



Heng Hup Holdings Limited 興合控股有限公司

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

ANNUAL REPORT
2021



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Datuk Sia Kok Chin (*chairman of the Board 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 & RISK 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 27th 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

40/F, Dah Sing Financial Centre
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

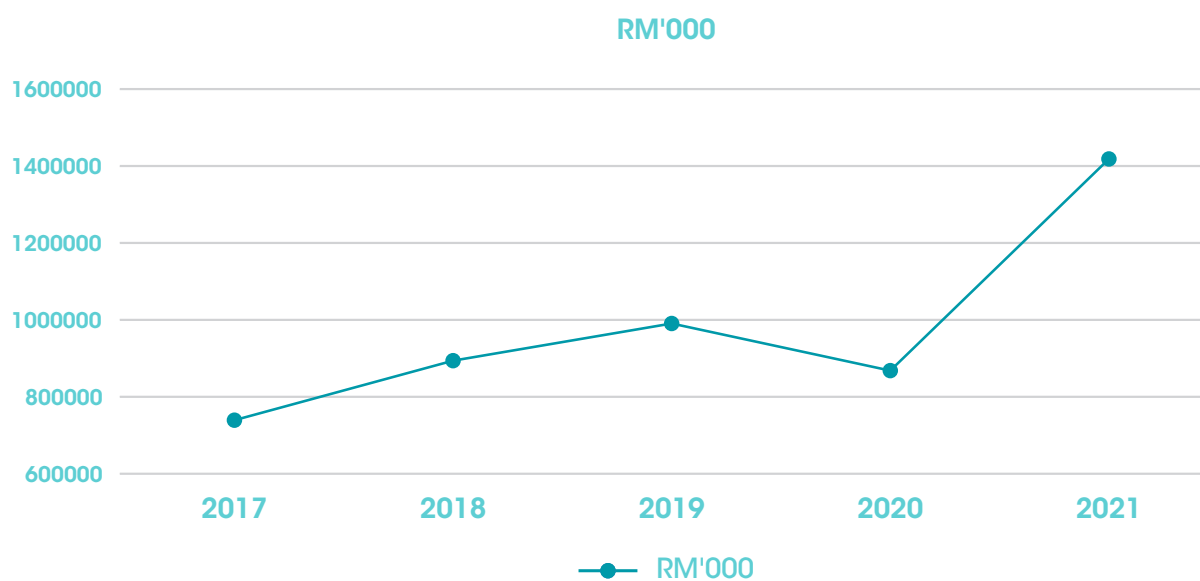
Hong Kong Stock Exchange 1891

COMPANY WEBSITE

www.henghup.com

FINANCIAL HIGHLIGHTS

REVENUE



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

	Year ended 31 December				
	2021 RM'000	2020 RM'000	2019 RM'000	2018 RM'000	2017 RM'000
Revenue	1,418,239	868,312	990,604	894,405	739,428
Gross profit	77,574	48,986	50,352	58,394	53,791
Profit before interest, tax, depreciation and amortisation	41,788	18,425	16,197	34,841	33,946
Depreciation	(4,707)	(3,925)	(3,154)	(2,363)	(2,304)
Amortisation	(172)	(14)	-	-	-
Finance cost, net	(1,369)	(335)	(181)	(206)	(686)
Share of results of an associate	6	(1,474)	(976)	-	-
Profit before income tax	35,546	12,677	11,886	32,273	30,956
Income tax expense	(10,132)	(4,285)	(5,214)	(7,651)	(7,845)
Net profit for the year	25,414	8,392	6,672	24,622	23,111
Profit attributable to:					
Owners of our Company	25,485	8,392	6,672	24,622	22,835
Non-controlling interest	(71)	-	-	-	276
	25,414	8,392	6,672	24,622	23,111

Financial Highlights

	2021 RM'000	As at 31 December			
		2020 RM'000	2019 RM'000	2018 RM'000	2017 RM'000
Total non-current assets	38,181	36,294	28,500	22,762	21,040
Total current assets	241,839	192,485	172,274	132,725	136,428
Assets classified as held for sale	-	-	-	-	1,686
Total assets	280,020	228,779	200,774	155,487	159,154
Total non-current liabilities	5,437	6,528	6,470	4,744	7,427
Total current liabilities	67,811	38,002	18,447	33,345	81,351
Total Liabilities	73,248	44,530	24,917	38,089	88,778
Net current assets	174,028	154,483	153,827	99,380	55,077
Equity attributable to the owners of the Company	206,772	184,249	175,857	117,398	69,983
Non-controlling interest	71	-	-	-	393
Net assets	206,843	184,249	175,857	117,398	70,376

CHAIRMAN'S STATEMENT

DEAR VALUED SHAREHOLDERS

ON BEHALF OF THE BOARD OF DIRECTORS' OF HENG HUP HOLDINGS LIMITED ("**THE COMPANY**"), I AM PLEASED TO PRESENT THE ANNUAL REPORT & AUDITED FINANCIAL STATEMENTS OF THE COMPANY AND ITS SUBSIDIARIES ("**THE GROUP**"), FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 ("**FYE2021**").

The year under review was yet another highly challenging year due to the continuous threat of the Coronavirus Disease 2019 ("**COVID-19**"). The spike in Covid-19 cases in year 2021 due to the new delta variant resulted in our Malaysian Government to again impose the Movement Control Order ("**MCO**") from 12 May 2021 to 1 August 2021 as a measure to contain the infection rate while rolling out various vaccination program nationwide.

Amidst this challenging environment, the Group continue to strive to create value through exercised financial prudence, tightened operating cost and improve our operational efficiency whilst staying on our objective to deliver sustainable and profitable outcomes. As a result, the Group has strengthened its financial position in FYE2021 compared to the previous year.

FINANCIAL PERFORMANCE

The Group posted a profit after tax and non-controlling interest of RM25.4 million, which was 202.4% higher than the financial year ended 31 December 2020 of RM8.4 million. This exceptional achievement was attributed by the high demand of steel products, thus pushed up the sales volume resulted in higher profit for the Group.

With the same context the Group has recorded a total revenue of RM 1,418.2 million for the FYE 2021 (2020: RM868.3 million), representing an increase of 63.3%. The sales volume of scrap ferrous metal for the FYE 2021 was 701,846 tonnes (2020: 639,871 tonnes), representing an increase of 9.7% as compared to previous financial year.

The full details of the Group's performance are made available in the Management Discussion and Analysis section.

CREATING SHAREHOLDERS VALUE

Our transformation over the past two years is remarkable and it's a challenging journey, as the Group is committed to nurture a sustainable and profitable business which contributes to create greater value to our shareholders. We have welcomed many structural changes and be innovative on our approach towards our short-term priorities and our long-term growth objectives. We have witnessed some improvements on our efficiency and as well as performance.

For the FYE2021, the Board of Directors ("**The Board**") has recommended a first and final dividend of HKD0.008 per ordinary share on 1,000,000,000 ordinary shares, which subject to shareholders' approval at the upcoming Annual General Meeting. This represents a dividend pay-out of 17% of our net profit attributable to the owner of the Company amounting to a total of RM4.3 million (equivalent to approximately HKD8.0 million) for the financial year under review.

Chairman's Statement

OUTLOOK

The process of transformation in cultivating good governance has led us to reinforce our commitment to deliver meaningful value to our shareholders. We seek to maintain our leadership position in the market and continue to reward our shareholders with strong returns. At the same time committed to uphold our believe in good governance in creating sustainable value for our customers, employees and the local communities where we operate.

We anticipate that the coming year will be equally, if not more, challenging for the Group. Nonetheless, we will focus on enhancing the dynamics between our business segments based on our sound business fundamentals.

The Group is constantly sought to expand our business present throughout the region and exploring opportunities in diversify our business portfolio. And we view our workforce as an essential part of our overall strategy for business sustainability and competitiveness. Moving forward, we strive to focus more on human resource strategies in development and upgrading skills for our key assets.

The Group is committed to this transformation and will continue to review its strategies to further enhance our business efficiency in achieving greater success.

APPRECIATION

On behalf of the Board, I would like to convey my deep appreciation and sincere thanks to our management team and employees for their dedication, professionalism, and diligent efforts as we continue to grow the Company together, and to our fellow Board members for their valuable insight and counsel.

Last but certainly, not least, I wish to extend my heartfelt appreciation to our valued customers, business partners and financiers for your trust and confidence in the Group throughout the years. With your resolute support, we will continue to steadily forge ahead amidst challenges and position the Group for long-term success.

Thank you.

Yours faithfully

Datuk Sia Kok Chin

Chairman and Chief Executive Officer

Malaysia, 31 March 2022

COMPANY PROFILE

We are a leading scrap ferrous metal trader in Malaysia. Over the years, we have established a nationwide supplier base of feeder yards from which we source recyclable scrap ferrous metals for sales to steel mills in Malaysia. We also operate three scrapyards equipped with the processing machinery mainly for ferrous metals strategically located in areas where the availability of scrap ferrous metals can be assured and nearby our steel mill customers in the states of Melaka, Selangor and Johor, with an aggregate land area of approximately 51,000 sq.m.. In addition, supported by a fleet of 67 self-owned trucks among which, 52 are trucks with laden weight of 20 tonnes or above as at the date of this annual report, we can always respond to the logistics needs of our small and medium-sized suppliers, who have only limited logistics support, on a timely basis.

We always pride ourselves on our capability to source sizeable volume of scrap ferrous metals to meet the production needs of our steel mill customers. For FY2020 and FY2021, we sold 639,871 tonnes and 701,846 tonnes of scrap ferrous metal, respectively, which accounted for 88.2% and 90.9% of our revenue, respectively. Alongside with the scrap ferrous metal trading, to a lesser extent, we also trade used batteries and wastepaper, which, in aggregate, accounted for 10.6% and 7.9% of our total revenue for FY2020 and FY2021, respectively. We also operate one scrapyard mainly for wastepaper located in the state of Melaka, with a land area of approximately 1,436 sq.m..

Company Profile

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



DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

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

Name	Age	Position	Date of appointment as Directors
Executive Directors			
Datuk Sia Kok Chin	48	Chairman and chief executive officer	12 April 2018
Datuk Sia Keng Leong	58	Executive Director	12 April 2018
Mr. Sia Kok Chong	56	Executive Director	12 April 2018
Mr. Sia Kok Seng	52	Executive Director	12 April 2018
Mr. Sia Kok Heong	46	Executive Director	12 April 2018
Independent non-executive Directors			
Ms. Sai Shiow Yin	39	Independent non-executive Director	19 February 2019
Mr. Puar Chin Jong	51	Independent non-executive Director	19 February 2019
Mr. Chu Kheh Wee	51	Independent non-executive Director	19 February 2019

EXECUTIVE DIRECTORS

Datuk Sia Kok Chin, aged 48, was appointed as our Director in April 2018 and was appointed as the chairman of our Board and our chief executive officer, and designated as our executive Director in June 2018. Datuk Sia Kok Chin is the chairman of the nomination committee of the Company. Datuk Sia Kok Chin joined Heng Hup Hardware as the manager in August 2001. Datuk Sia Kok Chin is also a director of HH BVI, HH Holdings Malaysia, HH Metal, HH Paper, HH Paper Melaka, HH Hardware and HH Metal Johor, which are our subsidiaries. Datuk Sia Kok Chin has over 19 years of experience in the scrap material trading industry. Datuk Sia Kok Chin is primarily responsible for overall management, strategic planning and day-to-day business operations of our Group.

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

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

Datuk Sia Kok Chin had been conferred Darjah Pangkuan Seri Melaka (D.P.S.M) which carries the title "Datuk" since 9 October 2020.

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

Directors and Senior Management

Datuk Sia Keng Leong, aged 58, was appointed as our Director in April 2018 and designated as our executive Director in June 2018. Datuk Sia Keng Leong became an owner of Heng Hup Hardware in May 2003. Datuk Sia Keng Leong is also a director of HH BVI, HH Holdings Malaysia, HH Metal, HH Paper, HH Paper Melaka, HH Hardware and HH Metal Johor, which are our subsidiaries. Since joining Heng Hup Hardware in 2003, Datuk Sia Keng Leong has accumulated over 17 years of experience in the scrap material trading industry. Datuk Sia Keng Leong is primarily responsible for the operations of HH Hardware and HH Paper Melaka.

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

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

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

Mr. Sia Kok Chong, aged 56, was appointed as our Director in April 2018 and designated as our executive Director in June 2018. Mr. Sia Kok Chong is one of the founders of Heng Hup Hardware. Mr. Sia Kok Chong is also a director of HH BVI, HH Holdings Malaysia, HH Metal, HH Paper, HH Paper Melaka, HH Hardware and HH Metal Johor, which are our subsidiaries. Since the formation of Heng Hup Hardware in 1996, Mr. Sia Kok Chong has accumulated over 23 years of experience in the scrap material trading industry. Mr. Sia Kok Chong is primarily responsible for the operations of HH Metal Johor.

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

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

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

Mr. Sia Kok Seng, aged 52, was appointed as our Director in April 2018 and designated as our executive Director in June 2018. Mr. Sia Kok Seng is one of the founders of Heng Hup Hardware. Mr. Sia Kok Seng is also a director of HH BVI, HH Holdings Malaysia, HH Metal, HH Paper, HH Paper Melaka, HH Hardware and HH Metal Johor, which are our subsidiaries. Since the formation of Heng Hup Hardware in 1996, Mr. Sia Kok Seng has accumulated over 23 years of experience in the scrap material trading industry. Mr. Sia Kok Seng is primarily responsible for the operations of HH Paper and HH Metal.

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

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

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

Directors and Senior Management

Mr. Sia Kok Heong, aged 46, was appointed as our Director in April 2018 and designated as our executive Director in June 2018. Mr. Sia Kok Heong joined our Group as a director of HH Hardware in March 2005. Mr. Sia Kok Heong is also a director of HH BVI, HH Holdings Malaysia, HH Metal, HH Paper, HH Paper Melaka and HH Metal Johor, which are our subsidiaries. Mr. Sia Kok Heong has over 14 years of experience in the scrap material trading industry. Mr. Sia Kok Heong is primarily responsible for the operations of HH Hardware and HH Paper Melaka.

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

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Sai Shiew Yin, aged 39, was appointed as our independent non-executive Director on 19 February 2019 and is mainly responsible for providing independent judgement on our Group's strategy, performance, resources and standard of conduct. Ms. Sai is the chairlady of the audit and risk committee and the remuneration committee; and a member of the nomination committee of the Company.

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

Ms. Sai has worked for Air Liquide Business Services Sdn Bhd., being the subsidiary of Air Liquide S.A (a French multinational company which supplies industrial gases and services to various industries including medical, chemical, and electronic manufacturers and listed on Europe Stock Exchange and Fortune 500 Company) since October 2020 and currently holds the position of APAC Finance Operations Control Director and is responsible for APAC shared service activities for the functions hosted in Malaysia. From September 2017 to September 2020, Ms. Sai worked for Atalian Global Services Sdn. Bhd. as Regional Performance Improvement Director in Asia Region, and is responsible for, among other things, improving the financial performance to the Asia region of the group. From December 2014 to August 2017, Ms. Sai worked for Jones Lang LaSalle Malaysia Sdn Bhd, being a subsidiary of Jones Lang LaSalle group (a multinational company provide professional services and investment management specializing in real estate and listed on the Big Board of NYSE and is a Fortune 500 Company), as a client accounting senior finance manager and was responsible for, among other things, client accounting transitions, and providing inputs into client finance strategy, data and people management. From April 2012 to October 2014, Ms. Sai worked for SunPower Solar Malaysia Sdn. Bhd., being an international solar energy leader and listed on the NASDAQ an American Stock Exchange, as the head of finance and was responsible for, among other things, providing accounting controllership oversight of Asia-Pacific, Europe regions, cash flow management and intercompany transaction of the same region and financial reporting. From March 2009 to June 2011, Ms. Sai worked for Jones Lang LaSalle (VIC) Pty Ltd. (in partnership with Telstra Limited – a company listed on the ASX20 in Australia as a blue chip company) as the senior accountant and was responsible for all financial assessment. From June 2006 to April 2009, Ms. Sai worked for Knight Frank Australia Pty Ltd., being an multinational property consultancies where the headquarters in UK, initially as an assistant accountant in property accounting services and then as an national accountant in corporate finance and was responsible for all accounting matters.

Directors and Senior Management

Mr. Puar Chin Jong, aged 51, was appointed as our independent non-executive Director on 19 February 2019 and is mainly responsible for providing independent judgement on our Group's strategy, performance, resources and standard of conduct. Mr Puar is a member of the audit and risk committee and the remuneration committee of the Company.

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

Mr. Puar is now engaged with T Advisory Sdn Bhd as an Executive Director in providing business advisory works. He has worked for S P Setia Project Management Sdn. Bhd., being a subsidiary of S P Setia Berhad (a company engaging in property development and listed on the Main Board of Bursa Malaysia Securities Berhad), from October 2016 to February 2022. He holds the position of head of corporate affairs and is responsible for managing the corporate finance activities of the group. From February 2013 to August 2016, Mr. Puar worked for RHB Investment Bank Berhad, being a multinational investment bank and listed on the Main Board of Bursa Malaysia Securities Berhad, as a senior vice president and was responsible for corporate finance activities. From November 2003 to February 2013, Mr. Puar worked for Alliance Investment Bank Berhad, being an investment bank and listed on the Main Board of Bursa Malaysia Securities Berhad, and last held the position of senior vice president and head of capital market – equity execution and was responsible for corporate finance activities.

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

Mr. Chu Kheh Wee, aged 51, was appointed as our independent non-executive Director on 19 February 2019 and is mainly responsible for providing independent judgement on our Group's strategy, performance, resources and standard of conduct. Mr. Chu is a member of the audit and risk committee, the remuneration committee and the nomination committee of the Company.

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

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

Since 31 December 2019, Mr. Chu has been appointed as executive director of SMRT Holdings Berhad, a Malaysian company listed on the Ace Market of Bursa Malaysia Securities Berhad, Malaysia.

Directors and Senior Management

SENIOR MANAGEMENT

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

Name	Age	Year Join	Position
Mr. Goh Eng Kiat	63	2009	Regional Manager
Mr. Wee Sen Chee	50	2020	Group CFO

Mr. Goh Eng Kiat, aged 63, joined our Group as a director of HH Metal Johor and our regional manager in May 2009 and is mainly responsible for managing our operations in the states of Melaka and Johor.

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

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

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

Mr. Wee Sen Chee, aged 50, joined our Group in November 2020. He is currently holding the position of Chief Financial Officer looking after the whole financial planning and accounting functions of the Group.

Mr. Wee obtained a bachelor's degree in accounting from JASA ACCOUNTANCY INSTITUTION in 2001 and is a member of Association of International Accountant, United Kingdom. He has also completed his master's degree from UNIVERSITY OF EAST LONDON majoring in International Business in 2015.

Prior to joining the Company, Mr. Wee worked as a Regional Finance Manager and Controller for Atalian Global Services – Asia ("**Atalian**") since 2014, reporting directly to the Regional CEO and Regional Finance Director. He was tasked with the responsibility in coordinating all M&A projects, regional reporting and performance analysis, restructuring, system and internal control implementation and group policy and process integration for the Asia Region. He had also been appointed as acting CFO for its subsidiaries in Malaysia and Thailand during his tenure with Atalian. From 2011 to 2013, Mr. Wee worked for TOC College as a Head of Finance, looking after the finance department and financial reporting system implementation. He has also been appointed as the Chairman for the Domestic Inquiry Committee and a Committee member for the scholarship evaluation board. From 2009 to 2010, Mr. Wee worked for CSL Group, a local handphone manufacturer as Finance Manager reporting directly to the Group CFO. He was responsible for Group reporting, financial performance and analysis of its subsidiaries in Indonesia, and involved in monitoring the internal control for the supply chain management subsidiary in Shenzhen, China.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As one of the leading scrap ferrous metal traders in Malaysia, we continue to uphold our integrity as our business fundamental in all our business affairs. We strive to deliver on our promises and always manifest our willingness to be part of the solutions to our customers' needs. As a result, we achieved not only a great result for the financial year ended ("**FYE**") 31 December 2021 but also further enhance our reputation as a trusted business partners in the market.

Year 2021 represent a challenging year due to the transformation that we have been going through, but also a fruitful year in terms of financial performance. As expected, the COVID-19 pandemic continues to be a disruption to many businesses. The imposition of the Movement Control Order ("**MCO**") in Malaysia from 12 May 2021 to 1 August 2021 has certainly undermined our overall performance. However, despite of all the challenges both internally and externally, the Group's performance for the FYE 31 December 2021 is remarkable.

Malaysia's overall economy has begun to recover particularly driven by manufacturing, mining & quarrying and service sectors, as the Malaysian Government gradually open certain economy sectors with the introduction of various vaccination program from February 2021. However, the reinstatement of tough restriction due to the surging of covid-19 new cases caused by more virulent COVID-19 variants of concern (VOCs) had again hindered business activities towards the end of second quarter and into third quarter 2021. The achievement of high level of vaccination rate throughout the country has seen the economy recovery again began from fourth quarter onwards as the Malaysian Government reopening of most economy sectors and the resumption of social activities. As a result, the real gross domestic product ("**GDP**") has rebounded to 3.6% in year 2021, a sharp improvement compared to a decline of 5.4% in year 2020.

Despite these challenges, the demand of steel products around the region is still high and this has directly pushed up the price for the scrap ferrous metal since December 2020. This rising momentum of pricing and demand for steel bars has continued to increase steadily throughout year 2021, from RM2,890 per metric tonne in January 2021 to RM2,990 per metric tonne by end 2021. The price for the steel bar remains strong in January 2022 around RM3,250 per metric tonne.

The Group is well positioned to benefit from this development with improved operational capacity and better control on its financial affairs. The group recorded a turnover of RM 1,418.2 million in FYE 31 December 2021 compared to FYE 31 December 2020 at RM868.3 million, an improvement of 63.3%. With better cost control and procurement management the Group is able to increase its volume to cater for the market demand and improving our profitability. The direct impact of this favourable development has contributed to our bottom line with a net profit after tax of RM25.4 million, an improvement of 202.4% compared to FYE 31 December 2020 at RM8.4 million.

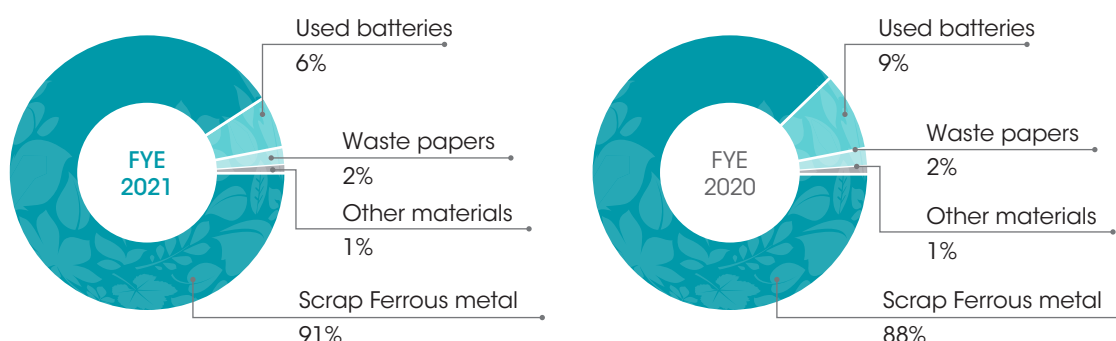
Despite the uncertain environment due to the potential risks related to the COVID-19 pandemic. The outlook for steels demand will remain strong in year 2022. The Group will be focusing on its strategy to further enhance our operational efficiency and will continue to strengthen our market leading position in the Malaysian scrap ferrous metal trading industry, by expanding our supplier and customer bases and increasing our business volume of scrap ferrous metal. With the experience living with the covid-19 virus for the past years, we are well prepared and more resilient in facing challenges and well equipped to seize any opportunities arises that comes our way.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

Revenue of the Group for the FYE 31 December 2021 was RM1,418.2 million (2020: RM868.3 million), representing an increase of 63.3% as compared to last year. The breakdown of our total revenue by product types for the years under review are as below:



The increase in the Group's revenue was mainly attributable to the increase in demand of steel products across the Globe since December 2020. This development has elevated the steel price and the profitability of the Group has also improved favourably. Although there was again a temporary shutdown of business operations across the Group following the MCO imposed by the Malaysian Government to stem the surging cases of COVID-19 caused by the more virulent COVID-19 variants of concern (VOCs) for the period from 12 May 2021 to 1 August 2021, the demand and the pricing of steel products remain strong. As a result, the sales volume of scrap ferrous metals for the FYE 31 December 2021 improved 9.5% as compared to last year. The increase in average selling price of scrap ferrous metal compared to last year has also attributed to the increase in revenue.

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

	2021		FYE 31 December		2020			
	Volume Sold (tonnes)	Revenue (RM'000)	%	Volume Sold (tonnes)	Revenue (RM'000)	%		
Local	673,413	95.9	1,239,823	96.1	590,195	92.2	707,763	92.4
Export	28,433	4.1	49,938	3.9	49,676	7.8	58,455	7.6
	701,846		1,289,761		639,871		766,218	

Management Discussion and Analysis

Gross Profit

The Group's gross profit improved by RM28.6 million from RM49.0 million in FYE 31 December 2020 to RM77.6 million in FYE 31 December 2021. The increase in gross profit of scrap ferrous metal was primarily attributable to increase in volume sales, and better cost control with improved operational efficiency.

Our Group's annual average gross profit margin decreased by 0.1 percentage point at 5.5% compared to last year at 5.6%. This is a clear indicator that even with the impact of MCO for almost two and a half months, the demand and pricing of scrap ferrous metal over the year 2021 remain strong.

Other Income

Other income increased from RM2.8 million for the FYE 31 December 2020 to RM4.2 million for the FYE 31 December 2021, mainly due the increased in transport income from RM1.4 million in FYE 2020 to RM2.9 million in FYE 31 December 2021.

Other (Losses)/Gains, Net

Our Group's other (losses)/gain, declined from net gain of RM0.02 million for the FYE 31 December 2020 to net loss of RM0.2 million for the FYE 31 December 2021. This was mainly due to realised foreign exchange loss and there is no adjustment or written back of provision for loss allowance.

Distribution and Selling Expenses

Our Group's distribution and selling expenses increased from RM20.5 million for the FYE 31 December 2020 to RM21.8 million for the FYE 31 December 2021, primarily due to higher domestic transportation cost however this has been mitigated by lower transportation cost in relation to export sales. The export duty imposed by the authority starting May 2021 for scrap ferrous metal has resulted in lower margin thus making export sales less lucrative for the Group in the year under review.

Administrative Expenses

The increase of Group's administrative expenses from RM16.8 million for the FYE 31 December 2020 to RM22.9 million for the FYE 31 December 2021 was mainly due to the increase in overall payroll cost of RM 4.0 million. This include directors' remuneration, bonus and incentive approximately RM2.7 million, and the remaining is the bonus and salary cost for employees amounting to RM1.3 million. Depreciation is also higher by RM1.0 million due to new acquisition of transportation fleet and the balance of RM1.1 million is due to higher overhead cost in year 2021.

Taxation

Malaysian corporate income tax has been provided at the rate of 24% (2020: 24%) of the estimated assessable profit. Our effective tax rate for the FYE 31 December 2021 was 28.5% (2020: 33.8%). The lower effective tax rate compared to last year was mainly attributable to higher deferred tax income in FYE 31 December 2021.

Profit Attributable to Owners of the Company

The Group's profit attributable to owners for the FYE 31 December 2021 was RM25.4 million (2020: RM8.4 million), which is in tandem with the increase in profit before income tax.

Management Discussion and Analysis

Key Financial Ratios

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

Liquidity Ratios	As at 31 December	
	2021	2020
Current ratio	3.6 times	5.1 times
Gearing ratio	16.7%	11.7%

Liquidity Ratios	For the FYE 31 December	
	2021	2020
Inventories' turnover period	15 days	12 days
Trade receivables' turnover period	35 days	44 days
Trade Payables' turnover period	8 days	5 days

Working Capital

The inventories' turnover period of the Group was 15 days for the FYE 31 December 2021 as compared to 12 days for the previous year. The increase was in line with the Group sales volume in year 2021 primarily due to increase in volume of inventories maintained at our scrapyards to satisfy the increasing demands of our customers.

The Group's trade receivables' turnover period was 35 days for the FYE 31 December 2021 as compared to 44 days for the previous year. Such improvement mainly attributable to tighter control on credit terms and improved collection period.

The Group's trade payables' turnover period was 8 days for FYE 31 December 2021 as compared to 5 days for the previous year. The marginal increase was mainly attributable to a slightly longer payment term made to suppliers.

Liquidity and Financial Resources

As at 31 December 2021, the Group's total equity attributable to owners amounted to RM206.8 million (2020: RM184.2 million) including retained earnings of RM122.8 million (2020: 100.3 million). The Group's working capital amounted to RM174.0 million (2020: RM154.5 million) of which cash and bank balances, pledged bank deposits and fixed deposits were RM31.7 million (2020: RM30.3 million).

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

Total borrowings of the Group as at 31 December 2020 were RM33.4 million (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 31 December 2021 was 16.7% (2020: 11.7%). Gearing ratio is calculated based on total debts divided by total equity as at the end of the year.

Management Discussion and Analysis

Future Plans for Material Investments and Capital Assets

On 30 October 2021, Heng Hup Metal Sdn. Bhd., an indirectly wholly-owned subsidiary of the Company had entered into the sale and purchase agreement with the vendor, 5S Unity Properties Sdn Bhd {Company Registration No.: 201201022221 (1006713-A)}, a company incorporated in Malaysia under the Companies Act 1965 with its registered address at 695, Jalan Tampoi, Krubong, 75250 Melaka, pursuant to which the purchaser has agreed to acquire and the vendor has agreed to sell three (3) pieces of vacant leasehold land held under HSM 4044, Lot no. PT 10541, HSM 4045, Lot no. PT 10542 and HSM 4043, Lot no. PT 10543, all in Mukim Ijuk, District of Kuala Selangor, State of Selangor, Malaysia with the total land area of approximately 2.4282 hectares (approximately 261,369.273 square feet) at the consideration of RM9,300,000 (equivalent to approximately HK\$17,391,000). For further details, please refer to the announcement of the Company dated 30 October 2021. The said acquisition has been completed on the 11 March 2022.

Save as disclosed elsewhere, as at 31 December 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.

Pledge of Assets

As at 31 December 2021, the Group has pledged the following assets to banks to secure certain bank borrowings and general banking facilities granted to the Group:

	2021	2020
	RM'000	RM'000
Property, Plant and equipment	687	764
Right-of-use assets	9,938	10,117
Investment properties	5,514	5,568
Pledge bank deposits	5,345	5,255
	21,484	21,704

Contingent Liabilities

The Group did not have any contingent liabilities as at 31 December 2021 (2020: Nil).

Capital Commitments

As at 31 December 2021, the Group has capital commitment in respect of acquisition of property, plant and equipment of RM10.1 million (2020: RM12.5 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. Therefore, the Group is not exposed to significant foreign currency risk.

Management Discussion and Analysis

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

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

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

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

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

- significant increases in credit risk on other financial instruments of the individual debtor.
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the Group and changes in the operating results of the debtor.

To manage this risk arising from cash and bank deposits, our Group only transacts with reputable commercial banks which are all high-credit-quality financial institutions. There has been no recent history of default in relation to these financial institutions. The expected credit loss of cash at bank 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 and the forward-looking information to measure the expected credit losses. During the FYE 31 December 2021, the expected loss rate for trade receivables is 1.0% (2020: 1.1%). The provision for trade receivables as at 31 December 2021 is RM1.3 million (2020: RM1.3 million).

There is no bad debts written off during the FYE 31 December 2021 (2020: RM2,000).

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 31 December 2021, 94% (2020: 93%) of its total trade receivables was due from this group of customers. As our Group is one of the few approved scrap metal providers to the steel mill customers and based on the past repayment history and forward-looking estimates, the Directors believe that the credit risk inherent in the Group's outstanding trade receivables from this group of customers is low.

Management Discussion and Analysis

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

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

EVENTS OCCURRED SINCE THE END OF THE YEAR ENDED 31 DECEMBER 2021

On 3 March 2022, the Group entered into Sales and Purchase Agreement (the "**Agreement**") to acquire two (2) adjoining pieces of vacant land in Malaysia for a purchase consideration of RM29,392,981. The completion of the said acquisition is subject to the fulfilment of the terms and conditions stated in the Agreement. The said acquisition has yet to be completed as at the reporting date.

Save as disclosed above, the Board is not aware of any other significant event affecting the Group and requiring disclosures that took place subsequent to the FYE 31 December 2021 and up to the date of this report.

MATERIAL LITIGATIONS

Save as those disclosed in this annual report, no member of the Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

CORPORATE GOVERNANCE REPORT

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 (which has been renumbered as code provision C.2.1 since 1 January 2022) 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 taking into account the circumstances of the Group as a whole. During the year 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 set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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's 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 year under review.

BOARD OF DIRECTORS (THE "BOARD")

Responsibilities

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

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

Directors' and Senior Management's Liability Insurance and Indemnity

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

Corporate Governance Report

Board Composition

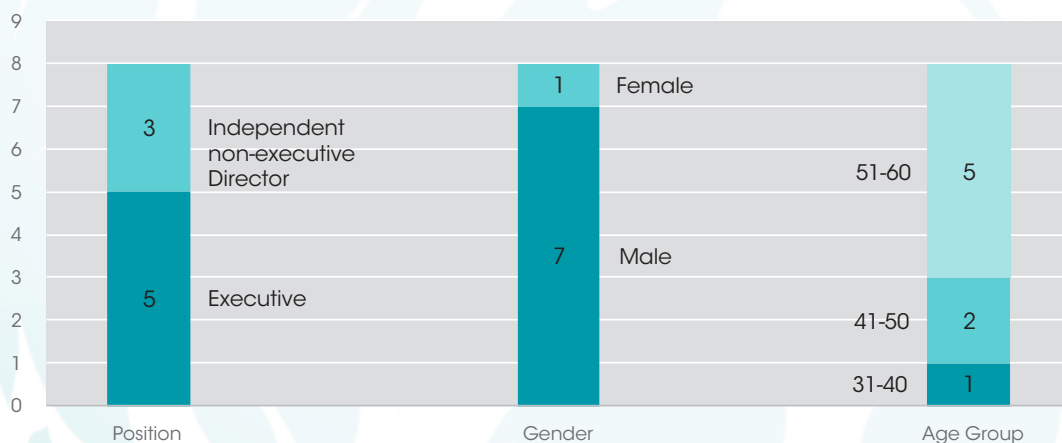
The Board currently comprises five executive Directors, namely Datuk Sia Kok Chin, Datuk Sia Keng Leong, Mr. Sia Kok Chong, Mr. Sia Kok Seng and Mr. Sia Kok Heong and three independent non-executive Directors, namely Ms. Sai Shioh Yin, Mr. Puar Chin Jong and Mr. Chu Kheh Wee.

During the year ended 31 December 2021 and up to the date of this annual report, the Board at all times met the requirements of the Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise. All the independent non-executive Directors have appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules. Pursuant to the Rule 13.92 of the Listing Rules, listed issuers are required to adopt a board diversity policy. The policy specifies that in designing of the composition of the Board, board diversity shall be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The appointment of Directors will be based on meritocracy, and candidates will be evaluated against objective criteria, having due regard for the benefits of diversity of the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, culture, educational background, professional experience, knowledge and skills. The composition of the Board will be disclosed in the Corporate Governance Report every year and the Nomination Committee will supervise the implementation of this policy. The Nomination Committee will review the effectiveness of this policy, as appropriate, discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The five executive Directors, namely Datuk Sia Kok Chin, Datuk Sia Keng Leong, Mr. Sia Kok Chong, Mr. Sia Kok Seng and Mr. Sia Kok Heong are brothers. None of the other Directors has any relationship (including financial, business, family or other material or relevant relationship) with any other members of the Board.

Details on the biographies and experience of the Directors are set out on page 10 to page 13 of this annual report.

Diversity of the Board



Corporate Governance Report

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

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

Confirmation of Independence by the Independent Non-executive Directors

The Company has received written annual confirmation from each independent non-executive Director of his/her independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in Rule 3.13 of the Listing Rules. None of the independent non-executive Directors has any personal relationship (including financial, business, family or other material/relevant relationship), with any other Director. All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee. In regards to the code provision A.6.6 (which has been renumbered as code provision C.1.5 since 1 January 2022) of the Corporate Governance Code requiring directors to disclose the number and nature of offices held in public companies or organizations and other significant commitments as well as their identity and the time involved to the issuer, all Directors have agreed to disclose their commitments to the Company in a timely manner.

Induction and Continuous Professional Development

Pursuant to code provision A.6.5 (which has been renumbered as code provision C.1.4 since 1 January 2022) of the Corporate Governance Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Each newly appointed Director has been provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules and regulations.

During the year ended 31 December 2021, the Company organised a training for all Directors. This training specifically covers the requirement under Environment, Social and Governance ("ESG") and its latest development in complying to the ESG reporting highlighted in the ESG reporting guide Appendix 27. All the Directors, namely Datuk. Sia Kok Chin, Datuk Sia Keng Leong, Mr. Sia Kok Chong, Mr. Sia Kok Seng, Mr. Sia Kok Heong, Ms. Sai Shioh Yin, Mr. Puar Chin Jong and Mr. Chu Kheh Wee, have been updated with the latest developments regarding the Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of the ESG requirement. In addition, continuing briefing and professional development to Directors will be arranged whenever necessary.

Chairman and Chief Executive Officer

Under the code provision A.2.1 (which has been renumbered as code provision C.2.1 since 1 January 2022) of the Corporate Governance Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. There is deviation from the code provision A.2.1 (which has been renumbered as code provision C.2.1 since 1 January 2022) of the Corporate Governance Code as the positions of chairman and chief executive officer are held by Datuk Sia Kok Chin who has managing our business since 2001. The Directors consider that vesting the roles of the chairman of the Board and the chief executive officer in Datuk Sia Kok Chin is beneficial to the management and business development of the Group and will provides strong and consistent leadership to the Group. The Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Corporate Governance Report

Appointment and Re-election of Directors

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from 19 February 2022. Each of the independent non-executive Directors has signed an appointment letter with the Company for a term of three years commencing from 19 February 2022.

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

In accordance with Article 84(1) of the Company's article of association (the "**Articles**"), at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Datuk Sia Keng Leong, Mr. Sia Kok Chong and Mr. Sia Kok Seng shall retire and being eligible, have offered themselves for re-election at the Company's forthcoming annual general meeting.

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

Board Meetings

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

The Company has convened at least four regular board meetings in each financial year at approximately quarterly intervals in accordance with code provision A.1.1 (which has been renumbered as code provision C.5.1 since 1 January 2022) of the Corporate Governance Code.

According to code provision A.2.7 (which has been renumbered as code provision C.2.7 since 1 January 2022) of the Corporate Governance Code, the chairman of the Company has held a meeting with the independent non-executive directors without the presence of other directors.

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

Corporate Governance Report

During the year ended 31 December 2021, four (4) board meetings were held and the attendance of the individual Directors at these meetings is set out in the table below:

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

Delegation by the Board

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

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

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision D.3.1 (which has been renumbered as code provision A.2.1 since 1 January 2022) of the Corporate Governance Code. The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and written employee guidelines, and the Company's compliance with the Code Governance Code and disclosure in this Corporate Governance Report.

BOARD COMMITTEES

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

Corporate Governance Report

Audit and Risk Committee

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

During the year ended 31 December 2021, four (4) meetings of the Audit & Risk Committee were held and the attendance record of the Audit & Risk Committee members is set out in the table below:

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

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

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

Nomination Committee

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

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

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

Corporate Governance Report

During the year ended 31 December 2021, one (1) meeting of the Nomination Committee was held on and the attendance record of the Nomination Committee members is set out in the table below:

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

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

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

Remuneration Committee

The Remuneration Committee comprises three members, namely Ms. Sai Shiow Yin (Chairlady), Mr Puar Chin Jong and Mr. Chu Kheh Wee, all of them are independent non-executive Directors. The primary duties of the Remuneration Committee are to recommend the Board on the Group's remuneration policy and structure for the Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy, to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives, and to make recommendations to the Board on the remuneration packages of the executive Directors and senior management.

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

Corporate Governance Report

During the year ended 31 December 2021, one (1) meeting of the Remuneration Committee was held and the attendance record of the Remuneration Committee members is set out in the table below:

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

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

Details of the remuneration by band of the members of senior management of the Company, whose biographies are set out on page 10 to page 14 of this annual report, for the year ended 31 December 2021 are set out as below.

Remuneration band	Number of individual
RM130,000 – RM276,000 per annum	2

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the financial year ended 31 December 2021 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

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

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

The statements by the auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on page 68 to page 72 of this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

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

Corporate Governance Report

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

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

The Audit and Risk Committee assists the Board in the review, which covers operational, financial and compliance controls, internal audit and risk management functions, to maintain an adequate and effective internal control system to safeguard the interests of the shareholders and the assets of the Group. The Board shall conduct an annual review of the effectiveness of the internal control system of the Group by, including but not limited to, considering a written report prepared by the external consultants to the Audit & Risk Committee covering the above aspects. The Board considers the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programme and budget. The Company has complied with the requirements under C.2 (which has been renumbered as code provision D.2 since 1 January 2022) of the Corporate Governance Code relating to risk management and internal control since 1 January 2018. During the year ended 31 December 2021, a review of the effectiveness of the risk management and internal control systems has been conducted and the Company considers them effective and adequate.

AUDITOR'S REMUNERATION

For the year ended 31 December 2021, the Group had engaged the Group's external auditor, PricewaterhouseCoopers ("**PwC**"), to provide audit and non-audit services (tax compliance services). Aggregate fees in respect of audit and non-audit services provided by PwC during the year ended 31 December 2021 were set out on page 101 of this annual report.

COMPANY SECRETARY AND PRIMARY CONTACT OF THE COMPANY

During the Reporting Period between 1 January 2021 to 31 December 2021, Ms. Ching Man Yeung, who served as a vice president of SWCS Corporate Services Group (Hong Kong) Limited, has served as the company secretary of the Company. Ms. Yeung resigned as the company secretary of the Company with effect from March 27, 2021. Ms. Chan Tsz Yu has been appointed as the company secretary of the Company with effect from March 27, 2021. The primary contact person in the Company is Mr. Wee Sen Chee, the chief financial officer. For the year ended December 31, 2021, each of Ms. Yeung and Ms. Chan has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

Corporate Governance Report

CONVENING OF GENERAL MEETING

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

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

During the year ended 31 December 2021, the Company held an annual general meeting and an extraordinary general meeting on 19 June 2021 and 15 December 2021 respectively. The attendance of individual Director at the aforesaid general meetings are set out in the table below.

Directors

Executive Directors

Datuk Sia Kok Chin	2/2
Datuk Sia Keng Leong	2/2
Mr. Sia Kok Chong	2/2
Mr. Sia Kok Seng	2/2
Mr. Sia Kok Heong	2/2

Independent non-executive directors

Ms. Sai Shiow Yin	2/2
Mr. Puar Chin Jong	2/2
Mr. Chu Kheh Wee	2/2

All resolutions put to Shareholders at the 2021 AGM and EGM were passed. The Company's branch share registrar in Hong Kong, Tricor Investor Services Limited was appointed as scrutineers to monitor and count the poll votes cast at these meetings. The results of the voting by poll were published on the websites of the Company and the Stock Exchange.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable shareholders and investors to make the informed investment decisions. The annual general meeting of the Company provides opportunity for shareholders to communicate directly with the Directors. The Chairman of the Company and the chairmen of the Board Committees of the Company will attend the annual general meetings to answer shareholders' questions. The external auditor of the Company will also attend the annual general meetings to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

Corporate Governance Report

To promote effective communication, the Company adopts a shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and its shareholders and maintains a website at www.henghup.com where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. In 2022, the Company will focus more on the demands of investors and analysts, pay close attention to important policies of the environmental protection and energy conservation industry and allow timely access by the public to sufficient business information and recent developments of the Company.

SHAREHOLDERS' RIGHTS

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

Procedures for Shareholders to Convene an Extraordinary General Meeting

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

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

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

Shareholders' inquiries

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

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

Corporate Governance Report

Investor Relations and Communications

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

CHANGE IN CONSTITUTIONAL DOCUMENTS

During the financial year ended 31 December 2021, there has been no changes in the Articles of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

The recycling industry is often referred to as the “venous industry”, where it collects and recycles industrial waste materials or substances generated from the manufacturing process, protects the environment and even prepares for resource and energy depletion. In other words, it helps to halt degradation of the global environment. Like our veins that carry blood from the heart via arteries throughout the body, then flowing back to the heart.

The Senior Management Team holds this notion close to heart. Heng Hup Holdings Limited and its subsidiaries (“**the Group**”) just like the veins, play an essential role in the supply chain of the metal industry.

The Group is pleased to present our fourth ESG Report. This Environmental Social and Governance (“**ESG**”) 2021 report outlines the sustainability practices of the Group, highlighting the ESG initiatives and impacts on the Group. Through this report, the Group demonstrates its commitment to integrate sustainability practices where possible across all facets of its operations.

REPORTING STANDARD AND BOUNDARY

Focus

This report focuses on the Group’s ESG practices in respond to the dynamics of the Group’s core operation in Malaysia, namely sourcing of recyclable scrap ferrous metal for sale to steel mills. This ESG report covers the reporting period between 1 January 2021 and 31 December 2021.

Sustainability is a journey, not a destination, Management Team is constantly reviewing the approach in managing the ESG challenges that would have a direct impact on our stakeholders, which include shareholders, customers, regulators, employees and communities. We will work towards ensuring continuous disclosures on the improvement of our sustainability initiatives as we believe in the long-term benefits it has on our business and the communities around us.

Reporting Framework

The report has been prepared in accordance with the “comply or explain” provisions of the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Environmental, Social and Governance Report

GOVERNANCE STRUCTURE AND OVERSIGHT RESPONSIBILITIES

The Group’s governance structure is in place and provides the foundation for developing and delivering its commitment to sustainability. Our governance structure consists of three major components, namely the Board of Directors (“**the Board**”), Audit and Risk Committee and the Working Group.

The Board being the highest governing body are also our strategic lead, setting the direction for the rest of the Group. They work closely with the Senior Management Team to ensure that goals are achieved. The Board assumes the overall responsibilities for Group’s risk management and the management of the environment, society and governance as well as disclosures in this ESG report.



In November 2021, the Board has approved the Risk Management & Environmental Social and Governance policy and framework in order to enhance its governance structure. With the adoption of this new policy and framework, the Audit Committee was renamed to Audit and Risk Committee and is reflected in the revised terms of reference, setting out its additional duties and responsibilities, and powers delegated by the Board.

The Audit and Risk Committee assists the Board to fulfil its oversight role over the Group’s risk management and internal control function by reviewing and evaluating the effectiveness of the overall risk management and internal control system as well as the ESG matters.

The management and execution of ESG activities comes under the purview of our Working Group comprising of members from the various departments and the Group’s Senior Management Team. The Working Group continues to make progress and improvements across its ESG activities. We are cognisant that it is paramount to continue to stay current and adhere to various existing and new regulations, best practices, whilst strengthening our internal control procedures.

For more details on our corporate governance structure, please refer to page 22 to page 33 of this 2021 Annual Report.

Environmental, Social and Governance Report

Stakeholders Engagement

Our business is to provide quality recyclable scrap metal for sale to steel mills in Malaysia and overseas, and we are mindful that our business decisions would affect our stakeholders.

Why	We remain attentive to the needs of all our stakeholders through a variety of communication channels in order to better understand and respond to their concerns. We want to understand stakeholders' expectations and collect feedback on every aspect of our operations. Throughout the year, we continuously engaged with our stakeholders to obtain feedbacks and comments which we diligently see these as valuable inputs that would help improve our business processes and provide services that our customers appreciate.
Who	Shareholders and investors, business partners and suppliers, customers, general public and community, employees and regulatory bodies
How	We use various communication channels to get in touch with different stakeholder groups.

Business partners and suppliers

- Regular meetings (ongoing)
- Site visits (ongoing)

Customers

- Regular meetings (ongoing)
- Site visits (ongoing)

General public and community

- Public engagement sessions (ad-hoc)
- Involvement in Community programmes such as festive celebrations/donations (ad-hoc)



Shareholders and investors

- Announcements via the Stock Exchange of Hong Kong Limited (ongoing)
- Financial reports (half yearly)
- Annual general meetings (annually)
- One-on-one meetings or dialogue sessions with fund analysts/investors (ad-hoc)

Employees

- One-on-one meetings (ongoing)
- Employee engagement programmes and initiatives (ad-hoc)

Regulatory bodies

- Regular meetings (ongoing)
- Periodic reporting and/or updates to regulators (ad-hoc)

Environmental, Social and Governance Report

Material Issues

The 2021 material issues in this report were identified through various internal discussions involving the Senior Management Team. The focus and priorities of the 11 material issues based on our impact assessment remain the same during the period under review.

We are cognisant that relevant industry and economic trends must be taken into consideration to truly reflect both internal and external stakeholders' interests and concerns. As such, the assessment of materiality will be continuously enhanced and we will report any new material issues which are relevant and have material impacts to both the Group and our stakeholders.



Environmental, Social and Governance Report



ENVIRONMENTAL

Tracking Our Environmental Impact

Emissions

In 2021, additional 15 trucks were purchased, thus with a fleet of 67 trucks and three scrapyards, it is inevitable that a small amount of greenhouse gas would be discharged arising from our day-to-day operations due to the mileage travelled and the fuel consumed by our fleet of trucks. In our efforts to further mitigate our impact on the environment, we have put in place a fleet replacement programme whereby we closely monitor the routine repairs and maintenance of our trucks and ensure that they are periodically replaced with newer models with the aim to reduce carbon emissions.

In order to have better control of the logistic management and ensuring better services to our customers, it was necessary for the Group to procure additional trucks. This includes replacing old trucks with new trucks as the cost of repairs and maintenance of the old trucks could be more expensive in the long run. This strategy proved to be a good move as it minimises the disruptions in logistic as we did not encounter major issues on the delivery to the steel mills amidst the on-going COVID-19 pandemic situation in 2021.

Environmental, Social and Governance Report

During the period of review, we recorded:

Data Records	2021	2020	2019	2018
Air Emissions				
Nitrogen Oxides (No _x) (kg)	8,643.95	3,605.11	3,549.54	2,129.87
Sulphur Oxides (SO _x) (kg)	18.83	5.82	5.30	4.89
Particulate matter (PM)	638.26	255.74	250.72	146.91
Number of Trucks (as at year end)	67	52	41	31
Greenhouse Gas Emissions				
Total emissions (tones of CO ₂)	4,041.07	2,071.40	1,705.30	1,296.24
Scope 1 – Direct emissions (vehicles)	3,057.79	945.64	859.76	793.93
Scope 2 – Direct emissions (electricity)	983.28	1,125.76	845.54	502.31
Intensity of CO ₂ emissions (CO ₂ per revenue)	0.0028	0.0024	0.0017	0.0014

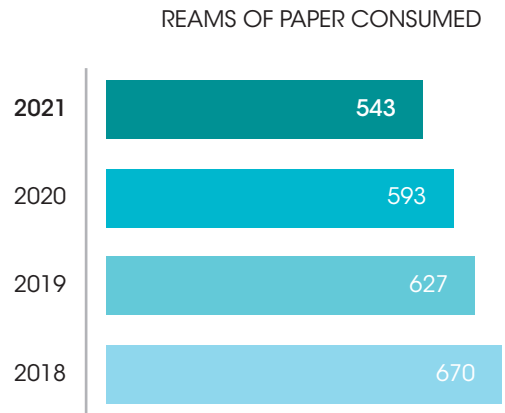
Environmental, Social and Governance Report

Waste Management

As we are in the recycling business, the culture of recycling is strongly embedded amongst our employees. We promote the development of environmental awareness among our employees and encourage our employees to adopt environmentally friendly working methods in their daily work lives. We segregate our office waste by the materials into different bins – general waste, paper and cardboard, plastics and metal.

Our employees are encouraged to reduce and eliminate paper consumption, where possible and used ink cartridges and tonners will be returned to the vendors for recycling purpose. We aim to gradually improve our initiatives in recycling and reuse throughout the Group.

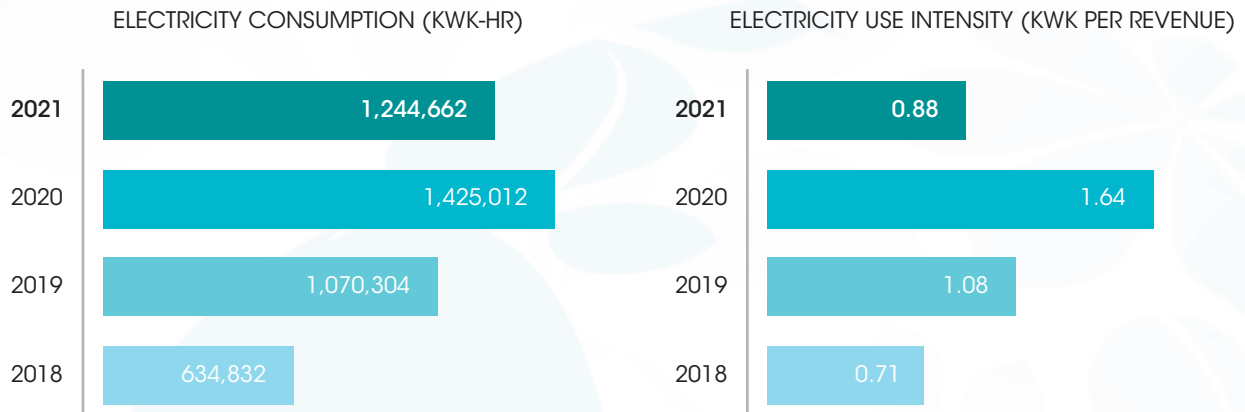
With the successful implementation of the enterprise resource planning (“ERP”) system in 2021, paper consumption reduced in tandem although not significant. However, we believe the paper consumption will be further reduced once we improve the enhancement report in the near future and discontinue the old reporting process.



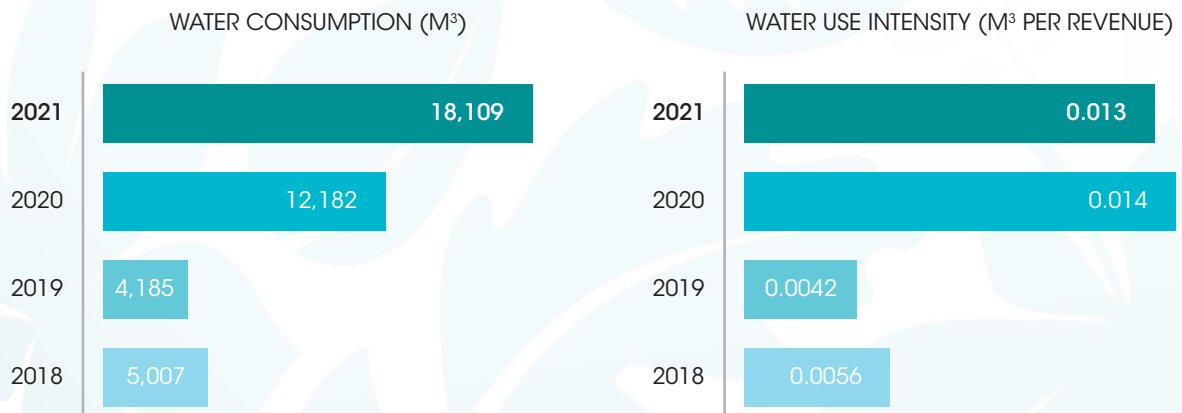
Environmental, Social and Governance Report

Use of Resources

We continue to strive to reduce our electricity consumption, water as well as the diesel fuel for the fleet of trucks. Recognising that we could not work in isolation but required a Group wide approach, we encourage our employees to be conscious of the usage of resources.

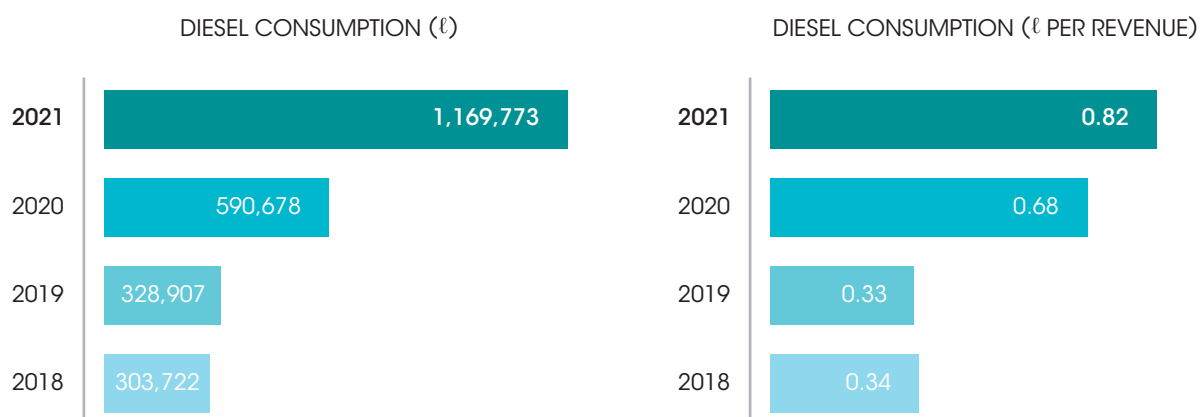


During the year under review, with the imposition of the movement control order during the period from June 2021 to August 2021 by the Malaysian Government, staff were not allowed to return to office to work, which attributed to the decrease in electricity consumption.



Environmental, Social and Governance Report

Water consumption increased significantly in 2021 due to the increase in headcount in addition to the frequent cleaning of the offices, the yards as well as maintaining the cleanliness of the trucks. This is in line with our health and safety protocols established to minimise the exposure to COVID-19. This will be the new norm as we need to ensure the safety and health of our employees, which is one of the key priorities.



In 2021, the significant increase in diesel consumption was mainly attributed to the increase in the number of trucks and the surge in sales.

Diesel Consumption	2021	2020	2019	2018
Number of Trucks (as at year end)	67	52	41	31
Diesel Consumption (L)	1,169,773	590,678	328,907	303,722
Diesel Consumption ((L) per revenue)	0.82	0.68	0.33	0.34

Policy on Climate Change

Due to the unprecedented challenges arising from Covid-19, decisive action and response, prioritisation on the major and critical aspects of its business operations had to be taken. Thus, for this period in time the Management decided to put on hold the climate-related financial disclosures (a standards set by the Task Force on Climate-related Disclosures ("TCFD") and a requirement made mandatory by the Exchange). The Management will comply with the requirement that comes into effect by 2025.

Environmental, Social and Governance Report

**SOCIAL****Employment and Labour Practices**

The Management acknowledge that our employees are an important asset to the Group. We place high importance on human resource planning and development for the employees. We are committed to upholding the rights of workers, leading to the improvement of welfares, and working conditions.

Discrimination and bullying on the grounds of race, gender, religion, age or any form of discrimination and bullying are not tolerated. This is reflected in the Code of Business Ethics and Corporate Conduct which describes how our employees should act and behave. We operate in a collaborative manner to resolve employee grievances.

At the same time, we respect the diversity of our employees, work to maximize the performance of each individual and actively strive to create an environment in which our employees can come together and work toward common goals. The Group does not engage in any forms of illegal, forced or child labour. We operate in accordance with the local employment and labour laws and regulations.

Efforts have been taken to ensure there are constant communications between employees and Senior Management Team for the management to check in on employees' health and wellbeing. However, the Management is also cognisant of the fact that Covid-19 will be around us for some time with the discovery of new variants. Thus, the measures put in place will be deemed a new normalcy.

We are also committed in providing trainings and development programs to our employees to ensure the achievement of their full potential, where possible. However, in 2021, physical employee trainings continued to be put on hold, in light of the Covid-19 situation. Nevertheless, on-the-job trainings, online seminars and trainings conducted for employees via virtual platforms, either internally or by external consultants were carried out, which include the followings:-

- In-house excel training for all level of staff
- Online tax seminar

		2021	2020	2019
Total Training Hours completed by gender and employee by category	Male	10	18	222
	Female	30	462	32
	Senior Management	6	28	64
	Middle Management	34	480	190

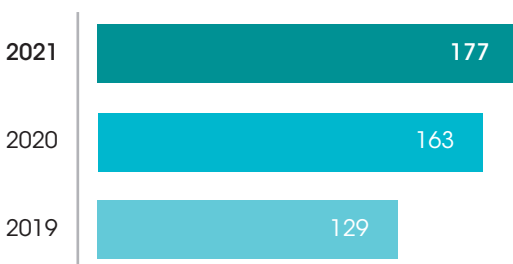
Environmental, Social and Governance Report



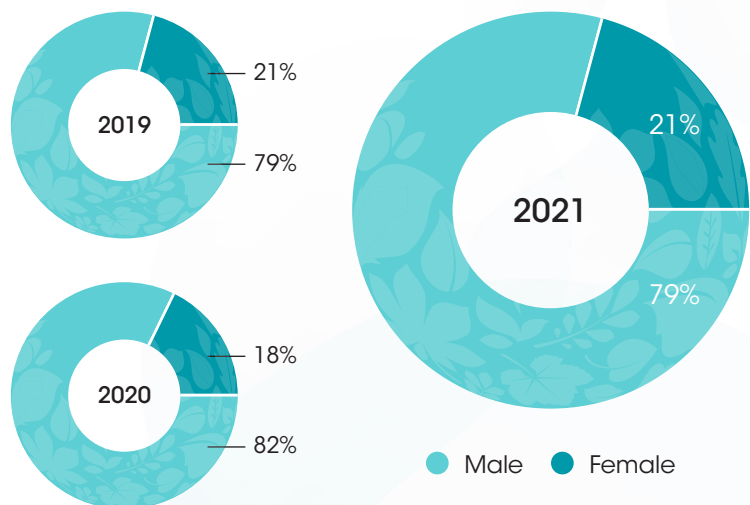
We attract and retain great talents in our organisation by offering employee benefits which boost employees' morale, promote employee health and wellness, and create loyalty.

In tandem with the business expansion and increase in sales, staff strength increased to 177 from 163 in 2021 to support the daily operations. In terms of gender equality in the workplace, 21% of the workforce are made up of women. This is understandable, as in general this industry is not appealing to the female at large. Majority of the employees are between the age group of 30 to 50 years old. In terms of hiring by age group, there is an increase by 3% from 14% for staff below the age of 30.

STAFF STRENGTH



GENDER BY PROFILE

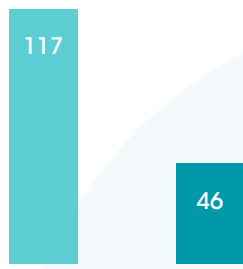


Environmental, Social and Governance Report

Employee turnover rate

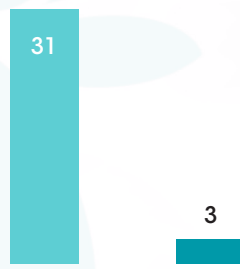
	2021	2020	2019
<30	7%	1%	1%
30 to 50	13%	0%	8%
Above 50	1%	0%	1%
Male	16%	Nil	7%
Female	5%	3%	3%

TOTAL EMPLOYEES



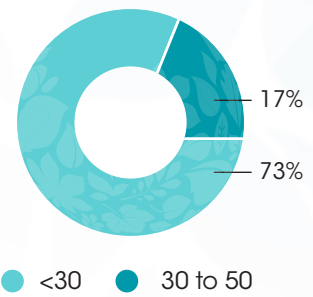
Malaysian Foreign Labour

NEW HIRE BY GENDER



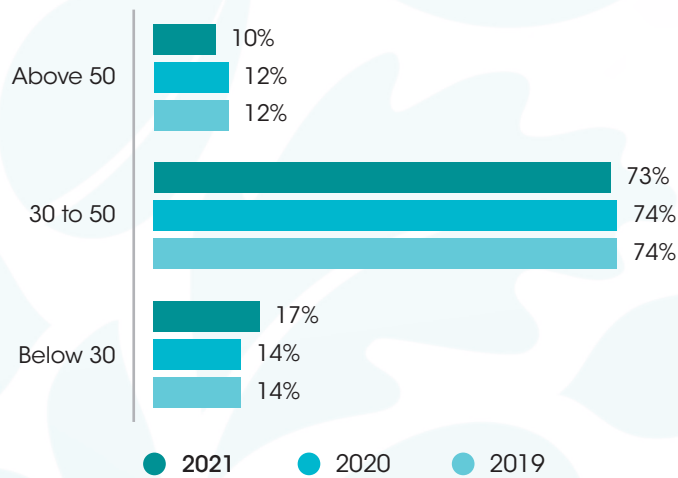
Male Female

NEW HIRE BY AGE GROUP



<30 30 to 50

STAFF BREAKDOWN BY AGE GROUP



2021 2020 2019

Environmental, Social and Governance Report

Occupational Health and Safety

As the Covid-19 pandemic is showing no signs of slowing down and continues to impact the Group's operations, health and safety aspects remain part of the key priority in 2021. The health and safety protocols recommended by the Ministry of Health of Malaysia implemented back in 2020 are still being carried out by the Group.

Sanitisation procedures (including disinfecting of footwear before entering the premises of the Group), temperature screening for both employees and guests entering our premises, and compulsory recording of movements in the MySejahtera online application by the Government of Malaysia including social distancing among employees at the workplace and physical meetings with visiting guests are still enforced.

Covid-19 self-tests (RKT-Antigen Test) are being carried out on all employees on a fortnightly basis. All external guests and suppliers delivering materials to the yards are required to abide with the health and safety protocols. The Management will take all necessary actions against any non-compliant events, this includes denying the entry into our premises for individuals who might pose a risk to the business of the Group.

During the period under review, there was no work-related injury incident or fatality reported nor has the Group contravened the Occupational Safety and Health Act 1994. The Group continues to place high emphasis on safety at workplace and any incident reported will be thoroughly investigated. Our goal is to maintain zero-fatality incident rate.

Local Community

We care for the community in which we work and live in, and we make it a priority to take part in making the community a better place for everyone. To date, our approach has always been in the forms of charitable donations. The Group has contributed a total of RM21,575 to various establishments. We strongly believe that education is a necessity and being a responsible corporate citizen, we will support the as many less fortunate students where we can. The Group donated RM2,000 to Sekolah Rendah Jenis Kebangsaan Cina Kwong Hon, a primary school located in Kuala Lumpur. In supporting the nation to fight against Covid-19, the Group further donated RM10,000 to Tzu Chi Malaysia to procure the necessary protective gears for the medical front-liners.

Apart from Covid-19, local communities were severely impacted by the flood due to extreme weather condition at the end of 2021. To ease the burden of some residents, the Group contributed RM3,500 toward the food bank programme for the local community within the vicinity of Subang in Selangor State and RM6,075 for the 3-day meals programme to the flood victims in the State of Melaka via the Pertubuhan Kebajikan Bacang, Melaka.

Environmental, Social and Governance Report



GOVERNANCE

Code of Conduct, Anti-corruption and Whistleblowing

The Group's commitment to integrity and standard of work ethics are reflected in the Code of Business Ethics and Corporate Conduct.

Our stance on anti-corruption is outlined in the Group's Code of Business Ethics and Corporate Conduct. The existing Whistleblowing Policy forms part of the framework as well. It is designed to act as a channel to enable stakeholders to report any information pertaining to suspected or actual business misconducts, malpractices and other form of improprieties in a protected and confidential manner.

Awareness briefings on Anti Bribery Policy under the Malaysian Anti-Corruption Commission Act (Amendment) 2018 were conducted to all employees and also Directors to inculcate the importance of zero tolerance towards corruption.

These policies were uploaded to the Group's e-platform for easy access. We will continuously improve and strengthen the framework when the need arises. During the year under review, there is no incident brought to the Board's attention.

Supply Chain Management

The Group has put in place, the necessary processes in selecting and evaluating our suppliers both local market and overseas especially within the Asian region. Prior to any engagement, all the potential suppliers will be evaluated based on their price offer, reputation, track records, compliance with local laws, policies in managing environmental and social risks, and regulations and expertise in their field to ensure common standards are adopted across the Group's business units. Regular visits to the operation sites of the potential suppliers to assess their respective business operations, sources of scrap ferrous metals, product quality and logistics capability are carried out. For engagements that are complex or entail high financial risks, due diligence will also be carried out to ascertain their financial standing and track. Supplier evaluations are regularly conducted.

Product Responsibility

The Group's operation is mainly in sourcing of recyclable scrap metals, which will ultimately be sold to steel mills in Malaysia. The Group does not produce or manufacture any other products and the scrap metals are not sold or consumed by the public at large. Therefore, there is no exposure to any product recall. Nevertheless, we are cognisant of the fact that there is a possibility that the steel mills may lodge complaints to us on the services and quality of our supplies to them. To date, there has not been any major complaint from the steel mills.

DIRECTORS' REPORT

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2021.

CORPORATE INFORMATION

Basic information about the Company is set out in the sections headed "Corporate Information" and "Company Profile" on page 2 to page 3 and page 8 to page 9 of this annual report.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

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

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

BUSINESS REVIEW

A review of the Group's business during the year, which includes a discussion of the principal risks and uncertainties facing by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year, and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairman's Statement" on page 6 to 7 and "Management Discussion and Analysis" from page 15 to page 21 in this annual report respectively. The financial risk management objectives and policies of the Group can also be found in note 3 to the consolidated financial statements and the consolidated financial statements. In addition, a discussion on relationships with its key stakeholders is included in the section headed "Management Discussion and Analysis" in this annual report. The review forms part of this directors' report.

RESULTS AND APPROPRIATIONS

The consolidated results of the Group for the year ended 31 December 2021 are set out on page 73 of this annual report.

Directors' Report

DIVIDEND

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

The Board proposed a final dividend of HK\$0.008 per ordinary share on 1,000,000,000 ordinary shares in respect of the financial year ended 31 December 2021 amounting to a total of RM4.3 million (equivalents to approximately HK\$8.0 million) (2020: RM2.9 million).

FIVE YEARS FINANCIAL SUMMARY

A summary of the Group's results, assets, liabilities for the last five financial years are set out on page 4 to page 5 of this annual report. This summary does not form part of the audited consolidated financial statements.

DONATIONS

The Group contributed approximately RM21,575 in cash and in-kind donations during the year to various charity organisations in Malaysia and majority our donations went toward children, youth and elderly causes mainly for education and community programmes and activities.

USE OF PROCEEDS FROM THE SHARE OFFER

The shares of the Company have been listed and traded on the Stock Exchange on 15 March 2019. The net proceeds raised by the Company from the share offer 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 proceed.

Directors' Report

	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 year ended 31 December 2021 (RM'000)	Balance as at 31 December 2021 (RM'000)	Expected timeline for fully utilising 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 a new enterprise resource planning system	942	-	942	158	-	158	Amount utilised in Feb 2022
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	Second quarter of 2023
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 annual report, there were no changes of business plans of the Group from those disclosed in the Prospectus and the announcement dated 16 July 2020.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, the Group's largest customers accounted for 42.4% (2020: 46.9%) of the Group's total revenue. The Group's five largest customers accounted for 86.1% (2020: 92.9%) of the Group's total revenue.

For the year ended 31 December 2021, the Group's largest suppliers accounted for 4.9% (2020: 4.7%) of the Group's total cost of procurement. The Group's five largest suppliers accounted for 16.4% (2020: 18.8%) of the Group's total cost of procurement.

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year ended 31 December 2021 are set out in note 15 to the consolidated financial statements.

Directors' Report

SHARES CAPITAL ISSUED DURING THE YEAR

Details of movements in the share capital of the Company during the year ended 31 December 2021 are set out in note 22 to the consolidated financial statements.

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

Neither the Company nor any member of the Group has purchased, sold or redeemed any of the Company's shares during the period from the date of listing of the Company and up to the year ended 31 December 2021.

PRE-EMPTIVE RIGHTS AND TAX RELIEF OR EXEMPTION

There were no provisions for pre-emptive rights under the Articles, which requires the Company to offer new Shares on a pro-rata basis to existing Shareholders. The Company is not aware of any tax relief or exemption available to any existing shareholder by reason of his/her holding of the securities of the Company.

DISTRIBUTABLE RESERVES

The Company has distributable reserve of RM5.2 million as at 31 December 2021.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2021 are set out in note 24 to the consolidated financial statements.

DIRECTORS

The Directors who held office during the year ended 31 December 2021 and up to the date of this annual report were:

Executive Directors

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

Independent Non-executive Directors

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

Datuk Sia Keng Leong, Mr. Sia Kok Chong and Mr. Sia Kok Seng shall retire and being eligible, have offered themselves for re-election at the Company's forthcoming annual general meeting.

Directors' Report

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group as at the date of this annual report are set out on page 10 to page 14 in the section headed "Directors and Senior Management" in this annual report. Save as disclosed in this annual report, there are no other changes in the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules as at the date of this annual report.

EQUITY-LINKED AGREEMENTS

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

SHARE OPTION SCHEME

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

Under the Share Option Scheme, the Board may, at its discretion, make an offer to any person belonging to the following classes of participants (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.

Directors' Report

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

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

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

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received a confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent during the year ended 31 December 2021 and up to the date of this annual report.

Directors' Report

DIRECTORS' SERVICE CONTRACT AND LETTER OF APPOINTMENTS

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from 19 February 2022.

Each of the independent non-executive Directors has signed an appointment letter with the Company for a term of three years commencing from 19 February 2022.

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

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

On 30 October 2021, the Group had entered into a sales and purchase agreement with 5S Unity Property Sdn Bhd ("**5S Unity**") in acquisition of three parcels of land at purchase consideration of RM9,300,000, of which the Sia Brothers are the Directors and Controlling Shareholders of 5S Unity. The acquisition was duly approved by the shareholders during an EGM held on 15 December 2021.

PERMITTED INDEMNITY

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

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business were entered into or subsisted during the year ended 31 December 2021.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

There was no contract of significance to which the Company or its holding company or any of its subsidiaries was a party and in which any Controlling Shareholder had a material interest subsisted during the year ended 31 December 2021.

Directors' Report

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had 177 (2020: 163) employees in Malaysia. For the year ended 31 December 2021, total staff costs and related expenses of the Group (including the Directors' remuneration) were RM20.8 million (2020: RM15.0 million), representing an increase of 38.7% as compared to the FYE 31 December 2020. The higher total staff costs and related expenses of the Group (including the Directors' remuneration) for the FYE 31 December 2021 was mainly attributable to the increase of executive directors' salary and incentives, and higher bonus pay out for employees in FYE 2021. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination.

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

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Our Directors and senior management personnel receive remuneration in the form of fees, salaries and allowances, performance bonus, retirement benefit scheme contributions and other benefits. We determine the salaries of our Directors (including our independent non-executive Directors) and senior management personnel based on their respective qualification, position and seniority. In addition to salaries, our Directors may receive performance bonuses.

Details of the emoluments of the Directors and five highest paid individuals are set out in notes 9 and 31 to the Consolidated financial statements.

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

As at 31 December 2021, 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 of 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:

Directors' Report

Long position in our Shares, underlying Shares and Debentures were 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/interest held jointly with another person/beneficial owner	750,000,000 (L)	75%
Datuk Sia Keng Leong	Interest in controlled corporation/interest held jointly with another person/beneficial owner	750,000,000 (L)	75%
Mr. Sia Kok Chong	Interest in controlled corporation/interest held jointly with another person/beneficial owner	750,000,000 (L)	75%
Mr. Sia Kok Seng	Interest in controlled corporation/interest held jointly with another person/beneficial owner	750,000,000 (L)	75%
Mr. Sia Kok Heong	Interest in controlled corporation/interest held jointly with another person/beneficial owner	750,000,000 (L)	75%

Notes:

- (1) As at 31 December 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.

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 31 December 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' Report

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 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 31 December 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 of Director	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%

Notes:

- (1) As at 31 December 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.

Directors' Report

Save as disclosed above, and as at 31 December 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.

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

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

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

The Controlling Shareholders have provided written confirmations to the Company confirming that they had fully complied with the Deed of Non-Competition during the year ended 31 December 2021 and that they did not conduct or acquire any competing business with the Group during the year ended 31 December 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 year ended 31 December 2021, and no competing business was reported by the Controlling Shareholders throughout the year ended 31 December 2021.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 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.

CONNECTED TRANSACTION

On 30 October 2021, Heng Hup Metal Sdn. Bhd., an indirectly wholly-owned subsidiary of the Company as the purchaser had entered into the sale and purchase agreement with the vendor, 5S Unity Properties Sdn Bhd {Company Registration No.: 201201022221 (1006713-A)}, a company incorporated in Malaysia under the Companies Act 1965 with its registered address at 695, Jalan Tampoi, Krubong, 75250 Melaka, pursuant to which the purchaser has agreed to acquire and the vendor has agreed to sell three (3) pieces of vacant leasehold land held under HSM 4044, Lot no. PT 10541, HSM 4045, Lot no. PT 10542 and HSM 4043, Lot no. PT 10543, all in Mukim Ijuk, District of Kuala Selangor, State of Selangor, Malaysia with the total land area of approximately 2.4282 hectares (approximately 261,369.273 square feet) at the consideration of RM9,300,000 (equivalent to approximately HK\$17,391,000). For further details, please refer to the announcement of the Company dated 30 October 2021. The said acquisition has been completed on the 11 March 2022.

Directors' Report

The Sia Brothers, being the controlling shareholders of the Company are deemed as connected persons of the Company. The Vendor is wholly owned by the Sia Brothers and hence a connected person of the Company at issuer level pursuant to Rule 14A.07 of the Listing Rules. The entering into of the Sale and Purchase Agreement between the Vendor and the Purchaser constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

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

(a) Tenancy Agreement in Respect of the Tenancy of Part of the Melaka Scrapyard I by HH Hardware

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

The aggregate annual cap for the transactions contemplated under the HH Hardware Tenancy Agreement for the three years ended 31 December 2021 are listed below:

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

The total rental expenses incurred for the financial year ended 31 December 2021 is RM120,000 (2020: RM120,000).

On 31 December 2021, HH Hardware renewed its tenancy agreement (the "**2022-2023 HH Hardware Tenancy Agreement**") with Datuk Sia Keng Leong, Mr. Sia Kok Chong, Mr. Sia Kok Seng and Mr. Sia Kok Heong, being our Directors, pursuant to which HH Hardware has agreed to rent PM 14, Lot 695, Mukim Cheng, Melaka, Malaysia, i.e. part of the Melaka Scrapyard I, from Datuk Sia Keng Leong, Mr. Sia Kok Chong, Mr. Sia Kok Seng and Mr. Sia Kok Heong as our scrap ferrous metal scrapyards in Melaka, Malaysia for a fixed term commencing from 1 January 2022 and expiring on 31 December 2023. The monthly rent payable by HH Hardware is RM11,000.

Directors' Report

The aggregate annual cap for the transactions contemplated under the 2022-2023 HH Hardware Tenancy Agreement for the two years ending 31 December 2023 are listed below:

Annual caps for the year ended/ending 31 December	
2022	2023
RM	RM
132,000	132,000

Reasons for the transactions

Our Group had been using the properties at PM 14, Lot 695, Mukim Cheng, Melaka, Malaysia as part of our scrap ferrous metal scrapyards in the state of Melaka. Having considered that the rent is comparable to the prevailing market rent of comparable properties in the locality, and additional renovation and associated costs which we may incur if we move out of the properties under the 2022-2023 HH Hardware Tenancy Agreement and relocate to another premises, our Directors consider that it is desirable and in the interests of our Group and our Shareholders as a whole that our Group continues to use the properties under the 2022-2023 HH Hardware Tenancy Agreement as part of our scrap ferrous metal scrapyards in the state of Melaka.

(b) Tenancy Agreement in Respect of the Tenancy of the Melaka Scrapyard II by HH Paper Melaka

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

The aggregate annual cap for the transactions contemplated under the HH Paper Melaka Tenancy Agreement for the three years ended 31 December 2021 are listed below:

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

The total rental expenses incurred for the financial year ended 31 December 2021 is RM45,600 (2020: RM45,600).

Directors' Report

On 31 December 2021, HH Paper Melaka renewed its tenancy agreement (the "**2022-2023 HH Paper Melaka Tenancy Agreement**") with Mr. Sia Kok Heong, being our Director, pursuant to which HH Paper Melaka has agreed to rent PN 20151, Lot 4862, Mukim Cheng, Melaka, Malaysia, i.e., the Melaka Scrapyard II, from Mr. Sia Kok Heong as our waste paper scrapyards in Melaka, Malaysia for a fixed term commencing from 1 January 2022 and expiring on 31 December 2023. The monthly rent payable by HH Paper Melaka is RM4,180.

The aggregate annual cap for the transactions contemplated under the 2022-2023 HH Paper Melaka Tenancy Agreement for the two years ending 31 December 2023 are listed below:

Annual caps for the year ended/ending 31 December	
2022	2023
RM	RM
50,160	50,160

Reasons for the transactions

Our Group had been using the properties at PN 20151, Lot 4862, Mukim Cheng, Melaka, Malaysia as our wastepaper scrapyards in the state of Melaka. Having considered that the rent is comparable to the prevailing market rent of comparable properties in the locality, and additional renovation and associated costs which we may incur if we move out of the properties under the 2022-2023 HH Paper Melaka Tenancy Agreement and relocate to another premises, our Directors consider that it is desirable and in the interests of our Group and our Shareholders as a whole that our Group continues to use the properties under the 2022-2023 HH Paper Melaka Tenancy Agreement as our waste paper scrapyards in the state of Melaka.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

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

(a) Master Purchase Agreement in Respect of the Purchase of Scrap Ferrous Metals and Used Batteries from Long Hin Recycle & Trading Sdn. Bhd. ("Long Hin")

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

As of the date of this Annual Report, Long Hin remains a company 50% owned by Mr Sia Yin Hwee, being an uncle of the Sia Brothers, and 50% owned by Ms. Tan Ah Ngoo, being a spouse of Mr. Sia Yin Hwee. As the Sia Brothers are our executive Directors and Controlling Shareholders, Long Hin is a deemed connected person of the Company pursuant to Rules 14A.21(1)(a) and (b); transactions of our Group with each of them are aggregated pursuant to the Listing Rules 14A.81 and 14A.82.

Directors' Report

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

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

The total value of sales to the Group pursuant to Long Hin Master Purchase Agreement for the year ended 31 December 2021 is Nil (2020: Nil).

On 7 March 2022, our Company entered into a new master purchase agreement (the "**2022 Long Hin Master Purchase Agreement**") with Long Hin, pursuant to which our Company may, but is not obliged to, purchase scrap ferrous metals and used batteries from Long Hin for a fixed term for the three financial year ending 2022, 2023 and 2024, subject to the proposed annual caps set out below.

The aggregate proposed annual cap for the transactions contemplated under the 2022 Long Hin Master Purchase Agreement for the three years ending 31 December 2024 are listed below:

Proposed Annual caps for the year ending 31 December		
2022 RM	2023 RM	2024 RM
0.1 million	0.1 million	0.1 million

(b) Master Purchase Agreement in Respect of the Purchase of Scrap Ferrous Metals, Used Batteries and Waste Paper from Lek Seng and Lek Seng Metal Sdn. Bhd.

Our Group has from time to time purchased scrap ferrous metals, used batteries and waste paper from Lek Seng and Lek Seng Metal Sdn. Bhd. in the ordinary and usual course of business and it is anticipated that our Group will continue to purchase scrap ferrous metals, used batteries and waste paper from Lek Seng and Lek Seng Metal Sdn. Bhd.

As of the date of this Annual Report, Lek Seng remains a partnership owned by Mr. Lim Lai Wah and Mr. Lim Swee Seng, who are cousins of the Sia Brothers. As the Sia Brothers are our executive Directors and Controlling Shareholders, Lek Seng is a deemed connected person of the Company pursuant to Rule 14A.21(1)(a) of the Listing Rules.; and the transactions of our Group with each of them are aggregated pursuant to the Listing Rules 14A.81 and 14A.82.

As of the date of this Annual Report, Lek Seng Metal Sdn Bhd remains a company 49.9988% owned by Mr Lim Lai Wah, 49.9988% owned by Mr. Lim Swee Seng and 0.0008% owned by each of the three sons of Mr. Lim Lai Wah. As such, Lek Seng Metal Sdn Bhd is a deemed connected person of the Company pursuant to Rules 14A.21(1)(a) and (b) of the Listing Rules; and the transactions of our Group with each of them are aggregated pursuant to the Listing Rules 14A.81 and 14A.82.

Directors' Report

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

The aggregate annual cap for the transactions contemplated under Lek Seng Master Purchase Agreement for the three years ended 31 December 2021 are listed below:

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

The total value of sales to the Group pursuant to Lek Seng Master Purchase Agreement for the year ended 31 December 2021 is RM37.0 million (2020: RM24.6 million).

On 7 March 2022, our Company entered into a new master purchase agreement (the "**2022 Lek Seng Master Purchase Agreement**") with Lek Seng and Lek Seng Metal Sdn. Bhd., pursuant to which our Company may, but is not obliged to, purchase scrap ferrous metals, used batteries and waste paper from Lek Seng and Lek Seng Metal Sdn. Bhd. for a fixed term for the three financial year ending 2022, 2023 and 2024, subject to the proposed annual caps set out below.

The aggregate proposed annual cap for the transactions contemplated under 2022 Lek Seng Master Purchase Agreement for the three years ending 31 December 2024 are listed below:

Proposed Annual caps for the year ending 31 December		
2022	2023	2024
RM	RM	RM
50.0 million	50.0 million	55.0 million

(c) Master Purchase Agreement in Respect of the Purchase of Scrap Ferrous Metals, Used Batteries and Waste Paper from Chye Seng Huat Trading, Chye Seng Huat Sdn. Bhd. and Soon Lee Metal Sdn. Bhd.

Our Group has from time to time purchased scrap ferrous metals, used batteries and waste paper from Chye Seng Huat Trading, Chye Seng Huat Sdn. Bhd. and Soon Lee Metal Sdn. Bhd. in the ordinary and usual course of business and it is anticipated that our Group will continue to purchase scrap ferrous metals, used batteries and waste paper from Chye Seng Huat Trading, Chye Seng Huat Sdn. Bhd. and Soon Lee Metal Sdn. Bhd.

Chye Seng Huat Trading is a sole proprietorship owned by Mr. Lim Ching Chan, who is a cousin of the Sia Brothers. By virtue of his relationship with the Sia Brothers who are the executive Directors and Controlling Shareholders of the Company, Mr Lim Ching Chan is a deemed connected person of the Company pursuant to Rule 14A.21(1)(a) of the Listing Rules.

Directors' Report

Chye Seng Huat Sdn. Bhd. is a company owned as to 50% by Mr Lim Soon Lee being the son of the late Mr. Lim Tian Fow, being a cousin of the Sia Brothers. The remaining shares hold by Lim Kim Sing (25%) and Lim Tuan Ann (25%). As such, the Company has treated Chye Seng Huat Sdn. Bhd. as a deemed connected person of the Company pursuant to Rules 14A.21(1)(a) and (b) of the Listing Rules.

Soon Lee Metal Sdn. Bhd. is a company owned by as to 50% by Mr. Lim Soon Lee being the son of the late Mr. Lim Tian Fow, being a cousin of the Sia Brothers. The remaining shares hold by Lim Kim Seng (25%) and Lim Tuan Ann (25%). As such, the Company treated Soon Lee Metal Sdn. Bhd. as a deemed connected person of the Company pursuant to Rules 14A.21(1)(a) and (b) of the Listing Rules.

As Chye Seng Huat Trading, Chye Seng Huat Sdn. Bhd. and Soon Lee Metal Sdn. Bhd. are connected with each other, the transactions of our Group with each of them are aggregated pursuant to Rules 14A.81 and 14A.82 of the Listing Rules.

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

The aggregate annual cap for the transactions contemplated under the Chye Seng Huat Trading Master Purchase Agreement for the three years ended 31 December 2021 are listed below:

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

The total value of sales to the Group pursuant to Chye Seng Huat Trading Master Purchase Agreement for the year ended 31 December 2021 are RM43.4 million (2020: RM24.0 million).

On 7 March 2022, our Company entered into a new master purchase agreement (the "**2022 Chye Seng Huat Trading Master Purchase Agreement**") with Chye Seng Huat Trading, Chye Seng Huat Sdn. Bhd. and Soon Lee Metal Sdn. Bhd., pursuant to which our Company may, but is not obliged to, purchase scrap ferrous metals, used batteries and waste paper from Chye Seng Huat Trading, Chye Seng Huat Sdn. Bhd. and Soon Lee Metal Sdn. Bhd. for a fixed term for the three financial year ending 2022, 2023 and 2024, subject to the proposed annual caps set out below.

The aggregate proposed annual cap for the transactions contemplated under the 2022 Chye Seng Huat Trading Master Purchase Agreement for the three years ending 31 December 2024 are listed below:

Proposed Annual caps for the year ending 31 December		
2022	2023	2024
RM	RM	RM
50.0 million	55.0 million	60.0 million

Directors' Report

For details of the information with respect to the continuing connected transactions mentioned above, please refer to the disclosure as set out in the section headed "Connected Transactions" of the Prospectus and the announcement of the Company dated 7 March 2022. The non-exempt continuing connected transactions in respect of the new Master Purchase Agreements are subject to approval of the independent shareholders at the extraordinary general meeting of the Company, which is to be held in the middle of May 2022.

CONFIRMATION BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

RELATED PARTY TRANSACTIONS

Saved as disclosed in page 58 to 64 of this report, the related party transactions disclosed in Note 30 to the consolidated financial statements do not constitute the connected transaction or continuing connected transaction of the Group. The Directors confirm that for connected transaction and continuing connected transaction, the Company has complied with disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Directors' Report

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Board has adopted the principles and the code provisions of the Corporate Governance Code contained in Appendix 14 to Listing Rules to ensure that the Company's business activities and decision making processes are regulated in a proper and prudent manner, except for the deviation from the code provision A.2.1 (which has been renumbered as code provision C.2.1 since 1 January 2022) 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 provides strong and consistent leadership to the Group. The Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 22 to 33 of this annual report. During the year, the Company has fully complied with the Corporate Governance Code.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

The consolidated financial statements for the year ended 31 December 2021 have been audited by PricewaterhouseCoopers, Certified Public Accountants, who retire and being eligible, offer themselves for reappointment at the forthcoming annual general meeting.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the Group. During the year ended 31 December 2021, there was no material breach of, or non-compliance, with applicable laws and regulations by the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

Details of the environment, social responsibilities and governance of the Company are set out in the Environmental, Social Responsibilities and Governance Report on page 34 to page 47 of this annual report.

Directors' Report

CLOSURE OF REGISTER OF MEMBERS FOR 2022 AGM

The register of members of the Company will be closed from Tuesday, 14 June 2022 to Saturday, 18 June 2022, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting to be held on Saturday, 18 June 2022 (the "2022 AGM"). In order to be eligible to attend and vote at the 2022 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 pm on Monday, 13 June 2022.

CLOSURE OF REGISTER OF MEMBERS FOR THE PROPOSED FINAL DIVIDEND

The register of members of the Company will be closed from Friday, 24 June 2022 to Tuesday, 28 June 2022, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' entitlement to the Proposed Final Dividend. In order to be entitled to the Proposed Final Dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 pm on Thursday, 23 June 2022.

On behalf of the Board

Datuk Sia Kok Chin

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS



羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Heng Hup Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 73 to 128, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

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

Independent Auditor's Report on Consolidated Financial Statements (Continued)

KEY AUDIT MATTERS

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

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

- Revenue recognition
- Expected credit loss of trade receivables

Key Audit Matter

Revenue recognition

Refer to notes 2.23 and 5 to the consolidated financial statements.

The Group recognised revenue of RM1,418,239,000 for the year ended 31 December 2021.

The sale of recycling materials is recognised at the point in time when or as the control of the goods is transferred to the customers, being when the goods are delivered to the customers.

We focus on this area due to its magnitude and the high volume of transactions involved. Any errors arising from recording of revenue might have a significant impact to the consolidated financial statements. As a result, a significant amount of effort was spent on auditing this area.

How our audit addressed the Key Audit Matter

Audit procedures performed over this key audit matters were as follows:

We understood, evaluated and validated management's key internal controls in its revenue recognition process.

We performed data analytics to analyse entries in the detailed sales ledger over the matching of revenue transactions to accounts receivables and/or cash and bank in order to identify non-routine transactions. We inquired management of the rationale over non-routine transactions and checked to supporting documents for corroboration.

We tested samples of sales transactions by tracing to supporting documents such as customers' goods receipt notes or shipping documents for exports, invoices, and bank statements for settlements of the transactions.

Performed cut-off testing on a sample of revenue transactions before and after year end to assess whether revenues were recognised in the proper period.

For accrued revenue where invoices have yet to be raised as of year-end, we have verified on a sample basis that the Group has earned the right to consideration in exchange for goods that the Group has delivered to the customer by sighting to customers' goods receipt notes as well as subsequent invoices raised to customers after year-end.

On a sample basis, we circularised confirmations with customers to confirm the balance outstanding as at year end.

Based on our work performed, we did not identify any material exceptions.

Independent Auditor's Report on Consolidated Financial Statements (Continued)

Key Audit Matter

Expected credit loss of trade receivables

Refer to notes 2.12, 3.1(b)(ii) and 19 to the consolidated financial statements.

As at 31 December 2021, the Group had trade receivable of approximately of RM134,362,000 which includes ECL allowance of RM1,305,000.

The Group applies the simplified approach to assess the expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. Management applied significant judgment in performing assessment of expected credit losses for trade receivable which takes into account past repayment history, credit risk characteristics and relevant forward-looking information, including but not limited to the general economy outlook in Malaysia focusing on steel industry and construction industry, that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses.

We focused on this area due to the significant management judgement used to evaluate the loss allowance.

How our audit addressed the Key Audit Matter

Audit procedures performed over this key audit matter were as follows:

Obtained an understanding of the management's internal control and assessment process of expected credit losses of trade receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity, changes and susceptibility to management bias or fraud.

Evaluated the outcome of prior period assessment of expected credit losses of trade receivables to assess the effectiveness of management's estimation process.

Discussed with management to understand the underlying assumptions used in the simplified approach under IFRS 9 when determining the ECL for trade receivables.

Agreed trade receivables amount as at year end to the general ledger to ensure completeness and tested the accuracy of the ageing against supporting documents.

In assessing the inputs used in the ECL model on trade receivables, we performed the following procedures:

Agreed the ageing profile of individual customer to the trade receivable ageing report, verified the default risk score used by management to the underlying source where applicable, considered the appropriateness of the forward-looking information such as macroeconomic of Malaysia and the outlook of the steel industry in Malaysia, and held discussions with management to understand the factors they have considered in adjusting the inputs.

We assessed and challenged, where appropriate, the basis of adjustments to the customer default risk score as well as the reasonableness of the forward-looking information.

Tested mathematical accuracy of the model used.

Reviewed the adequacy of the Group's disclosures included in notes 3.1(b)(ii) and 19 to the accompanying consolidated financial statements.

We found that management's judgement used to assess the expected credit loss of the trade receivables in the year to be supported by available evidence.

Independent Auditor's Report on Consolidated Financial Statements (Continued)

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

Independent Auditor's Report on Consolidated Financial Statements (Continued)

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 31 December 2021

	Notes	2021 RM'000	2020 RM'000
Revenue	5	1,418,239	868,312
Cost of Sales	8	(1,340,665)	(819,326)
Gross profit		77,574	48,986
Other income	6	4,239	2,814
Other (losses)/gains, net	7	(195)	24
Distribution and selling expenses	8	(21,778)	(20,539)
Administration expenses	8	(22,931)	(16,799)
Operating profit		36,909	14,486
Finance income		239	512
Finance cost		(1,608)	(847)
Finance cost, net	10	(1,369)	(335)
Share of results of an associate	14	6	(1,474)
Profit before income tax		35,546	12,677
Income tax expense	11	(10,132)	(4,285)
Profit and total comprehensive income for the year		25,414	8,392
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		25,485	8,392
Non-controlling interest		(71)	-
		25,414	8,392
Earnings per share attributable to owners of the Company for the year (expressed in sen per share)			
- Basic and diluted earnings per share	13	2.55	0.84

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	2021 RM'000	2020 RM'000
Assets			
Non-current assets			
Investment in associates	14	6	-
Property, plant and equipment	15	18,548	16,357
Intangible asset	16	414	586
Investment properties	17	6,112	6,183
Deposits	19	930	1,339
Right-of-use assets	25	11,333	11,811
Deferred income tax assets	26	838	18
		38,181	36,294
Current Assets			
Inventories	18	56,911	34,079
Trade and other receivables	19	153,234	127,267
Current income tax recoverable		-	804
Pledged bank deposits	20	5,345	5,255
Cash and bank balances	21	26,349	25,080
		241,839	192,485
Total assets		280,020	228,779
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	22	5,206	5,206
Share premium		49,306	49,306
Capital reserve		29,487	29,487
Retained earnings		122,844	100,250
		206,843	184,249
Non-controlling interest		(71)	-
Total Equity		206,772	184,249

Consolidated Statement of Financial Position (Continued)

As at 31 December 2021

	Note	2021 RM'000	2020 RM'000
Non-current liabilities			
Borrowings	24	4,211	5,029
Lease liabilities	25	709	1,028
Deferred income tax liabilities	26	517	471
		5,437	6,528
Current Liabilities			
Trade and other payables	23	35,410	22,189
Current income tax liabilities		2,701	379
Borrowings	24	29,190	14,933
Lease Liabilities	25	510	501
		67,811	38,002
Total liabilities		73,248	44,530
Total equity and liabilities		280,020	228,779

The consolidated financial statements on pages 73 to 128 were approved and authorised for issue by the Board of Directors on 31 March 2022 and are signed on its behalf by:

Datuk Sia Kok Chin
Director

Mr. Sia Kok Seng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year ended 31 December 2021

	Attributable to owners of the Company						
	Share capital (Note 22) RM' 000	Share premium RM' 000	Capital reserve RM' 000	Retained earnings RM' 000	Total equity RM' 000	Non-controlling interest RM' 000	Total equity RM' 000
	As at 1 January 2020	5,206	49,306	29,487	91,858	175,857	-
Net profit and total comprehensive income for the year, net of tax	-	-	-	8,392	8,392	-	8,392
As at 31 December 2020 and 1 January 2021	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	-	-	-	-	-	-	-
Net profit and total comprehensive income for the year, net of tax	-	-	-	25,485	25,485	(71)	25,414
Dividends (Note 12)	-	-	-	(2,891)	(2,891)	-	(2,891)
As at 31 December 2021	5,206	49,306	29,487	122,844	206,843	(71)	206,772

The above consolidated statements of cash flows should be read in conjunction with accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year ended 31 December 2021

	Notes	2021 RM'000	2020 RM'000
Cash flow from operating activities			
Cash generated from/(used) in operations	33	5,631	(8,553)
Tax paid		(7,780)	(2,721)
Net cash used in operating activities		(2,149)	(11,274)
Cash flows from investing activities			
Investment in associates	14	-	(490)
Purchases of property, plant and equipment	15	(3,860)	(4,729)
Purchases of intangible asset	16	-	(600)
Purchases of investment properties	17	-	(2,194)
Purchases of a leasehold property	25	-	(230)
Withdrawal/(placement) of fixed deposits		-	11,986
Proceeds from disposal of property, plant and equipment	33	170	62
Interests received		239	512
(Placement)/withdrawal of pledged bank deposits		(90)	(115)
Acquisition of business		-	(1,268)
Repayment of advances/(advances) to an associate		946	(1,031)
Net cash (used in)/generated from in investing activities		(2,595)	1,903
Cash flows from financing activities			
Interests paid		(1,608)	(847)
Drawdown of borrowings		13,280	9,296
Repayments of borrowings		(2,141)	(1,651)
Principal elements of lease payments		(522)	(634)
Dividends paid		(2,891)	-
Net cash generated from financing activities		6,118	6,164
Net increase/(decrease) in cash and cash equivalents		1,374	(3,207)
Effect of exchange rate fluctuation on cash held		(26)	-
Cash and cash equivalent at the beginning of year		25,001	28,208
Cash and cash equivalents at the end of year	21	26,349	25,001

The above consolidated statements of cash flows should be read in conjunction with accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2021

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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.1 Basis of preparation** (Continued)**(a) Adoption of New Standards**

The Group had 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 consolidated financial statements:

IFRS 9, IAS 39 and, IFRS 7, IFRS 4 and IFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2
IFRS 16 (Amendments)	COVID-19 Related Rent Concession beyond 30 June 2021

The application of the amendments to Reference to the Conceptual Framework in IFRSs and the amendments to IFRSs in the current period did not have any material impact to the Group's financial positions and performance for the current and prior period and/or on the disclosures set out in these audited consolidated financial statements.

(b) New standards and amendments to standards and interpretation not yet adopted by the Group

A number of new standards and amendments to standards and interpretation have been issued but not effective for continuing period beginning on or after 1 January 2022 and have not been early adopted by the Group in preparing the financial statements:

		Effective for annual periods beginning on or after
Annual Improvement to IFRS Standards 2018-2020	Annual improvements to IFRS Standards 2018-2020 Cycle	1 January 2022
IFRS 3, IAS 16 and IAS 37	Narrow-scope amendments (amendments)	1 January 2022
IAS 1	Classification of Liabilities as Current or Non-current (amendments)	1 January 2023
IFRS 17	Insurance Contracts (new standard)	1 January 2023
IFRS 17	Amendments to IFRS 17	1 January 2023
IAS 1 and IFRS Practice Statement 7	Disclosure of Accounting Policies (amendments)	1 January 2023
IAS 8	Definition of Accounting Estimates (amendments)	1 January 2023
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction (amendments)	1 January 2023
IFRS 10 and IAS 28	Sale or Contribution of Assets between as Investor and its Association or Joint Venture (amendments)	To be determined

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

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries

2.2.1 Consolidation

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

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

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

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

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

2.2.2 Separate financial statements

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

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

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Associates

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

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

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

The Group assesses at each reporting date whenever events or changes in circumstances indicate that the carrying amount may not be recoverable that the investments in the associates and joint arrangements are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint arrangement and its carrying value and recognises the amount adjacent to "share of losses of associates" in the consolidated statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Segment reporting

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

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

2.6 Property, plant and equipment

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

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

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

Plant and machinery	10% – 20%
Office furniture and equipment	10% – 40%
Motor vehicles	20%
Fixtures and fittings	10%

Depreciation on assets under construction commences when the assets are ready for their intended use.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

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

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Intangible asset

Intangible asset is stated at historical cost less accumulated amortisation and impairment losses. Intangible assets are amortised using the straight-line method to allocate the cost of assets to their residual values over their estimated useful lives at the following annual rate:

Software	25%
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The residual value of intangible assets are assumed to be zero unless there is a commitment by a third party to purchase the asset at the end of its useful life or there is an active market for the asset and residual value can be determined by reference to the market and it is probable that such a market will exist at the end of the asset's useful life.

At the end of reporting period, the Group and the Company assesses whether there is any indication of impairment. If such indications exist, an asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. See accounting policy Note 2.9 on impairment of non-financial assets.

2.8 Investment properties

Investment properties, principally comprising land and buildings is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. See accounting policy Note 2.9 on impairment of non-financial assets. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives of 50 to 99 years and after taking into account of their estimated residual value, using the straight-line method.

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

2.9 Impairment of non-financial assets

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

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets

2.10.1 Classification

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

2.10.2 Recognition and measurement

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

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

2.10.3 Debt instruments measured at amortised cost

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

2.11 Offsetting financial instruments

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

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Impairment of financial assets

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

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires the Group to recognise the lifetime expected credit losses. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to its recognised amount is recognised in profit or loss, included within 'Other (losses)/gains, net' in the consolidated statement of comprehensive income.

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

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

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

2.13 Inventories

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

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See Note 2.10.2 for further information about the Group's accounting for trade receivables and Note 2.12 for the description of the impairment policies.

2.15 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents in the consolidated statement of cash flows. In the consolidated statement of financial position, banks overdrafts are shown within borrowings in current liabilities.

2.16 Share capital

(a) Classification

Ordinary shares are classified as equity.

(b) Share issue costs

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

2.17 Trade payables

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

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

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Borrowings

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

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

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

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

2.19 Borrowing costs

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Current and deferred income tax

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

(a) Current income tax

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

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

(b) Deferred income tax

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Employee benefits

(a) Defined contribution plans

For defined contribution plans, the Group pays contributions to Employees Provident Fund, a federal statutory body under the purview of the Ministry of Finance, Malaysia, on a mandatory, contractual or voluntary basis. The monthly contributions are determined based on the rates set out in the third schedule of the Employees Provident Fund Act 1991, Malaysia. No forfeited contributions may be used to reduce the existing level of contributions.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Termination benefits

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

(c) Employee leave entitlements

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

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

(d) Bonus plan

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

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Provisions

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

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

2.23 Revenue recognition

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

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

2.24 Interest income

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

2.25 Leases

(a) As the lessee

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

Lease term

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

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

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Leases (Continued)

(a) As the lessee (Continued)

ROU assets

ROU assets are initially measured at cost comprising the following:

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

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

Lease liabilities

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

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

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Leases (Continued)

(a) As the lessee (Continued)

Lease liabilities (Continued)

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

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

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

Reassessment of lease liabilities

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

Short term leases and leases of low value assets

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

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Leases (Continued)

(b) As the lessor

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated financial position based on their nature.

2.26 Hire purchase liabilities

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

2.27 Dividends distribution

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

2.28 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are recognised in profit or loss over the periods to match the related costs for which the grants are intended to compensate. Government grant is presented within other income in the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign currency risk

The Group operates in Malaysia and the Group's transactions are mainly denominated in RM which is the functional and presentation currency for most of the Group's entities. Therefore, the Group is not exposed to significant foreign currency risk.

(ii) Interest rate risk

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

If the interest rate on borrowings excluding hire purchase and leases liabilities has increased/decreased by 100 basis points with all other variables held constant, pre-tax profit would have been approximately RM295,000 (2020: RM168,000) lower/higher for the year ended 31 December 2021.

If interest rates on hire purchase liabilities had been 100 basis points higher/lower with all variables held constant, pre-tax profit would have been approximately RM39,000 (2020: RM113,000) higher/lower for the year ended 31 December 2021, mainly as a result of a decrease/increase in the fair value of the hire purchase liabilities.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

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

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

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

(i) Credit risk of cash and bank balances

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

(ii) Credit risk of trade receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group grouped the trade receivables based on shared credit risk characteristics, open market credit rating and the days past due and 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. As at the year ended 31 December 2021, the Group has trade receivables balance of RM134,362,000 (2020: RM118,366,000) and the overall expected losses rate for is 1.0% (2020: 1.1%). The provision for trade receivables as at 31 December 2021 is RM1,305,000 (2020: RM1,263,000).

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Credit risk of trade receivables (Continued)

There is no bad debt written off during the financial year ended 31 December 2021. (2020: RM2,000).

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 31 December 2021, 94% (2020: 93%) of its total trade receivables was due from this group of customers. As the Group is one of a few approved scrap metal providers to the steel mill customers and based on the past repayment history, open market credit rating of customers 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.

See Note 19 to the consolidated financial statement for the movement for provision of loss allowance for trade receivables.

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 minimal.

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

Other debt instruments at amortised cost include other receivables and amounts due from associates.

As at 31 December 2021 and 2020, all of these financial assets are considered to have low credit risk, and thus the impairment provision recognised during the years was limited to 12 months expected losses. Management considered other receivables from third parties and associates to be low credit risk when they have a low risk of default and the issuer has sufficient capacity to meet its contractual cash flow obligations in the near term. The Group has assessed that the 12 months expected credit losses for these receivables are minimal, and thus, no loss allowance provision was recognised during the years ended 31 December 2021 and 2020.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

3 FINANCIAL RISK MANAGEMENT (Continued)**3.1 Financial risk factors** (Continued)**(c) Liquidity risk**

Cash flow forecasting is performed by the operating entities of the Group and aggregated by group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. 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.

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

	Within 1 year RM'000	Between 1 and 5 years RM'000	Over 5 years RM'000
At 31 December 2021			
Non-derivative financial liabilities			
Borrowings ¹	29,818	3,498	1,694
Lease liabilities ¹	560	738	-
Trade and other payables	35,410	-	-
	65,788	4,236	1,694
At 31 December 2020			
Non-derivative financial liabilities			
Borrowings ¹	15,351	3,971	2,153
Lease liabilities ¹	556	1,088	-
Trade and other payables	22,189	-	-
	38,096	5,059	2,153

¹ The amounts include interest payable.

During the year ended 31 December 2021, the Group breached certain financial related loan covenants of term loans and trust receipt facilities agreement. Due to this breach of the covenant clause, the banks are contractually entitled to request for immediate repayments of the outstanding amount of RM23,300,000. However, prior to the end of the financial year, the Group had remediated with the relevant banks in relation to the breach and will not face any risks on immediate payment or recalls on the said amounts.

During the year ended 31 December 2021, the Group breached certain non-financial related covenants of hire purchase agreement. Due to this breach of the covenant clause, the bank is contractually entitled to request for immediate repayments of the outstanding amount of RM2,293,000. The Group had remediated with the relevant bank in relation to the breach on 29 March 2022 and will not face any risks on immediate payment or recalls on the said amounts. As a result, the outstanding balance is presented as a current liability as at 31 December 2021.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

3 FINANCIAL RISK MANAGEMENT (Continued)**3.2 Capital management**

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

The capital structure of the Group consists of debt, which includes borrowings as disclosed in Note 24, net of cash and cash equivalents and equity attributable to owners of the Company, comprising capital and reserves.

The directors of the Company review the capital structure periodically. The directors of the Company also balance the overall capital structure through the payment of dividends and new share issues, if any. No changes were made in the objectives, policies or processes during the year ended 31 December 2021.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital. Total debt is calculated as total borrowings, including current and non-current borrowings and total lease liabilities, as shown in the Note 24 and Note 25 respectively to the consolidated financial statements. Total capital is calculated as "total equity", as shown in the consolidated statement of financial position.

The gearing ratios of the Group were as follows:

	2021	2020
	RM'000	RM'000
Total borrowings (Note 24)	33,401	19,962
Total lease liabilities (Note 25)	1,219	1,529
	34,620	21,491
Total capital	206,772	184,249
Gearing ratio	16.7%	11.7%

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Measurement of ECL allowance for financial assets

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

(b) Current income tax

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

5 REVENUE AND SEGMENT INFORMATION

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

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

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

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

(a) Revenue by location of goods delivery

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

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

5 REVENUE AND SEGMENT INFORMATION (Continued)**(c) Major customers**

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

	2021 RM'000	2020 RM'000
Customer 1	626,205	407,507
Customer 2	539,482	102,404

6 OTHER INCOME

	2021 RM'000	2020 RM'000
Provision for logistic service income	2,941	1,390
Refund of keyman insurance policy	-	553
Government wage subsidies	-	395
Rental income	481	246
Compensation received	12	32
Processing fees income	720	-
Others	85	198
	4,239	2,814

7 OTHER (LOSSES)/GAINS, NET

	2021 RM'000	2020 RM'000
Other gains		
Gain on disposal of property, plant and equipment	100	62
Foreign exchange gains, net	-	27
	100	89
Other losses		
Property, plant and equipment written-off (Note 15)	(32)	(7)
Provision for loss allowance on trade receivables (Note 19)	(42)	(58)
Foreign exchange losses, net	(221)	-
Other (losses)/gains, net	(195)	24

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

8 EXPENSES BY NATURE

	2021	2020
	RM'000	RM'000
Cost of trading goods sold	1,328,085	810,351
Employee benefit expenses (Note 9)	20,818	15,045
Depreciation expenses		
– property, plant and equipment (Note 15)	3,948	3,088
– right-of-use assets (Note 25)	688	801
– investment properties (Note 17)	71	36
Amortisation expenses		
– intangible asset (Note 16)	172	14
Auditors' remuneration		
– audit services	539	493
– non-audit services	68	48
Transportation costs	16,216	15,851
Lease expenses relating to		
– low value assets	61	162
– short-term leases	506	64
Repair and Maintenance expenses	4,710	2,392
Legal and professional fees	878	571
Secretarial fees	475	476
Other expenses	8,139	7,272
Total cost of sales, distribution and selling expenses and administrative expenses	1,385,374	856,664

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2021	2020
	RM'000	RM'000
Directors' fees	645	627
Salaries, bonus and other allowance	18,258	13,208
Contribution to defined contribution plans	1,515	916
Other employee benefit	400	294
Employee benefit expenses (Note 8)	20,818	15,045

The five individuals whose emoluments were the highest in the Group for the year are five executive directors whose emoluments are reflected in the analysis shown in Note 31(a).

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

10 FINANCE COSTS, NET

	2021 RM'000	2020 RM'000
Interest income from bank deposits	239	512
Interest expense on loans	(1,100)	(569)
Interest expense on hire purchase liabilities	(261)	(143)
Interest expense on lease liabilities	(219)	(87)
Interest expense on bank overdraft	(28)	(48)
Finance costs	(1,608)	(847)
Finance costs, net	(1,369)	(335)

11 INCOME TAX EXPENSE

Malaysian corporate income tax has been provided at the rate of 24% (2020: 24%) on the estimated assessable profit for the years ended 31 December 2021 and 2020.

	2021 RM'000	2020 RM'000
Malaysian corporate income tax:		
- current	10,896	3,683
- under provision in prior year	10	592
Deferred income tax (Note 26)	10,906 (774)	4,275 10
Income tax expense	10,132	4,285

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

11 INCOME TAX EXPENSE (Continued)

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

	2021 RM'000	2020 RM'000
Profit before tax	35,549	12,677
Tax at Malaysian corporate income tax rate	8,532	3,042
Tax effect of expenses not deductible for tax purpose	1,330	651
Effect of temporary differences not recognised in prior year	275	-
Under provision in respect of prior years	10	592
Income not subject to tax	(15)	-
Income tax expense for the year	10,132	4,285

12 DIVIDENDS

	2021 RM'000	2020 RM'000
In respect of the financial year ended 31 December 2020 - dividend of HK\$0.0055 per share paid on 15 July 2021	2,891	-

At the forthcoming Annual General Meeting, a final dividend of HKD0.008 per share on 1,000,000,000 ordinary shares in respect of the financial year ended 31 December 2021 amounting to a total of RM 4,296,000 (equivalent to approximately HK\$8,000,000) will be proposed for shareholders' approval.

13 EARNINGS PER SHARE

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

	2021	2020
Profit for the year attributable to the owners of the Company (RM'000)	25,485	8,392
Number of shares:		
Weighted average number of shares issued	1,000,000,000	1,000,000,000
Basic earnings per share (expressed in sen per share)	2.55	0.84

As at 31 December 2021 and 31 December 2020, the Company has no outstanding potentially dilutive shares.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

14 INVESTMENT IN ASSOCIATES

	2021 RM'000	2020 RM'000
The amounts recognised in the consolidated statement of financial position are as follows:		
Unquoted shares – at cost	2,450	2,450
Share of results of associates	(2,444)	(2,450)
Closing carrying value	6	–

Notes:

The associates as listed below have registered capital consisting solely of paid-in capital, which is held indirectly by the Group. The associates are unlisted limited liability companies in Malaysia and hence there is no quoted market prices available for their shares.

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

Name of entity	Place of Incorporation	Principal place of operation	Principal activities	Class of share held	Proportion of ownership interest and voting rights	
					As at 31 December 2021	As at 31 December 2020
Heng Hup Chiho Recycling (Malaysia) Sdn Bhd ("Heng Hup Chiho")	Malaysia	Malaysia	Business of motor scrap and other mix metal scrap dismantling	Ordinary	49%	49%
Valueleap Sdn Bhd ("Valueleap")	Malaysia	Malaysia	Trading house for ferrous and non-ferrous metal	Ordinary	40%	40%

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

14 INVESTMENT IN ASSOCIATES (Continued)**Heng Hup Chiho Recycling (Malaysia) Sdn Bhd (“Heng Hup Chiho”)**

Set out below are the summarised financial information for Heng Hup Chiho that is material to the Group which is accounted for using the equity method. In the opinion of the Directors, the other associate is immaterial to the Group.

Summarised statement of financial position

	2021 RM'000	2020 RM'000
Total current assets	1,619	4,585
Total non-current assets	8,260	3,612
Total current liabilities	(12,681)	(8,649)
Net liabilities	(2,802)	(452)

Summarised statement of comprehensive income

	2021 RM'000	2020 RM'000
Revenue	10,027	7,538
Net loss and total comprehensive loss for the year	(2,316)	(3,360)

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

	2021 RM'000	2020 RM'000
Net liabilities of Heng Hup Chico as at 31 December	(2,802)	(452)
Interest in associate	49%	49%
Share of net assets	-	-

As at 31 December 2021, there is an amount due from associate of RM113,000 (2020: RM1,059,000) (Note 19) which is unsecured, interest free with no fixed term of repayment.

Unrecognised losses

The Group has not recognised losses related to Heng Hup Chiho amounting to RM1,307,000 (2020: RM172,000) since the Group has no obligation in respect to these losses and the carrying amount of the investment is nil.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

14 INVESTMENT IN ASSOCIATES (Continued)**Valueleap Sdn Bhd (“Valueleap”)**

Set out below are the summarised financial information for Valueleap that is an associate to the Group which is accounted for using the equity method. In the opinion of the Directors, the other associate is immaterial to the Group.

Summarised statement of financial position

	2021 RM'000	2020 RM'000
Total current assets	21	-
Total non-current assets	-	-
Total current liabilities	(6)	-
Net assets	15	-

Summarised statement of comprehensive income

	2021 RM'000	2020 RM'000
Revenue	490	-
Net gain and total comprehensive gain for the year	15	-

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

	2021 RM'000	2020 RM'000
Net assets of Heng Hup Chico as at 31 December	15	-
Interest in associate	40%	-
Share of net assets	6	-

As at 31 December 2021, there is no amount due from the associate company.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

15 PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery RM'000	Office furniture and equipment RM'000	Motor vehicles RM'000	Fixture and fittings RM'000	Construction in Progress RM'000	Total RM'000
1 January 2020						
Cost	13,087	2,675	12,367	432	135	28,696
Accumulated depreciation	(5,750)	(1,613)	(9,364)	(243)	-	(16,970)
Net book amount	7,337	1,062	3,003	189	135	11,726
Year ended 31 December 2020						
Opening net book amount	7,337	1,062	3,003	189	135	11,726
Acquisition of business (Note 32)	743	79	248	160	-	1,230
Additions	1,913	318	3,025	-	1,240	6,496
Written-off (Note 7)	(1)	(6)	-	-	-	(7)
Depreciation charge (Note 8)	(1,298)	(299)	(1,439)	(52)	-	(3,088)
Closing net book amount	8,694	1,154	4,837	297	1,375	16,357
As at 31 December 2020						
Cost	15,742	3,066	15,640	592	1,375	36,415
Accumulated depreciation	(7,048)	(1,912)	(10,803)	(295)	-	(20,058)
Net book amount	8,694	1,154	4,837	297	1,375	16,357
	Plant and machinery RM'000	Office furniture and equipment RM'000	Motor vehicles RM'000	Fixture and fittings RM'000	Construction in Progress RM'000	Total RM'000
1 January 2021						
Cost	15,742	3,066	15,640	592	1,375	36,415
Accumulated depreciation	(7,048)	(1,912)	(10,803)	(295)	-	(20,058)
Net book amount	8,694	1,154	4,837	297	1,375	16,357
Year ended 31 December 2021						
Opening net book amount	8,694	1,154	4,837	297	1,375	16,357
Reclassification	-	-	1,187	-	(1,187)	-
Additions	1,169	368	4,638	62	4	6,241
Disposal	-	-	(70)	-	-	(70)
Written-off (Note 7)	-	(32)	-	-	-	(32)
Depreciation charge (Note 8)	(1,409)	(333)	(2,138)	(68)	-	(3,948)
Closing net book amount	8,454	1,157	8,454	291	192	18,548
As at 31 December 2021						
Cost	16,911	3,402	21,395	654	192	42,554
Accumulated depreciation	(8,457)	(2,245)	(12,941)	(363)	-	(24,006)
Net book amount	8,454	1,157	8,454	291	192	18,548

The Group has pledged certain property, plant and equipment to secure banking facilities granted to the Group during the year ended 31 December 2021 (Note 27).

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

	2021 RM'000	2020 RM'000
Cost of sales	1,469	1,318
Distribution and administration expenses	2,479	1,770
	3,948	3,088

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

	2021 RM'000	2020 RM'000
Payment by cash	3,861	4,729
Hire purchase liabilities	2,380	1,767
	6,241	6,496

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

	2021 RM'000	2020 RM'000
Cost	9,918	7,730
Accumulated depreciation	(2,121)	(1,943)
	7,797	5,787

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

16 INTANGIBLE ASSET

	2021 RM'000	2020 RM'000
Software:		
At 1 January	586	-
Additions	-	600
Amortisation	(172)	(14)
At 31 December	414	586

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

17 INVESTMENT PROPERTIES

	2021 RM'000	2020 RM'000
Freehold lands		
At 1 January/31 December	3,345	3,345
Property investments - commercial		
At 1 January	2,838	680
Additions	-	2,194
Depreciation	(71)	(36)
At 31 December	6,112	6,183
Fair value	6,993	6,797

Notes:

- (i) The above "property investments - commercial", which are located in Malaysia during the year ended 31 December 2021 are depreciated on a straight-line basis over the remaining useful lives. The remaining balance of carrying amount include freehold land held for appreciation.
- (ii) The Group has pledged certain investment properties to secure banking facilities granted to the Group during the year ended 31 December 2021 (Note 27).
- (iii) Rental income from these investment properties for the year ended 31 December 2021 amounted to RM480,000 (2020: RM87,000).
- (iv) Depreciation expense has been charged to administrative expenses.
- (v) The fair value of investment property is determined by external, independent property valuers, having appropriate recognised professional qualification and recent experience in the location and category of property been valued.

18 INVENTORIES

	2021 RM'000	2020 RM'000
Trading goods	56,911	34,079

The cost of trading good sold recognised as expense and included in cost of sales amounted to RM1,328,085,000 (2020: RM810,351,000) during the year ended 31 December 2021.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

19 TRADE AND OTHER RECEIVABLES

	2021 RM'000	2020 RM'000
<u>Non-current</u>		
Deposits for acquisition of land*	930	1,339
<u>Current</u>		
Trade receivables	134,362	118,366
Less: provision for loss allowance	(1,305)	(1,263)
	133,057	117,103
Other receivables*	7,862	531
Deposits and prepayments	2,811	1,087
Downpayment to suppliers	9,266	7,413
Other tax receivables	125	74
Amounts due from associates (Note 30 (c))	113	1,059
	153,234	127,267
	154,164	128,606

* On 30 October 2021 the Group entered into Sales and Purchase Agreement (the "**Agreement**") to acquire three (3) parcels of leasehold land in Malaysia for a purchase consideration of RM9,300,000. Consequently, the Group paid a deposit amounted to RM930,000 upon signing of the Agreement. The completion of the said acquisition is subject to the fulfilment of the terms and conditions stated in the Agreement. The said acquisition has been completed on 11 March 2022.

* Included in Other receivables as at 31 December 2021 are loans to one of its suppliers amounting to RM5,000,000. The loans are with tenure of 4 months and secured by personal guarantees.

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:

	2021 RM'000	2020 RM'000
0 - 30 days	130,792	84,260
31 - 60 days	2,182	32,397
61 - 120 days	138	1,517
Over 120 days	1,250	192
	134,362	118,366

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

	2021 RM'000	2020 RM'000
- Ringgit Malaysia (RM)	134,336	114,254
- United States Dollar (USD)	26	2,257
- Singapore Dollar (SGD)	-	1,855
	134,362	118,366

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

19 TRADE AND OTHER RECEIVABLES (Continued)

See Note 3.1(b)(ii) for the details of expected credit losses measurements.

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

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

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

20 PLEDGED BANK DEPOSITS AND FIXED DEPOSITS

Pledged bank deposits represents deposits pledged to banks to secure general banking facilities granted to the Group (Note 27).

21 CASH AND BANK BALANCES

	2021 RM'000	2020 RM'000
Cash at bank and on hand	16,659	13,596
Short-term bank deposits with maturity of 3 months or less	9,690	11,484
Cash and bank balances	26,349	25,080
Bank overdrafts (Note 24)	-	(79)
	26,349	25,001

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

	2021 RM'000	2020 RM'000
- Ringgit Malaysia (RM)	25,926	22,402
- United States Dollar (USD)	239	1,510
- Singapore Dollar (SGD)	162	1,075
- Hong Kong Dollar (HKD)	18	89
- Chinese Renminbi (RMB)	4	4
	26,349	25,080

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

22 SHARE CAPITAL

	2021 Number of shares in thousand	2021 Share capital RM'000	2020 Number of share in thousand	2020 Share capital RM'000
Authorised:				
At beginning of the year	2,000,000	10,406	2,000,000	10,406
At end of year	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 end of the year	1,000,000	5,206	1,000,000	5,206

23 TRADE AND OTHER PAYABLES

	2021 RM'000	2020 RM'000
Trade payables	22,890	14,561
Accrued payroll liabilities	7,023	2,985
Other payables and accruals	5,497	4,643
	35,410	22,189

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

	2021 RM'000	2020 RM'000
- Ringgit Malaysia (RM)	20,554	10,442
- United States Dollar (USD)	2,336	4,119
	22,890	14,561

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

	2021 RM'000	2020 RM'000
0 - 30 days	21,095	13,040
31 - 60 days	12	1,468
61 - 120 days	1,783	53
	22,890	14,561

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

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

24 BORROWINGS

	2021	2020
	RM'000	RM'000
Non-current		
Bank borrowings		
– Term loans (Note a)	3,532	3,126
Hire purchase liabilities (Note b)	679	1,903
	4,211	5,029
Current		
Bank borrowings		
– Term loans (Note a)	496	407
– Bank overdraft (Note 21)	-	79
– Trust receipt facilities (Note c)	25,434	13,154
	25,930	13,640
Hire purchase liabilities (Note b)	3,260	1,293
	29,190	14,933
Total borrowings	33,401	19,962

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 as at 31 December 2021 (Note 27).

As at 31 December 2021, the Group had aggregate banking facilities of approximately RM51,300,000 (2020: RM39,700,000). Unused facilities amounted to approximately RM11,500,000 (2020: RM21,600,000) as at 31 December 2021.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

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

Term loans mature at various dates up to 2031.

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

	2021 RM'000	2020 RM'000
Within 1 year	496	407
Between 1 and 2 years	508	414
Between 2 and 5 years	1,592	1,047
Over 5 years	1,432	1,665
	3,532	3,126
	4,028	3,533

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

	2021 % (p.a)	2020 % (p.a)
Interest rates	4.20 - 5.64	4.18 - 5.57

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

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

24 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.

	2021 RM'000	2020 RM'000
Gross hire purchase liabilities		
- minimum lease payments		
Not later than 1 year	3,631	1,474
Later than 1 year and not later than 5 years	705	2,037
	4,336	3,511
Future finance charges on hire purchase	(397)	(315)
	3,939	3,196
Total present value of hire purchase is as follows:		
Not later than 1 year	3,260	1,293
Later than 1 year and not later than 5 years	679	1,903
	3,939	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 80% of the documentary invoice values.

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

	2021 % (p.a)	2020 % (p.a)
Interest rates	3.15 - 3.56	3.50 - 5.07

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

During the year ended 31 December 2021, the Group breached certain financial related loan covenants of bank borrowings. Due to this breach of the covenant clause, the banks are contractually entitled to request for immediate repayments of the outstanding amount of RM25,434,000. However, prior to the end of the financial year, the Group had remediated with the relevant banks in relation to the breach and will not face any risks on immediate payment or recalls on the bank borrowings.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

25 LEASES

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

	2021 RM'000	2020 RM'000
Right-of-use (ROU) assets		
Leasehold lands	11,109	11,584
Leasehold property	224	227
	11,333	11,811
Lease liabilities		
Non-current portion	709	1,028
Current portion	510	501
	1,219	1,529

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

	2021 RM'000	2020 RM'000
At 1 January	11,811	11,747
Additions to the ROU assets during the financial year	210	635
Purchases of a leasehold property	-	230
Depreciation charge	(688)	(801)
As 31 December	11,333	11,811

Notes:

As at 31 December 2021, certain leasehold lands were pledged to banks to secure the banking facilities granted to the Group (Note 27).

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

25 LEASES (Continued)

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

	2021 RM'000	2020 RM'000
Depreciation expense of ROU assets	688	801
Interest expense (Note 10)	219	87
Expenses relating to leases of low-value assets (included in distribution and selling expenses and administrative expenses)	61	162
Expenses relating to lease of short-term lease (including in cost of sales)	506	64

(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. The unexpired lease periods of the leasehold land of the Group which were included under right-of-use assets ranges from 29 to 76 years.

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.

26 DEFERRED INCOME TAX (LIABILITIES)/ASSETS

	2021 RM'000	2020 RM'000
Deferred income tax assets	838	18
Deferred income tax liabilities	(517)	(471)
	321	(453)

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

	Accelerated tax depreciation RM'000	Provisions RM'000	Total RM'000
At 1 January 2020	(978)	535	(443)
(Charged)/credited to the consolidated statements of comprehensive income (Note 11)	(243)	233	(10)
At 31 December 2020	(1,221)	768	(453)
(Charged)/credited to the consolidated statements of comprehensive income (Note 11)	(327)	1,101	774
At 31 December 2021	(1,548)	1,869	321

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

27 PLEDGES OF ASSETS

At the end of financial years ended 31 December 2021 and 2020, the Group has pledged the following assets to banks to secure certain bank borrowings and general banking facilities granted to the Group (Note 24):

	2021 RM'000	2020 RM'000
Property, plant and equipment	687	764
Right-of-use assets	9,938	10,117
Investment properties	5,514	5,568
Pledged bank deposits	5,345	5,255
	21,484	21,704

28 CAPITAL COMMITMENTS

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

	2021 RM'000	2020 RM'000
Capital expenditure contracted for but not provided in respect of:		
- purchase of property, plant and machinery	1,690	12,457
- purchase of 3 parcels of leasehold land (Note 19)	8,370	-
	10,060	12,457

29 FINANCIAL INSTRUMENTS BY CATEGORY

	2021 RM'000	2020 RM'000
Assets as per consolidated statements of financial position		
<u>Financial assets at amortised costs</u>		
Trade and other receivables excluding prepayments, downpayment to suppliers	142,648	120,676
Pledged bank deposits	5,345	5,255
Cash and bank balances	26,349	25,080
	174,342	151,011
	2021 RM'000	2020 RM'000
Liabilities as per consolidated statements of financial position		
<u>Financial liabilities at amortised costs</u>		
Borrowings	33,401	19,962
Lease liabilities	1,219	1,529
Trade and other payables	35,410	22,189
	70,030	43,680

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

30 RELATED PARTIES 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, Datuk Sia Kok Chin, Datuk Sia Keng Leong, Sia Kok Seng, Sia Kok Heong and Sia Kok Chong.

(a) Transactions

In addition to those disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year ended 31 December 2021. The related party transactions described below were carried out on terms and conditions negotiated and agreed between the Group and the related parties.

	2021 RM'000	2020 RM'000
Purchases of goods from related parties controlled by a director/directors -Vmetal Sdn Bhd	(3,708)	(1,888)

(b) Key management compensation

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly. Key management includes all directors of the Company. The compensations paid or payable to key management for employee services are shown in Note 31(a).

(c) Year-end balances

	2021 RM'000	2020 RM'000
Amount due from associates	113	1,059

The amounts due from associates is unsecured, interest free with no fixed term of repayment.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

31 BENEFITS AND INTERESTS OF DIRECTORS**(a) Directors' emoluments**

The remuneration shown below represents remuneration received by the directors in their capacity as directors of the Group during the years ended 31 December 2021 and 2021.

The remuneration of the directors for the year ended 31 December 2021 is set out below:

	Fees RM'000	Salaries, bonuses and allowances RM'000	Performance incentives RM'000	Employer's contribution to a retirement benefit scheme RM'000	Other benefits RM'000	Total RM'000
Year ended 31 December 2021						
<u>Executive directors</u>						
Sia Kok Seng	72	1,211	343	107	-	1,733
Datuk Sia Kok Chin	72	1,191	343	107	-	1,713
Datuk Sia Keng Leong	72	1,241	343	107	-	1,763
Sia Kok Heong	72	1,341	343	107	-	1,863
Sia Kok Chong	72	1,243	343	107	-	1,765
<u>Independent non-executive directors</u>						
Sai Shiow Yin	95	1	-	-	-	96
Puar Chin Jong	95	1	-	-	-	96
Chu Kheh Wee	95	1	-	-	-	96
	645	6,230	1,715	535		9,125

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

31 BENEFITS AND INTERESTS OF DIRECTORS (Continued)**(a) Directors' emoluments** (Continued)

The remuneration of the directors for the year ended 31 December 2020 is set out below:

	Fees RM'000	Salaries, bonuses and allowances RM'000	Performance incentives RM'000	Employer's contribution to a retirement benefit scheme RM'000	Other benefits RM'000	Total RM'000
Year ended						
31 December 2020						
<u>Executive directors</u>						
Sia Kok Seng	72	999	129	73	1	1,274
Datuk Sia Kok Chin	72	1,062	129	73	1	1,337
Datuk Sia Keng Leong	72	965	129	73	1	1,240
Sia Kok Heong	72	888	129	73	1	1,163
Sia Kok Chong	72	894	129	74	1	1,170
<u>Independent non-executive directors</u>						
Sai Shiow Yin	89	2	-	-	-	91
Puar Chin Jong	89	2	-	-	-	91
Chu Kheh Wee	89	2	-	-	-	91
	627	4,814	645	366	5	6,457

(b) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year ended 31 December 2021 (2020: Nil).

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

During the year ended 31 December 2021, the Company did not pay consideration to any third parties for making available directors' services. (2020: Nil)

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

31 BENEFITS AND INTERESTS OF DIRECTORS (Continued)**(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and controlled entities with such directors**

As at 31 December 2021 and 2020, there are no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and controlled entities with such directors. (2020: Nil)

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

Except for those transactions disclosed elsewhere in the note to consolidated financial statements, there was no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 2021. (2020: Nil).

32 RENTALS RECEIVABLES UNDER NON-CANCELLABLE OPERATING LEASE

The Group leases out its investment properties under operating leases. The future minimum lease receivable under non-cancellable lease is as follows:

	2021 RM'000	2020 RM'000
Less than 1 year	359	431
1 - 2 years	-	359
	359	790

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

33 CASH GENERATED FROM/(USED IN) OPERATIONS

Reconciliation from profit before income tax to cash generated from/(used in) operations:

	2021	2020
	RM'000	RM'000
Cash flows from operating activities		
Profit before income tax	35,546	12,677
Adjustments for:		
Finance costs	1,608	847
Finance income	(239)	(512)
Provision for loss allowance on trade receivables	42	58
Depreciation expenses	4,707	3,925
Amortisation expenses	172	14
Gain on disposal of property, plant and equipment	(100)	(62)
Property, plant and equipment written-off	32	7
Share of results of an associate	(6)	1,474
Unrealised foreign exchange gains, net	26	-
	41,788	18,428
Changes in working capital		
Increase in inventories	(22,832)	(13,855)
Increase in trade and other receivables	(26,546)	(22,560)
Increase in trade and other payables	13,221	9,434
	5,631	(8,553)

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

	2021	2020
	RM'000	RM'000
Net book amount	70	-
Gains on disposal of property, plant and equipment	100	62
Proceeds from disposal of property, plant and equipment	170	62

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

34 CASH FLOWS FROM FINANCING ACTIVITIES

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 2020	7,833	2,638	1,528	11,999
Additions/proceeds				
– Cash	9,296	–	–	9,296
– 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
Additions/proceeds				
– cash	13,280	–	–	13,280
– non-cash	–	2,380	211	2,591
Repayments	(1,632)	(1,899)	(741)	(4,272)
Other non-cash movement	1,128	262	219	1,609
At 31 December 2021	29,463	3,939	1,218	34,620

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

35 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	Note	2021 RM'000	2020 RM'000
Assets			
Non-current assets			
Investment in a subsidiary	36	39	39
Amounts due from related companies	37	48,419	47,363
		48,458	47,402
Current assets			
Prepayments		86	148
Amount due from a subsidiary		6,450	4,800
Cash and cash equivalents		5,763	6,691
		12,299	11,639
Total assets		60,757	59,041
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		5,206	5,206
Share premium		49,306	49,306
Retained earnings	(a)	5,151	3,656
		59,663	58,168
Liabilities			
Current liabilities			
Other payables		883	812
Amount due to a subsidiary		211	61
		1,094	873
Total equity and liabilities		60,757	59,041

The statement of financial position of the Company was approved by the Board of Directors on 31 March 2022 and was signed on its behalf:

Datuk Sia Kok Chin
Director

Mr. Sia Kok Seng
Director

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

35 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)**(a) Reserve movement of the Company**

	Share premium RM'000	(Accumulated loss)/Retained earnings RM'000	Total (deficit)/ equity RM'000
At 1 January 2020	49,306	380	49,686
Total comprehensive income for the year	-	3,276	3,276
At 31 December 2020	49,306	3,656	52,962
At 1 January 2020	49,306	3,656	52,962
Total comprehensive income for the year	-	4,386	4,386
Dividends (Note 12)	-	(2,891)	(2,891)
At 31 December 2021	49,306	5,151	54,457

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

36 INVESTMENT IN SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2021 and 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of subsidiaries	Country of incorporation	Issued and paid-up share capital	Group's effective equity interest		Principal activities
			2021	2020	
<u>Directly held:</u>					
Heng Hup (BVI) Limited	British Virgin Islands	10,000 ordinary shares	100%	100%	Investment holding
<u>Indirectly held:</u>					
Heng Hup Holdings (Malaysia) Sdn. Bhd.	Malaysia	1,650 ordinary shares	100%	100%	Investment holding
Heng Hup Metal Sdn. Bhd.	Malaysia	3,541,959 ordinary shares	100%	100%	Trading of scrap ferrous metals, used batteries and other scraps
Heng Hup Hardware (M) Sdn. Bhd.	Malaysia	4,058,774 ordinary shares	100%	100%	Trading of scrap ferrous metals, used batteries and other scraps
Heng Hup Paper Sdn. Bhd.	Malaysia	1,000,000 ordinary shares	100%	100%	Dealing with recycle paper and its related products
Heng Hup Paper (Melaka) Sdn. Bhd.	Malaysia	250,000 ordinary shares	100%	100%	Trading and recycling of paper and other related products
Heng Hup Metal (Johor) Sdn. Bhd.	Malaysia	250,000 ordinary shares	100%	100%	Trading of scrap ferrous metals, used batteries and other scraps
Heng Hup Hardware (Klang) Sdn. Bhd.	Malaysia	1,200,000 ordinary shares	100%	100%	Rerolling, processing and trading of scrap metal
One Eight Nine One Dot Com Sdn. Bhd.	Malaysia	1,000 ordinary shares	100%	100%	E-commerce in waste commodity. The company has not commenced operations and has remained dormant during the financial year
Heng Hup Metal Singapore Pte. Ltd.	Singapore	100 ordinary shares	100%	100%	Trading of scrap ferrous metals, used batteries and other scraps.
Heng Hup Engineering Sdn Bhd (Note a)	Malaysia	1,000 Ordinary shares	70%	-	Trading of scrap metal and mix metal.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2021

36 INVESTMENT IN SUBSIDIARIES *(Continued)*

- (a) On 7 May 2021, Heng Hup Engineering Sdn Bhd was incorporated with 70% controlling interest and the paid-up share capital is RM1,000.00 comprising of 1,000 ordinary shares.

The non-controlling interest of non-wholly owned subsidiary is individually not material to the Group.

37 AMOUNTS DUE FROM RELATED COMPANIES

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

38 SUBSEQUENT EVENT

On 3 March 2022, the Group entered into Sales and Purchase Agreement (the "**Agreement**") to acquire two (2) adjoining pieces of vacant land in Malaysia for a purchase consideration of RM29,392,981. The completion of the said acquisition is subject to the fulfilment of the terms and conditions stated in the Agreement. The said acquisition has yet to be completed as at the reporting date.