



Heng Hup Holdings Limited

興合控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1891

2021

INTERIM REPORT



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Datuk 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

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

COMPANY SECRETARY

Ms. Chan Tsz Yu (ACIS, ACS)
(Appointed on 21st March 2021)
Ms. Yeung Ching Man (resigned on 27th March 2021)

AUTHORISED REPRESENTATIVES

Datuk 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
40150 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

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 5/8
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	
	2021 RM'000	2020 RM'000
Revenue	773,731	332,128
Gross profit	46,934	19,732
Profit before interest, tax, depreciation and amortisation	26,657	5,626
Depreciation	(2,369)	(1,783)
Finance costs, net	(615)	(29)
Share of results of an associate	-	(1,038)
Profit before income tax	23,673	2,776
Income tax expenses	(7,458)	(1,224)
Profit for the period	16,215	1,552
Profit and total comprehensive income for the period attributable to:		
Owners of the Company	16,241	1,552
Non-controlling interest	(26)	-
	16,215	1,552

	As at	
	30 June 2021 RM'000	31 December 2020 RM'000
Total non-current assets	37,621	36,294
Total current assets	221,164	192,485
Total assets	258,785	228,779
Total non-current liabilities	7,784	6,528
Total current liabilities	53,430	38,002
Total liabilities	61,214	44,530
Net current assets	167,734	154,483
Equity attributable to owners of our Company	197,597	184,249
Non-controlling interest	(26)	-
Net assets	197,571	184,249

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

The first half of 2021 was a very productive and yet challenging period for the Group. The global economy is slowly getting back to normal even though the Coronavirus Disease (“**COVID-19**”) remains a major threat around the globe. The introduction of the covid vaccine in the beginning of Year 2021 has seen some countries starting to recover from this pandemic. The Malaysian Government has taken steps to introduce various recovery plans, and businesses are allowed to operate after the movement control order (“**MCO**”) was lifted in June 2020. However, Malaysia is still in the fight to contain the spread of the COVID-19 virus due to the shortage in vaccines in that period of time. The speed of the mutation of COVID-19 virus has again threatened the globe with the more deadly and highly transmissible Delta variant causing a spike in COVID-19. The Malaysian Government has concurrently introduce stricter measures in curbing the infection rate and at the same time speed up the vaccination program around the country. Another round of MCO was introduced at the beginning of June 2021 and most businesses have had to temporarily shut-down their operations since the COVID-19 cases have increased exponentially since May 2021.

However, as the global economy is slowly recovering around other regions of the world, the supply and demand of the steel product has steadily pushed up the steel price since December 2020. Our Group has benefited and performed exceptionally well from January 2021 up to May 2021 before the introduction of the MCO in the month of June 2021. The Group’s revenue for the six months period ended 30 June 2021 stood at RM 773.7 million, a massive improvement by

nearly 133.0% compared to the same period last year of RM 332.1 million. Sales volume of the scrap ferrous metal for the six months period ended 30 June 2021 was 417,584 tonnes, an increase of 61.6% compared to year 2020 in the same period.

With regards to the profitability, we recorded a net profit after tax for the period of RM16.2 million (six months ended 30 June 2020: RM1.6 million), representing an increase of 912.5% as compared to the same period of 2020, which was attributable to the increase in demand from the steel mills and the increase of scrap metal price over the same period. The net results would have been even better if not for the temporary shutdown due to the MCO imposed by the Government in the month of June 2021.

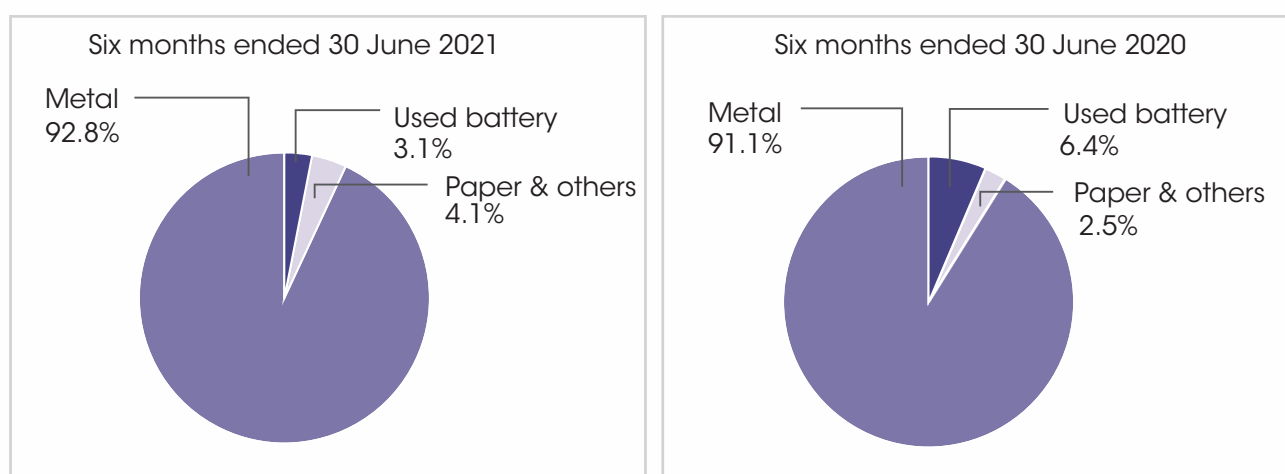
The COVID-19 pandemic is expected to remain a challenge throughout the remainder of 2021. However, steel consumption and demand for steel products remain strong, thus the scrap metal price has not been affected. The Group is confident that the recovery from this set back would be swift once the MCO is lifted and businesses are allowed to operate as normal. This MCO disruption has continued to the month of July 2021, but we expect it would be lifted soon and the recovery plan will be implemented accordingly as the government is now accelerating the vaccination program throughout the country.

The Group will continue to leverage off on our core competitive 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 in both local and export markets.

FINANCIAL REVIEW

Revenue

Revenue of the Group for the six months ended 30 June 2021 was RM773.7 million (six months ended 30 June 2020: RM332.1 million), representing an improvement of 133.0% as compared to the same period of 2020. The breakdown of our total revenue by product types for the periods under review are as below:



The increase in the Group's revenue was mainly attributable to the increase in demand of steel products across the Globe. As this demand continues to grow since December 2020, it has elevated the steel price; thus the profitability of the Group has also improved favourably. The sales volume for the scrap ferrous metal for the six months ended 30 June 2021 has increased by 61.6% compared to the same period of 2020. Other revenue contributors albeit smaller in volume, are the Used Battery and Paper, which have also increased by 105.6% and 43.9% respectively.

While the MCO imposed by the Government of Malaysia to contain the outbreak of the COVID-19 for the month of June 2021 has set us back temporarily, with the experience in year 2020 the Group is in a better position to manage its finances and cashflow effectively to minimise the impact of this current lockdown. Even with sharp decrease in turnover since the MCO was imposed in June 2021, the Group is still able to maintain positive results at gross profit level.

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							
	2021				2020			
	Volume sold (tonnes)	%	Revenue (RM'000)	%	Volume sold (tonnes)	%	Revenue (RM'000)	%
Local	389,906	93.4	660,696	93.1	252,874	97.8	296,063	97.8
Export	27,678	6.6	48,977	6.9	5,604	2.2	6,507	2.2
Total	417,584	100.0	709,673	100.0	258,478	100.0	302,570	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit

The Group's gross profit for the six months ended 30 June 2021 increased by 138.1% from RM19.7 million to RM46.9 million as compared with the corresponding period in 2020. The increase in gross profit of scrap ferrous metals was primarily attributable to increase in revenue as well as the increase in selling price of scrap ferrous metal over the six month period.

The Group's gross profit margin improved marginally to 6.1% for the six months ended 30 June 2021 as compared to 5.9% for the six months ended 30 June 2020.

Distribution and Selling Expenses

The Group's distribution and selling expenses increased from RM7.8 million for the six months ended 30 June 2020 to RM12.9 million for the six months ended 30 June 2021, primarily due to the increase of truck hire expenses for engaging external logistic companies to cope with the growing demand in both domestic and overseas markets, as well as freight charges incurred from import of scrap ferrous metal from overseas.

Administrative Expenses

The increase in the Group's administrative expenses from RM7.2 million for the six months ended 30 June 2020 to RM10.9 million for the six months ended 30 June 2021 was mainly attributable to the increase in head count on office personnel, additional provision for incentives and bonuses, and increase in payroll due to salary adjustment.

Share of Results of An Associate

The Group's share of results of an associate is nil for the six months ended 30 June 2021 compared to same period last year at a loss of RM 1.0 million. The Group has not recognised further losses related to the associate since the Group has no obligation in respect to these losses and the carrying amount of the investment is nil. The breakeven result was mainly attributable to increase in production capacity and improvement on operational efficiency of the associate. The target of the associate is to continue with its restructuring program to produce positive results in the second half of year 2021.

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 2021 was 31.5% (six months ended 30 June 2020: 44.1%). The lower effective tax rate of 31.5% was in line with the Group's better tax planning process implemented this year and proper classification of allowable expenses, as well as the reduction on non-deductible expenses.

Profit Attributable to Owners of the Company

The Group's profit attributable to owners of the Company for the six months ended 30 June 2021 was RM16.2 million (six months ended 30 June 2020: RM1.6 million), which is in tandem with the increase in profit before tax.

MANAGEMENT DISCUSSION AND ANALYSIS

Key Financial Ratios

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

Liquidity Ratios	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
	Current ratio	4.1 times
Gearing ratio	11.6%	11.7%

	For the six months ended 30 June	
	2021	2020
Inventories' turnover period	12.0 days	15.0 days
Trade receivables' turnover period	28.0 days	54.1 days
Trade payables' turnover period	5.0 days	3.5 days

Working Capital

The inventories' turnover period of the Group was 12.0 days for the six months ended 30 June 2021 as compared to 15.0 days for the six months ended 30 June 2020. The improvement on inventories' turnover period was mainly attributable to better logistic management in delivery of goods to the customers.

The Group's trade receivables' turnover period was 28 days for the six months ended 30 June 2021 as compared to 54.1 days for the six months ended 30 June 2020. Such improvement was mainly attributable to the better credit control policy in negotiating a better term with the customers in collecting payment. The provision made for the loss allowance for the six months ended 30 June 2021 was RM0.04 million.

The Group's trade payables' turnover period was 5.0 days for the six months ended 30 June 2021 as compared to 3.5 days for the six months ended 30 June 2020. The slight increase on trade payables' turnover period was mainly attributable to the fact that the volume increased significantly, and we negotiated a better payment term to better manage our cashflow.

Liquidity and Financial Resources

As of 30 June 2021, the Group's total equity attributable to owners of the Company amounted to RM197.6 million (as at 31 December 2020: RM184.2 million) including retained earnings of RM113.6 million (as at 31 December 2020: RM100.2 million). The Group's working capital amounted to RM167.7 million (as at 31 December 2020: RM154.5 million) of which cash and bank balances, pledged bank deposits and fixed deposits were RM41.1 million (as at 31 December 2020: RM30.3 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 for the next 12 months. The Board will continue to follow a prudent treasury policy in managing its cash and bank balances, 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 2021 were RM21.5 million (as at 31 December 2020: RM20.0 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 2021 was 11.6% (as at 31 December 2020: 11.7%). Gearing ratio is calculated based on total interest-bearing debts divided by total equity as at the end of the period.

MANAGEMENT DISCUSSION AND ANALYSIS

Future Plans for Material Investments and Capital Assets

As at 30 June 2021, 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

During the six months ended 30 June 2021, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

Pledge of Assets

As at 30 June 2021, 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 2021 RM'000 (Unaudited)	As at 31 December 2020 RM'000 (Audited)
Property, plant and equipment	725	764
Right-of-use assets	10,029	10,117
Investment properties	5,540	5,568
Pledged bank deposits	5,307	5,255
	21,601	21,704

Contingent Liabilities

The Group did not have any significant contingent liability as at 30 June 2021 (as at 31 December 2020: Nil).

Capital Commitments

As at 30 June 2021, the Group has capital commitment in respect of acquisition of property, plant and equipment of RM2.4 million (as at 31 December 2020: RM12.5 million).

Risk Management

The Group in its ordinary course of business is exposed to market risk (such as 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 Ringgit Malaysia ("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; and
- 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 grouped the trade receivables based on shared credit risk characteristic, open market credit rating and the days past due and the historical loss rate is also adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables to measure the expected credit losses. During the six months ended 30 June 2021, the expected losses rate for trade receivables is 1.1% (six months ended 30 June 2020: 2.6%). The provision for trade receivables made during the six months ended 30 June 2021 is RM0.04 million (six month ended 30 June 2020: RM 1.7 million).

The Group has no write-off of trade receivables during the six months ended 30 June 2021 and 2020.

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 2021, 95% of its total trade receivables (as at 31 December 2020: 93%) was due from this 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 aggregated 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 SFO (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

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

Name of Director	Nature of interest	Number and class of Shares (Note 1)	Approximate percentage of shareholding
Datuk. 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 2021, 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
Datuk. 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 2021, 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 2021 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 2021, 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 (Note 1)	Approximate percentage of shareholding
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 2021, 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 Datuk. Sia Kok Chin. As such, Ms. Koo Lee Ching is deemed under the SFO to be interested in the Shares in which Datuk. 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 2021, 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 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 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 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, Datuk. Sia Kok Chin, Datuk Sia Keng Leong, Mr. Sia Kok Chong, Mr. Sia Kok Seng and Mr. Sia Kok Heong, has executed a deed of non-competition on 19 February 2019 pursuant to which they have irrevocably and unconditionally undertaken to the Company (for the Company itself and on behalf of the members of the Group) that, during the period that the Non-Competition Deed remains effective, he/it/she shall not, and shall procure that his/its/her close associates (other than any member of the Company) shall not, directly or indirectly, develop, acquire, participate in, hold any right or interest or invest in or engage in, render any services for or otherwise be involved in any business in competition with or likely to be in competition with the existing business activities of the Company in Malaysia or any other area in which the Company carries on business.

The Controlling Shareholders have provided written confirmations to the Company confirming that they had fully complied with the Deed of Non-Competition during the six months ended 30 June 2021 and they did not conduct or acquire any competing business with the Group during the six months ended 30 June 2021. The independent non-executive Directors have reviewed the confirmations from the Controlling Shareholders and are satisfied that the Deed of Non-Competition was fully complied with by Controlling Shareholders during the six months ended 30 June 2021, and no competing business was reported by the Controlling Shareholders throughout the six months ended 30 June 2021.

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 2021, 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. Datuk 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 Datuk 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 considering 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 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.

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 2021 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

EMPLOYEES AND REMUNERATION POLICIES

As of 30 June 2021, the Group had 162 (as at 30 June 2020: 129) employees in Malaysia. For the six months ended 30 June 2021, total staff costs and related expenses of the Group (including the Directors' remuneration) were RM10.2 million (six months ended 30 June 2020: RM5.9 million), representing an increase of 72.9% as compared to the same period of 2020. 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 2021 is set out on page 4 of this interim report. This summary does not form part of the audited consolidated financial statements.

MOVEMENTS IN SHARE CAPITAL

There is no change to share capital of the Company from 1 January 2021 to 30 June 2021.

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

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 2021.

SUFFICIENCY OF PUBLIC FLOAT

Based on the 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 of Hong Kong Limited (the "**Stock Exchange**") and permitted under Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), are held by the public at all times throughout the six months ended 30 June 2021 and as of the date of this announcement.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company, 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 2021, there was no change in the information of the Company's directors.

USE OF PROCEEDS FROM SHARE OFFER

The net proceeds raised by the Company from the share offer on listing were approximately RM41.0 million (equivalent to approximately HK\$78.8 million) (based on the final Offer Price of HK\$0.50 per offer share), after deducting underwriting fees and all related expenses incurred in the amount of RM24.0 million (equivalent to approximately HK\$46.2 million). The Company intends to apply the net proceeds on a pro rata basis for the purposes as disclosed in the section headed “Future Plans and Use of Proceeds” of the Prospectus and the announcement dated 16 July 2020 in relation to the change in use of the proceeds.

	Available (RM'000)	Change in use of proceeds (RM'000)	New allocation for net proceeds (RM'000)	Balance as at 31 December 2020 (RM'000)	Amount utilised during the six months ended 30 June 2021 (RM'000)	Balance as at 30 June 2021 (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	-	3,604	-	-	-	-
Enhancing our processing abilities	2,908	-	2,908	-	-	-	-
Setting up new enterprise resource planning system	942	-	942	158	-	158	Third quarter of 2021
Setting up a new scrapyard in the east coast of Peninsular Malaysia	4,546	(4,546)	-	-	-	-	-
Expansion of our scrapyard in Selangor, Malaysia	6,389	-	6,389	5,349	-	5,349	Fourth quarter of 2022
The Group's working capital for our scrap ferrous metal trading business	18,471	4,546	23,017	-	-	-	-
General working capital for other general corporate purpose (excluding the purchase of scrap materials)	4,096	-	4,096	-	-	-	-
	40,956	-	40,956	5,507	-	5,507	

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 declare the payment of any dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

EVENTS OCCURRED SINCE THE END OF THE SIX MONTHS ENDED 30 JUNE 2021

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 2021 up to the date of this report.

COMPLIANCE WITH LAWS AND REGULATIONS

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

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company (being Ms. Sai Shiow Yin, Mr. Puar Chin Jong and Mr. Chu Kheh Wee) has reviewed with management the condensed consolidated financial information for the six months ended 30 June 2021, 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 2021 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 2021 and 2020

	Note	For the six months ended 30 June 2021 RM'000 (Unaudited)	2020 RM'000 (Unaudited)
Revenue	3	773,731	332,128
Cost of sales	6	(726,797)	(312,396)
Gross profit		46,934	19,732
Other income	4	1,170	825
Other losses, net	5	(27)	(1,660)
Distribution and selling expenses	6	(12,911)	(7,845)
Administrative expenses	6	(10,878)	(7,290)
Operating profit		24,288	3,843
Finance income		121	329
Finance costs		(736)	(358)
Finance costs, net	7	(615)	(29)
Share of results of an associate		-	(1,038)
Profit before income tax		23,673	2,776
Income tax expense	8	(7,458)	(1,224)
Profit for the period		16,215	1,552
Profit and total comprehensive income for the period attributable to:			
Owners of the Company	10	16,241	1,552
Non-controlling interest	10	(26)	-
		16,215	1,552
Earning per share attributable to the owners of the Company for the period (<i>express in sen per share</i>)			
- Basic earnings per share		1.62	0.16
- Diluted earnings per share		1.62	0.16

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021 and 31 December 2020

	Note	As at 30 Jun 2021 RM'000 (Unaudited)	As at 31 Dec 2020 RM'000 (Audited)
ASSETS			
Non-current assets			
Investment in an associate	11	-	-
Property, plant and equipment	12	18,174	16,357
Intangible asset		499	586
Investment properties	13	6,147	6,183
Trade and other receivables	14	1,339	1,339
Right of use assets	18	11,462	11,811
Deferred income tax assets	19	-	18
		37,621	36,294
Current assets			
Inventories		46,915	34,079
Trade and other receivables	14	132,560	127,267
Current income tax recoverable		625	804
Pledge bank deposits		5,307	5,255
Fixed deposits		16,074	-
Cash and bank balances		19,683	25,080
		221,164	192,485
Total assets		258,785	228,779
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Company			
Share capital	15	5,206	5,206
Share premium		49,306	49,306
Capital reserve		29,487	29,487
Foreign currency translation reserve		-	-
Retained earnings		113,598	100,250
		197,597	184,249
Non-controlling interest	20	(26)	-
Total equity		197,571	184,249

Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2021 and 31 December 2020

	Note	As at 30 Jun 2021 RM'000 (Unaudited)	As at 31 Dec 2020 RM'000 (Audited)
Non-current liabilities			
Finance lease liabilities	17	2,595	-
Borrowings	17	3,802	5,029
Lease liabilities	18	530	1,028
Deferred income tax liabilities	19	857	471
		7,784	6,528
Current liabilities			
Trade and other payables	16	28,704	22,189
Current income tax liabilities		5,936	379
Borrowings	17	13,742	14,933
Finance lease liabilities	17	1,396	-
Lease liabilities	18	759	501
Dividend Payable		2,893	-
		53,430	38,002
Total liabilities		61,214	44,530
Total equity and liabilities		258,785	228,779

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021 and 2020

	Attributable to owners of the Company							
	Share capital (Note 15)	Share premium	Capital Reserve	Foreign translation reserve	Retained earnings	Total equity	Non-controlling interest	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2021 (Audited)	5,206	49,306	29,487	-	100,250	184,249	-	184,249
Issuance of ordinary shares to a non-controlling interest shareholder of a subsidiary	-	-	-	-	-	-	-	-
Profit and total comprehensive income for the period	-	-	-	-	16,241	16,241	(26)	16,215
Dividend	-	-	-	-	(2,893)	(2,893)	-	(2,893)
As at 30 June 2021 (Unaudited)	5,206	49,306	29,487	-	113,598	197,597	(26)	197,571

	Attributable to owners of the Company							
	Share capital (Note 15)	Share premium	Capital Reserve	Foreign translation reserve	Retained earnings	Total equity	Non-controlling interest	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2021 (Audited)	5,206	49,306	29,487	-	91,858	175,857	-	175,857
Issuance of ordinary shares to a non-controlling interest shareholder of a subsidiary	-	-	-	-	1,552	1,552	-	1,552
Profit and total comprehensive income for the period	5,206	49,306	29,487	-	93,410	177,409	-	177,409

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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021 and 2020

	Note	For the six months ended 30 June 2021 RM'000 (Unaudited)	2020 RM'000 (Unaudited)
Cash flows from operating activities			
Cash used in operations	21	14,548	(19,338)
Tax paid		(1,319)	(1,383)
Net cash generated from/(used) in operating activities		13,229	(20,721)
Cash flows from investing activities			
Investment in associate		-	(490)
Purchase of property, plant and equipment		(2,300)	(4,587)
Proceeds from disposal of property, plant and equipment		170	-
Interest received		121	329
Placement of pledge bank deposits		(51)	(317)
Net cash used in investing activities		(2,060)	(5,065)
Cash flows from financing activities			
Interest paid		(736)	(358)
Drawdown of borrowings		1,099	6,672
Repayments of borrowings		(962)	(860)
Advance from an associate		472	-
Principal elements of lease payments		(240)	(500)
Net cash (use) in/generated from financing activities		(367)	4,954
Net increase/(decrease) in cash and cash equivalents		10,802	(20,832)
Effect of exchange rate changes		(46)	-
Cash and cash equivalents at beginning of the period		25,001	28,208
Cash and cash equivalents at end of period		35,757	7,376
Cash at bank and on hand		19,683	5,876
Short-term bank deposits with maturity of three months or less		16,074	1,867
Cash and bank		35,757	7,743
Bank overdraft (note 17)		-	(367)
Cash and cash equivalents		35,757	7,376

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2021 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.

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 2021 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Adoption of New standards

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 2021 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.

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

A number of new standards and amendments to standards and interpretation have been issued but not effective for accounting periods beginning on or after 1 January 2021 and have not been early adopted by the Group in preparing the financial statements:

		Effective for accounting periods beginning on or after
IFRS 1, IFRS 9, IFRS 16, IFRS 141 (Amendments)	Annual improvements to IFRS Standards 2018-2020	1 January 2022
IFRS 3 (Amendments)	Reference to the Conceptual Framework (Amendments to IFRS 3 Business Combinations)	1 January 2022
IFRS 17	Insurance contracts	1 January 2023
IFRS 101 (Amendments)	Classification of liabilities as current or non-current (Amendments to IFRS 101)	1 January 2022
IFRS 116 (Amendments)	Proceeds before intended use	1 January 2022
IFRS 137 (Amendments)	Onerous Contracts-Cost of fulfilling a contract (amendments to IFRS 137 provisions, contingent liabilities and contingent assets)	1 January 2022

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

3 REVENUE AND SEGMENT INFORMATION

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

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 2021 and 2020, 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 2021 and 31 December 2020, all non-current assets were all located in Malaysia.

4 OTHER INCOME

	For the six months ended 30 June 2021 RM'000 (Unaudited)	2020 RM'000 (Unaudited)
Compensation received	13	-
Government wages subsidies	-	150
Rental income	257	58
Transport income	837	515
Others	63	102
	1,170	825

Notes to the Condensed Consolidated Financial Statements (Continued)

5 OTHER LOSSES, NET

	For the six months ended 30 June	
	2021 RM'000 (Unaudited)	2020 RM'000 (Unaudited)
Foreign exchange losses – realised	(7)	(4)
Foreign exchange losses – unrealised	(46)	–
Gain on disposal of property, plant and equipment	100	–
Property, plant and equipment written-off	(32)	(2)
Provision of losses allowance on trade receivables	(42)	(1,654)
	(27)	(1,660)

6 EXPENSES BY NATURE

	For the six months ended 30 June	
	2021 RM'000 (Unaudited)	2020 RM'000 (Unaudited)
Cost of trading goods sold	721,493	309,069
Employee benefit expenses	10,244	5,919
Depreciation expenses		
– Property, plant and equipment	2,074	1,425
– Investment properties	35	13
– Right of use assets	260	345
Auditors' remuneration		
– Audit services	482	267
– Non-audit services	27	15
Transportation costs	9,819	6,154
Lease expenses relating to:		
– low value assets	74	–
– short-term lease	140	–
Other expenses	5,938	4,243
Total costs of sales, distribution and selling expenses and administrative expenses	750,586	327,450

Notes to the Condensed Consolidated Financial Statements (Continued)

7 FINANCE COSTS, NET

	For the six months ended 30 June	
	2021 RM'000 (Unaudited)	2020 RM'000 (Unaudited)
Interest income from bank deposits	121	329
Interest expense on loans	(557)	(231)
Interest expense on hire purchase liabilities	(120)	(78)
Interest expense on lease liabilities	(36)	(27)
Interest expense on bank overdraft	(23)	(22)
Finance costs	(736)	(358)
Finance costs, net	(615)	(29)

8 INCOME TAX EXPENSE

	For the six months ended 30 June	
	2021 RM'000 (Unaudited)	2020 RM'000 (Unaudited)
Current tax:		
Malaysia corporate income tax	7,055	1,618
Under provision in prior year	-	144
	7,055	1,762
Deferred income tax	403	(538)
	7,458	(1,224)

Notes to the Condensed Consolidated Financial Statements (Continued)

8 INCOME TAX EXPENSE (Continued)

The reconciliations from the tax amount at the Malaysian corporate income tax rate of 24% (six months ended 30 June 2020: 24%) and the Group's tax expense are as follows:

	For the six months ended 30 June	
	2021	2020
	RM'000	RM'000
	(Unaudited)	(Unaudited)
Profit before tax	23,673	2,776
Tax at Malaysia corporate income tax rate	5,681	666
Tax effect of expenses not deductible for tax purposes	1,780	952
Different tax rate arising from provision of loss allowance on trade receivables	-	(538)
Effect of temporary differences not taken up in prior year	(3)	-
Under provision in respect of prior years	-	144
Income tax expense for the period	7,458	1,224

9 INTERIM DIVIDEND

The Board does not declare the payment of any dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

10 EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2021	2020
	RM'000	RM'000
	(Unaudited)	(Unaudited)
Earnings:		
Profit for the period attributable to the owners of the Company	16,241	1,552
Number of shares:		
Weighted average number of shares in use	1,000,000,000	1,000,000,000
Basic earnings per share (<i>expressed in sen per share</i>)	1.62	0.16
Diluted earnings per share (<i>expressed in sen per share</i>)	1.62	0.16

The Company has no outstanding potentially dilutive shares during the six months ended 30 June 2021 and 2020.

11 INVESTMENTS IN AN ASSOCIATE

	As at 30 June 2021	As at 31 December 2020
	RM'000	RM'000
Unquoted share – at cost	2,450	2,450
Share of results of an associate	(2,450)	(2,450)
Proportion of ownership interest and voting rights held by the Group	-	-

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

As at 30 June 2021, there is an amount due from associate of RM587,000 (as at 31 December 2020: RM1,059,000) (Note 14) which is unsecured, interest free with no fixed term of repayment.

12 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property, plant and equipment with aggregate cost of RM3,803,351 (six months ended 30 June 2020: RM4,587,000). During the period the Group also disposed off one motor vehicle with the aggregate cost of RM 350,000 and write off some damaged equipment amounting to RM 76,782. (No item was disposed off for the same period six months ended 30 June 2020).

13 INVESTMENT PROPERTIES

The Group did not acquire any investment properties during the six months ended 30 June 2021 (six months ended 30 June 2020: RM nil). No investment properties were disposed during the six months ended 30 June 2021 (six months ended 30 June 2020: RM nil).

14 TRADE AND OTHER RECEIVABLES

	As at 30 June 2021 RM'000 (Unaudited)	As at 31 December 2020 RM'000 (Audited)
Non-current		
Deposits for acquisition of freehold land *(2)	1,339	1,339
Current		
Trade receivables	118,929	118,366
Less: Provision for loss allowance	(1,305)	(1,263)
	117,624	117,103
Other receivables	3,605	531
Deposits and prepayments	2,107	1,087
Down payment to suppliers	8,512	7,413
Other tax receivables	125	74
Amount due from associates (Note 11)	587	1,059
	132,560	127,267
Total trade and other receivables	133,899	128,606

Note:

- 1) 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:
- 2) On 3rd December 2020, the Group entered into Sales and Purchase Agreement (The "Agreement") to acquire a piece of freehold land in Malaysia for a purchase consideration of RM 13,000,000. Consequently, paid a deposit amounted to RM 1,339,000 upon signing of the Agreement. However, due to unforeseen circumstances both parties agreed to void the signed contract on mutual ground and the Group had recovered the paid deposit in the month of July 2021.

Notes to the Condensed Consolidated Financial Statements (Continued)

14 TRADE AND OTHER RECEIVABLES (Continued)

	As at 30 June 2021 RM'000 (Unaudited)	As at 31 December 2020 RM'000 (Audited)
0 – 30 days	22,515	84,260
31 – 60 days	67,566	32,397
61 – 120 days	27,811	1,517
Over 120 days	1,037	192
	118,929	118,366

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

	As at 30 June 2021 RM'000 (Unaudited)	As at 31 December 2020 RM'000 (Audited)
– Ringgit Malaysia (RM)	118,903	114,254
– United State Dollar (USD)	26	2,257
– Singapore Dollar (SGD)	-	1,855
	118,929	118,366

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 grouped the trade receivables based on shared credit risk characteristic, open market credit rating and the days past due and the historical loss rate is also adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables to measure the expected credit losses.

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

	As at 30 June 2021 RM'000 (Unaudited)	As at 31 December 2020 RM'000 (Audited)
At 1 January	1,263	1,207
Provision for loss allowance	42	58
Bad debts written-off	-	(2)
At 30 June/31 December	1,305	1,263

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

Notes to the Condensed Consolidated Financial Statements (Continued)

15 SHARE CAPITAL

	As at June 2021		As at 31 December 2020	
	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	2,000,000	10,406
At end of period	2,000,000	10,406	2,000,000	10,406
At beginning of the year	1,000,000	5,206	1,000,000	5,206
Issuance of ordinary shares relating to the initial public offering	-	-	-	-
At the end of the period	1,000,000	5,206	1,000,000	5,206

16 TRADE AND OTHER PAYABLES

	As at 30 June 2021 RM'000 (Unaudited)	As at 31 December 2020 RM'000 (Audited)
Trade payables	18,225	14,561
Other tax payables	51	-
Accrued salaries	3,508	2,985
Other payables and accruals	6,920	4,643
	28,704	22,189

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

	As at 30 June 2021 RM'000 (Unaudited)	As at 31 December 2020 RM'000 (Audited)
- Ringgit Malaysia (RM)	18,217	10,442
- United State Dollar (USD)	8	4,119
	18,225	14,561

Notes to the Condensed Consolidated Financial Statements (Continued)

16 TRADE AND OTHER PAYABLES (Continued)

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

	As at 30 June 2021 RM'000 (Unaudited)	As at 31 December 2020 RM'000 (Audited)
0 – 30 days	6,629	13,040
31 – 60 days	3,171	1,468
61 – 120 days	8,425	53
Over 120 days	-	-
	18,225	14,561

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

	As at 30 June 2021 RM'000 (Unaudited)	As at 31 December 2020 RM'000 (Audited)
- Ringgit Malaysia (RM)	6,920	4,643
- United State Dollar (USD)	-	-
	6,920	4,643

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

17 BORROWINGS

	As at 30 June 2021 RM'000 (Unaudited)	As at 31 December 2020 RM'000 (Audited)
Non-current		
Bank borrowings		
– Term loans (Note a)	3,802	3,126
Hire purchase liabilities (Note b)	2,595	1,903
	6,397	5,029
Current		
Bank borrowings		
– Term loans (Note a)	489	407
– Bank overdraft (Note 21)	-	79
– Trust receipts facilities (Note c)	13,253	13,154
	13,742	13,640
Hire purchase liabilities (Note b)	1,396	1,293
	15,138	14,933
Total borrowings	21,535	19,962

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 RM 21.6 million as at 30 June 2021 (as at 31 December 2020: RM21.7 million).

As at 30 June 2021, the Group had aggregate banking facilities of approximately RM46.7 million (as at 31 December 2020: RM39.7 million). Unused facilities amounted to approximately RM27.6 million as at 30 June 2021 (as at 31 December 2020: RM21.6 million).

17 BORROWINGS (Continued)

(a) Term loans

Term loans mature at various dates up to 2031.

As at 30 June 2021 and 31 December 2020, the Group's term loans were repayable as follows:

	As at 30 June 2021 RM'000 (Unaudited)	As at 31 December 2020 RM'000 (Audited)
Within 1 year	489	407
Between 1 and 2 years	501	414
Between 2 and 5 years	1,582	1,047
Over 5 years	1,719	1,665
	3,802	3,126
	4,291	3,533

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

	As at 30 June 2021 % (p.a.) (Unaudited)	As at 31 December 2020 % (p.a.) (Audited)
Interest rates	4.18 - 5.57	4.18 - 5.57

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

17 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 2021 RM'000 (Unaudited)	As at 31 December 2020 RM'000 (Audited)
Gross hire purchase liabilities - minimum lease payments		
Not more than 1 year	1,594	1,474
Later than 1 year and not later than 5 years	2,802	2,037
	4,396	3,511
Future finance charges on hire purchase	(405)	(315)
	3,991	3,196
Total present value of hire purchase is as follow:		
Not later than 1 year	1,396	1,293
Later than 1 year but not later than 5 years	2,595	1,903
	3,991	3,196

(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 2021 % (p.a.) (Unaudited)	As at 31 December 2020 % (p.a.) (Audited)
Interest rates	3.50 - 5.07	3.50 - 5.07

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

Notes to the Condensed Consolidated Financial Statements (Continued)

18 LEASES

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

	As at 30 June 2021 RM'000 (Unaudited)	As at 31 December 2020 RM'000 (Audited)
Right of use ("ROU") assets		
Leasehold lands	11,236	11,584
Leasehold property	226	227
	11,462	11,811
Lease liabilities		
Non-current portion	530	1,028
Current portion	759	501
	1,289	1,529

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

	As at 30 June 2021 RM'000 (Unaudited)	As at 31 December 2020 RM'000 (Audited)
At 1 January	11,811	11,747
Addition to the ROU assets during the financial year	-	635
Purchase of a leasehold property	-	230
Depreciation charge	(349)	(801)
	11,462	11,811

As at 30 June 2021, leasehold lands with a net book value of approximately RM 10.0 million (2020: RM 10.1 million) were pledged to the bank to secure the banking facilities granted to the Group.

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

	For the six months ended 30 June 2021 RM'000 (Unaudited)	2020 RM'000 (Unaudited)
Depreciation expense of ROU assets	349	801
Interest expense (included in finance cost)	36	87
Expenses relating to leases of low-value assets (included in distribution and selling expenses and administrative expenses)	74	162
Expenses relating to leases of short term lease (including in cost of sales)	140	64

Notes to the Condensed Consolidated Financial Statements (Continued)

18 LEASES (Continued)

- (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.

- (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.

19 DEFERRED INCOME TAX (LIABILITIES)/ASSETS

	As at 30 June 2021 RM'000 (Unaudited)	As at 31 December 2020 RM'000 (Audited)
Deferred income tax assets	-	18
Deferred income tax liabilities	(857)	(471)
	(857)	(453)

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:

	Accelerated tax depreciation RM'000	Provisions RM'000	Total RM'000
At 1 January 2020 (Audited)	(978)	535	(443)
(Charged)/Credited to the consolidated statements of comprehensive income	(243)	233	(10)
At 31 December 2020 (Audited)	(1,221)	768	(453)
(Charged)/Credited to the consolidated statements of comprehensive income (Note 8)	(416)	12	(404)
At 30 June 2020 (Unaudited)	(1,637)	780	(857)

Notes to the Condensed Consolidated Financial Statements (Continued)

20 NON-CONTROLLING INTEREST

On 7 May 2021, Heng Hup Engineering was established with a total paid up Capital of RM 1,000 (Ringgit Malaysia One Thousand) of which minority holds 30% of the controlling interest.

21 CASH GENERATED FROM OPERATIONS

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

	For the six months ended 30 June	
	2021	2020
	RM'000	RM'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Profit before income tax	23,673	2,776
Adjustment for:		
Finance costs	736	358
Finance income	(121)	(329)
Provision for loss allowance on trade receivables	42	1,654
Depreciation expense	2,282	1,783
Amortisation expense	87	-
Gain on disposal of property, plant and equipment	(100)	-
Property, plant and equipment written off	32	2
Loss on foreign exchange – unrealised	46	-
Share results of an associate	-	1,038
	26,677	7,282
Changes in working capital		
Increase in inventories	(12,836)	(11,366)
Increase in trade and other receivables	(5,808)	(12,802)
Increase/(decrease) in trade and other payables	6,515	(2,452)
	14,548	(19,338)

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

Notes to the Condensed Consolidated Financial Statements (Continued)

21 CASH GENERATED FROM OPERATIONS (Continued)

	Bank borrowings RM'000	Hire purchase Liabilities RM'000	Lease Liabilities RM'000	Total RM'000
At 1 January 2020	7,833	2,638	1,528	11,999
Addition/Proceeds				
– Cash	9,296	–	–	9,266
– Non-cash	–	1,767	635	2,402
Repayments	(1,059)	(1,352)	(721)	(3,132)
Other non-cash movement	617	143	87	847
At 31 December 2020	16,687	3,196	1,529	21,412
At 1 January 2021	16,687	3,196	1,529	21,412
Addition/Proceeds				
– Cash	1,099	–	–	1,099
– Non-cash	–	1,515	–	1,515
Repayments	(822)	(840)	(276)	(1,938)
Other non-cash movement	580	120	36	736
At 30 June 2021	17,544	3,991	1,289	22,824

22 CAPITAL COMMITMENTS

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

	As at 30 June 2021 RM'000 (Unaudited)	As at 31 December 2020 RM'000 (Audited)
Capital expenditure contracted for but not provided in respect of:		
– purchase of plant and machinery	2,390	12,457

23 RELATED PARTY TRANSACTIONS

The Group is controlled by 5S Holdings (BVI) Limited which owns 75% of the Company's shares. The remaining 25% of shares are widely held. The ultimate controlling party of the Group are the five directors of the Company namely, Sia Kok Seng, Datuk Sia Kok Chin, Datuk 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 2021. The related party transactions described below were carried out on terms and conditions negotiated and agreed between the Group and the related parties.

	As at 30 June 2021 RM'000 (Unaudited)	2020 RM'000 (Unaudited)
Purchase of goods from related parties controlled by a director/directors	(1,942)	(1,888)

(b) Year-end balances

	As at 30 June 2021 RM'000 (Unaudited)	As at 31 December 2020 RM'000 (Audited)
Amount due from: - An associate (Note 14)	587	1,059

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

24 SUBSEQUENT EVENTS

Other than as disclosed elsewhere in this report, the Board is not aware of any significant event affecting the Group and requiring disclosures that took place subsequent to 30 June 2021 up to the date of this report.

However, the Group wish to provide an update for the following litigations:

- 1) Statement of claims filed by the founder of Intercedar (Disclosure made – Annual report 2020: Note 39 Subsequent event).

The claim was dismissed by the High court following the first hearing dated 25 February 2021 and subsequently the plaintiff filed an appeal to the Court of Appeal and this has also been dismissed by the Court of Appeal on the 21 May 2021.

Based on the current development and the opinion of our counsels, the Group is of view that no provision to be recorded and no contingent liability is required to be disclose as the likelihood of the claim succeeding remain remote.

- 2) Other litigation on land acquisition approved 4 December 2020

Announcement was made on the 16 June 2021 on the litigation filed by the seller (landowner) alleging a fraud by the property agent and the SPA lawyer. The Group had decided to withdraw their interest and cancelled the Sales and Purchase Agreement with mutual consent. As of to-date the Group had recovered all its deposits paid.