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 2022

CONTENTS

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 AND 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. Tsang Wing Man (ACG HKACG)
(appointed on 20th June 2022)
Ms. Chan Tsz Yu (ACG HKACG)
(resigned on 20th June 2022)

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
17/F, Far East Finance Centre
16 Harcourt Road
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

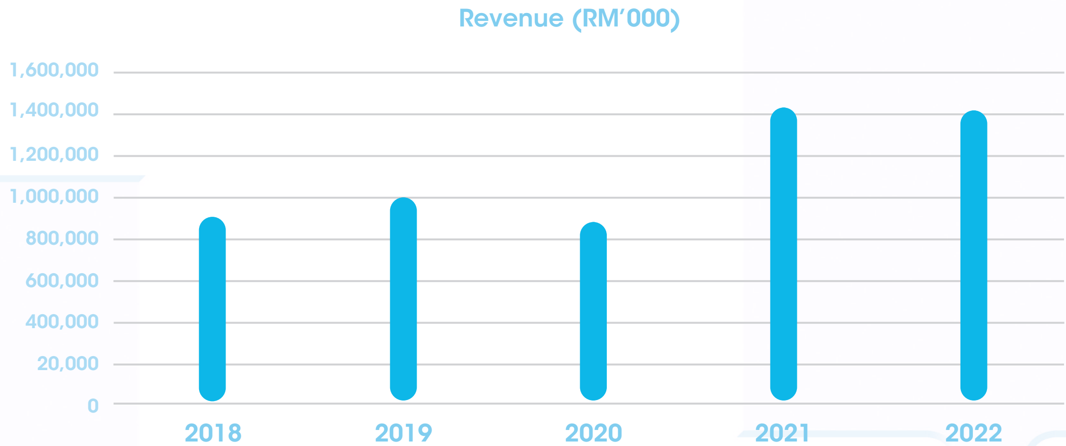
COMPANY WEBSITE

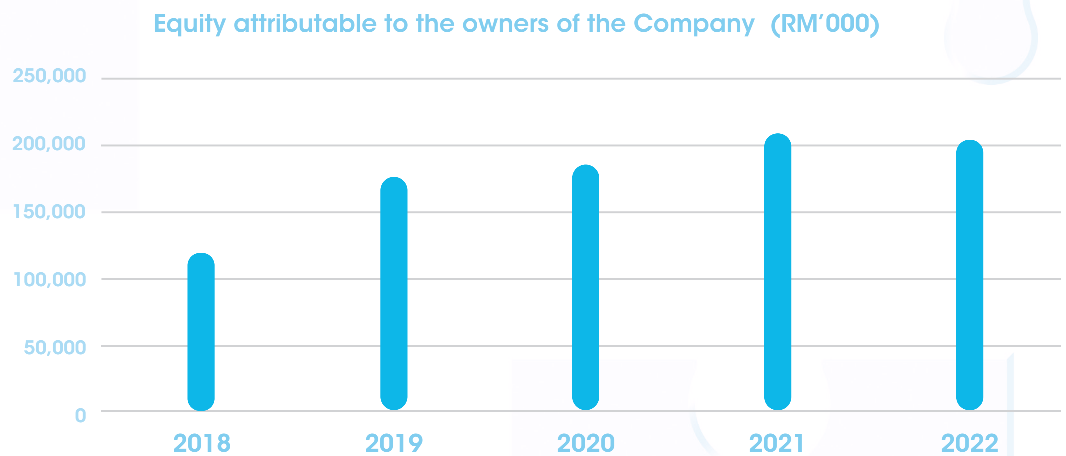
www.henghup.com

FIVE YEARS FINANCIAL HIGHLIGHTS

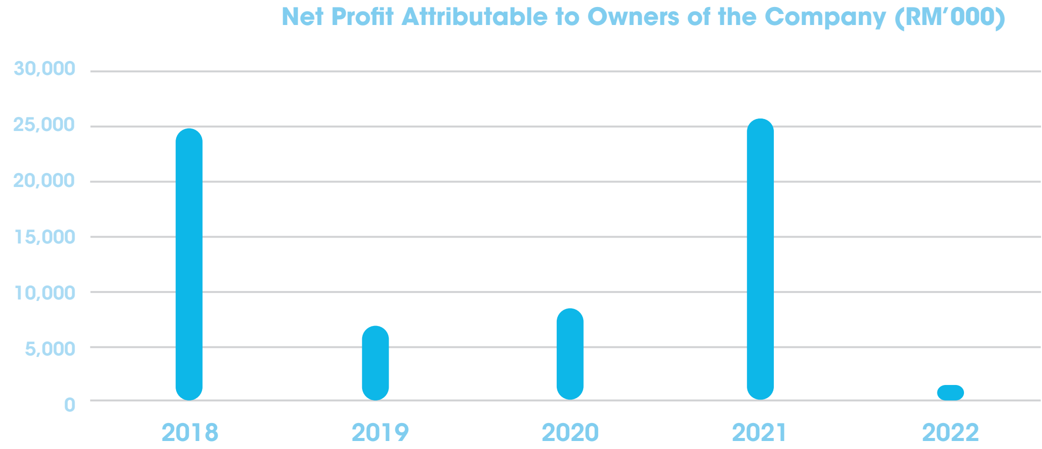
The table below sets out the summarised financial information of our Group:

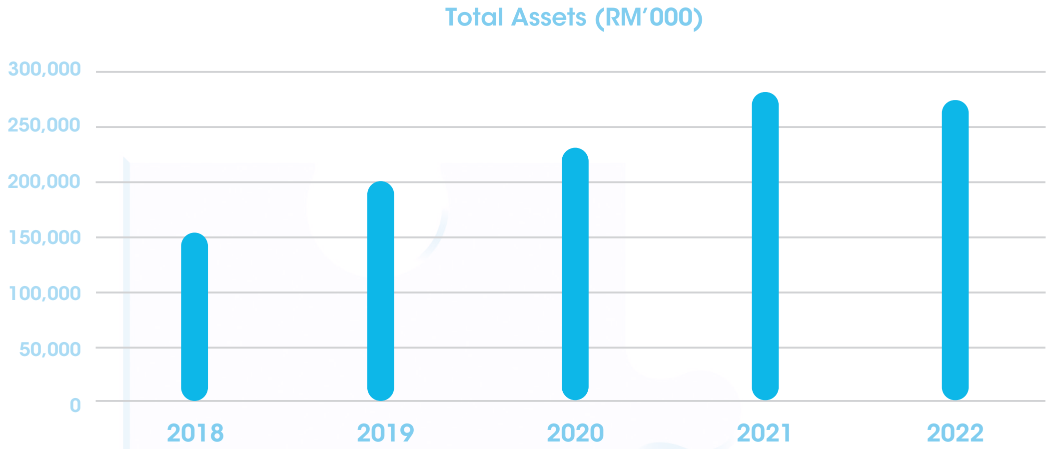
	Year ended 31 December				
	2022	2021	2020	2019	2018
Revenue (RM'000)	**1,404,575**	1,418,239	868,312	990,604	894,405
Gross Profit (RM'000)	**52,329**	77,574	48,986	50,352	58,394
Profit Before Income Tax (RM'000)	**4,275**	35,546	12,677	11,886	32,273
Net Profit Attributable to Owners of the Company (RM'000)	**2,381**	25,485	8,392	6,672	24,622
Equity attributable to the owners of the Company (RM'000)	**203,780**	206,772	184,249	175,857	117,398
Total Assets (RM'000)	**278,456**	280,020	228,779	200,774	155,487
Total Liabilities (RM'000)	**74,676**	73,248	44,530	24,917	38,089

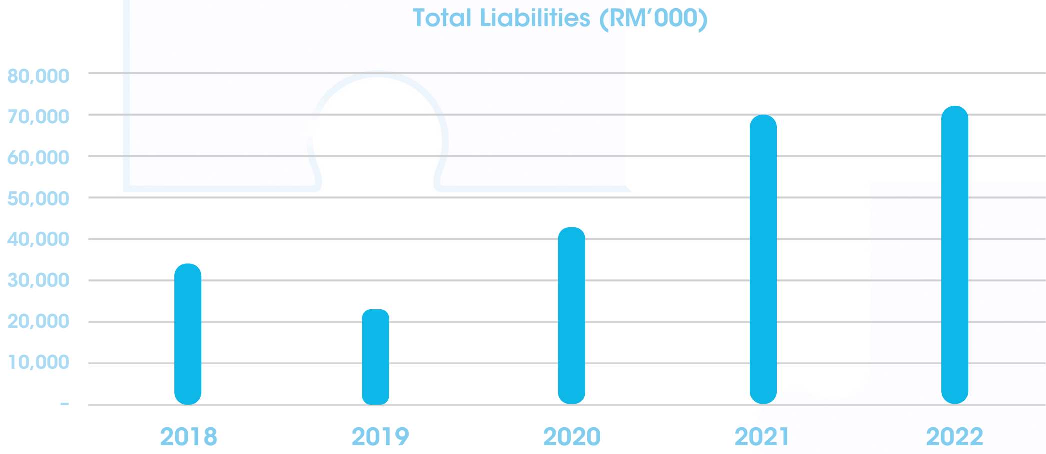




Five Years Financial Highlights







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 CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AND ITS SUBSIDIARIES ("**THE GROUP**") FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 ("**FYE 2022**").

Despite Malaysian authorities' easing of Covid-19 regulation and reopening of the country borders in early 2022, FYE 2022 proved to be a tough and challenging year for the Group. In the second half of the year, steel demand softened due to supply chain disruptions and geopolitical risk, leading to a significantly decrease in scrap metal price. Furthermore, the United States Dollar continued strengthening of and the depreciated Ringgit Malaysia, coupled with the United States Federal Reserve's further monetary policy tightening, resulted in inflated operating cost for the Group.

For FYE 2022, the Group's reported a revenue of RM1.40 billion, slightly lower than the RM1.42 billion reported in the financial year ended 31 December 2021 ("**FYE 2021**"), representing a marginal decline of approximately 1%. Additionally, the sales volume of scrap ferrous metal in FYE 2022 was 675,062 tonnes, a decrease of approximately 3.8% as compared to its previous financial year's volume of 701,846 tonnes.

The Group's profit after tax and non-controlling interest in FYE 2022 was RM1.48 million, which was a significant decline of 94% compared to the previous financial year's profile after tax and non-controlling interest of RM25.4 million. The decline was mainly due to the low scrap metal price in the second half of 2022, resulting in a decline in gross profit margin and higher operating cost. The "Management Discussion and Analysis" section provides a full details of the Group's performance.

Despite the positive signs of improvement in steel prices and demand due to the loosening of Covid-19 regulations in China, the market outlook remains bleak due to various uncertainties, such as, geopolitical risk and global inflation effect. The Group will remain vigilant and committed to mitigating risks while being responsive to market conditions. We will continue to implement measures to mitigate any potential risks, while at the same time optimising the operational efficiency to enhance shareholders' value.

In conclusion, I would like to express my sincere gratitude to the Board of Directors, the management team, and all the dedicated employees of the Group for their unwavering commitment and contributions throughout the year. I also wish to extend my deepest appreciation to our esteemed customers, business partners, suppliers, financial institutions, and regulatory authorities for their continuous support. Last but not least, we are grateful for the commitment of our valued shareholders towards generating even greater value for all.

Thank you.

Yours faithfully
Datuk Sia Kok Chin
Chairman and Chief Executive Officer

Malaysia, 30 March 2023

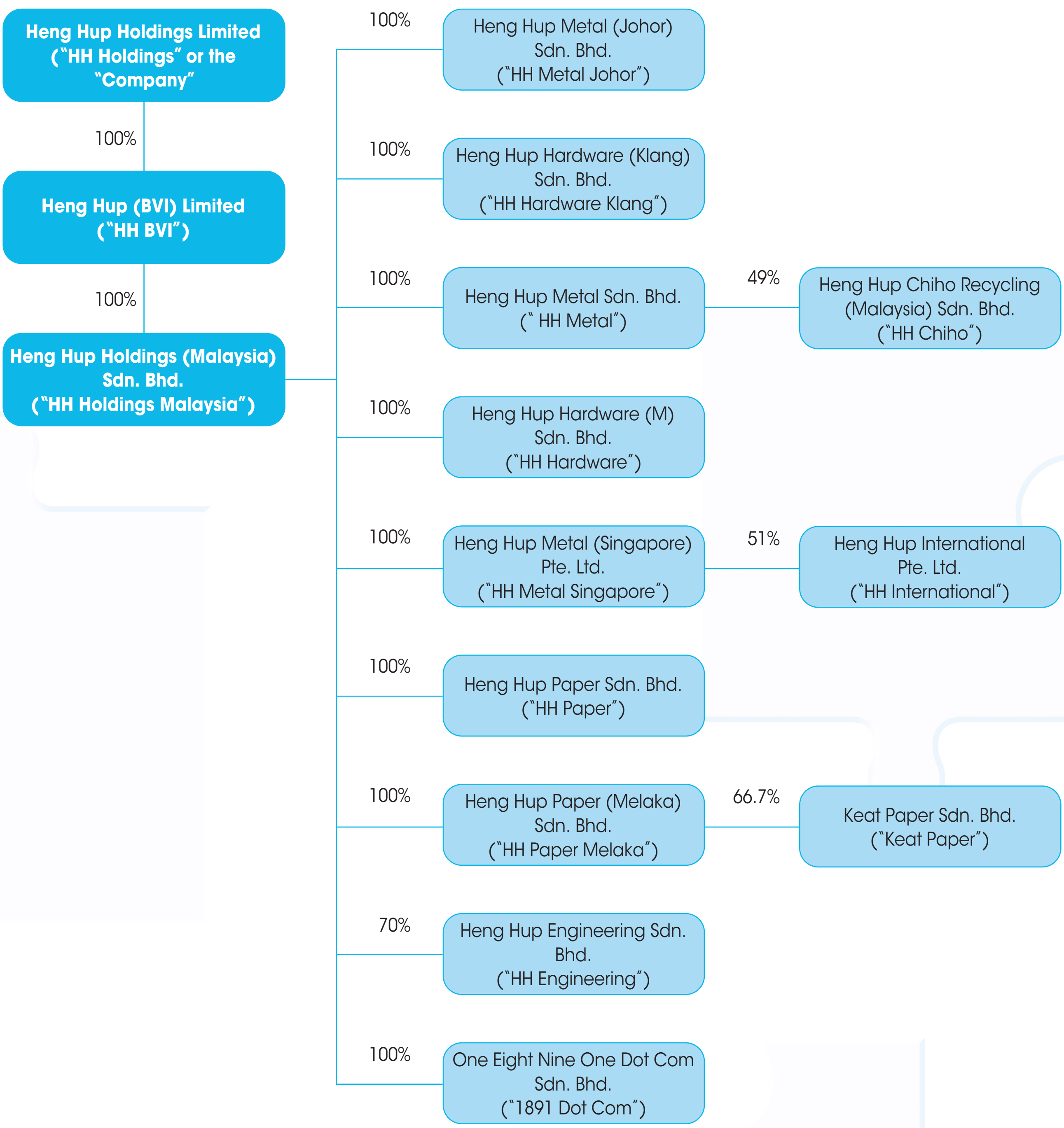
COMPANY PROFILE

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 with an aggregate land area of approximately 51,000 sq.m., 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. In addition, supported by a fleet of 76 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 FYE 2021 and FYE 2022, we sold 701,846 tonnes and 675,062 tonnes of scrap ferrous metal, respectively, which accounted for 91% and 93% 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 8% and 6% of our total revenue for FYE 2021 and FYE 2022, 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 as follow:



DIRECTORS AND SENIOR MANAGEMENT TEAM

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	49	Chairman and chief executive officer	12 April 2018
Datuk Sia Keng Leong	59	Executive Director	12 April 2018
Mr. Sia Kok Chong	57	Executive Director	12 April 2018
Mr. Sia Kok Seng	53	Executive Director	12 April 2018
Mr. Sia Kok Heong	47	Executive Director	12 April 2018
Independent non-executive Directors			
Ms. Sai Shiow Yin	40	Independent non-executive Director	19 February 2019
Mr. Puar Chin Jong	52	Independent non-executive Director	19 February 2019
Mr. Chu Kheh Wee	52	Independent non-executive Director	19 February 2019

EXECUTIVE DIRECTORS

Datuk Sia Kok Chin, aged 49, 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 20 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 from 2016-2018, act as 2nd Vice President from 2018 – 2022. Datuk Sia Kok Chin has been newly appointed as President in October 2022.

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 Team

Datuk Sia Keng Leong, aged 59, 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 18 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 57, 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 24 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 53, 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 24 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 Team

Mr. Sia Kok Heong, aged 47, 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 15 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 Shiow Yin, aged 40, 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.

Mr. Puar Chin Jong, aged 52, 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 1Advisory 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 52, 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.

SENIOR MANAGEMENT TEAM

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

Name	Age	Year Join	Position
Mr. Goh Eng Kiat	64	2009	Regional Manager
Mr. Wee Sen Chee	51	2020	Group CFO (Resigned on 30 September 2022)
Mr. Lim Yong Hwa	52	2022	Group CFO (Appointed on 15 August 2022)

Mr. Goh Eng Kiat, aged 64, 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. Lim Yong Hwa, aged 52, joined our Group in August 2022. He is the Chief Financial Officer of the Group and is responsible for the overall financial planning and accounting functions of the Group.

Mr. Lim attained his Chartered Certified Accountants Qualification from the Associate of Chartered Certified Accountant, United Kingdom in 2002. He is currently a fellow member of the Association of Chartered Certified Accountants, United Kingdom and a member of Malaysian Institute of Accountants (MIA).

Prior to joining the Company, Mr. Lim was the Chief Financial Officer of Ingenieur Gudang Berhad (formally known as Dynaciate Group Berhad), a public listed company on the Main Market of Bursa Malaysia Berhad, Malaysia since year 2019. Mr. Lim started his career in a public accounting firm in 1994 before he moved to the commercial environment where he held various senior positions with increasing scope of responsibilities in finance, project operation to business development functions on companies involved in plantation, property development, trading and building material activities.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group holds a significant market position as a leading scrap ferrous metal trader in Malaysia, driven by our unwavering commitment to integrity, which underpins all our dealings. We are dedicated to fulfilling our commitments and meeting the needs of our customers.

The year 2022 proved to be a challenging one for the Group, as we encountered various challenges during FYE 2022. Despite the worldwide recuperation from the Covid-19 pandemic, the implementation of China's zero-Covid caused disruptions to the global supply chain, both directly and indirectly. Additionally, the conflict between Russia and Ukraine exacerbated the already fragile global economies. Furthermore, the average price of crude oil in 2022 rose significantly to USD100 per barrel, resulting in an increase in operating costs for businesses. Consequently, the Group's financial performance was adversely affected during FYE 2022.

In 2022, the global steel market in 2022 was undergoing a downturn, as reported by Malaysia Industries Development Finance Berhad ("**MIDF**") on their website on 10 January 2023. The research report stated that "The prices of steel bars maintained their downward trend in Dec-22, marking the sixth consecutive month of decline. According to the data released by the Department of Statistics (DOSM), the average prices of five types of mild steel bars and four types of high tensile deformed bars it tracked saw a reduction of -0.60% month-on-month to RM3,602.94 per tonne (Nov-22: -1.04% month-on-month to RM3,625.50). On a year-on-year basis, it still represented an increase of +7.8% year-on-year but at its slowest pace since Mar-21. This was in line with the global decline in iron ore and steel prices."

As a result of the depressed steel prices, scrap ferrous metal prices followed a similar downward trend in the second half of 2022. Despite the decline in scrap metal prices during this period, the average yearly scrap prices were marginally higher, by approximately 3.8%, when compared to the previous FYE 2021. However, the sales volume of scrap ferrous metal for FYE 2022 was recorded at 675,062 tonnes, a decrease of 3.8% when compared to FYE 2021. This decrease was partly attributable to the absence of scrap metal export sales in 2022, after the Malaysian Government imposed an export tax on scrap metal exports. Hence, the Group's revenue for FYE 2022 was recorded at RM1,404.58 million, compared to RM1,418.24 million in FYE 2021.

Regarding profitability, the Group's net profit after tax for the FYE 2022 was recorded at RM1.48 million (compared to RM25.41 million in the FYE 2021), representing a significant decrease of approximately 94.18%. The adverse effect was mainly due to the drop in gross profit margin and increase in distribution and selling and administrative expenses during the year under review.

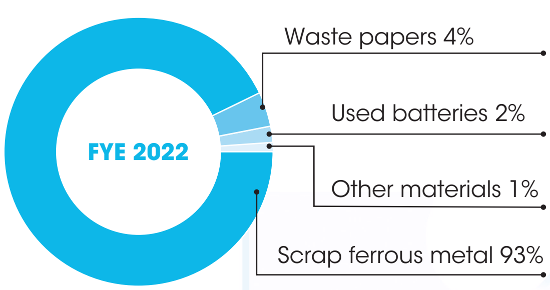
The current market outlook remains gloomy, characterised by numerous uncertainties such as political conflicts, global inflation, and elevated energy prices. In light of these challenges, the Group will continue to maintain vigilance and prioritize operational efficiency in order to strengthen its leading position in Malaysia's scrap ferrous metal trading industry.

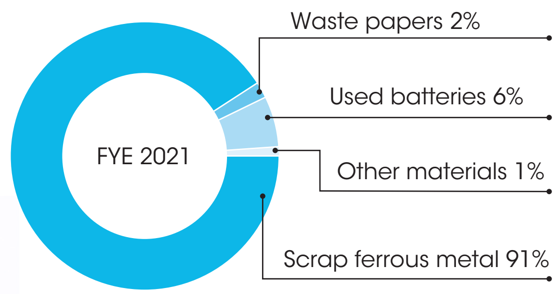
FINANCIAL REVIEW

Revenue

The Group recorded a total revenue of RM1,404.58 million for the FYE 2022 representing a marginal decrease of 0.96% as compared to revenue of RM1,418.24 million in the preceding FYE 2021.The marginal decrease in the Group revenue in FYE 2022 was mainly attributable to lower sales volume of scrap metal by approximately 3.8% as compared to FYE 2021, offset by an marginally higher yearly average scrap ferrous metal selling price. The scrap metal selling price was recorded higher in the first half of 2022 and subsequently hit by a sharp fall in the second half of 2022.

The breakdown of the total revenue of our Group by product types for the years under review is as follows:





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

	For the financial year ended 31 December							
	2022				2021			
	Volume sold (tonnes)	**%**	**Revenue (RM'000)**	**%**	Volume sold (tonnes)	%	Revenue (RM'000)	%
Local	**675,062**	**100.0**	**1,309,574**	**100.0**	673,413	95.9	1,239,823	96.1
Export	**-**	**-**	**-**	**-**	28,433	4.1	49,938	3.9
Total	**675,062**	**100.0**	**1,309,574**	**100.0**	701,846	100.0	1,289,761	100.0

Gross Profit

The Group's gross profit declined by approximately RM25.2 million from FYE 2021 which was RM77.57 million, to RM52.33 million recorded in FYE 2022. The annual average gross profit margin dropped by approximately 1.8% at 3.7% compared to last year 5.5%. The decrease in gross profit margin was mainly attributable to the low commodity selling price in scrap ferrous metal during the second half of 2022 coupled with an increase in average procurement cost and direct overheads.

Other income

Other income increased from RM4.24 million for the FYE 2021 to RM6.41 million for the FYE 2022, mainly due to the increase in logistic service income.

Other losses, net

Our Group's other net losses was RM1.57 million for the FYE 2022, which represented a higher net loss of RM1.37 million compared to FYE 2021. The increase was mainly due to the write-off of down payment to suppliers.

Distribution and Selling Expenses

The Group recorded its distribution and selling expenses at RM25.76 million for the FYE 2022, represented an increase of approximately 18% compared to FYE 2021 of RM21.78 million. The increase was primarily due to the increase in domestic transportation cost, such as, diesel cost, repair and maintenance cost of motor vehicles cost and etc, resulting from the addition of fleet acquired during the year.

Administrative Expenses

The Group's administrative expenses for FYE 2022 and FYE 2021 were recorded at RM24.95 million and RM22.93 million respectively. The higher administrative expenses in 2022 were mainly due to higher depreciation for property, plant and equipment and right-of-use assets as the Group had acquired additional fleet and three (3) parcels of leasehold land during FYE 2022.

Taxation

Malaysian corporate income tax has been provided at the rate of 24% (2021: 24%) of the estimated assessable profit. Our effective tax rate for the FYE 2022 was 65.5% (2021: 28.5%). The higher effective tax rate compared to last year was mainly attributable to higher non-deductible expenditures for tax purposes in FYE 2022.

Profit Attributable to Owners of the Company

The Group's profit attributable to owners for the FYE 2022 was RM2.38 million (2021: RM25.49 million), which is in tandem with the decrease in profit before income tax.

Key Financial Ratios

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

Liquidity Ratios	As at 31 December **2022**	2021
Current ratio	**3.5 times**	3.6 times
Gearing ratio	**26.6%**	16.7%

	For the year ended 31 December **2022**	2021
Inventories' turnover period	**14 days**	15 days
Trade receivables' turnover period	**32 days**	35 days
Trade payables' turnover period	**4 days**	8 days

Working Capital

The inventories' turnover period of the Group for the FYE 2022 was 14 days, which was slightly lower compared with the previous year. The Company has improved its logistic efficiency in delivery of goods to its customers.

The Group's trade receivables' turnover period improved to 32 days for the FYE 2022, compared to 35 days in the previous year. The improvement was mainly due to tighter control on credit terms and an improved collection period.

The Group's trade payables' turnover period decreased to 4 days for FYE 2022, compared to 8 days in the previous year. The reduction was mainly due to the increase in down payment to suppliers.

Liquidity and Financial Resources

As at 31 December 2022, the Group's total equity attributable to owners amounted to RM204.76 million (2021: RM206.84 million) including retained earnings of RM120.76 million (2021: RM122.84 million). The Group's working capital amounted to RM149.0 million (2021: RM174.0 million) of which cash and bank balances, and pledged bank deposits were RM30.66 million (2021: RM31.69 million).

Take into accounts of 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 2022 were RM52.3 million (2021: RM33.4 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 2022 was 26.6% (2021: 16.7%). Gearing ratio is calculated based on total debts divided by total equity as at the end of the year. The increase in gearing ratio was mainly attributable to the additional drawdown of term loan and increase in short-term banking facilities utilised.

Future Plans for Material Investments and Capital Assets

As at 31 December 2022, the Group has not plans for any material investments or capital assets beyond those disclosed in the "Future Plans and Use of Proceeds" section of the Company's prospectus issued on 27 February 2019 (the "**Prospectus**") and the Company's announcement for change in use of proceeds dated 16 July 2020.

Pledge of Assets

At the end of FYE 2022 and FYE 2021, the Group has pledged the following assets to banks in order to secure certain bank borrowings and general banking facilities granted to the Group:

	2022 RM'000	2021 RM'000
Property, plant and equipment	**610**	687
Right-to-use assets	**19,577**	9,938
Investment properties	**5,365**	5,514
Pledged bank deposits	**5,437**	5,345
	30,989	21,484

Contingent Liabilities

The Group did not have any contingent liabilities as at 31 December 2022 (2021: Nil).

Capital Commitments

As of 31 December 2022, the Group has capital commitment of RM11.76 million (2021: RM10.06 million) for the acquisition of property, plant and equipment.

Risk Management

The Group is exposed to market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk in its ordinary course of business. The management monitors and manages these risks and to implement appropriate measures in a timely and effective manner.

As most of the Group's operating subsidiaries are located in Malaysia and conduct their transactions in Malaysia Ringgit (RM), which is also the functional and presentation currency, the Group is not significantly exposed to foreign currency risk.

Since most of the Group's business transactions, assets and liabilities are denominated in RM, the Group has minimal exposure to foreign currency risk. While the Group currently does not have a foreign currency hedging policy for foreign currency transactions, assets and liabilities, the management closely monitors foreign currency exposure and may consider hedging significant exposure if necessary.

The Group's interest rate risk arises primarily from borrowing obtained at variable rates, which expose the Group to cash flow interest rate risk.

The credit risk of the Group mainly arises from cash and cash equivalents 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 assesses whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. In determining whether there is a significant increase in credit risk, the Group compares the risk of a default as at the date of initial recognition and considers available reasonable and supportive forward-looking information. The Group incorporates the following indicators in its assessment:

- 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 borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of individual property owner or the borrower;
- significant increases in credit risk on other financial instruments of the individual property owner or the same borrower; and/or

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

The Group manages credit risk associated with cash and bank deposits by only transacting with reputable commercial banks that are considered high-credit-quality financial institutions. There has been no recent history of default in relation to these financial institutions, and the expected credit loss of cash at banks is close to zero.

The Group applies the simplified approach prescribed by IFRS 9 to provide for expected credit losses for all trade receivables which permits the use of the lifetime expected loss provision. The Group considers the credit risk characteristics, days past due, and forward-looking information to measure the expected credit losses. As at 31 December 2022, the expected loss rate for trade receivables was 1.1% (2021: 1.0%). The provision for trade receivables as at 31 December 2022 was RM1.2 million (2021: RM1.3 million).

The trade receivables written off during the FYE 2022 amounted to RM0.026 million (2021: Nil).

The Group has a significant concentration of credit risk from customers for scrap ferrous metals such as steel mills and ferrous metal trading companies. As at 31 December 2022, 84% (2021: 94%) of its total trade receivables were due from this group of customers. As our Group is one of the few approved scrap metal providers to the steel mill customers and based on the past repayment history and forward-looking estimates, the Directors believe that the credit risk inherent in the Group's outstanding trade receivables from this group of customers is low.

Our Group monitors the outstanding debts from its customers individually due to the concentration of credit risk. Based on historical repayment trend, there is no correlation between the risk of default occurring and the collection past-due status as long as there is no significant change in the credit rating of the customers. Historically, our Group's loss arising from risk of default and time value of money is 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, taking into consideration 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 FYE 2022

The Company entered into a Memorandum of Understanding ("**MOU**") with China Environmental Technology International Group Limited ("**CET**") on 3 March 2023. The MOU outline the initial intention of both parties to cooperate in developing projects in the field of environmental protection business, with CET intend to provide a range of investment and advisory support and pursue a strategic investment in the Company.

Other than the above disclosed, the Board is not aware of any other significant events that have occurred subsequent to the FYE 2022 and up to the date of this report that would require disclosure.

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 C.2.1 of the Corporate Governance Code. Datuk Sia Kok Chin, as the chairman of the Board and the chief executive officer, has been managing our business since 2001. The Directors consider that vesting the roles of the chairman of the Board and the chief executive officer in Datuk Sia Kok Chin is beneficial to the management and business development of the Group and will provide strong and consistent leadership to the Group. The Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer at a time when it is appropriate and suitable by 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 team 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 team 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 team of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the audit and risk committee (the "**Audit and 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 team for their liabilities arising out of corporate activities. The insurance coverage will be reviewed on an annual basis.

Board Composition

The Board currently comprises five executive Directors, namely 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 Shiow Yin, Mr. Puar Chin Jong and Mr. Chu Kheh Wee.

During the year ended 31 December 2022 and up to the date of this annual report, the Board at all times met the requirements of the Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise. All the independent non-executive Directors have appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

BOARD DIVERSITY POLICY

Pursuant to the 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. To further enhance gender diversity, the Board and the Nomination Committee will stay vigilant in identifying a pipeline of potential successors to the Board. The Company constantly implements policies which encourage and attract qualified incumbents to take up senior managerial and Board roles.

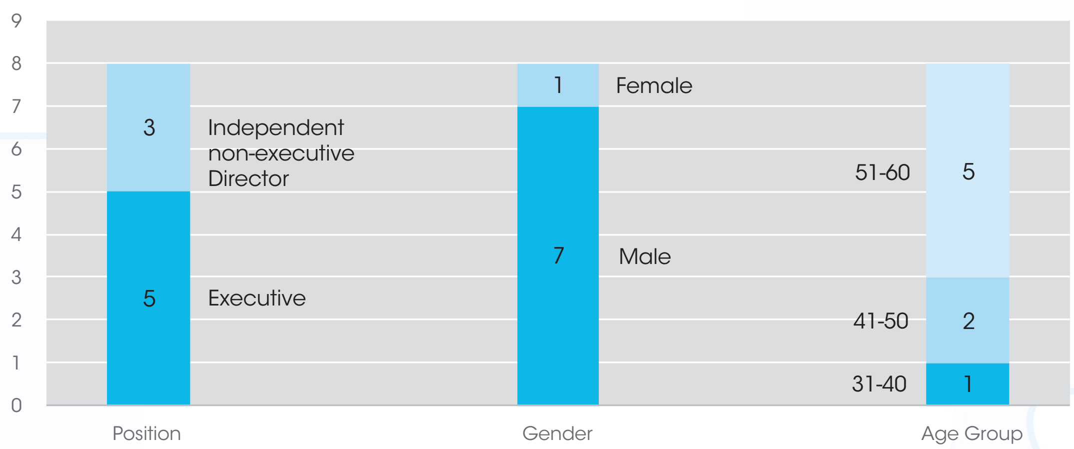
At present, the Board comprises eight members which provide favourable support and protection to ensure the good functioning of the Board. Among them, there are three independent non-executive Directors, representing one third of the Board. At the same time, one member of the Board is female, representing a 7:1 ratio of male to female. As a result of review, the Nomination Committee considers that the Board Diversity Policy is effective and will continue to ensure that there is at least one female on the Board. As at 31 December 2022, the ratio of male to female among all employees of the Company (including senior management team) was 9:1.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness. At the same time, the Company will examine such objectives from time to time to review their appropriateness and effectiveness, and ensure the progress made towards achieving those objectives.

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 9 to page 13 of this annual report.

Diversity of the Board



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

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

Confirmation of Independence by the Independent Non-executive Directors

The Company has received written annual confirmation from each independent non-executive Director of his/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 and Risk Committee, the Remuneration Committee and the Nomination Committee. In regards to the code provision C.1.5 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.

Mechanisms for ensuring independent views and input

The independent non-executive Directors of the Company duly attended the meetings of the Board of Directors and the Board Committees thereof, provided objective and independent advice on various matters discussed by the Board and the Board Committees played an active role in the decision-making of the Board. Directors could 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 team independently. Any Directors or any of their close associates who have material interest in the proposal raised during Board of Directors meeting must abstain from discussion and voting on such proposal.

The Board is committed in reviewing and assessing the mechanisms for ensuring independent views and input to the Board. The Board has satisfied that the independent views and input are available to the Board and will be reviewed annually.

Induction and Continuous Professional Development

Pursuant to code provision C.1.4 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 statues, laws, rules and regulations.

During the year ended 31 December 2022, the Company organised a training in relation to the anti-money laundering and counter-terrorist compliance requirements for all Executive Directors, namely Datuk Sia Kok Chin, Datuk Sia Keng Leong, Mr. Sia Kok Chong, Mr. Sia Kok Seng and Mr. Sia Kok Heong.

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 Shiow Yin, Mr. Puar Chin Jong and Mr. Chu Kheh Wee, have been updated with the latest developments regarding the Listing Rules, anti-corruption 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 C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer should be separated and performed by different individuals. There is deviation from the code provision C.2.1 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.

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 Kok Chin, Mr. Sia Kok Heong and Ms. Sai Shiow Yin 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 C.5.1 of the Corporate Governance Code.

According to code provision C.2.7 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 with sufficient details on matters that were 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.

During the year ended 31 December 2022, five (5) 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	5/5
Datuk Sia Keng Leong	5/5
Mr. Sia Kok Chong	5/5
Mr. Sia Kok Seng	5/5
Mr. Sia Kok Heong	5/5
Ms. Sai Shiow Yin	5/5
Mr. Puar Chin Jong	5/5
Mr. Chu Kheh Wee	5/5

Delegation by the Board

The Board reserves for its decision on 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.

The daily management, administration and operation of the Group are delegated to the senior management team. 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 senior management team.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision A.2.1 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 team, 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 Corporate 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 and Risk Committee, the Nomination Committee and the Remuneration Committee. The Audit and Risk Committee, the Nomination Committee and the Remuneration Committee perform their specific roles in accordance with their respective written terms of reference.

Audit and Risk Committee

The Audit and Risk Committee comprises three members, namely Ms. Sai Shiow Yin (Chairlady), Mr. Puar Chin Jong and Mr. Chu Kheh Wee, all of them are independent non-executive Directors. The primary duties of the Audit and 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 2022, four (4) meetings of the Audit and Risk Committee were held and the attendance record of the Audit and Risk Committee members is set out in the table below:

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

The Audit 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 and Risk Committee on the selection, appointment, resignation or dismissal of external auditor.

They also reviewed the 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 confidential, 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 of Hong Kong Limited (the "**Stock Exchange**").

Nomination Committee

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

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

During the year ended 31 December 2022, one (1) meeting of the Nomination Committee was held 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 taking into account of their extensive experience, working profile and other experience, 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 teams 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, to make recommendations to the Board on the remuneration packages of the executive Directors and senior management team, and to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

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

During the year ended 31 December 2022, 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 team of the Company, made recommendations to the Board on the remuneration packages of individual executive Directors and senior management team and fulfilled duties as required aforesaid.

Details of the remuneration by band of the members of senior management team of the Company, whose biographies are set out on page 9 to page 13 of this annual report, for the year ended 31 December 2022 are set out as below.

Remuneration band	Number of individual
RM136,000 – RM437,000 per annum	3

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 2022 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 senior management team 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 67 to page 71 of this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for maintaining an adequate risk management (including environmental, social and government ("**ESG**") risk) 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.

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 and 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. During the year ended 31 December 2022, a review of the effectiveness of the risk management (including ESG risk) and internal control systems has been conducted and the Company considers them effective and adequate.

AUDITOR'S REMUNERATION

For the year ended 31 December 2022, 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 2022 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 2022 to 31 December 2022, Ms. Chan Tsz Yu ("**Ms Chan**"), who served as a company secretary of SWCS Corporate Services Group (Hong Kong) Limited, has served as the company secretary of the Company. Ms. Chan resigned as the company secretary of the Company with effect from 20 June 2022. Ms. Tsang Wing Man ("**Ms Tsang**") has been appointed as the company secretary of the Company with effect from 20 June 2022. The primary contact person in the Company is Mr. Lim Yong Hwa, the chief financial officer. For the year ended 31 December 2022, each of Ms. Chan and Ms. Tsang has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

CONVENING OF GENERAL MEETING

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

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

During the year ended 31 December 2022, the Company held an extraordinary general meeting ("**EGM**") and an annual general meeting ("**AGM**") on 14 May 2022 and 18 June 2022 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 2022 EGM and AGM 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 chairman of the Board Committees of the Company will attend the annual general meetings to answer shareholders' questions. The external auditor of the Company will also attend the annual general meetings to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

To promote effective communication, the Company adopts a shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and its shareholders and maintains a website at www.henghup.com where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. The Company is of the view that the implementation of the shareholders' communication policy is effective. In 2023, 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. The Company continues to enhance the communication and relationship with its investors. Inquiries from investors are dealt with in an informative and timely manner.

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 58 of the Articles, any one or more Member(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may convene a physical meeting at only one location which will be the Principal Meeting Place, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) 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:

17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
Tel: (852) 2980 1333
Fax: (852) 2810 8185
Email: is-enquiries@hk.tricorglobal.com

Investor Relations and Communications

The Company has set up a website at www.henghup.com as a channel to promote communication, publishing announcements, financial information and other relevant information of the Company. Shareholders are welcome to make enquiries directly to the Company at its principal place of business in Malaysia. The Company will deal with all enquiries in a timely and appropriate manner. The primary contacts of the Company are 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 2022, the Company has amended its existing articles of association (the "**Articles**") by way of adoption of the second amended and restated Articles of Association ("**the New Articles of Association**") to (i) bring the Articles in line with the relevant requirement of the applicable laws of the Cayman Islands and the Rules governing the Listing of Securities on the Stock Exchange of Hong Kong Limited; (ii) enable the Company to convene and hold electronic or hybrid general meetings of members and provide flexibility to the Company in relation to the conduct of general meetings and (iii) other minor amendments to the Articles to made to introduce corresponding and house-keeping changes.

The New Articles of Association has been approved by the shareholders of the Company on the annual general meeting held on 18 June 2022.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

Sustainability is one of the main driving forces behind our business strategy. As one of the key players in the scrap metal recycling industry in Malaysia, the senior management team ("**Management**") of Heng Hup Holdings Limited ("**Company**") and its subsidiaries ("**the Group**") place a high emphasis on the way operations are run in a holistic approach taking into consideration the environmental, social and governance risks and opportunities alongside with financial implications.

By aligning our environmental, social, and economic impacts with the needs of those around us, we foster a workplace focused on operational excellence, safety, and commitment to the communities in which we operate.

The Company is proud to announce that the Group was accorded the International Eagles Award in November 2022. This is a big achievement for the Group as this award is usually given to companies in recognition of their hard earned success and outstanding achievement. The Management is proud to say that the pandemic did not hamper our focus and goals. Management acknowledged it was a challenging period and faced uncertainties but the Management had stayed agile and delicately manoeuvred the situation. This International Eagles Award is the attestation to it.

The Group is pleased to present our 5th Environment Social and Governance ("**ESG**") 2022 report ("**Report**"). This ESG Report outlines the sustainability practices of the Group, highlighting the ESG initiatives and its 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

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.

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 Report covers the reporting period between 1 January 2022 and 31 December 2022.

The Management 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 PRINCIPLES

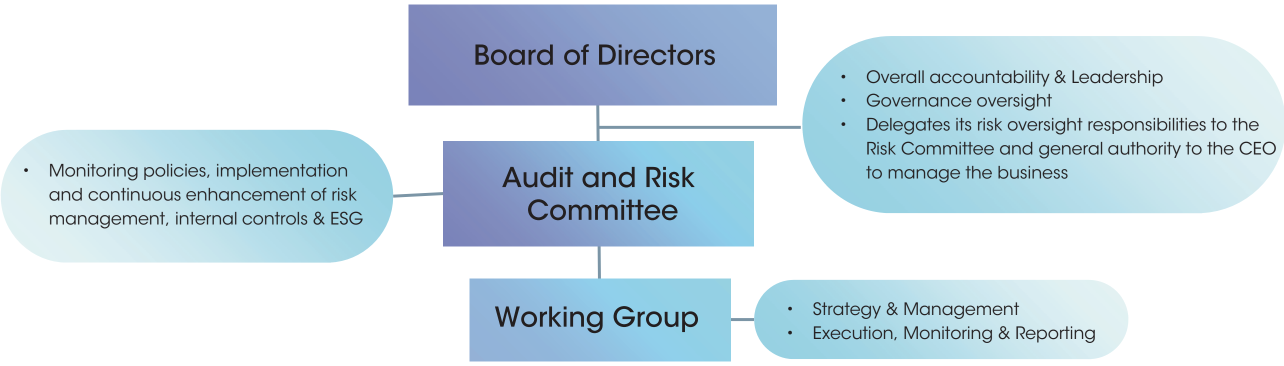
Materiality: The content of this ESG report is determined by Management's risk management assessment process of identifying key business risks including environmental and social related issues, collecting and reviewing the views and suggestions of the Management and stakeholders, assessing the relevance and significance of different issues.

Quantitative: The results relating to the environmental and social aspects are disclosed in a quantitative manner. The information is accompanied by a narrative description, explaining its purposes and impacts.

Consistency: As far as is reasonably practicable, the Group has used consistent statistical method for disclosure in preparing this report to allow for meaningful comparisons of ESG data over time.

GOVERNANCE STRUCTURE AND OVERSIGHT RESPONSIBILITIES

Our commitment to sustainable business starts at the top of our organisation and is integrated across the Group.



The Board of Directors ("**Board**") being the highest governing body oversees and approves the company strategy and the effectiveness of our corporate governance policies. They have ultimate oversight authority of material environmental and sustainability risks and opportunities.

The Board is assisted by the Audit and Risk Committee 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 come under the purview of our working group comprising of members from the various departments and the Group's Senior Management Team ("**Working Group**"). 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 20 of this 2022 Annual Report.

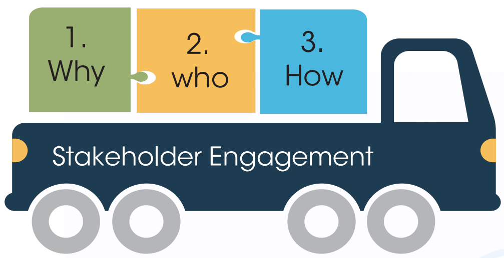
Stakeholders Engagement

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

Stakeholder engagement is a key tool to create a feedback loop that enhances the way we do business, build relationships and create value. We define our stakeholders as those individuals or organisations that most affect or are affected by our company's business. By engaging in meaningful dialogue, we can shape the conversation around sustainability and better manage the stakeholders and risks associated with it issues.

1. Why

We remain attentive to the needs of all our stakeholders through a variety of communication channels 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 have continuously engaged with our stakeholders to obtain feedbacks and comments which we diligently see these as valuable inputs that would help us to improve our business processes and provide services that our customers appreciate.

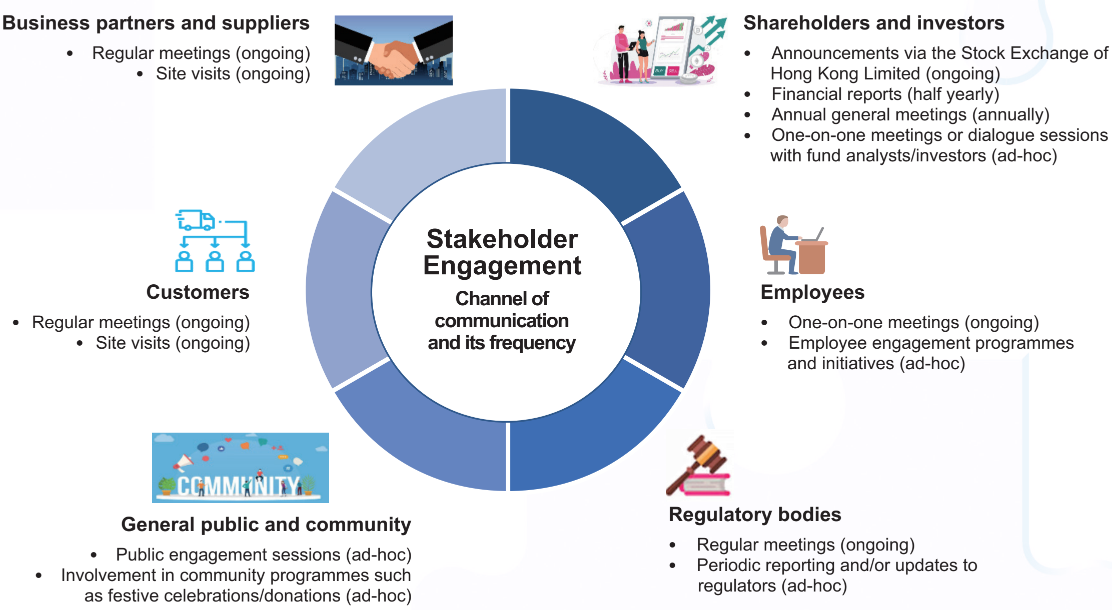


2. Who

Shareholders and investors, business partners and suppliers, customers, general public and community, employees and regulatory bodies.

3. How

We use various communication channels to get in touch with different stakeholder groups.



Material Issues

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.

The focus and priorities of the 11 material issues based on our impact assessment remain the same during the period under review. The 2022 material issues in this report were identified through various internal discussions involving the Management.

ENVIRONMENTAL

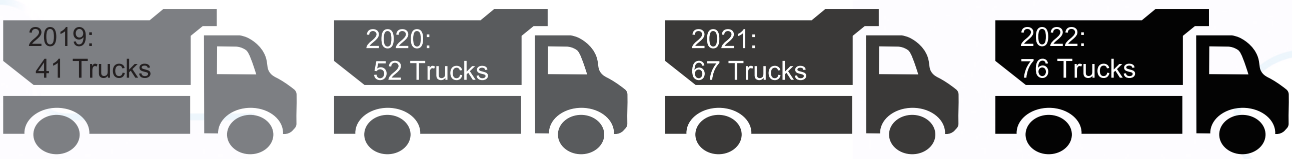
Tracking Our Environmental Impact

Emissions

The trucks are periodically replaced with newer models with the aim to reduce carbon emissions via the fleet replacement programme as part of our efforts to reduce our impact on the environment. Additional 9 trucks were purchased in 2022, with a fleet of 76 trucks and three scrapyards, hence, certain volume of emissions discharged is to be expected from our daily operations due to the mileage travelled and the fuel consumed by our fleet of trucks. We will constantly monitor the scheduled maintenance and routine repairs of our trucks.

Procuring additional new trucks was a necessary strategy to take as it further mitigates the risk of being over-dependent on outsourced logistic providers. This also allows us to have better management of the logistics and costs while rendering better service to our customers. Records of the emissions are detailed out below.

Emissions	Greenhouse Gas Emissions 2019	2020	2021	2022
Total emissions (tonnes of CO_2)	1,705.30	945.64	4,041.07	4,917.66
Scope 1 – Direct emissions (vehicles)	859.76	945.64	3,057.79	3,535.98
Scope 2 – Indirect emissions (electricity)	845.54	1,125.76	983.28	1,381.68
Intensity of CO_2 emissions (CO_2 per revenue)	0.0017	0.0011	0.0028	0.0035



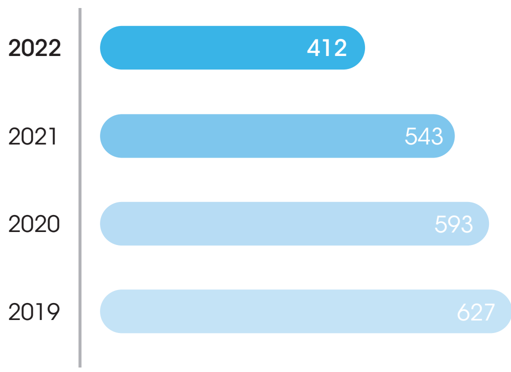
Air Emissions	2019	2020	2021	2022
Nitrogen Oxides (No_x)(kg)	3,549.54	3,605.11	8,643.95	11,927.78
Sulphur Oxides (SO_x)(kg)	5.30	5.82	18.83	21.78
Particulate matter (PM)	250.72	255.74	638.26	864.52

In order to manage emission reduction better, we will continuously communicate internally and with stakeholders to assess and prioritize the identified ESG issues based on their materiality. Key goals and work plans to be setup accordingly based on the actual operational.

Waste Management

The advocacy of recycling is held close to the Management's heart and Management continuously inculcates this culture amongst the employees. This is demonstrated in the daily operations where staff adopts practical environmentally friendly working culture. Segregation of office waste by materials (general waste, paper base, plastic base and metal) is carried out. These are non-hazardous waste produced. However, to date only paper consumption is monitored. The monitoring of waste by other materials is not carried out as the quantity is insignificant and it does not justify the resources required to monitor such insignificant non-hazardous waste.

PAPER CONSUMPTION REAMS OF PAPER



With the implementation of the enterprise resource planning ("**ERP**") system in 2021, most processes and data have since been successfully migrated to the system. This contributed to a significant reduction in paper consumption in 2022. The Management strongly believe the consumption of paper will further reduce upon the improvement/enhancement of the report generation and discontinuation of the old reporting process.

Used ink cartridges and toners will be returned to the vendors for recycling purpose. We aim to gradually improve our initiatives in recycling and reuse throughout the Group.

Main entrance to office and yard

Compressing machine

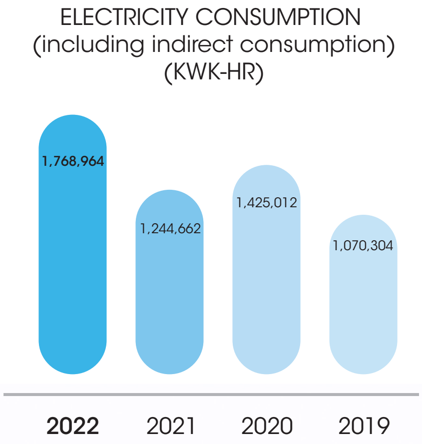
Scrap metal at yard

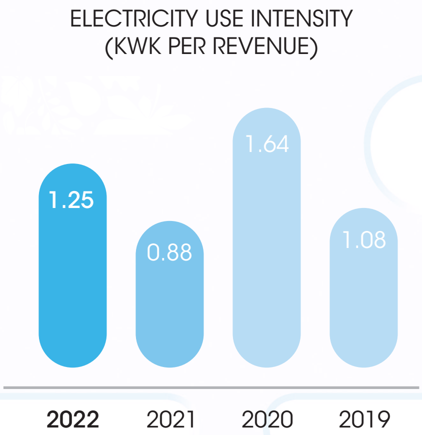
Use of Resources

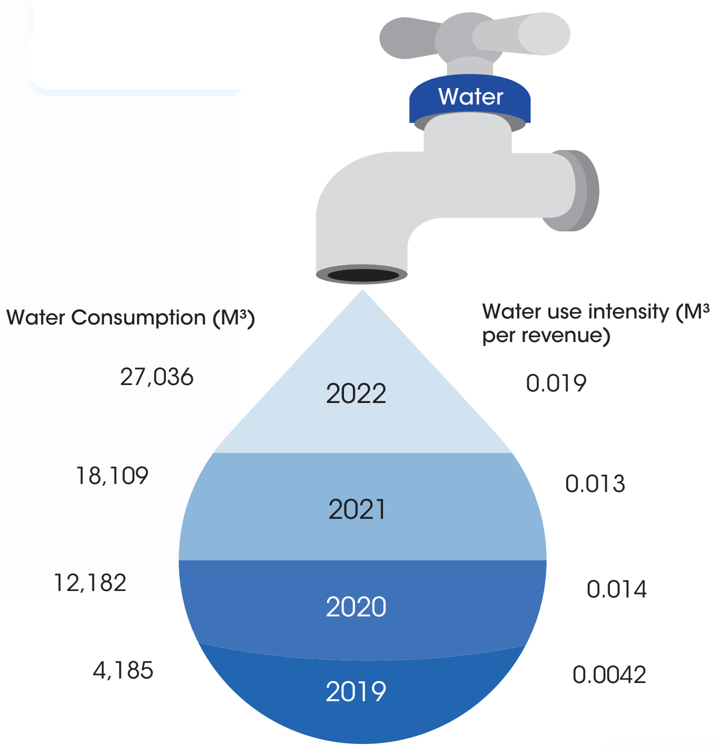
In 2022, the consumption of resources increased in tandem with the additional trucks procured and the overall increase is directly attributed to operations in terms of headcount, improvement of office equipment, the improvement work on Information Technology and scrap yards infrastructure.

During the year under review, the electricity and water consumption increased as all staff are now required to go back to the office to work, unlike the year before with the imposition of the movement control order during the Covid-19 pandemic. The scheduled cleaning maintenance of the office, scrapyards and fleet of trucks, (this practice) has now been deemed a norm within the Group.

The established health and safety protocols during the height of the Covid-19 pandemic are here to stay. The health and safety of the staff welfare is one thing, that the Management is not willing to compromise even though Covid-19 is no longer deemed a pandemic.







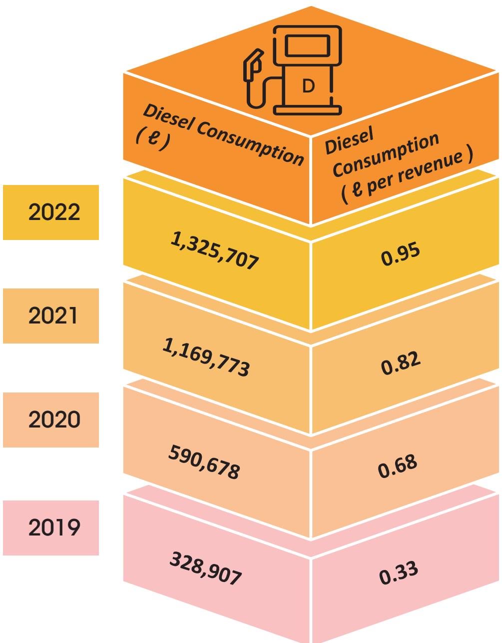
The Group will continue to implement various measures to conserve water. Management is committed to water consumption reducing and water saving. The Group will continue to monitor the water consumptions in order to set the reasonable total water consumption targets subsequently.

In 2022, the increase in diesel consumption has a direct correlation to the increase in the number of trucks and the growth in sales.

The Management is cognisant that the approach and efforts in reducing and managing environmental risk must be continuously monitored, improved and followed through and this requires the teamwork of the employees as well, as it is not possible to be carried out in isolation.

There is no utilisation of packaging material for the scrap metal delivery to the client.

Apart from the mentioned gas emission emitted by the trucks during delivery other parts of the business operation does not have major impact on the environment and natural resources.



Policy on Climate Change

The Management acknowledged the need to meet the climate-related financial disclosures (a standard set by the Task Force on Climate-related Disclosures ("**TCFD**") and a requirement made mandatory by the Stock Exchange). The Group is committed and will comply with the requirement that comes into effect by 2025. The Management is considering and evaluating the necessary measures that must be put in place to integrate these climate-related considerations into our governance, strategy and risk management.

SOCIAL

Employment and Labour Practices

Our employees are important to the Group, it is one of our largest assets within the Group. We respect and care for our employees. We know that building a sustainable tomorrow requires collaboration and communication among our employees. Cultivating a workplace culture where people feel safe, included, valued, and prepared with the tools and resources they need to succeed is a crucial part of our operations.

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 welfare, and working conditions.

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 form of illegal, forced or child labour. We operate in accordance with the local employment and labour laws and regulations.

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.

Under the principles of being open and fair on candidate selection, the Group treat every candidate equally regardless of their race, ethnicity, religion, gender, age, region, marital status or disability. However, child labour is strictly prohibited. We will verify the age of candidates to avoid child labour. Job applicant will be subject to background check, which includes verification of identity and age. The application will be placed on hold if it is discovered that he or she is under the legal age or is being coerced to work. The Group will take immediate action if we have encountered any issue related to illegal, forced or child labour.

Where possible, we strive to provide the necessary training and development programs to our employees to ensure the achievement of their full potential. On-the-job trainings, online seminars, and training conducted for employees via virtual platforms, either internally or by external consultants were carried out. During the year under review, training on anti-bribery and corruption and Microsoft Power BI were carried out which selected Directors and employees attended

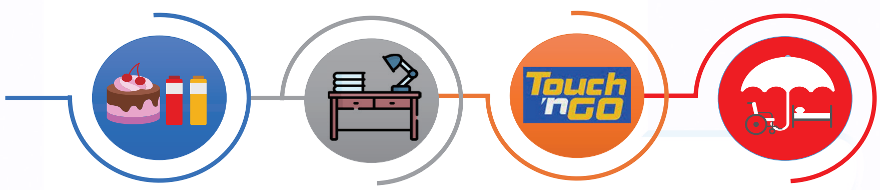
Average Training Hours Per Employee

		2019	2020	2021	**2022**
By Gender	Male	2	0	0	**0**
	Female	1	15	1	**2**
By Employee category	Sr Management Team	6	3	1	**1**
	Middle Management Team	2	3	0	**1**

Training & Development - % of employees

		2019	2020	2021	**2022**
By Gender	Male	100%	100%	100%	**100%**
	Female	100%	100%	100%	**100%**
By Employee category	Sr Management Team	100%	100%	100%	**100%**
	Middle Management Team	100%	100%	100%	**100%**

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.

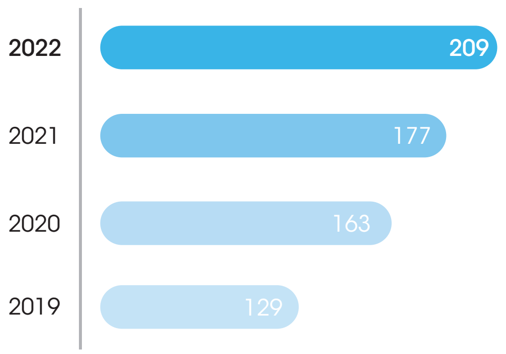


In tandem with the business expansion and increase in sales, staff strength in 2022 increased to 209 from 177 to support the daily operations. In terms of gender equality in the workplace, 24% of the workforce is made up of female. This is understandable, as in general, this industry is less appealing to females at large and the ratio between males and females is hard to be consistent. Employees between the age group of 30 to 50 years old remain the majority. In terms of hiring by age group, there is an increase from 17% to 25% for staff below the age of 30. Currently all of the staff is under full-time basis. All our staff work based in Malaysia.

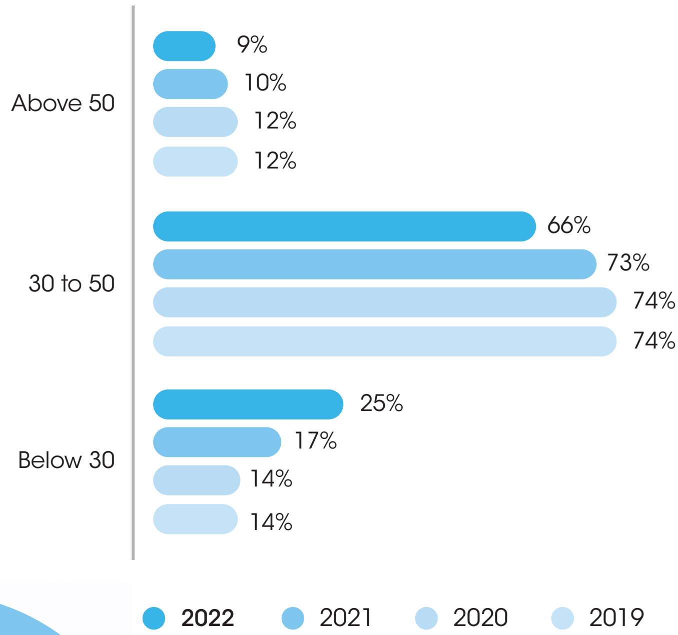
Employees Turnover Rate

		2019	2020	2021	**2022**
By Age	Below 30	1%	1%	7%	**26%**
	30 to 50	8%	0%	13%	**17%**
	Above 50	1%	0%	1%	**16%**
By Gender	Male	7%	0%	16%	**20%**
	Female	3%	3%	5%	**18%**

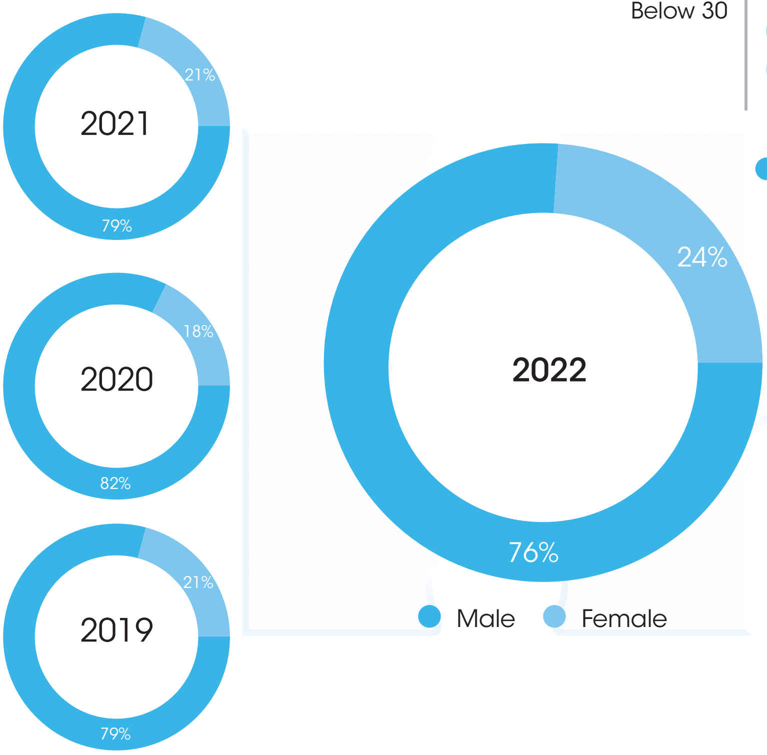
STAFF STRENGTH



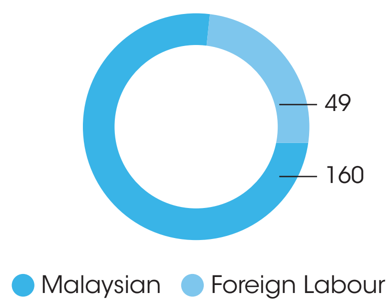
STAFF BREAKDOWN BY AGE GROUP



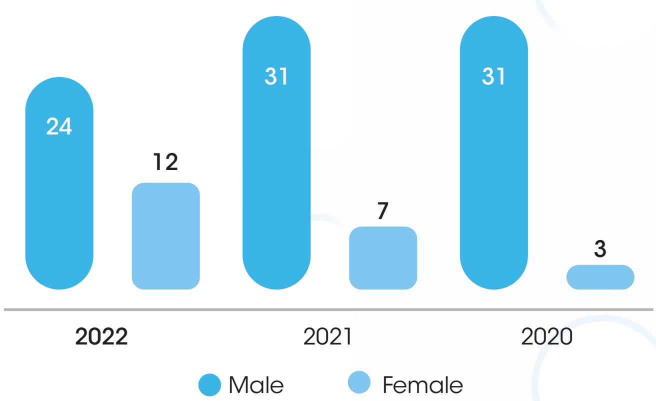
STAFF BREAKDOWN BY GENDER



TOTAL EMPLOYEES 2022



NEW HIRE BY GENDER



Occupational Health and Safety

Safety is one of our core concerns, and the Management focus is on ensuring everybody goes home safe and healthy every day. Our approach is to proactively foster a safety culture, with employee engagement and active leadership, as well as risk and hazard identification, management, and, where possible, elimination. Our teams are dedicated to keeping those who enter our facilities healthy and safe.

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 for the last 3 years. The Group continues to place high emphasis on safety at the workplace and any incident reported will be thoroughly investigated. Our goal is to maintain a zero-fatality incident rate.

Proactive measures and continuous improvements to our processes and training are carried out for staff (especially those who are directly handling scrap metal).

The Management will take all necessary actions against any non-compliant events, this includes denying entry into our premises for individuals who might pose a risk to the business of the Group.

Local Community

For the year under review, the Group has contributed a total of approximately RM79,000 to various establishments. We care for the community in which we work and live, and we make it a point to take part in making the community a better place to live in. The Group is a strong advocate for charitable donations. In the past years, many contributions and donations were made to schools and universities. There is no change to this practice for 2022. The following table denotes the details of the contributions and sponsorship made in 2022 to the education institution, medical field (in Hong Kong) and the associations and organisations in the related industry.

	Amount	Purpose
Gabungan Persatuan Alumni University Taiwan Malaysia	RM3,000	Donation for study loan fund
Lem.Pengurus Sekolah SRJK (C)Wen Hua	RM1,000	Sponsor whiteboard to the school
Mobile Vaccination Station-Sha Tin(Ma On Shan Point), Hong Kong	RM54,877.57 (HKD100,000)	Sponsor for the Mobile Vaccination Station for Covid-19
Pertubuhan Komuniti Kasih Sayang	RM5,000	Meals distribution to the less fortunate individual (elderly, orphanages, handicapped & single parent families)
Melaka Hardware,Machinery & Building Material Dealer's Association	RM5,000	Sponsor for 84th Anniversary Dinner
Pertubuhan Perniaga Logam Dan Barang Lusoh Malaysia	RM10,000	Sponsor for opening ceremony

GOVERNANCE

Code of Conduct, Anti-corruption and Whistleblowing

We scrutinise our operations for corruption risks and constantly reiterate to employees there is zero tolerance for bribery and corruption. This is reflected 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 forms of improprieties in a protected and confidential manner.

The Group's commitment to integrity and standard of work ethics are reflected in the Code of Business Ethics and Corporate Conduct. 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. The Group has provided training regarding Anti-Bribery and Corruption Policy which covered Anti-Money Laundering and Counter-Terrorist Financing Compliance Requirements to directors and staff during the financial year. 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 measures for selecting and evaluating our suppliers. All 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 before any engagement with the suppliers is made. This is 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.

The Group has a wide range of suppliers globally providing various products and services. At present, we have 174 major suppliers mainly located in Asia Pacific region. As the management is aware of the environmental and social risk along the supply chain, we will take reasonably efforts to conduct appropriate evaluations and assessment on the background information of the potential supplier and communicate our expectation to promote environmentally and socially responsible practices to our supplier. During the Financial Year, the Group was not aware of any key suppliers that have any significant negative impact on the business ethics, environmental protection and labour practices.

Product Responsibility

The Group does not produce or manufacture any products and the scrap metals are not sold or consumed by the public at large. The Group's core operation is sourcing recyclable scrap metals, which will ultimately be sold to steel mills in Malaysia. Nevertheless, we are cognisant of the fact that there is a possibility that the steel mills may lodge complaints to us on the quality of our supplies to them. However, we practice back-to-back policy by discount the same to our suppliers. To date, there has not been any major complaint from the steel mills and there is no exposure to any product recall risk. As on information privacy front, the Group has established an internal confidentiality and non-disclosure policy that to protect the privacy of the Group and its stakeholders. Unauthorized disclosure of any personal data is strictly prohibited.

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 2022.

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 7 to page 8 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.

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 and "Management Discussion and Analysis" from page 14 to page 19 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. In addition, a discussion on relationships with its key stakeholders is included in the section headed "Environmental, Social and Governance Report" 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 2022 are set out on page 72 of this annual report.

DIVIDEND

The Company may distribute dividends by way of cash or by other means that we consider appropriate. A decision to declare and pay any dividends would require the approval of our Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to shareholders' approval. Our Board will review dividend policy from time to time in light of our results of operations, our cash flows, our financial condition, our Shareholders' interest, our capital requirements, the general business conditions and strategies, and other factors our Board may deem relevant in determining whether dividends are to be declared and paid. Any declaration and payment as well as the amounts of dividends will be subject to the articles of associate of the Company 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 has decided not to recommend the payment of final dividend in respect of the FYE 2022 (2021: HK$0.008 per share).

FIVE YEARS FINANCIAL HIGHLIGHTS

A summary of the Group's results, assets and 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 RM79,000 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 Company's announcement dated 16 July 2020 in relation to the change in use of the proceed.

	Available (RM'000)	Change in use of proceeds (RM'000)	New allocation for net proceeds (RM'000)	Balance as at 31 December 2021 (RM'000)	Amount utilised during the year ended 31 December 2022 (RM'000)	Balance as at 31 December 2022 (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	-	-
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	158	5,349	

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 Company's announcement dated 16 July 2020.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2022, the Group's largest customers accounted for 43.6% (2021: 42.4%) of the Group's total revenue. The Group's five largest customers accounted for 86.8% (2021: 86.1%) of the Group's total revenue.

For the year ended 31 December 2022, the Group's largest suppliers accounted for 7.0% (2021: 4.9%) of the Group's total cost of procurement. The Group's five largest suppliers accounted for 18.6% (2021: 16.4%) 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 2022 are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2022 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 2022.

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-data 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 no distributable reserve for the year ended 31 December 2022.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2022 are set out in note 24 to the consolidated financial statements.

DIRECTORS

The Directors who held office during the year ended 31 December 2022 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 Kok Chin, Mr. Sia Kok Heong and Ms. Sai Shiow Yin shall retire and being eligible, have offered themselves for re-election at the Company's forthcoming annual general meeting.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT TEAM

Biographical details of the Directors and the senior management team of the Group as at the date of this annual report are set out on page 9 to page 13 in the section headed "Directors and Senior Management Team" 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

Save as the Share Option Scheme disclosed below, 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.

(1) Purpose

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.

(2) Eligible Participants

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

(3) Maximum number of shares available for issue

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.

(4) Maximum entitlement of each Participant under the Share Option Scheme

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. 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 representing in aggregate over 0.1% of the shares of the Company in issue on the date of the 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. 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).

(5) The exercise period by the grantee under the share option scheme

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.

(6) The vesting period granted under the share option scheme

The options shall be vested to the grantees in accordance with the vesting schedule, which shall comprise a minimum period of twelve (12) months.

(7) The amount payable on application or acceptance of the option and the period within which payments must be made

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.

(8) The basis of determining the exercise price of options granted

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.

(9) The remaining life of the share option scheme

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). As at the date of this annual report, the remaining life of the Share Option Scheme is approximately 6 years and 1 month.

No share option has been granted under the Share Option Scheme since its adoption. Accordingly, as at 31 December 2022, there were no share option exercised, cancelled, lapsed or outstanding under the Share Option Scheme.

The number of options available for grant under the Share Option Scheme at the beginning and the end of the year ended 31 December 2022 was 100,000,000.

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 were independent during the year ended 31 December 2022.

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

No transaction, arrangement and contracts of significance in relation to the Group's business (including those to which the Company's subsidiaries, fellow subsidiaries of its parent company was a party) in which a director of the Company or an entity connected with a director had material interest, whether directly or indirectly, subsisted during the year ended 31 December 2022.

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 2022.

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 2022.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, the Group had 209 (2021: 177) employees in Malaysia. For the year ended 31 December 2022, total staff costs and related expenses of the Group (including the Directors' remuneration) were RM20.5 million (2021: RM20.8 million). The lower staff cost related expenses was related to the lower provision of performance bonuses during the year under review. 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 team 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 team 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 2022, 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	581,680,000 (L)	58.17%
Datuk Sia Keng Leong	Interest in controlled corporation/interest held jointly with another person/beneficial owner	581,680,000 (L)	58.17%
Mr. Sia Kok Chong	Interest in controlled corporation/interest held jointly with another person/beneficial owner	581,680,000 (L)	58.17%
Mr. Sia Kok Seng	Interest in controlled corporation/interest held jointly with another person/beneficial owner	581,680,000 (L)	58.17%
Mr. Sia Kok Heong	Interest in controlled corporation/interest held jointly with another person/beneficial owner	581,680,000 (L)	58.17%

Notes:

(1) As at 31 December 2022, 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 341,680,000 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 581,680,000 Shares, among which 341,680,000 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 if 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 2022, none of the Directors and the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2022 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 2022, 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 Shareholder	Nature of interest	Number and class of Shares (Ordinary shares)	Approximate percentage of shareholding (Note 1)
5S Holdings	Beneficial owner	341,680,000 (L)	34.17%
Poon Ka Ho Stanley	Beneficial owner	58,320,000 (L)	5.83%
Ms. Koo Lee Ching	Interest of spouse	581,680,000 (L) (Note 3)	58.17%
Ms. Loh Hui Mei	Interest of spouse	581,680,000 (L) (Note 4)	58.17%
Ms. Peong Ai Teen	Interest of spouse	581,680,000 (L) (Note 5)	58.17%
Ms. Yang Mei Feng	Interest of spouse	581,680,000 (L) (Note 6)	58.17%
Ms. Juan Sook Fong	Interest of spouse	581,680,000 (L) (Note 7)	58.17%

Notes:

(1) As at 31 December 2022, the total number of issued shares was 1,000,000,000 ordinary shares.

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

(3) Ms. Koo Lee Ching is the spouse of Datuk Sia Kok Chin. As such, Ms. Koo Lee Ching is deemed under the SFO to be interested in the Shares in which Datuk Sia Kok Chin is interested.

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

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

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

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

Save as disclosed above, and as at 31 December 2022, 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 2022 and that they did not conduct or acquire any competing business with the Group during the year ended 31 December 2022. 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 2022, and no competing business was reported by the Controlling Shareholders throughout the year ended 31 December 2022.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 2022, 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.

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

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

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 scrapyard 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.

The aggregate annual caps 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

The total rental expenses incurred for the financial year ended 31 December 2022 was RM132,000 (2021: RM120,000).

Reasons for the transactions

Our Group had been using the properties at PM 14, Lot 695, Mukim Cheng, Melaka, Malaysia as part of our scrap ferrous metal scrapyard in the state of Melaka. Having considered that the rent is comparable to the prevailing market rent of comparable properties in the locality, and additional renovation and associated costs which we may incur if we move out of the properties under the 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 scrapyard in the state of Melaka.

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

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 scrapyard 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

The total rental expenses incurred for the financial year ended 31 December 2022 was RM50,160 (2021: RM45,600).

Reasons for the transactions

Our Group had been using the properties at PN 20151, Lot 4862, Mukim Cheng, Melaka, Malaysia as our wastepaper scrapyard in the state of Melaka. Having considered that the rent is comparable to the prevailing market rent of comparable properties in the locality, and additional renovation and associated costs which we may incur if we move out of the properties under the 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 scrapyard in the state of Melaka.

As the counterparty to the 2022-2023 HH Hardware Tenancy Agreement, being Datuk Sia Keng Leong, Mr. Sia Kok Chong, Mr. Sia Kok Seng and Mr. Sia Kok Heong, and the counterparty to the 2022-2023 HH Paper Melaka Tenancy Agreement, being Mr. Sia Kok Heong, are connected with each other, the transactions contemplated under the 2022-2023 HH Hardware Tenancy Agreement and the 2022-2023 HH Paper Melaka Tenancy Agreement are aggregated pursuant to Rules 14A.81 and 14A.82 of the Listing Rules.

As all the applicable percentage ratios (as defined in the Listing Rules) for the aggregate proposed annual cap for the transactions contemplated under the 2022-2023 HH Hardware Tenancy Agreement and the 2022-2023 HH Paper Melaka Tenancy Agreement are less than 5% and the aggregate proposed annual caps for each of the two years ending 31 December 2023 is less than HK$3,000,000, the transactions contemplated under the 2022-2023 HH Hardware Tenancy Agreement and the 2022-2023 HH Paper Melaka Tenancy Agreement are fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

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.

(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) of the Listing Rules; transactions of our Group with each of them are aggregated pursuant to the Listing Rules 14A.81 and 14A.82 of the Listing Rules.

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

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

The total value of sales to the Group pursuant to 2022 Long Hin Master Purchase Agreement for the year ended 31 December 2022 was Nil (2021: Nil).

(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 of the Listing Rules.

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 of the Listing Rules.

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

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

The total value of sales to the Group pursuant to 2022 Lek Seng Master Purchase Agreement for the year ended 31 December 2022 was RM43.9 million (2021: RM37.0 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.

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 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 annual caps 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:

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

The total value of sales to the Group pursuant to 2022 Chye Seng Huat Trading Master Purchase Agreement for the year ended 31 December 2022 was RM42.4 million (2021: RM43.4 million).

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 has been obtained independent shareholders' approval at the extraordinary general meeting of the Company held on 14 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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 20 to 32 of this annual report.

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.

AUDITOR

The consolidated financial statements for the year ended 31 December 2022 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 2022, 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 33 to page 45 of this annual report.

CLOSURE OF REGISTER OF MEMBERS FOR 2023 AGM

The register of members of the Company will be closed from Tuesday, 13 June 2023 to Saturday, 17 June 2023, 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, 17 June 2023 (the "**2023 AGM**"). In order to be eligible to attend and vote at the 2023 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 pm on Monday, 12 June 2023.

On behalf of the Board

Datuk Sia Kok Chin

30 March 2023

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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 72 to 128, comprise:

- the consolidated statement of financial position as at 31 December 2022;
- 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 2022, 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.

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	**How our audit addressed the Key Audit Matter**
Revenue recognition	
Refer to notes 2.23 and 5 to the consolidated financial statements. The Group recognised revenue of RM1,404,575,000 for the year ended 31 December 2022. 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.	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, 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. On a sample basis, we circularised confirmations with customers to confirm the unsettled sales 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	How our audit addressed the 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 2022, the Group had trade receivable of approximately of RM111,809,000 which includes ECL allowance of RM1,232,000. 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.	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. Assessed and challenged, where appropriate, the basis of adjustments to the customer default risk score, consideration of the range of possible outcomes 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.

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 Yuen Shin Fong.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 31 December 2022

	Notes	2022 RM'000	2021 RM'000
Revenue	5	**1,404,575**	1,418,239
Cost of Sales	8	**(1,352,246)**	(1,340,665)
Gross profit		**52,329**	77,574
Other income	6	**6,411**	4,239
Other losses, net	7	**(1,568)**	(195)
Distribution and selling expenses	8	**(25,755)**	(21,778)
Administration expenses	8	**(24,945)**	(22,931)
Operating profit		**6,472**	36,909
Finance income		**249**	239
Finance cost		**(2,446)**	(1,608)
Finance cost, net	10	**(2,197)**	(1,369)
Share of results of an associate	14	**-**	6
Profit before income tax		**4,275**	35,546
Income tax expense	11	**(2,800)**	(10,132)
Profit and total comprehensive income for the year		**1,475**	25,414
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**2,381**	25,485
Non-controlling interest		**(906)**	(71)
		1,475	25,414
Earnings per share attributable to owners of the Company for the year (expressed in sen per share)			
– Basic and diluted earnings per share	13	**0.24**	2.55

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 2022

	Note	2022 RM'000	2021 RM'000
Assets			
Non-current assets			
Investment in associates	14	**–**	6
Property, plant and equipment	15	**22,760**	18,548
Intangible asset	16	**305**	414
Investment properties	17	**5,953**	6,112
Deposits	19	**17,636**	930
Right-of-use assets	25	**21,359**	11,333
Deferred income tax assets	26	**1,118**	838
		69,131	38,181
Current Assets			
Inventories	18	**49,404**	56,911
Trade and other receivables	19	**125,091**	153,234
Current income tax recoverable		**4,175**	–
Pledged bank deposits	20	**5,437**	5,345
Cash and bank balances	21	**25,218**	26,349
		209,325	241,839
Total assets		**278,456**	280,020
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		**120,758**	122,844
		204,757	206,843
Non-controlling interest		**(977)**	(71)
Total Equity		**203,780**	206,772

Consolidated Statement of Financial Position (Continued)

As at 31 December 2022

	Note	2022 RM'000	2021 RM'000
Non-current liabilities			
Borrowings	24	**12,894**	4,211
Lease liabilities	25	**829**	709
Deferred income tax liabilities	26	**646**	517
		14,369	5,437
Current Liabilities			
Trade and other payables	23	**19,382**	35,410
Current income tax liabilities		**463**	2,701
Borrowings	24	**39,393**	29,190
Lease Liabilities	25	**1,069**	510
		60,307	67,811
Total liabilities		**74,676**	73,248
Total equity and liabilities		**278,456**	280,020

The consolidated financial statements on pages 72 to 128 were approved and authorised for issue by the Board of Directors on 30 March 2023 and are signed on its behalf by:

Datuk Sia Kok Chin
Director

Mr. Sia Kok Seng
Director

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year ended 31 December 2022

	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 2021	5,206	49,306	29,487	100,250	184,249	–	184,249
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 and 1 January 2022	5,206	49,306	29,487	122,844	206,843	(71)	206,772
Net profit and total comprehensive income for the year, net of tax	–	–	–	2,381	2,381	(906)	1,475
Dividends (Note 12)				(4,467)	(4,467)	–	(4,467)
As at 31 December 2022	**5,206**	**49,306**	**29,487**	**120,758**	**204,757**	**(977)**	**203,780**

The above consolidated statement of changes in equity should be read in conjunction with accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year ended 31 December 2022

	Notes	2022 RM'000	2021 RM'000
Cash flow from operating activities			
Cash generated from operations	33	**16,144**	5,631
Tax paid		**(9,364)**	(7,780)
Net cash generated from/(used in) operating activities		**6,780**	(2,149)
Cash flows from investing activities			
Purchases of property, plant and equipment	15	**(7,752)**	(3,860)
Purchases of intangible asset	16	**(67)**	–
Proceeds from disposal of property, plant and equipment	33	**317**	170
Interests received		**249**	239
Placement of pledged bank deposits		**(92)**	(90)
Repayment of advances to an associate		**303**	946
Addition in right-of-use assets		**(9,744)**	–
Net cash used in investing activities		**(16,786)**	(2,595)
Cash flows from financing activities			
Interests paid		**(2,446)**	(1,608)
Drawdown of borrowings		**21,260**	13,280
Repayments of borrowings		**(4,331)**	(2,141)
Principal elements of lease payments		**(951)**	(522)
Dividends paid		**(4,467)**	(2,891)
Net cash generated from financing activities		**9,065**	6,118
Net (decrease)/increase in cash and cash equivalents		**(941)**	1,374
Effect of exchange rate fluctuation on cash held		**(190)**	(26)
Cash and cash equivalent at the beginning of year		**26,349**	25,001
Cash and cash equivalents at the end of year	21	**25,218**	26,349

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2022

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(a) Amended standards and annual improvements adopted by the Group

The Group had applied the following amended standards and annual improvements which are mandatory effective for annual period beginning on or after 1 January 2022 for the preparation of the Group's audited consolidated financial statements:

Amendments to IAS 16	Property, plant and equipment: proceeds before intended use
Amendments to IAS 37	Onerous contracts – cost of fulfilling a contract
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to annual improvements project	Annual improvements 2018-2020 cycle
Accounting Guideline 5 (Revised)	Merger accounting for common Control combinations

The application of the following amended standards in the current period did not have any material impact to the Group's financial positions and performance for the current and prior period, nor on the disclosures set out in this 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 2023 and have not been early adopted by the Group in preparing the audited consolidated financial statements:

		Effective for annual periods beginning on or after
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023
Amendments to IAS 8	Definition of accounting estimates	1 January 2023
Amendments to IAS 12	Deferred income tax related to assets and liabilities arising from a single transaction	1 January 2023
IFRS 17	Insurance contracts	1 January 2023
IFRS 17	Initial application of IFRS 17 and IFRS 9 – comparative information	1 January 2023
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2024
Amendments to IAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to IFRS 16	Lease liability in a sale and leaseback	1 January 2024
HK-Interpretation 5 (Revised)	Hong Kong Interpretation 5 (Revised) Presentation of financial statements- Classification by the borrower of a term loan that contains a repayment on demand clause (HK Int 5 (Revised))	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an 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.

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 equal 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 team led by the Group's chief executive officer that makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). 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%

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, net' in the consolidated statement of comprehensive income.

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%

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.

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 statement 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.

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.

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.

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.

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 income 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.

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.

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.

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.

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.

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 obligation 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.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's major financial instruments include trade and other receivables, amount due from associate, 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 RM482,000 (2021: RM295,000) lower/higher for the year ended 31 December 2022.

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 RM41,000 (2021: RM39,000) higher/lower for the year ended 31 December 2022, mainly as a result of a decrease/increase in the fair value of the hire purchase liabilities.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

The credit risk of 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 2022, the Group has trade receivables balance of RM111,809,000 (2021: RM134,362,000) and the overall expected losses rate is 1.1% (2021: 1.0%). The provision for trade receivables as at 31 December 2022 is RM1,232,000 (2021: RM1,305,000).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

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

There is bad debt written off during the financial year ended 31 December 2022, RM26,000. (2021: NIL).

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 2022, 84% (2021: 94%) of its total trade receivables was due from this group of customers. As the Group is one of a few approved scrap metal providers to the steel mill customers and based on the past repayment history, 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 statements 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 amount due from associate

Other debt instruments at amortised cost include other receivables and amount due from associate.

As at 31 December 2022 and 2021, 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 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 2022 and 2021. For the amount due from associate, management has assessed the credit risk of the counterparty and write off an amount due from an associate amounting to RM113,000 as at 31 December 2022 (2021: Nil).

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 2022			
Non-derivative financial liabilities			
Borrowings[1]	**40,053**	**8,506**	**6,827**
Lease liabilities[1]	**1,135**	**852**	**-**
Trade and other payables	**19,382**	**-**	**-**
	60,570	**9,358**	**6,827**
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

[1] The amounts include interest payable.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital management

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

The capital structure of the Group consists of debt, which includes borrowings as disclosed in Note 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 2022.

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:

	2022 **RM'000**	2021 RM'000
Total borrowings (Note 24)	**52,287**	33,401
Total lease liabilities (Note 25)	**1,898**	1,219
	54,185	34,620
Total capital	**203,780**	206,772
Gearing ratio	**26.6%**	16.7%

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.

(c) Provision for impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of property, plant and equipment and right-of-use assets have been determined based on value-in-use calculations, taking into account latest market information and past experience. These calculations and valuations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable, (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business, and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(d) Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. Management reassesses the estimation at the end of each reporting period.

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 team led by the Group's chief executive officer. The executive directors and senior management team 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 2022 and 2021, 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 2022 and 2021, all non-current assets were all located in Malaysia.

(c) Major customers

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

	2022 **RM'000**	2021 RM'000
Customer 1	**627,551**	626,205
Customer 2	**573,488**	539,482

6 OTHER INCOME

	2022 RM'000	2021 RM'000
Provision for logistic service income	**4,129**	2,941
Rental income	**437**	481
Compensation received	**143**	12
Processing fees income	**1,080**	720
Handling fee (Note 30(a))	**465**	–
Others	**157**	85
	6,411	4,239

7 OTHER LOSSES, NET

	2022 RM'000	2021 RM'000
Other gains		
Gain on disposal of property, plant and equipment	**69**	100
	69	100
Other losses		
Property, plant and equipment written-off (Note 15)	**(16)**	(32)
Reversal of provision/(provision) for loss allowance on trade receivables (Note 19)	**73**	(42)
Foreign exchange losses, net	**(103)**	(221)
Write-off of downpayment to suppliers	**(1,358)**	–
Write-off of investment in an associate	**(6)**	–
Write-off of amount due from an associate	**(113)**	–
Impairment loss on investment property	**(88)**	–
Write-off of trade receivables	**(26)**	–
Other losses, net	**(1,568)**	(195)

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2022

8 EXPENSES BY NATURE

	2022 RM'000	2021 RM'000
Cost of trading goods sold	**1,337,299**	1,328,085
Employee benefit expenses (Note 9)	**20,502**	20,818
Depreciation expenses		
– property, plant and equipment (Note 15)	**5,232**	3,948
– right-of-use assets (Note 25)	**1,349**	688
– investment properties (Note 17)	**71**	71
Amortisation expenses		
– intangible asset (Note 16)	**176**	172
Auditors' remuneration		
– audit services	**532**	539
– non-audit services	**53**	68
Transportation costs	**18,178**	16,216
Lease expenses relating to		
– low value assets	**131**	61
– short-term leases	**479**	506
Repair and Maintenance expenses	**5,281**	4,710
Legal and professional fees	**938**	878
Secretarial fees	**356**	475
Custom duty	**622**	28
Subcontractor labour charge	**1,012**	201
Other expenses	**10,735**	7,910
Total cost of sales, distribution and selling expenses and administrative expenses	**1,402,946**	1,385,374

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2022 RM'000	2021 RM'000
Directors' fees	**657**	645
Salaries, bonus and other allowance	**16,558**	18,258
Contribution to defined contribution plans	**2,276**	1,515
Other employee benefit	**1,011**	400
Employee benefit expenses (Note 8)	**20,502**	20,818

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 2022

10 FINANCE COSTS, NET

	2022 RM'000	2021 RM'000
Interest income from bank deposits	**249**	239
Interest expense on bank borrowings	**(2,061)**	(1,100)
Interest expense on hire purchase liabilities	**(282)**	(261)
Interest expense on lease liabilities	**(65)**	(219)
Interest expense on bank overdraft	**(38)**	(28)
Finance costs	**(2,446)**	(1,608)
Finance costs, net	**(2,197)**	(1,369)

11 INCOME TAX EXPENSE

Malaysian corporate income tax has been provided at the rate of 24% (2021: 24%) on the estimated assessable profit for the years ended 31 December 2022 and 2021:

	2022 RM'000	2021 RM'000
Malaysian corporate income tax:		
– current	**3,135**	10,896
– (over)/under provision in prior year	**(184)**	10
	2,951	10,906
Deferred income tax (Note 26)	**(151)**	(774)
Income tax expense	**2,800**	10,132

11 INCOME TAX EXPENSE *(Continued)*

The reconciliations from the tax amount at the Malaysian corporate income tax rate of 24% (2021: 24%) and the Group's tax expense are as follows:

	2022 **RM'000**	2021 RM'000
Profit before tax	**4,275**	35,549
Tax at Malaysian corporate income tax rate	**1,026**	8,532
Effect of difference tax rate	**(30)**	–
Tax effect of expenses not deductible for tax purpose	**1,988**	1,330
Effect of temporary differences not recognised in prior year	**-**	275
(Over)/under provision in respect of prior years	**(184)**	10
Income not subject to tax	**-**	(15)
Income tax expense for the year	**2,800**	10,132

12 DIVIDENDS

	2022 **RM'000**	2021 RM'000
In respect of the financial year ended 31 December 2021 – dividend of HK$0.008 per share paid on 15 July 2022 (In respect of the financial year ended 31 December 2020 – dividend of HK$ $0.0055 per share paid on 15 July 2021)	**4,467**	2,891

At the forthcoming Annual General Meeting, no dividend to be declare for the financial year ended 31 December 2022.

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.

	2022	2021
Profit for the year attributable to the owners of the Company (RM'000)	**2,381**	25,485
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)	**0.24**	2.55

As at 31 December 2022 and 31 December 2021, the Company has no outstanding potentially dilutive shares.

14 INVESTMENT IN ASSOCIATES

	2022 RM'000	2021 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	**(2,450)**	(2,444)
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 2022	As at 31 December 2021
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%

* The Company has been strike off on 22 April 2022.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2022

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

	2022 RM'000	2021 RM'000
Total current assets	**2,302**	1,619
Total non-current assets	**5,333**	8,260
Total current liabilities	**(13,057)**	(12,681)
Net liabilities	**(5,422)**	(2,802)

Summarised statement of comprehensive income

	2022 RM'000	2021 RM'000
Revenue	**10,551**	10,027
Net loss and total comprehensive loss for the year	**(2,562)**	(2,316)

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:

	2022 RM'000	2021 RM'000
Net liabilities of Heng Hup Chiho as at 31 December	**(5,422)**	(2,802)
Interest in associate	**49%**	49%
Share of net assets	**-**	–

As at 31 December 2022, there is an amount due to associate of to RM303,000 respectively (2021: amount due from associate of RM113,000) (Note 19 and 23) 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 RM2,656,000 (2021: RM1,307,000) since the Group has no obligation in respect to these losses and the carrying amount of the investment is nil.

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
Total current assets	21
Total non-current assets	–
Total current liabilities	(6)
Net assets	15

Summarised statement of comprehensive income

	2021 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
Net assets of Valueleap as at 31 December	15
Interest in associate	40%
Share of net assets	6

As at 31 December 2022, there is no amount due from the associate company. Investment in Valueleap Sdn Bhd has been written off during the financial year ended 31 December 2022. Valueleap Sdn Bhd has been deregistered on 22 April 2022.

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2022

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 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
Disposal	–	–	(70)	–	–	(70)
Reclassification	–	–	1,187	–	(1,187)	–
Additions	1,169	368	4,638	62	4	6,241
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

	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 2022						
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**
Year ended 31 December 2022						
Opening net book amount	**8,454**	**1,157**	**8,454**	**291**	**192**	**18,548**
Additions	**3,433**	**1,482**	**3,903**	**860**	**30**	**9,708**
Disposal	**-**	**-**	**(248)**	**-**	**-**	**(248)**
Written-off (Note 7)	**-**	**(16)**	**-**	**-**	**-**	**(16)**
Depreciation charge (Note 8)	**(1,674)**	**(422)**	**(3,005)**	**(131)**	**-**	**(5,232)**
Closing net book amount	**10,213**	**2,201**	**9,104**	**1,020**	**222**	**22,760**
As at 31 December 2022						
Cost	**20,982**	**5,071**	**23,448**	**1,608**	**222**	**51,331**
Accumulated depreciation	**(10,769)**	**(2,870)**	**(14,344)**	**(588)**	**-**	**(28,571)**
Net book amount	**10,213**	**2,201**	**9,104**	**1,020**	**222**	**22,760**

The Group has pledged certain property, plant and equipment to secure banking facilities granted to the Group during the year ended 31 December 2022 (Note 27).

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

	2022 **RM'000**	2021 RM'000
Cost of sales	**1,721**	1,469
Distribution and administration expenses	**3,511**	2,479
	5,232	3,948

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

	2022 **RM'000**	2021 RM'000
Payment by cash	**7,752**	3,861
Hire purchase liabilities	**1,956**	2,380
	9,708	6,241

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

	2022 **RM'000**	2021 RM'000
Cost	**10,557**	9,918
Accumulated depreciation	**(2,956)**	(2,121)
	7,601	7,797

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

16 INTANGIBLE ASSET

	2022 **RM'000**	2021 RM'000
Software:		
At 1 January	**414**	586
Additions	**67**	–
Amortisation	**(176)**	(172)
At 31 December	**305**	414

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2022

17 INVESTMENT PROPERTIES

	2022 RM'000	2021 RM'000
Freehold lands		
At 1 January/31 December	**3,345**	3,345
Property investments – commercial		
At 1 January	**2,767**	2,838
Depreciation	**(71)**	(71)
Impairment loss on investment property revaluation	**(88)**	–
At 31 December	**5,953**	6,112
Fair value	**7,334**	6,993

Notes:

(i) The above "property investments – commercial", which are located in Malaysia during the year ended 31 December 2022 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 2022 (Note 27).

(iii) Rental income from these investment properties for the year ended 31 December 2022 amounted to RM437,000 (2021: RM480,000).

(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

	2022 RM'000	2021 RM'000
Trading goods	**49,404**	56,911

The cost of trading good sold recognised as expense and included in cost of sales amounted to RM1,337,299,000 (2021: RM1,328,085,000) during the year ended 31 December 2022.

19 TRADE AND OTHER RECEIVABLES

	2022 RM'000	2021 RM'000
Non-current		
Deposits for acquisition of land*	**17,636**	930
Current		
Trade receivables	**111,809**	134,362
Less: provision for loss allowance	**(1,232)**	(1,305)
	110,577	133,057
Other receivables#	**527**	7,862
Deposits and prepayments	**3,003**	2,811
Downpayment to suppliers	**10,885**	9,266
Other tax receivables	**99**	125
Amount due from an associate (Note 30 (c))	**–**	113
	125,091	153,234
	142,727	154,164

* 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 and paid a refundable.deposit of RM17,636,000. 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 date of this report.

\# For the year ended 31 December 2021, included in other receivables 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:

	2022 RM'000	2021 RM'000
0 – 30 days	**96,668**	130,792
31 – 60 days	**14,671**	2,182
61 – 120 days	**468**	138
Over 120 days	**2**	1,250
	111,809	134,362

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

	2022 RM'000	2021 RM'000
– Ringgit Malaysia (RM)	**111,809**	134,336
– United States Dollar (USD)	**–**	26
	111,809	134,362

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:

	2022 **RM'000**	2021 RM'000
At 1 January	**1,305**	1,263
(Reversal of)/provision for loss allowance on trade receivables	**(73)**	42
At 31 December	**1,232**	1,305

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

20 PLEDGED BANK 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

	2022 **RM'000**	2021 RM'000
Cash at bank and on hand	**18,272**	16,659
Short-term bank deposits with maturity of 3 months or less	**6,946**	9,690
Cash and bank balances	**25,218**	26,349

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

	2022 **RM'000**	2021 RM'000
– Ringgit Malaysia (RM)	**22,159**	25,926
– United States Dollar (USD)	**1,424**	239
– Singapore Dollar (SGD)	**1,466**	162
– Hong Kong Dollar (HKD)	**36**	18
– Chinese Renminbi (RMB)	**133**	4
	25,218	26,349

22 SHARE CAPITAL

	2022 Number of shares in thousand	2022 Share capital RM'000	2021 Number of share in thousand	2021 Share capital RM'000
Authorised:				
At beginning and end of the year	**2,000,000**	**10,406**	2,000,000	10,406
Issued:				
At beginning and end of the year	**1,000,000**	**5,206**	1,000,000	5,206

23 TRADE AND OTHER PAYABLES

	2022 RM'000	2021 RM'000
Trade payables	**9,942**	22,890
Accrued payroll liabilities	**5,976**	7,023
Other payables and accruals	**3,464**	5,497
	19,382	35,410

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

	2022 RM'000	2021 RM'000
– Ringgit Malaysia (RM)	**9,026**	20,554
– United States Dollar (USD)	**916**	2,336
	9,942	22,890

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

	2022 RM'000	2021 RM'000
0 – 30 days	**9,853**	21,095
31 – 60 days	**10**	12
61 – 120 days	**–**	1,783
Over 120 days	**79**	–
	9,942	22,890

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

24 BORROWINGS

	2022 RM'000	2021 RM'000
Non-current		
Bank borrowings		
– Term loans (Note a)	**10,178**	3,532
Hire purchase liabilities (Note b)	**2,716**	679
	12,894	4,211
Current		
Bank borrowings		
– Term loans (Note a)	**1,143**	496
– Trust receipt facilities (Note c)	**36,894**	25,434
	38,037	25,930
Hire purchase liabilities (Note b)	**1,356**	3,260
	39,393	29,190
Total borrowings	**52,287**	33,401

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 2022 (Note 27).

As at 31 December 2022, the Group had aggregate banking facilities of approximately RM228,056,000 (2021: RM51,300,000). Unused facilities amounted to approximately RM174,527,000 (2021: RM11,500,000) as at 31 December 2022.

24 BORROWINGS *(Continued)*

(a) Term loans

Term loans mature at various dates up to 2031.

As at 31 December 2022 and 2021, the Group's term loans were repayable as follows:

	2022 **RM'000**	2021 RM'000
Within 1 year	**1,143**	496
Between 1 and 2 years	**1,151**	508
Between 2 and 5 years	**3,136**	1,592
Over 5 years	**5,891**	1,432
	10,178	3,532
	11,321	4,028

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

	2022 **% (p.a)**	2021 % (p.a)
Interest rates	**5.25 – 6.64**	4.20 – 5.64

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

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.

	2022 **RM'000**	2021 RM'000
Gross hire purchase liabilities – minimum lease payments		
Not later than 1 year	**1,559**	3,631
Later than 1 year and not later than 5 years	**2,933**	705
	4,492	4,336
Future finance charges on hire purchase	**(420)**	(397)
	4,072	3,939
Total present value of hire purchase is as follows:		
Not later than 1 year	**1,356**	3,260
Later than 1 year and not later than 5 years	**2,716**	679
	4,072	3,939

(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:

	2022 **% (p.a)**	2021 % (p.a)
Interest rates	**4.20 – 4.90**	3.15 – 3.56

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

25 LEASES

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

	2022 RM'000	2021 RM'000
Right-of-use (ROU) assets		
Leasehold lands	**21,137**	11,109
Leasehold property	**222**	224
	21,359	11,333
Lease liabilities		
Non-current portion	**829**	709
Current portion	**1,069**	510
	1,898	1,219

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

	2022 RM'000	2021 RM'000
At 1 January	**11,333**	11,811
Additions to the ROU assets during the financial year	**11,375**	210
Depreciation charge	**(1,349)**	(688)
As 31 December	**21,359**	11,333

Notes:

As at 31 December 2022, 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 2022

25 LEASES *(Continued)*

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

	2022 RM'000	2021 RM'000
Depreciation expense of ROU assets	**1,349**	688
Interest expense (Note 10)	**65**	219
Expenses relating to leases of low-value assets (included in distribution and selling expenses and administrative expenses)	**131**	61
Expenses relating to lease of short-term lease (including in cost of sales)	**479**	506

(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 27 to 82 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 ASSETS/(LIABILITIES)

	2022 RM'000	2021 RM'000
Deferred income tax assets	**1,118**	838
Deferred income tax liabilities	**(646)**	(517)
	472	321

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 2021	(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
(Charged)/credited to the consolidated statements of comprehensive income (Note 11)	(425)	576	151
At 31 December 2022	**(1,973)**	**2,445**	**472**

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2022

27 PLEDGES OF ASSETS

At the end of financial years ended 31 December 2022 and 2021, the Group has pledged the following assets to banks to secure certain bank borrowings and general banking facilities granted to the Group (Note 24):

	2022 **RM'000**	2021 RM'000
Property, plant and equipment	**610**	687
Right-of-use assets	**19,577**	9,938
Investment properties	**5,365**	5,514
Pledged bank deposits	**5,437**	5,345
	30,989	21,484

28 CAPITAL COMMITMENTS

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

	2022 **RM'000**	2021 RM'000
Capital expenditure contracted for but not provided in respect of:		
– purchase of 2 adjoining pieces of vacant land (Note 19)	**11,757**	–
– purchase of property, plant and machinery	**-**	1,690
– purchase of 3 parcels of leasehold land (Note 19)	**-**	8,370
	11,757	10,060

29 FINANCIAL INSTRUMENTS BY CATEGORY

	2022 **RM'000**	2021 RM'000
Assets as per consolidated statements of financial position		
Financial assets at amortised costs		
Trade and other receivables excluding prepayments, downpayment to suppliers	**130,101**	142,648
Pledged bank deposits	**5,437**	5,345
Cash and bank balances	**25,218**	26,349
	160,756	174,342

	2022 **RM'000**	2021 RM'000
Liabilities as per consolidated statements of financial position		
Financial liabilities at amortised costs		
Borrowings	**52,287**	33,401
Lease liabilities	**1,898**	1,219
Trade and other payables	**19,382**	35,410
	73,567	70,030

30 RELATED PARTIES TRANSACTIONS

The Group is controlled by 5S Holdings (BVI) Limited which owns 58.17% of the Company's shares. The remaining 41.83% 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 2022. The related party transactions described below were carried out on terms and conditions negotiated and agreed between the Group and the related parties.

	2022 **RM'000**	2021 RM'000
Handling fee charged to associate – Heng Hup Chiho	**465**	–

(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

	2022 **RM'000**	2021 RM'000
Amount due (to)/from an associate	**(303)**	113

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

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2022

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 2022 and 2021.

The remuneration of the directors for the year ended 31 December 2022 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 2022						
Executive directors						
Sia Kok Seng	72	1,179	30	101	-	1,382
Datuk Sia Kok Chin	72	1,181	30	101	-	1,384
Datuk Sia Keng Leong	72	1,061	30	101	-	1,264
Sia Kok Heong	72	1,047	30	101	-	1,250
Sia Kok Chong	72	1,072	30	101	-	1,275
Independent non-executive directors						
Sai Shiow Yin	99	3	-	-	-	102
Puar Chin Jong	99	3	-	-	-	102
Chu Kheh Wee	99	3	-	-	-	102
	657	5,549	150	505	-	6,861

31 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' emoluments *(Continued)*

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						
Executive directors						
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
Independent non-executive directors						
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

(b) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year ended 31 December 2022 (2021: Nil).

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

During the year ended 31 December 2022, the Company did not pay consideration to any third parties for making available directors' services. (2021: Nil)

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 2022 and 2021, there are no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and controlled entities with such directors. (2021: 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 2022 (2021: 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:

	2022 **RM'000**	2021 RM'000
Less than 1 year	**431**	359
1 – 2 years	**72**	–
	503	359

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2022

33 CASH GENERATED FROM OPERATIONS

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

	2022 RM'000	2021 RM'000
Cash flows from operating activities		
Profit before income tax	**4,275**	35,546
Adjustments for:		
Finance costs	**2,446**	1,608
Finance income	**(249)**	(239)
(Reversal of provision)/provision for loss allowance on trade receivables	**(73)**	42
Depreciation expenses	**6,652**	4,707
Amortisation expenses	**176**	172
Gain on disposal of property, plant and equipment	**(69)**	(100)
Property, plant and equipment written-off	**16**	32
Share of results of an associate	**–**	(6)
Unrealised foreign exchange gains, net	**190**	26
Write-off of downpayment to supplier	**1,358**	–
Write-off of investment in associates	**6**	–
Write-off of amount due from associates	**113**	–
Impairment loss of investment properties	**88**	–
Write-off of trade receivable	**26**	–
	14,955	41,788
Changes in working capital		
Decrease/(increase) in inventories	**7,507**	(22,832)
Decrease/(increase) in trade and other receivables	**10,013**	(26,546)
(Decrease)/increase in trade and other payables	**(16,331)**	13,221
	16,144	5,631

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

	2022 RM'000	2021 RM'000
Net book amount	**248**	70
Gains on disposal of property, plant and equipment	**69**	100
Proceeds from disposal of property, plant and equipment	**317**	170

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 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
At 1 January 2022	**29,463**	**3,939**	**1,218**	**34,620**
Additions/proceeds				
– cash	**21,260**	**–**	**–**	**21,260**
– non-cash	**–**	**1,956**	**1,631**	**3,587**
Repayments	**(4,607)**	**(2,105)**	**(1,016)**	**(7,728)**
Other non-cash movement	**2,099**	**282**	**65**	**2,446**
At 31 December 2022	**48,215**	**4,072**	**1,898**	**54,185**

35 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	Note	**2022** **RM'000**	2021 RM'000
Assets			
Non-current assets			
Investment in a subsidiary	36	**39**	39
Amounts due from subsidiaries	37	**47,037**	48,419
		47,076	48,458
Current assets			
Prepayments		**192**	86
Amount due from a subsidiary		**-**	6,450
Cash and cash equivalents		**6,634**	5,763
		6,826	12,299
Total assets		**53,902**	60,757
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)	**(1,459)**	5,151
		53,053	59,663
Liabilities			
Current liabilities			
Other payables		**484**	883
Amount due to a subsidiary		**365**	211
		849	1,094
Total equity and liabilities		**53,902**	60,757

The statement of financial position of the Company was approved by the Board of Directors on 30 March 2023 and was signed on its behalf:

Datuk Sia Kok Chin
Director

Mr. Sia Kok Seng
Director

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 equity RM'000
At 1 January 2021	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
At 1 January 2022	**49,306**	**5,151**	**54,457**
Total comprehensive loss for the year	**-**	**(2,143)**	**(2,143)**
Dividends (Note 12)	**-**	**(4,467)**	**(4,467)**
At 31 December 2022	**49,306**	**(1,459)**	**47,847**

Notes to the Consolidated Financial Statements (Continued)

For the Year ended 31 December 2022

36 INVESTMENT IN SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2022 and 2021 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 2022	2021	Principal activities
Directly held:					
Heng Hup (BVI) Limited	British Virgin Islands	10,000 ordinary shares	**100%**	100%	Investment holding
Indirectly held:					
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	Malaysia	1,000 Ordinary shares	**70%**	70%	Trading of scrap metal and mix metal.
Heng Hup International Pte. Ltd. (Note a)	Singapore	51 Ordinary shares	**51%**	-	Dormant
Keat Paper Sdn Bhd	Malaysia	667 Ordinary shares	**66.7%**	-	Involving collecting plastic waste, paper waste, metal scrap, recyclable materials and any other relevant description

36 INVESTMENT IN SUBSIDIARIES *(Continued)*

(a) On 12 August 2022, Heng Hup International Pte. Ltd. was incorporated with 51% controlling interest and the paid-up share capital is SGD100.00 comprising of 100 ordinary shares.

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

37 AMOUNTS DUE FROM SUBSIDIARIES

Amounts due from subsidiaries 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

The Group had on 3 March 2023 entered into a Memorandum of Understanding ("**MOU**") with China Environmental Technology International Group Limited ("**CET**"), in relation to the initial intention of both parties to the cooperation in developing projects in the field of environmental protection business.