 INVESTMENT PROPERTIES

	2019 **RM'000**	2018 RM'000
Land and buildings		
At 1 January	**4,052**	3,654
Additions	**-**	419
Amortisation	**(27)**	(21)
At 31 December	**4,025**	4,052
Fair values	**4,450**	4,450

Notes:

(i) The above investment properties, which are located in Malaysia during the year ended 31 December 2019 are depreciated on a straight-line basis over the remaining useful lives. The remaining balance of carrying amount include land and building held for appreciation.

(ii) The Group has certain pledged investment properties to secure banking facilities granted to the Group during the year ended 31 December 2019 (Note 26).

(iii) Rental income from these investment properties for the year ended 31 December 2019 amounted to RM7,000 (2018:RM10,000) (Note 6).

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

17 INVENTORIES

	2019 **RM'000**	2018 RM'000
Trading goods	**20,224**	8,794

The cost of trading good sold recognised as expense and included in cost of sales amounted to RM933,219,000 (2018: RM829,227,000) during the year ended 31 December 2019.

18 TRADE AND OTHER RECEIVABLES

	2019 RM'000	2018 RM'000
Trade receivables	**92,752**	96,028
Less: Provision for loss allowance	**(1,207)**	–
	91,545	96,028
Other receivables	**2,181**	1,021
Deposits and prepayments	**2,588**	4,263
Downpayment to suppliers	**8,179**	11,654
Other tax receivables	**102**	161
Amount due from an associate (Note 29 (c))	**86**	–
	104,681	113,127

The Group generally grants credit terms ranging from 0 to 90 days to customers upon the approval of management according to the credit quality of individual customers. The ageing analysis of the trade receivables based on invoice date were as follows:

	2019 RM'000	2018 RM'000
0 – 30 days	**88,526**	64,792
31 – 60 days	**1,585**	7,227
61 – 120 days	**1,252**	19,877
Over 120 days	**1,389**	4,132
	92,752	96,028

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

	2019 RM'000	2018 RM'000
– RM	**88,846**	95,906
– United States Dollar	**3,906**	122
	92,752	96,028

The Group measures the expected credit losses on the trade receivables by grouping them based on shared credit risk characteristics and the days past due. The expected loss rates are estimated based on the historical credit losses experienced, adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of forward-looking economic conditions. The increase in the provision for loss allowance is due to an increase in the probability of default (PD) used to calculate the expected credit loss for the trade receivables.

18 TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2019 **RM'000**	2018 RM'000
At 1 January	**-**	–
Provision for loss allowance	**1,207**	–
At 31 December	**1,207**	–

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

19 PLEDGED BANK DEPOSITS AND FIXED DEPOSITS

Pledged bank deposits represents deposits pledged to banks to secure general banking facilities granted to the Group. Deposits amounting to RM5,140,000 (2018: RM5,232,000) have been pledged to secure short-term bank borrowings as at 31 December 2019. Fixed deposits of RM11,986,000 (2018: nil) represents time deposits at banks with maturity over 3 months as at 31 December 2019.

20 CASH AND BANK

	2019 **RM'000**	2018 RM'000
Cash at bank and on hand	**16,800**	5,572
Short-term bank deposits with maturity of 3 months or less	**11,408**	–
Cash and bank	**28,208**	5,572
Bank overdrafts (Note 23)	**-**	(232)
Cash and cash equivalents	**28,208**	5,340

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

	2019 **RM'000**	2018 RM'000
– RM	**25,870**	5,263
– Singapore Dollar	**358**	77
– Hong Kong Dollar	**503**	–
– United States Dollar	**1,477**	–
	28,208	5,340

21 SHARE CAPITAL (2018: PAID-IN CAPITAL)

	2019 Number of Share in thousand	**2019 Share Capital RM'000**	2018 Number of Share in thousand	2018 Share Capital RM'000
Authorised:				
At beginning of the year/date of incorporation	**38,000**	**190**	38,000	190
Increase in authorised share capital	**1,962,000**	**10,216**	–	–
At end of the year	**2,000,000**	**10,406**	38,000	190
At beginning of the year/date of incorporation	**10**	**–***	10	–*
Issuance of ordinary shares relating to the initial public offering	**250,000**	**1,301**	–	–
Capitalisation of share premium into ordinary shares	**749,990**	**3,905**	–	–
At end of the year	**1,000,000**	**5,206**	10	–*

Note: *RM50

(i) 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.

(ii) 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 (equivalent to approximately RM3,905,000) standing to the credit of the share premium account of the Company.

(iii) On 15 March 2019, the Company issued 250,000,000 shares of HK$0.01 each through a share offer at the Main Board of The Stock Exchange of Hong Kong Limited at a price of HK$0.50 per share and received cash proceeds of HK$125,000,000 (equivalent to approximately RM65,081,000) (before listing expenses).

(iv) As at 31 December 2018, paid-in capital represented the combined capital of the companies comprising the Group after elimination of inter-company investments costs and share capital before the completion of the reorganisation (Note 1.1).

22 TRADE AND OTHER PAYABLES

	2019 RM'000	2018 RM'000
Trade payables	**6,915**	10,692
Accrued salaries	**2,169**	4,917
Other payables and accruals	**3,317**	10,927
	12,401	26,536

22 TRADE AND OTHER PAYABLES *(Continued)*

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

	2019 **RM'000**	2018 RM'000
– RM	**5,734**	10,692
– United States Dollar	**1,181**	–
	6,915	10,692

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

	2019 **RM'000**	2018 RM'000
0 – 30 days	**6,915**	10,555
31 – 60 days	**–**	137
	6,915	10,692

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

23 BORROWINGS

	2019 **RM'000**	2018 RM'000
Non-current		
Bank borrowings		
– Term loans (Note a)	**3,539**	3,981
Hire purchase liabilities (Note b)	**1,503**	763
	5,042	4,744
Current		
Bank borrowings		
– Term loans (Note a)	**436**	489
– Bank overdraft (Note 20)	**–**	232
– Trust receipt facilities (Note c)	**3,858**	4,876
	4,294	5,597
Hire purchase liabilities (Note b)	**1,135**	371
	5,429	5,968
Total borrowings	**10,471**	10,712

23 BORROWINGS *(Continued)*

Notes: All borrowings are denominated in RM.

Certain bank borrowings are secured by property, plant and equipment, right-of-use assets, investment properties and pledged bank deposits of the Group of RM 18,831,000 (2018: RM19,113,000) as at 31 December 2019 respectively (Note 26).

As at 31 December 2019, the Group had aggregate banking facilities of approximately RM31,514,000 (2018: RM27,514,000). Unused facilities amounted to approximately RM20,002,000 (2018: RM14,802,000) as at 31 December 2019.

Certain bank borrowings were guaranteed by personal guarantee provided by the Sia Brothers and these guarantee were replaced by corporate guarantee provided by the Company upon listing on the Stock Exchange on 15 March 2019.

(a) Term loans

Term loans mature at various dates up to 2031.

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

	2019 RM'000	2018 RM'000
Within 1 year	**436**	489
Between 1 and 2 years	**406**	429
Between 2 and 5 years	**1,039**	1,222
Over 5 years	**2,094**	2,330
	3,539	3,981
	3,975	4,470

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

	2019 % (p.a.)	2018 % (p.a.)
Interest rates	**5.30 – 6.58**	5.29 – 7.85

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

As at 31 December 2019, the carrying amount of term loans from banks in Malaysia are not repayable within one year from the end of the reporting period but contains repayable on demand clause amounted to RM1,758,000 (2018: RM1,837,000).

23 BORROWINGS *(Continued)*

(b) Hire purchase liabilities

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

	2019 RM'000	2018 RM'000
Gross hire purchase liabilities – minimum lease payments		
Not later than 1 year	**1,266**	433
Later than 1 year and not later than 5 years	**1,639**	818
	2,905	1,251
Future finance charges on hire purchase	**(267)**	(117)
	2,638	1,134
Total present value of hire purchase is as follows:		
Not later than 1 year	**1,135**	371
Later than 1 year and not later than 5 years	**1,503**	763
	2,638	1,134

(c) Trust receipt facilities

Trust receipt facilities mature within 1 year.

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

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

	2019 % (p.a.)	2018 % (p.a.)
Interest rates	**4.63 - 5.07**	5.26 – 5.45

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

24 LEASES

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

	2019 RM'000
Right-of-use (ROU) assets	
Leasehold lands	**11,747**
Lease liabilities	
Non-current portion	**967**
Current portion	**561**
	1,528

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

	2019 RM'000
Upon adoption of IFRS 16 at 1 January 2019	**1,176**
Transferred from Property, plant and equipment (Note 15)	**10,469**
	11,645
Additions to the ROU assets during the financial year	**810**
Depreciation charge	**(708)**
As at 31 December 2019	**11,747**

As at 1 January 2019, leasehold lands owned by the Group with remaining leasehold period of 30 to 66 years amounted to RM10,469,000 were transferred from property, plant and equipment (Note 15) to ROU assets.

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

	2019 RM'000
Depreciation expense of ROU assets	**708**
Interest expense (included in finance cost)	**50**
Expenses relating to leases of low-value assets (included in distribution and selling expenses and administrative expenses)	**57**

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

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

24 LEASES *(Continued)*

(v) Termination options

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

25 DEFERRED INCOME TAX (LIABILITIES)/ASSETS

	2019 RM'000	2018 RM'000
Deferred income tax assets	**18**	53
Deferred income tax liabilities	**(461)**	–
	(443)	53

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

Deferred income tax (liabilities)/assets	**Accelerated tax depreciation RM'000**	**Provisions RM'000**	**Total RM'000**
At 1 January 2018	(636)	–	(636)
Credited to the consolidated statements of comprehensive income (Note 11)	689	–	689
At 31 December 2018	53	–	53
(Charged)/credited to the consolidated statements of comprehensive income (Note 11)	(1,031)	535	(496)
As 31 December 2019	**(978)**	**535**	**(443)**

26 PLEDGES OF ASSETS

At the end of years ended 31 December 2019 and 2018, the Group has pledged the following assets to banks to secure certain bank borrowings and general banking facilities granted to the Group:

	2019 RM'000	2018 RM'000
Property, plant and equipment	**-**	10,469
Right-of-use assets	**10,294**	–
Investment properties	**3,397**	3,412
Pledged bank deposits	**5,140**	5,232
	18,831	19,113

27 COMMITMENTS

(a) Capital commitments

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

	2019 RM'000	2018 RM'000
Capital expenditure contracted for but not provided in respect of:		
– purchase of plant and machinery	**1,680**	2,429

(b) Operating lease commitments – as lessee

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

	2019 RM'000	2018 RM'000
– Note later than 1 year	**-**	1
– Later than 1 year and not later than 5 years	**-**	3
	-	4

28 FINANCIAL INSTRUMENTS BY CATEGORY

	2019 RM'000	2018 RM'000
Assets as per consolidated statements of financial position		
Financial assets at amortised costs		
Trade and other receivables excluding prepayments	**93,812**	97,049
Pledged bank deposits	**5,140**	5,232
Fixed deposits	**11,986**	–
Cash and bank	**28,208**	5,572
Total	**139,146**	107,853

	2019 RM'000	2018 RM'000
Liabilities as per consolidated statements of financial position		
Financial liabilities at amortised costs		
Borrowings	**10,471**	10,712
Lease liabilities	**1,528**	–
Trade and other payables excluding non-financial liabilities	**10,297**	23,542
Total	**22,296**	34,254

29 RELATED PARTIES TRANSACTIONS

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

(a) Transactions

In addition to those disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year ended 31 December 2019. The related party transactions described below were carried out on terms and conditions negotiated and agreed between the Group and the related parties.

	2019 **RM' 000**	2018 RM' 000
Sales of goods to related parties controlled by a director/directors	**-**	6
Purchases of goods from related parties controlled by a director/directors	**(2,566)**	(4,923)
Disposal of assets classified as held for sale to Sia Brothers	**-**	1,686
Sales of goods to an associate	**25**	–

(b) Key management compensation

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly. Key management includes all Directors of the Company. The compensations paid or payable to key management for employee services are shown in Note 30(a).

(c) Year-end balances

	2019 **RM' 000**	2019 RM' 000
Amount due from an associate	**86**	–

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

30 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration shown below represents remuneration received by the directors in their capacity as directors of the Group during the years ended 31 December 2019 and 2018.

The remuneration of the directors for the year ended 31 December 2019 is set out below:

	Fees RM'000	Salaries, bonuses and allowances RM'000	Performance incentives RM'000	Employer's contribution to a retirement benefit scheme RM'000	Other benefits RM'000	Total RM'000
Year ended 31 December 2019						
Executive directors						
Sia Kok Seng	**72**	**630**	**-**	**60**	**1**	**763**
Sia Kok Chin	**72**	**634**	**-**	**60**	**1**	**767**
Sia Keng Leong	**72**	**654**	**-**	**60**	**1**	**787**
Sia Kok Heong	**72**	**654**	**-**	**60**	**1**	**787**
Sia Kok Chong	**72**	**624**	**-**	**65**	**1**	**762**
Independent non-executive directors						
Sai Shiow Yin	**74**	**3**	**-**	**-**	**-**	**77**
Puar Chin Jong	**74**	**3**	**-**	**-**	**-**	**77**
Chu Kheh Wee	**74**	**3**	**-**	**-**	**-**	**77**
	582	**3,205**	**-**	**305**	**5**	**4,097**

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

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

30 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(b) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year ended 31 December 2019 (2018: nil).

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

During the year ended 31 December 2019, the Company did not pay consideration to any third parties for making available directors' services. (2018: nil).

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

As at 31 December 2019 and 2018, there are no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and controlled entities with such directors. (2018: nil)

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

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 2019. (2018: nil).

Ms. Sai Shiow Yin, Mr. Puar Chin Jong and Mr. Chu Kheh Wee were appointed as the Company's independent non-executive directors on 19 February 2019.

31 CASH GENERATED FROM OPERATIONS

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

	2019 RM'000	2018 RM'000
Cash flows from operating activities		
Profit before income tax	**11,886**	32,273
Adjustments for:		
Finance costs	**724**	638
Finance income	**(543)**	(433)
Provision for loss allowance on trade receivables	**1,207**	–
Depreciation expenses	**3,154**	2,363
Amortisation expenses	**27**	21
Gain on disposal of property, plant and equipment	**(126)**	(145)
Gain on disposal of assets held for sale	**-**	(9,274)
Property, plant and equipment written-off	**-**	38
Share of results of an associate	**976**	–
	17,305	25,481
Changes in working capital		
Increase in inventories	**(11,430)**	(252)
Decrease/(increase) in trade and other receivables	**7,239**	(13,567)
Decrease in trade and other payables	**(14,135)**	(1,837)
Decrease in amounts with related parties	**-**	(516)
Cash (used in)/generated from operations	**(1,021)**	9,309

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

	2019 RM'000	2018 RM'000
Net book amount	**-**	30
Gains on disposal of property, plant and equipment	**126**	145
Proceeds from disposal of property, plant and equipment	**126**	175

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

	2019 RM'000	2018 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

31 CASH GENERATED FROM OPERATIONS *(Continued)*

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

	Bank borrowings RM' 000	Hire purchase liabilities RM' 000	Amounts due to directors RM' 000	Lease liabilities RM' 000	Total RM' 000
At 1 January 2018	11,252	578	37,141	–	48,971
Additions/proceeds	–	1,035	–	–	1,035
Repayments	(1,674)	(628)	(1,001)	–	(3,303)
Other non-cash movement	–	149	(36,140)	–	(35,991)
At 31 December 2018	9,578	1,134	–	–	10,712
At 1 January 2019	**9,578**	**1,134**	**-**	**-**	**10,712**
Effect of adoption of IFRS 16 (Note 2.1(a))	**-**	**-**	**-**	**1,226**	**1,226**
At 1 January 2019 (restated)	**9,578**	**1,134**	**-**	**1,226**	**11,938**
Additions/proceeds	**-**	**2,320**	**-**	**810**	**3,130**
Repayments	**(1,745)**	**(957)**	**-**	**(508)**	**(3,210)**
Other non-cash movement	**-**	**141**	**-**	**-**	**141**
At 31 December 2019	**7,833**	**2,638**	**-**	**1,528**	**11,999**

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

32 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	Note	2019 RM'000	2018 RM'000
Assets			
Non-current assets			
Investment in a subsidiary	33	**39**	39
Amounts due from related companies	34	**38,323**	–
		38,362	39
Current assets			
Prepayments		**398**	–
Pledged bank deposits		**-**	–
Fixed deposits		**11,986**	–
Cash and cash equivalents		**4,470**	–*
		16,854	–
Total assets		**55,216**	39
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		**5,206**	–*
Share premium		**49,306**	–
Retained earnings/(accumulated losses)	(a)	**380**	(110)
Total surplus/(deficit)		**54,892**	(110)
Liabilities			
Current liabilities			
Other payables		**263**	64
Amount due to related parties		**-**	85
Amount due to a subsidiary		**61**	–
Total liabilities		**324**	149
Total equity and liabilities		**55,216**	39

Note: *RM50

The statement of financial position of the Company was approved by the Board of Directors on 27 March 2020 and was signed on its behalf:

Mr. Sia Kok Chin
Director

Mr. Sia Kok Seng
Director

32 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(Continued)

(a) Reserve movement of the Company

	Share premium RM'000	(Accumulated loss)/Retained earnings RM'000	Total (deficit)/ equity RM'000
At 12 April 2018 (date of incorporation)	–	–	–
Total comprehensive loss for the period	–	(110)	(110)
At 31 December 2018	–	(110)	(110)
(At 1 January 2019	**-**	**(110)**	**(110)**
Total comprehensive income for the year	**-**	**3,165**	**3,165**
Transactions with owners in their capacity as owners			
Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other share issuance costs of RM10,569,000	**53,211**	**-**	**53,211**
Capitalisation of share premium into ordinary shares (Note 21)	**(3,905)**	**-**	**(3,905)**
Dividends (Note 12)	**-**	**(2,675)**	**(2,675)**
Total transactions with owners in their capacity as owners	**49,306**	**(2,675)**	**46,631**
At 31 December 2019	**49,306**	**380**	**49,686**

33 INVESTMENT IN SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2019 and 2018 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of subsidiaries	Country of incorporation	Group's effective equity interest		Principal activities
		2019	2018	
Directly held:				
Heng Hup (BVI) Limited	British Virgin Islands	100%	100%	Investment holding
Indirectly held:				
Heng Hup Holdings (Malaysia) Sdn. Bhd.	Malaysia	100%	100%	Investment holding
Heng Hup Metal Sdn. Bhd.	Malaysia	100%	100%	Trading of scrap ferrous metals, used batteries and other scraps
Heng Hup Paper Sdn. Bhd.	Malaysia	100%	100%	Dealing with recycle paper and its related products
Heng Hup Paper (Melaka) Sdn. Bhd.	Malaysia	100%	100%	Trading and recycling of paper and other related products
Heng Hup Hardware (M) Sdn. Bhd.	Malaysia	100%	100%	Trading of scrap ferrous metals, used batteries and other scraps
Heng Hup Metal (Johor) Sdn. Bhd.	Malaysia	100%	100%	Trading of scrap ferrous metals, used batteries and other scraps

34 AMOUNTS DUE FROM RELATED COMPANIES

Amounts due from related companies are advances in nature, interest free and unsecured. The Company does not expect repayment of the said advances within the foreseeable future and therefore, the advances can be deemed as capital loan. The terms have been mutually agreed by both parties.

35 SUBSEQUENT EVENTS

The recent outbreak of Coronavirus Disease 2019 ("**COVID-19**") since early of year 2020 has seen significant cases increased worldwide which prompted The World Health Organisation to declare it as a pandemic on 11 March 2020. A series of precautionary and control measures have been and continued to be implemented across the world. The Malaysian Government has imposed the Movement Control Order ("**MCO**") for a period from 18 March 2020 to 14 April 2020. Consequently, the MCO is expected to have material adverse effects on the Malaysia's global economy for year 2020.

The management of the Group has assessed the overall impact of the situation on the Group's operations and financial position and concluded that there are no material effects on the consolidated financial statements for the year ended 31 December 2019. As at the date of this report, management is unable to reliably estimate the financial impact of COVID-19 on the Group's financial results for the year ending 31 December 2020 as the pandemic has yet to run its full course hence the current situation is still fluid. The Directors shall continuously assess the impact of COVID-19 on its operations as well as the financial position for the year ending 31 December 2020.