



Heng Hup Holdings Limited

興合控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1891

Interim Report 2020



CONTENTS

Corporate Information	2
Financial Highlights	4
Management Discussion and Analysis	5
Disclosure of Interests	11
Corporate Governance and Other Information	16
Condensed Consolidated Statement of Comprehensive Income	20
Condensed Consolidated Statement of Financial Position	21
Condensed Consolidated Statement of Changes in Equity	23
Condensed Consolidated Statement of Cash Flows	25
Notes to the Condensed Consolidated Financial Statements	26



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

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKS

Hong Leong Bank Berhad
Level 8, Wisma Hong Leong
No.18, Jalan Perak
50450 Kuala Lumpur
Malaysia

United Overseas Bank (M) Berhad
No.48, Jalan PJU 518
Dataran Sunway
Kota Damansara
47810 Petaling Jaya
Selangor Darul Ehsan
Malaysia

STOCK CODE

Hong Kong Stock Exchange 1891

COMPANY WEBSITE

www.henghup.com

FINANCIAL HIGHLIGHTS

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

	Six months ended 30 June	
	2020 RM' 000 (Unaudited)	2019 RM' 000 (Unaudited)
Revenue	332,128	498,973
Gross profit	19,732	29,104
Profit before interest, tax, depreciation and share of results of an associate	5,626	13,427
Depreciation	(1,783)	(1,478)
Finance costs, net	(29)	(248)
Share of results of an associate	(1,038)	(233)
Profit before income tax	2,776	11,468
Income tax expenses	(1,224)	(3,638)
Net profit for the period attributable to owners of the Company	1,552	7,830

	As at	
	30 June 2020 RM' 000 (Unaudited)	31 December 2019 RM' 000 (Audited)
Total non-current assets	31,427	28,500
Total current assets	174,269	172,274
Total assets	205,696	200,774
Total non-current liabilities	5,482	6,470
Total current liabilities	22,805	18,447
Total liabilities	28,287	24,917
Net current assets	151,464	153,827
Net assets/Equity attributable to owners of our Company	177,409	175,857

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

The first half of 2020 was a very challenging period for humanity as the world has experienced a global health crisis coupled with deep economic recession. Various measures were enforced by governments around the world to curb the spread and impact of Coronavirus Disease 2019 ("**COVID-19**"), which has evolved into a pandemic unseen in decades. The Movement Control Order ("**MCO**") imposed by the Government of Malaysia to contain the outbreak of the novel coronavirus for the period from 18 March 2020 to 9 June 2020 has caused the temporary shutdown of business operation across the Group as well as our Group's steel mills customers.

Under this circumstance, our Group was inevitably affected and our revenue achieved RM332.1 million for the six months ended 30 June 2020 (six months ended 30 June 2019: RM499.0 million), representing a decline of 33.4% as compared to the same period of 2019. Sales volume of the scrap ferrous metals for six months ended 30 June 2020 was 258,478 tonnes (six months ended 30 June 2019: 333,270 tonnes), representing a decrease of 22.4% as compared to the same period of 2019. With regard to the profitability, we recorded a net profit for the period of RM1.6 million (six months ended 30 June 2019: RM7.8 million), representing a decline of 80.2% as compared to the same period of 2019, which was attributable to the decline in revenue as well as fixed overheads costs incurred during the temporary shutdown of our Group's business operations.

The COVID-19 pandemic is expected to remain as a cause to major disruptions to the global supply chains and dampen economic activity domestically and across the world.

Steel consumption is expected to improve gradually in the second half of the year in conjunction with the opening up of both domestic and overseas economies. However, the magnitude of this recovery remains uncertain.

Domestic steel demand continues to be affected by a low resumption rate of construction activity and shutdown of some major infrastructure projects. The pace of recovery in steel demand will depend heavily on the Government's spending on infrastructure projects, which will have a significant multiplier effect on the country's economy.

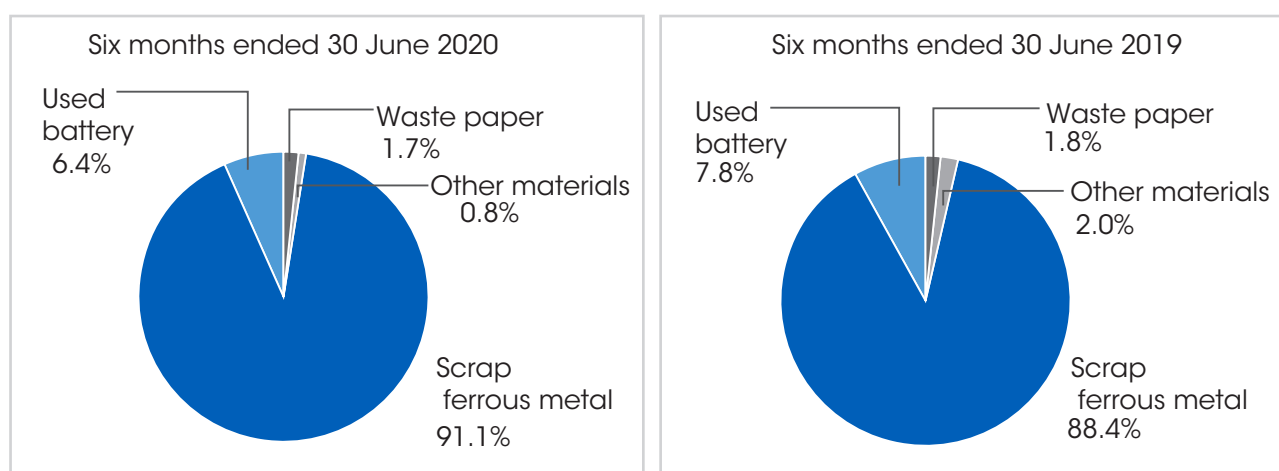
To mitigate the impact of weak domestic demand, the Group is strengthening its strategy on the export markets. This will be more visible in the second half of 2020. Given the uncertain market conditions, the Group will continue its focus on cash flow management and cost down programs to remain resilient and responsive to market changes. The Group will readjust to appropriate strategy depending on future market direction both domestically and internationally.

The Group will continue to leverage off our core competitiveness advantages and 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 locally and export market.

FINANCIAL REVIEW

Revenue

Revenue of the Group for the six months ended 30 June 2020 was RM332.1 million (six months ended 30 June 2019: RM499.0 million), representing a decline of 33.4% as compared to the same period of 2019. The breakdown of our total revenue by product types for the periods under review are as below:



The decrease in the Group's revenue was mainly attributable to the temporary shutdown of business operations across the Group following the MCO imposed by the Government of Malaysia to contain the outbreak of the novel coronavirus for the period from 18 March 2020 to 9 June 2020. As a result, the sales volume of scrap ferrous metals for the six months ended 30 June 2020 was declined by 22.4% as compared with the same period of 2019. The decrease in average selling price of scrap ferrous metal of 11.6% as compared with the same period of 2019 has also attributed to the decrease in revenue.

The Group's revenue from sales of scrap ferrous metal during the period under review are contributed by the following:

	Six months period ended 30 June							
	2020				2019			
	Volume sold (tonnes)	%	Revenue (RM' 000)	%	Volume sold (tonnes)	%	Revenue (RM' 000)	%
Local	252,874	97.8	296,063	97.8	326,830	98.1	431,598	97.8
Export	5,604	2.2	6,507	2.2	6,440	1.9	9,667	2.2
Total	258,478	100.0	302,570	100.0	333,270	100.0	441,265	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit

The Group's gross profit for the six months ended 30 June 2020 declined from RM29.1 million to RM19.7 million as compared with the corresponding period in 2019. The decrease in gross profit of scrap ferrous metals was primarily attributable to decrease in revenue as well as fixed overheads incurred during temporary shutdown of our Group's business operations during the MCO period.

The Group's gross profit margin improved marginally to 5.9% for the six months ended 30 June 2020 as compared to 5.8% for the six months ended 30 June 2019.

Distribution and Selling Expenses

The Group's distribution and selling expenses increased from RM7.1 million for the six months ended 30 June 2019 to RM7.8 million for the six months ended 30 June 2020, 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 customer located in the state of Pahang, Malaysia.

Administrative Expenses

The decline in the Group's administrative expenses from RM10.3 million for the six months ended 30 June 2019 to RM7.2 million for the six months ended 30 June 2020 was mainly attributable to the absence of listing expenses of RM3.7 million incurred for the six months ended 30 June 2019, which primarily consisted of professional fees in connection with the Listing.

Share of Results of An Associate

The Group's share of losses of an associate increased from RM0.2 million for the six months ended 30 June 2019 to RM1.0 million for the six months ended 30 June 2020. This was mainly attributable to fixed overheads incurred during the temporary shutdown of the associate's business operation during the MCO period.

Taxation

Malaysian corporate income tax has been provided at the rate of 24% of the estimated assessable profit. Our effective tax rate for the six months ended 30 June 2020 was 44.1% (six months ended 30 June 2019: 31.7%). The higher effective tax rate of 44.1% was mainly attributable to deferred tax assets were not provided for losses incurred by an associate of approximately RM1.0 million and also the losses incurred by the investment holding companies of approximately RM0.7 million during the current period.

Profit Attributable to Owners of the Company

The Group's profit attributable to owners for the six months ended 30 June 2020 was RM1.6 million (six months ended 30 June 2019: RM7.8 million), which is in tandem with the decrease in profit before tax.

Key Financial Ratios

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

	As at 30 June 2020	As at 31 December 2019
Liquidity and Capital Adequacy Ratios		
Current ratio	7.6 times	9.3 times
Gearing ratio	0.09 times	0.06 times
For the six months ended 30 June		
	2020	2019
Inventories' turnover period	15.0 days	5.0 days
Trade receivables' turnover period	54.1 days	36.7 days
Trade payables' turnover period	3.5 days	4.8 days

Working Capital

The inventories' turnover period of the Group was 15.0 days for the six months ended 30 June 2020 as compared to 5.0 days for the six months ended 30 June 2019. The increase in inventories' turnover period was mainly attributable to the import of scrap ferrous metal received in the end of June 2020 as well as inventories pending fulfillments of orders for export to overseas subsequent to June 2020.

The Group's trade receivables' turnover period was 54.1 days for the six months ended 30 June 2020 as compared to 36.7 days for the six months ended 30 June 2019. Such increase was mainly attributable to the slow payment from steel mill customers. The Group has made additional provision for loss allowance on this trade receivables of RM1.7 million for the current period.

The Group's trade payables' turnover period was 3.5 days for the six months ended 30 June 2020 as compared to 4.8 days for the six months ended 30 June 2019. The improved trade payables' turnover period was mainly attributable to the fact that the Group has settled the purchase of scrap ferrous metals from suppliers at a faster pace in order to secure the supplies of scrap ferrous metal at better prices.

Liquidity and Financial Resources

As at 30 June 2020, the Group's total equity attributable to owners amounted to RM177.4 million (as at 31 December 2019: RM175.9 million) including retained earnings of RM93.4 million (as at 31 December 2019: RM91.9 million). The Group's working capital amounted to RM151.5 million (as at 31 December 2019: RM153.8 million) of which cash and bank balances, pledged bank deposits and fixed deposits were RM25.2 million (as at 31 December 2019: RM45.3 million).

Taking into account the cash and cash equivalents on hand and banking facilities available to us, the Group has adequate liquidity and financial resources to meet the working capital requirements as well as to fund its budgeted expansion plans in the next 12 months. The Board will continue to follow a prudent treasury policy in managing its bank balances and cash and maintain a strong and healthy liquidity to ensure that the Group is well positioned to achieve its business objectives and strategies.

Total borrowings of the Group as at 30 June 2020 were RM16.7 million (as at 31 December 2019: RM10.5 million). The borrowings were mainly used to finance the procurement of scrap ferrous metals and capital expenditure.

The Group's gearing ratio as at 30 June 2020 was 0.09 times (as at 31 December 2019: 0.06 times). Gearing ratio is calculated based on total interest-bearing debts divided by total equity as at the end of the period.

Future Plans for Material Investments and Capital Assets

As at 30 June 2020, the Group did not have any other plans for material investments and capital assets except for those disclosed in the section headed "Future Plans and Use of Proceeds" of the Prospectus of the Company issued on 27 February 2019 (the "Prospectus") and the announcement for change in use of proceeds dated 16 July 2020.

Material Acquisitions and Disposals of Subsidiaries

During the six months ended 30 June 2020, the Group did not have any material acquisitions and disposals of subsidiaries.

Pledge of Assets

As at 30 June 2020, the Group has pledged the following assets to banks to secure certain bank borrowings and general banking facilities granted to the Group:

	As at 30 June 2020 RM' 000	As at 31 December 2019 RM' 000
Right-of-use assets	10,206	10,294
Investment properties	3,391	3,397
Pledged bank deposits	5,201	5,140
	18,798	18,831

Contingent Liabilities

The Group did not have any significant contingent liability as at 30 June 2020 (as at 31 December 2019: Nil).

Capital Commitments

As at 30 June 2020, the Group has capital commitment in respect of acquisition of property, plant and equipment of RM0.4 million (as at 31 December 2019: RM1.7 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

The Group 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. As at 30 June 2020, the expected losses rate for trade receivables is 2.6% (as at 31 December 2019: 1.3%). The provision of loss allowance is disclosed in Note 15 to the notes to the condensed consolidated financial statements.

The Group has no write-off of trade receivables during the six months ended 30 June 2020 and 2019.

The Group has significant concentration of credit risk from customers for scrap ferrous metals such as steel mills and ferrous metal trading companies. As at 30 June 2020, 93% of its total trade receivables (as at 31 December 2019: 92%) was due from these group of customers. As the Group is one of the few approved scrap metal providers to the steel mill customers and based on the past repayment history and forward-looking estimates, the Directors believe that the credit risk inherent in the Group's outstanding trade receivables from this group of customers is low.

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

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

DISCLOSURE OF INTERESTS

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

As at 30 June 2020, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), (i) which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:

Long position in our Shares, underlying Shares and Debentures are 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 30 June 2020, 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 Holdings") and the 48,000,000 Shares held by each of the other Sia Brothers. In other words, each of the Sia Brother is interested in the 750,000,000 Shares, among which 510,000,000 shares are held in the capacity as interest in a controlled corporation, 192,000,000 shares are held in the capacity as interests held jointly with another person and 48,000,000 shares are held in the capacity as beneficial owner.

DISCLOSURE OF INTERESTS

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 30 June 2020, none of the Directors and the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2020 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 30 June 2020, 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)	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%

DISCLOSURE OF INTERESTS

Notes:

- (1) As at 30 June 2020, 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) Ms. Koo Lee Ching is the spouse of Mr. Sia Kok Chin. As such, Ms. Koo Lee Ching is deemed under the SFO to be interested in the Shares in which Mr. Sia Kok Chin is interested.
- (4) Ms. Loh Hui Mei is the spouse of Datuk Sia Keng Leong. As such, Ms. Loh Hui Mei is deemed under the SFO to be interested in the Shares in which Datuk Sia Keng Leong is interested.
- (5) Ms. Peong Ai Teen is the spouse of Mr. Sia Kok Chong. As such, Ms. Peong Ai Teen is deemed under the SFO to be interested in the Shares in which Mr. Sia Kok Chong is interested.
- (6) Ms. Yang Mei Feng is the spouse of Mr. Sia Kok Seng. As such, Ms. Yang Mei Feng is deemed under the SFO to be interested in the Shares in which Mr. Sia Kok Seng is interested.
- (7) Ms. Juan Sook Fong is the spouse of Mr. Sia Kok Heong. As such, Ms. Juan Sook Fong is deemed under the SFO to be interested in the Shares in which Mr. Sia Kok Heong is interested.

Save as disclosed above, and as at 30 June 2020, the Directors were not aware of any persons (who were not directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

SHARE OPTION SCHEME

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

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

DISCLOSURE OF INTERESTS

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 interim 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 interim report, there was no share option outstanding under the Share Option Scheme.

DISCLOSURE OF INTERESTS

COMPLIANCE WITH NON-COMPETITION DEED

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

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

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 30 June 2020, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the businesses of the Group.

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the period 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.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the condensed consolidated financial statements for the six months period ended 30 June 2020 which give a true and fair view of the affairs of the Group and of the Group's results and cash flows.

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

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group had 129 (as at 30 June 2019: 112) employees in Malaysia. For the six months ended 30 June 2020, total staff costs and related expenses of the Group (including the Directors' remuneration) were RM5.9 million (six months ended 30 June 2019: RM5.3 million), representing an increase of 11.3% as compared to the same period of 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.

FINANCIAL HIGHLIGHTS

A summary of the Group's results, assets and liabilities for the six months ended 30 June 2020 is set out on page 4 of this interim report. This summary does not form part of the unaudited condensed consolidated financial statements.

MOVEMENTS IN SHARE CAPITAL

There is no change to share capital of the Company from 1 January 2020 to 30 June 2020.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Board, as at the date of this interim report, the Company has maintained the public float as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

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

CHANGES IN DIRECTORS' INFORMATION

As at 30 June 2020, there was no change in the information of the Company's directors.

USE OF PROCEEDS

The net proceeds raised by the Company from the Share Offer were approximately RM41.0 million (equivalent to approximately HK\$78.8 million) (based on the final Offer Price of HK\$0.50 per Offer Share), after deducting underwriting fees and all related expenses incurred in the amount of HK\$46.2 million. The Company intends to apply the net proceeds on a pro rata basis for the purposes as disclosed in the section headed "Future Plans and Use of Proceeds" of the Prospectus and the announcement dated 16 July 2020 in relation to the change in use of the proceed.

	Available (RM' 000)	Amount utilised up to 30 June 2020 (RM' 000)	Balance as at 30 June 2020 (RM' 000)	Change in use of proceeds (RM' 000)	New allocation for unutilized amount of net proceeds (RM' 000)	Expected timeline for fully utilizing the remaining proceeds (taking into account of the new allocation) (Note)
Partially replacing our fleet of trucks	3,604	3,176	428	-	428	Third quarter of 2020
Enhancing our processing abilities	2,908	2,908	-	-	-	-
Setting up new enterprise resource planning system	942	543	399	-	399	Fourth quarter of 2020
Setting up a new scrapyards in the east coast of Peninsular Malaysia	4,546	-	4,546	(4,546)	-	-
Expansion of our scrapyards in Selangor, Malaysia	6,389	723	5,666	-	5,666	Second quarter of 2022
The Group's working capital for our scrap ferrous metal trading business	18,471	18,471	-	4,546	4,546	Fourth quarter of 2020
General working capital for other general corporate purpose (excluding the purchase of scrap materials)	4,096	4,096	-	-	-	-
	40,956	29,917	11,039	-	11,039	

Note: The expected timeline for utilising the remaining proceeds was based on the best estimation of the future market conditions made by the Group. It would be subject to change based on the current and future development of market conditions.

As at the date of this interim report, there were no changes of the business plans from those disclosed in the Prospectus and the announcement dated 16 July 2020.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

EVENTS OCCURRED SINCE THE END OF THE SIX MONTHS ENDED 30 JUNE 2020

Saved as disclosed below, the Board is not aware of any significant event affecting the Group and requiring disclosures that took place subsequent to 30 June 2020 up to the date of this interim report.

The Board had on 16 July 2020 resolved the change in use of proceeds from the Listing by reallocated the unutilised net proceeds originally allocated to set up a new scrapyards in the state of Pahang on the east coast of Peninsular Malaysia as general working capital for the Group's scrap ferrous metal trading business. The Directors are of the view that the reallocation is in line with the business strategy of the Group and will not adversely affect the operation and business of the Group and is in the best interest of the Group and all the shareholders.

COMPLIANCE WITH LAWS AND REGULATIONS

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

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company (being Ms. Sai Shioh Yin, Mr. Puar Chin Jong and Mr. Chu Kheh Wee) has reviewed with management the condensed consolidated financial information for the six months ended 30 June 2020, including accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters.

PUBLICATION OF INTERIM REPORT

This report is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.henghup.com). The interim report of the Company for the six months ended 30 June 2020 will be despatched to the shareholders of the Company and published on the aforesaid websites in due course.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020 and 2019

		For the six months ended 30 June	
		2020	2019
	Notes	RM' 000 (Unaudited)	RM' 000 (Unaudited)
Revenue	4	332,128	498,973
Cost of sales	7	(312,396)	(469,869)
Gross profit		19,732	29,104
Other income	5	825	26
Other (losses)/gains, net	6	(1,660)	264
Distribution and selling expenses	7	(7,845)	(7,118)
Administrative expenses	7	(7,209)	(10,327)
Operating profit		3,843	11,949
Finance income		329	143
Finance costs		(358)	(391)
Finance costs, net	8	(29)	(248)
Share of results of an associate		(1,038)	(233)
Profit before income tax		2,776	11,468
Income tax expenses	9	(1,224)	(3,638)
Profit for the period attributable to the owners of the Company		1,552	7,830
Other comprehensive income for the period:			
Exchange differences on translation of foreign operations		-	250
Profit and total comprehensive income for the period attributable to the owners of the Company		1,552	8,080
Earnings per share attributable to owners of the Company for the period (<i>expressed in sen per share</i>)			
– Basic earnings per share	11	0.16	0.87
– Diluted earnings per share	11	0.16	0.87

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020 and 31 December 2019

	Notes	As at 30 June 2020 RM' 000 (Unaudited)	As at 31 December 2019 RM' 000 (Audited)
ASSETS			
Non-current assets			
Investment in an associate	12	437	984
Property, plant and equipment	13	14,886	11,726
Investment properties	14	4,012	4,025
Right-of-use assets	19	11,632	11,747
Deferred income tax assets	20	460	18
		31,427	28,500
Current assets			
Inventories		31,590	20,224
Trade and other receivables	15	115,829	104,681
Current income tax recoverable		1,664	2,035
Pledged bank deposits		5,201	5,140
Fixed deposits		12,242	11,986
Cash and bank balances		7,743	28,208
		174,269	172,274
Total assets		205,696	200,774
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	16	5,206	5,206
Share premium		49,306	49,306
Capital reserve		29,487	29,487
Retained earnings		93,410	91,858
Total equity		177,409	175,857

Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2020 and 31 December 2019

	Notes	As at 30 June 2020 RM' 000 (Unaudited)	As at 31 December 2019 RM' 000 (Audited)
Non-current liabilities			
Borrowings	18	4,338	5,042
Lease liabilities	19	779	967
Deferred income tax liabilities	20	365	461
		5,482	6,470
Current liabilities			
Trade and other payables	17	9,949	12,401
Current income tax liabilities		65	56
Borrowings	18	12,312	5,429
Lease liabilities	19	479	561
		22,805	18,447
Total liabilities		28,287	24,917
Total equity and liabilities		205,696	200,774

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020 and 2019

	Attributable to owners of the Company				
	Share capital (Note 16) RM' 000	Share premium RM' 000	Capital reserve RM' 000	Retained earnings RM' 000	Total equity RM' 000
	As at 1 January 2020 (Audited)	5,206	49,306	29,487	91,858
Profit and total comprehensive income for the period	-	-	-	1,552	1,552
As at 30 June 2020 (Unaudited)	5,206	49,306	29,487	93,410	177,409

Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2020 and 2019

	Attributable to owners of the Company						
	Share capital (Note 16) RM' 000	Paid-in capital (Note 16) RM' 000	Share premium RM' 000	Capital reserve Note (a) RM' 000	Foreign translation reserve RM' 000	Retained earnings RM' 000	Total equity RM' 000
As at 1 January 2019 (Audited)	-	112,313	-	(82,826)	-	87,911	117,398
Profit for the period	-	-	-	-	-	7,830	7,830
Other comprehensive income for the period	-	-	-	-	250	-	250
Total comprehensive income for the period	-	112,313	-	(82,826)	250	95,741	125,478
Transactions with owners in their capacity as owners							
Issuance of ordinary shares relating initial public offering, net of underwriting commissions and other share issuance costs of RM10,569,000	1,301	-	53,211	-	-	-	54,512
Capitalisation of share premium into ordinary shares (Note 16)	3,905	-	(3,905)	-	-	-	-
Effect arising from a Group reorganisation (Note(b))	-	(112,313)	-	111,994	-	191	(128)
Total transactions with owners in their capacity as owners	5,206	(112,313)	49,306	111,994	-	191	54,384
As at 30 June 2019 (Unaudited)	5,206	-	49,306	29,168	250	95,932	179,862

Notes:

- 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.
- Upon completion of the reorganisation, the Company became the holding company and the combined capital of the underlying subsidiaries was transferred capital reserve.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020 and 2019

	Notes	For the six months ended 30 June 2020 RM' 000 (Unaudited)	2019 RM' 000 (Unaudited)
Cash flows from operating activities			
Cash used in operations	23	(19,338)	(13,957)
Tax paid		(1,383)	(3,922)
Net cash used in operating activities		(20,721)	(17,879)
Cash flows from investing activities			
Investment in an associate		(490)	(1,016)
Purchases of property, plant and equipment		(4,587)	(1,725)
Addition in right-of-use assets		-	(135)
Interests received		329	143
Increase in pledged bank deposits		(317)	(78)
Net cash used in investing activities		(5,065)	(2,811)
Cash flows from financing activities			
Interests paid		(358)	(391)
Proceeds from borrowings	23	6,672	3,686
Repayments of borrowings		(860)	(4,833)
Principal elements of lease payments	23	(500)	(680)
Proceeds from the issuance of ordinary shares relating to initial public offering		-	65,081
Listing expenses paid		-	(10,569)
Net cash generated from financing activities		4,954	52,294
Net (decrease)/increase in cash and cash equivalents		(20,832)	31,604
Effect of exchange rate changes		-	250
Cash and cash equivalents at beginning of the period		28,208	5,340
Cash and cash equivalents at end of the period		7,376	37,194
Cash at bank and on hand		5,876	18,581
Short-term bank deposits with maturity of 3 months or less		1,867	19,154
Cash and bank		7,743	37,735
Bank overdraft (Note 18)		(367)	(541)
Cash and cash equivalents		7,376	37,194

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION AND BASIS OF PRESENTATION

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

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2020 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 unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

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

3 SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES

Other than additional accounting policies resulting from application of amendments to IFRSs, the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2019.

3.1 Adoption of amendments to IFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRSs and the following amendments to IFRSs issued by the IASB, for the first time, which are mandatory effective for annual period beginning on or after 1 January 2020 for the preparation of the Group's audited condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendments to IFRS 16 Leases	COVID-19 Related Rent Concession

The application of the amendments to References to the Conceptual Framework in IFRSs and the amendments to IFRSs in the current interim period have had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated financial statements.

4 REVENUE AND SEGMENT INFORMATION

The Group is mainly engaged in trading of scrap ferrous metals, used batteries, waste paper 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 six months ended 30 June 2020 and 2019, 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 30 June 2020 and 31 December 2019, all non-current assets were all located in Malaysia.

5 OTHER INCOME

	For the six months ended 30 June	
	2020 RM' 000 (Unaudited)	2019 RM' 000 (Unaudited)
Compensation received	-	9
Rental income	58	1
Transport income	515	-
Government wages subsidies	150	-
Others	102	16
	825	26

6 OTHER (LOSSES)/GAINS, NET

	For the six months ended 30 June	
	2020 RM' 000 (Unaudited)	2019 RM' 000 (Unaudited)
Property, plant and equipment written-off	(2)	-
Foreign exchange (losses)/gains	(4)	264
Provision of loss allowance on trade receivables	(1,654)	-
	(1,660)	264

7 EXPENSES BY NATURE

	For the six months ended 30 June	
	2020 RM' 000 (Unaudited)	2019 RM' 000 (Unaudited)
Cost of trading goods sold	309,069	466,574
Employee benefit expenses	5,919	5,331
Depreciation expenses		
– Property, plant and equipment	1,425	1,136
– Investment properties	13	13
– Right-of-use assets	345	329
Auditors' remuneration		
– Audit services	267	134
– Non-audit services	15	176
Listing expenses	-	3,664
Transportation costs	6,154	5,092
Other expenses	4,243	4,865
Total cost of sales, distribution and selling expenses and administrative expenses	327,450	487,314

8 FINANCE COSTS, NET

	For the six months ended 30 June	
	2020 RM' 000 (Unaudited)	2019 RM' 000 (Unaudited)
Interest income from bank deposits	329	143
Interest expense on loans	(231)	(278)
Interest expense on hire purchases liabilities	(78)	(67)
Interest expense on lease liabilities	(27)	(23)
Interest expense on bank overdrafts	(22)	(23)
Finance costs	(358)	(391)
Finance costs, net	(29)	(248)

9 INCOME TAX EXPENSES

	For the six months ended 30 June	
	2020 RM' 000 (Unaudited)	2019 RM' 000 (Unaudited)
Current tax:		
Malaysian corporate income tax	1,618	3,638
Under provision in prior year	144	-
	1,762	3,638
Deferred income tax	(538)	-
Income tax expenses	1,224	3,638

The reconciliations from the tax amount at the Malaysian corporate income tax rate of 24% (six months ended 30 June 2019: 24%) and the Group's tax expenses are as follows:

	For the six months ended 30 June	
	2020 RM' 000 (Unaudited)	2019 RM' 000 (Unaudited)
Profit before tax	2,776	11,468
Tax at Malaysian corporate income tax rate	666	2,752
Tax effect of expenses not deductible for tax purpose	952	886
Different tax rates arising from provision of loss allowance on trade receivables	(538)	-
Under provisions in respect of prior year	144	-
Income tax expense for the periods	1,224	3,638

10 INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

11 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period attributable to owners of the Company for the current interim period by the weighted average number of ordinary shares in issue during the period. Diluted earnings per share is calculated by dividing the profit for the period attributable to the owners of the Company for the current interim period by the weighted average number of ordinary shares issued during the period for the dilutive effects of all potential ordinary shares.

	For the six months ended 30 June	
	2020	2019
	RM' 000	RM' 000
	(Unaudited)	(Unaudited)
Earnings:		
Profit for the periods attributable to the owners of the Company	1,552	7,830
Number of shares:		
Weighted average number of shares in issue	1,000,000,000	899,171,271
Basic earnings per share (<i>expressed in sen per share</i>)	0.16	0.87
Diluted earnings per share (<i>expressed in sen per share</i>)	0.16	0.87

As at 30 June 2020 and 2019, the Company has no outstanding potentially dilutive shares.

12 INVESTMENT IN AN ASSOCIATE

	As at 30 June 2020	As at 31 December 2019
	RM' 000	RM' 000
	(Unaudited)	(Audited)
Unquoted shares – at cost	2,450	1,960
Share of results of an associate	(2,013)	(976)
At end of the period	437	984

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

As at 30 June 2020, there is an amount due from associate of RM85,000 (as at 31 December 2019: RM86,000) (Note 22(b)) which is unsecured, interest free with no fixed term of repayment.

13 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired property, plant and equipment with aggregate cost of RM4,587,000 (six months ended 30 June 2019: RM3,618,000). No item was disposed off during six months ended 30 June 2020 (six months ended 30 June 2019: RMNil).

14 INVESTMENT PROPERTIES

The Group did not acquire any investment properties during the six months ended 30 June 2020 (six months ended 30 June 2019: RMNil). No investment properties was disposal of during the six months ended 30 June 2020 (six months ended 30 June 2019: RMNil).

15 TRADE AND OTHER RECEIVABLES

	As at 30 June 2020 RM' 000 (Unaudited)	As at 31 December 2019 RM' 000 (Audited)
Trade receivables	109,811	92,752
Less: Provision for loss allowance	(2,861)	(1,207)
	106,950	91,545
Other receivables	1,495	2,181
Deposits and prepayments	1,623	2,588
Downpayment to suppliers	5,600	8,179
Other tax receivables	76	102
Amount due from an associate (Note 22 (b))	85	86
	115,829	104,681

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

	As at 30 June 2020 RM' 000 (Unaudited)	As at 31 December 2019 RM' 000 (Audited)
0 – 30 days	57,030	88,526
31 – 60 days	4,652	1,585
61 – 120 days	14,936	1,252
Over 120 days	33,193	1,389
	109,811	92,752

15 TRADE AND OTHER RECEIVABLES (Continued)

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

	As at 30 June 2020 RM' 000 (Unaudited)	As at 31 December 2019 RM' 000 (Audited)
- RM	107,577	88,846
- United States Dollar	2,179	3,906
- Singapore Dollar	55	-
	109,811	92,752

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.

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

	As at 30 June 2020 RM' 000 (Unaudited)	As at 31 December 2019 RM' 000 (Audited)
At 1 January	1,207	-
Provision for loss allowance	1,654	1,207
	2,861	1,207

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

16 SHARE CAPITAL

	As at 30 June 2020		As at 31 December 2019	
	Number of shares in thousand	Share capital RM' 000	Number of shares in thousand	Share capital RM' 000
Authorised:				
At beginning of the period (Audited)	2,000,000	10,406	38,000	190
Increased in authorised share capital	-	-	1,962,000	10,216
At end of the period	2,000,000	10,406	2,000,000	10,406
At beginning of the period	1,000,000	5,206	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 period	1,000,000	5,206	1,000,000	5,206

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).

17 TRADE AND OTHER PAYABLES

	As at 30 June 2020 RM' 000 (Unaudited)	As at 31 December 2019 RM' 000 (Audited)
Trade payables	5,058	6,915
Accrued salaries	1,055	2,169
Other payables and accruals	3,836	3,317
	9,949	12,401

17 TRADE AND OTHER PAYABLES (Continued)

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

	As at 30 June 2020 RM' 000 (Unaudited)	As at 31 December 2019 RM' 000 (Audited)
- RM	3,392	5,734
- United States Dollar	1,661	1,181
- Singapore Dollar	5	-
	5,058	6,915

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

	As at 30 June 2020 RM' 000 (Unaudited)	As at 31 December 2019 RM' 000 (Audited)
0 - 30 days	4,643	6,915
31 - 60 days	415	-
	5,058	6,915

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

	As at 30 June 2020 RM' 000 (Unaudited)	As at 31 December 2019 RM' 000 (Audited)
- RM	3,698	3,317
- United States Dollar	138	-
	3,836	3,317

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

18 BORROWINGS

	As at 30 June 2020 RM' 000 (Unaudited)	As at 31 December 2019 RM' 000 (Audited)
Non-current		
Bank borrowings		
– Term loans (Note a)	3,341	3,539
Hire purchase liabilities (Note b)	997	1,503
	4,338	5,042
Current		
Bank borrowings		
– Term loans (Note a)	402	436
– Bank overdraft	367	–
– Trust receipt loans (Note c)	10,530	3,858
	11,299	4,294
Hire purchase liabilities (Note b)	1,013	1,135
	12,312	5,429
Total borrowings	16,650	10,471

Note: 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 RM18,798,000 (as at 31 December 2019: RM18,831,000) as at 30 June 2020.

As at 30 June 2020, the Group had aggregate banking facilities of approximately RM31,049,000 (as at 31 December 2019: RM31,514,000). Unused facilities amounted to approximately RM12,963,000 (as at 31 December 2019: RM20,002,000) as at 30 June 2020.

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.

18 BORROWINGS (Continued)**(a) Term loans**

Term loans mature at various dates up to 2031.

As at 30 June 2020 and 31 December 2019, the Group's term loans were repayable as follows:

	As at 30 June 2020 RM' 000 (Unaudited)	As at 31 December 2019 RM' 000 (Audited)
Within 1 year	402	436
Between 1 and 2 years	408	406
Between 2 and 5 years	1,042	1,039
Over 5 years	1,891	2,094
	3,341	3,539
	3,743	3,975

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

	As at 30 June 2020 % (p.a.) (Unaudited)	As at 31 December 2019 % (p.a.) (Audited)
Interest rates	5.30 - 6.58	5.30 - 6.58

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

As at 30 June 2020, 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 RM1,722,000 (as at 31 December 2019: RM1,758,000).

18 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.

	As at 30 June 2020 RM' 000 (Unaudited)	As at 31 December 2019 RM' 000 (Audited)
Gross hire purchase liabilities - minimum lease payments		
Not later than 1 year	1,113	1,266
Later than 1 year and not later than 5 years	1,087	1,639
	2,200	2,905
Future finance charges on hire purchase	(190)	(267)
	2,010	2,638
Total present value of hire purchase is as follows:		
Not later than 1 year	1,013	1,135
Later than 1 year and not later than 5 years	997	1,503
	2,010	2,638

(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:

	As at 30 June 2020 % (p.a.)	As at 31 December 2019 % (p.a.)
Interest rates	4.63 - 5.07	4.63 - 5.07

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

19 LEASES

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

	As at 30 June 2020 RM' 000 (Unaudited)	As at 31 December 2019 RM' 000 (Audited)
Right-of-use ("ROU") assets		
Leasehold lands	11,632	11,747
Lease liabilities		
Non-current portion	779	967
Current portion	479	561
	1,258	1,528

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

	As at 30 June 2020 RM' 000 (Unaudited)	As at 31 December 2019 RM' 000 (Audited)
At beginning of period/Upon adoption of IFRS 16 at 1 January 2019	11,747	1,176
Transfer from Property, plant and equipment	-	10,469
	11,747	11,645
Additions to the ROU assets during the financial year	-	810
Addition	230	-
Depreciation charge	(345)	(708)
At end of the period/year	11,632	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 to ROU assets.

19 LEASES (Continued)

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

	For the six months ended 30 June	
	2020	2019
	RM' 000	RM' 000
	(Unaudited)	(Unaudited)
Depreciation expense of ROU assets	345	329
Interest expense (included in finance cost)	27	23
Expenses relating to leases of low-value assets (included in distribution and selling expenses and administrative expenses)	37	27

(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 and termination 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.

(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.

20 DEFERRED INCOME TAX ASSETS/(LIABILITIES)

	As at 30 June 2020	As at 31 December 2019
	RM' 000	RM' 000
	(Unaudited)	(Audited)
Deferred income tax assets	460	18
Deferred income tax liabilities	(365)	(461)
	95	(443)

20 DEFERRED INCOME TAX ASSETS/(LIABILITIES) *(Continued)*

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

Deferred income tax assets/(liabilities)	Accelerated tax depreciation RM' 000	Provisions RM' 000	Total RM' 000
At 1 January 2019 (Audited)	53	-	53
Credited/(debited) to the consolidated statements of comprehensive income	(1,031)	535	(496)
At 31 December 2019 (Audited)	(978)	535	(443)
Credited to the condensed consolidated statements of comprehensive income (Note 9)	-	538	538
At 30 June 2020 (Unaudited)	(978)	1,073	95

21 CAPITAL COMMITMENTS

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

	As at 30 June 2020 RM' 000 (Unaudited)	As at 31 December 2019 RM' 000 (Audited)
Capital expenditure contracted for but not provided in respect of:		
- purchase of plant and machinery	399	1,680

22 RELATED PARTY 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 six months ended 30 June 2020. The related party transactions described below were carried out on terms and conditions negotiated and agreed between the Group and the related parties.

	For the six months ended 30 June 2020 RM' 000 (Unaudited)	2019 RM' 000 (Unaudited)
Purchases of goods from related parties controlled by a director/directors	-	(1,565)

(b) Year-end balances

	As at 30 June 2020 RM' 000 (Unaudited)	As at 31 December 2019 RM' 000 (Audited)
Amount due from: - An associate (Note 15)	85	86

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

23 CASH GENERATED FROM OPERATIONS

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

	For the six months ended 30 June	
	2020	2019
	RM' 000	RM' 000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Profit before income tax	2,776	11,468
Adjustments for:		
Finance costs	358	391
Finance income	(329)	(143)
Provision for loss allowance on trade receivables	1,654	–
Depreciation and amortisation expenses	1,783	1,478
Property, plant and equipment written-off	2	–
Share of results of an associate	1,038	233
	7,282	13,427
Changes in working capital		
Increase in inventories	(11,366)	(8,718)
Increase in trade and other receivables	(12,802)	(16,852)
Decrease in trade and other payables	(2,452)	(1,814)
Cash used in operations	(19,338)	(13,957)

23 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	Lease liabilities RM' 000	Total RM' 000
At 1 January 2019	9,578	1,134	-	10,712
Effect of adoption of IFRS 16	-	-	1,226	1,226
At 1 January 2019, restated	9,578	1,134	1,226	11,938
Additions	-	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
Additions	6,672	-	230	6,902
Repayments	(232)	(628)	(500)	1,360
Other non-cash movement	367	-	-	367
At 30 June 2020	14,640	2,010	1,258	17,908

24 SUBSEQUENT EVENTS

Saved as disclosed below, the Board is not aware of any significant event affecting the Group and requiring disclosures that took place subsequent to 30 June 2020 up to the date of this report.

The Board had on 16 July 2020 resolved the change in use of proceeds from the Listing by reallocating the unutilised net proceeds originally allocated to set up a new scrapyards in the state of Pahang on the east coast of Peninsular Malaysia as general working capital for the Group's scrap ferrous metal trading business. The Directors are of the view that the reallocation is in line with the business strategy of the Group and will not adversely affect the operation and business of the Group and is in the best interest of the Group and the shareholders as a whole.