Heng Hup Holdings Limited
興合控股有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 1891)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2024 amounted to RM865.2 million, representing an increase of 50.5% from RM574.8 million for the same period ended 30 June 2023.
- Gross profit for the six months ended 30 June 2024 amounted to RM61.8 million, representing an increase of 109.1% from RM29.6 million for the same period ended 30 June 2023.
- Profit attributable to owners of the Company for the six months ended 30 June 2024 amounted to RM11.5 million, representing an increase of 367.2% from RM2.5 million for the six months ended 30 June 2023.
- The equity attributable to owners of the Company as at 30 June 2024 amounted to RM224.7 million, representing an increase of 5.4% from RM213.3 million as at 31 December 2023.
- The Board does not declare any dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

In this announcement, "we", "us", "our" and "Heng Hup" refer to the Company (as defined below) and where the context otherwise requires, the Group (as defined below).

The board (the "**Board**") of directors (the "**Directors**") of Heng Hup Holdings Limited 興合控股有限公司 (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2024, together with the comparative figures for the corresponding period in 2023. The Board together with the audit and risk management committee (the "**Audit and Risk Management Committee**") of the Company has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2024.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2024 and 2023

		For the six months ended 30 June	
	Notes	**2024**	2023
		RM'000	*RM'000*
		(Unaudited)	*(Unaudited)*
Revenue	4	**865,207**	574,808
Cost of sales	7	**(803,407)**	(545,253)
Gross profit		**61,800**	29,555
Other income	5	**577**	923
Other (losses)/gains, net	6	**(696)**	56
Distribution and selling expenses	7	**(26,045)**	(11,282)
Administrative expenses	7	**(16,739)**	(13,409)
Operating profit		**18,897**	5,843
Finance income		**217**	232
Finance costs		**(3,047)**	(1,628)
Finance costs, net	8	**(2,830)**	(1,396)
Profit before income tax		**16,067**	4,447
Income tax expenses	9	**(5,953)**	(1,995)
Profit for the period		**10,114**	2,452
Profit and total comprehensive income for the period attributable to:			
Owner of the company		**11,456**	2,452
Non-controlling interest		**(1,342)**	–
		10,114	2,452
Earnings per share attributable to owners of the Company for the period *(expressed in sen per share)*			
– Basic earnings per share	11	**1.15**	0.25
– Diluted earnings per share	11	**1.15**	0.25

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024 and 31 December 2023

	Notes	**As at 30 June 2024** *RM'000* *(Unaudited)*	As at 31 December 2023 *RM'000* *(Audited)*
ASSETS			
Non-current assets			
Goodwill		**964**	964
Property, plant and equipment		**33,609**	31,828
Intangible asset		**250**	276
Investment properties		**5,860**	5,895
Deposits	12	**17,636**	17,636
Right-of-use assets		**25,084**	23,980
Deferred income tax assets		**688**	876
		84,091	81,455
Current assets			
Inventories		**69,721**	68,022
Trade and other receivables	12	**202,052**	204,024
Current income tax recoverable		**–**	3,319
Pledged bank deposits		**5,629**	5,561
Cash and bank balances		**47,252**	19,725
		324,654	300,651
Total assets		**408,745**	382,106
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**5,206**	5,206
Share premium		**49,306**	49,306
Capital reserve		**29,487**	29,487
Retained earnings		**140,754**	129,298
		224,753	213,297
Non-controlling interest		**(2,049)**	(707)
Total equity		**222,704**	212,590

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 30 June 2024 and 31 December 2023

	Notes	**As at 30 June 2024** ***RM'000*** ***(Unaudited)***	As at 31 December 2023 *RM'000* *(Audited)*
Non-current liabilities			
Borrowings		**19,187**	16,862
Lease liabilities		**1,858**	1,858
Deferred income tax liabilities		**833**	818
		21,878	19,538
Current liabilities			
Trade and other payables	13	**72,194**	66,894
Current income tax liabilities		**971**	–
Borrowings		**89,449**	81,535
Lease liabilities		**1,549**	1,549
		164,163	149,978
Total liabilities		**186,041**	169,516
Total equity and liabilities		**408,745**	382,106

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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 the Group is principally engaged in trading of scrap ferrous metals, used batteries, waste paper, iron-ore and other scraps in Malaysia.

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

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statement of the Group for the six months ended 30 June 2024 have been prepared in accordance with International Accounting Standards ("**IAS**") 34 "Interim Financial Reporting" adopted by the International Accounting Standards Board ("**IASB**") and the disclosure requirement 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.

This condensed consolidated interim financial information does not include all the notes of the type normally included in the annual financial statements. Instead, this condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2023, which have been prepared in accordance with IFRS Accounting Standards ("**IFRSs**").

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

3. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES

3.1 Adoption of amendments of existing standards

The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2024 and have been adopted in the preparation of the condensed consolidated interim financial information:

Amendments to IAS 1	Classification of Liabilities as Current or Non- current and Non-current Liabilities with Covenants
Amendments to IFRS 16	Lease on Sale and Leaseback
Amendments to IAS 7	Supplier Finance Arrangements

The application of the above new amended standards did not have any material impact to the Group's financial positions and performance for the current and prior period and/or on the disclosure set out in these unaudited condensed financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

3.2 New amendments to standards not yet adopted

Several amendments to standards have been issued but not effective for continuing period beginning on or after 1 January 2024 and have not yet been early adopted by the Group in preparing the unaudited condensed consolidated financial statements:

		Effective for annual periods beginning on or after
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
Amendments to IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The directors of the Company are of the opinion that the adoption of the above amendments to existing standards would not have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions. The Group intends to adopt the above new standard and amendments to existing standards when they become effective.

4 REVENUE AND SEGMENT INFORMATION

The Group is mainly engaged in trading of scrap ferrous metals, used batteries, waste paper, iron-ore, other scraps and provision for logistic services.

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

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

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

4.1 Revenue by location of goods delivery

During the six months ended 30 June 2024 and 2023, 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.

4.2 Non-current assets

As at 30 June 2024, all non-current assets were all located in Malaysia.

5 OTHER INCOME

	For the six months ended 30 June	
	2024	2023
	RM'000	*RM'000*
	(Unaudited)	*(Unaudited)*
Compensation received	**1**	3
Rental income	**233**	275
Others	**343**	645
	577	923

6 OTHER (LOSSES)/GAINS, NET

	For the six months ended 30 June	
	2024	2023
	RM'000	*RM'000*
	(Unaudited)	*(Unaudited)*
Foreign exchange gains, net	**184**	73
Write-off of downpayment to suppliers	**(1,153)**	–
Gain/(loss) on disposal of property, plant and equipment	**274**	(17)
Bad debts written off	**(1)**	–
	(696)	56

7 EXPENSES BY NATURE

	For the six months ended 30 June	
	2024	2023
	RM'000	*RM'000*
	(Unaudited)	*(Unaudited)*
Cost of trading goods sold	**790,684**	537,908
Employee benefit expenses	**16,684**	10,998
Depreciation expenses		
– Property, plant and equipment	**3,619**	2,669
– Investment properties	**35**	35
– Right-of-use assets	**1,134**	734
Amortisation expenses		
– Intangible assets	**15**	82
Auditors' remuneration		
– Audit services	**482**	591
– Non-audit services	**56**	39
Transportation costs	**20,253**	7,830
Lease expenses related to		
– low value assets	**264**	102
– short term leases	**61**	55
Upkeep expenses	**3,761**	2,664
Legal and compliance fees	**426**	481
Secretarial fees	**104**	114
Other expenses	**8,613**	5,642
Total cost of sales, distribution and selling expenses and administrative expenses	**864,191**	569,944

8 FINANCE COSTS, NET

	For the six months ended 30 June	
	2024	2023
	RM'000	*RM'000*
	(Unaudited)	*(Unaudited)*
Interest income from bank deposits	**217**	232
Interest expense on loans	**(2,784)**	(1,455)
Interest expense on hire purchase liabilities	**(168)**	(129)
Interest expense on lease liabilities	**(88)**	(35)
Interest expense on bank overdraft	**(7)**	(9)
	(3,047)	(1,628)
Finance costs, net	**(2,830)**	(1,396)

9 INCOME TAX EXPENSES

Malaysian corporate income tax has been provided at the rate of 24% (six months ended 30 June 2023: 24%) of the estimated assessable profit for the six months ended 30 June 2024 and 30 June 2023.

	For the six months ended 30 June	
	2024	2023
	RM'000	*RM'000*
	(Unaudited)	*(Unaudited)*
Current tax:		
Malaysian corporate income tax	**5,781**	1,614
Under provision in prior year	**(30)**	–
	5,751	1,614
Deferred income tax	**202**	381
Income tax expenses	**5,953**	1,995

10 INTERIM DIVIDEND

The Board does not declare the payment of any dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

11 EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2024	2023
	RM'000	*RM'000*
	(Unaudited)	*(Unaudited)*
Earnings		
Profit for the periods attributable to owners of the Company	**11,456**	2,452
Number of shares:		
Weighted average number of shares in issue	**1,000,000,000**	1,000,000,000
Basic earning per share (expressed in sen per share)	**1.15**	0.25

As at 30 June 2024 and 30 June 2023, the Company has no outstanding potentially dilutive shares.

12 TRADE AND OTHER RECEIVABLES

	As at	As at
	30 June	31 December
	2024	2023
	RM'000	*RM'000*
	(Unaudited)	*(Audited)*
Non-current		
Deposits for acquisition of freehold land*	**17,636**	17,636
Current		
Trade receivables	**179,863**	187,006
Less: Provision for loss allowance	**(1,039)**	(1,039)
	178,824	185,967
Other receivables	**3,506**	2,201
Deposits and prepayments	**8,613**	5,128
Down payment to suppliers	**11,011**	10,630
Other tax receivables	**98**	98
	202,052	204,024
Total trade and other receivables	**219,688**	221,660

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

12 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	As at 30 June 2024 ***RM'000*** ***(Unaudited)***	As at 31 December 2023 *RM'000* *(Audited)*
0 – 30 days	**97,424**	139,127
31 – 60 days	**20,021**	16,261
61 – 120 days	**25,081**	29,671
Over 120 days	**37,337**	1,947
	179,863	187,006

The carrying amounts of the Group's trade receivables and denominated in Ringgit Malaysia (RM).

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

	As at 30 June 2024 ***RM'000*** ***(Unaudited)***	As at 31 December 2023 *RM'000* *(Audited)*
As at 1 January	**1,039**	1,232
Provision for loss allowance	**–**	(193)
	1,039	1,039

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

13 TRADE AND OTHER PAYABLES

	As at 30 June 2024	As at 31 December 2023
	RM'000	*RM'000*
	(Unaudited)	*(Audited)*
Trade payables	**44,948**	43,391
Accrued payroll liabilities	**9,031**	8,642
Loans from directors (*Note*)	**7,207**	5,652
Other payables and accruals	**11,008**	9,209
	72,194	66,894

Note: The loans from directors are unsecured, repayable on demand at mutually agreed interest rates.

The carrying amounts of the Group's trade payables are denominated in the Ringgit Malaysia (RM).

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

	As at 30 June 2024	As at 31 December 2023
	RM'000	*RM'000*
	(Unaudited)	*(Audited)*
0 – 30 days	**35,203**	37,735
31 – 60 days	**2,564**	1,634
61 – 120 days	**1,667**	2,669
Over 120 days	**5,514**	1,353
	44,948	43,391

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

BUSINESS REVIEW AND PROSPECTS

The Group is recognized as a leading entity in Malaysia's scrap ferrous metal trading sector, a status largely attributed to our unwavering commitment to integrity, which forms the foundation of all our business operations. Our dedication to honouring commitments and consistently meeting customer expectations remains central to our mission. In line with this commitment, we are pleased to present the Group's unaudited interim results for the six-months period ended 30 June 2024 ("**1H 2024**").

For 1H 2024, the Group recorded revenue of RM865.2 million, representing a significant increase of approximately 50.5% compared to RM574.8 million in the corresponding period of 2023 ("**1H 2023**"). This substantial growth in revenue was primarily driven by a robust increase in sales volume, with 471,580 metric tonne of scrap ferrous metal sold during 1H 2024, reflecting an approximately 52.7% rise from 308,891 metric tonne in 1H 2023. The continued strong demand for scrap ferrous metal, sustained since the second half of 2023, was a key contributor to this positive performance. However, it is noteworthy that despite this growth, 1H 2024 presented challenges, as the average prices for scrap ferrous metal were approximately 4.0% lower compared to 1H 2023.

In terms of profitability, the Group achieved a net profit after tax of RM10.1 million, marking a remarkable improvement of approximately 312% compared to the RM2.5 million recorded in 1H 2023. This strong performance was primarily driven by the Group's continuous efforts to enhance procurement and operational efficiency, leading to an improved gross profit margin.

Looking ahead, although the Group has recorded strong profits, this success may be challenged by the turbulent period anticipated for the global steel industry. The industry is expected to face volatile steel prices and a slow recovery in demand due to an ongoing supply-demand imbalance. Despite early signs of stabilization in steel demand, the sector's outlook remains clouded by adverse factors such as geopolitical tensions and US-China trade conflicts. As a result, the current profitability may not be sustainable in the face of these negative market conditions.

Domestically, the Malaysian steel industry continues to face persistent challenges, including structural overcapacity, weak local demand, and an influx of low-cost imports. In response to these hurdles, Malaysia's Ministry of Investment, Trade, and Industry has established an Independent and Special Committee to assess the industry's short and medium-term outlook and address the overcapacity problem. This initiative aims to provide strategic guidance and alleviate some of the pressures on the local steel market, although significant improvements may take time.

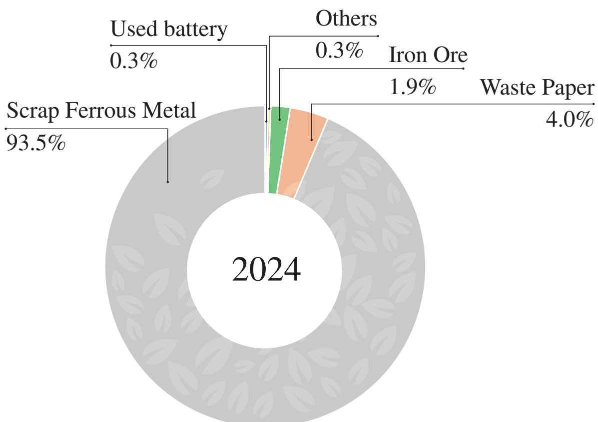
Amid these challenging conditions, the Group remains steadfast in its commitment to enhancing operational efficiency and reinforcing its market position. By pursuing strategic initiatives and maintaining a proactive approach to risk management, the Group is well-positioned to navigate current market volatility, seize emerging opportunities, and drive sustainable growth and value creation for its stakeholders.

Financial Review

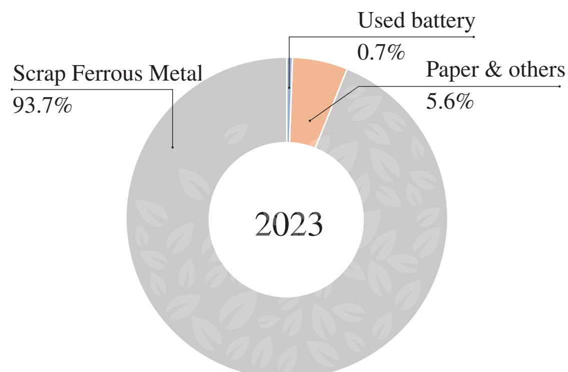
Revenue

Revenue of the Group for 1H 2024 was RM865.2 million (1H 2023: RM574.8 million), representing an increase of 50.5% as compared to the 1H 2023. The breakdown of our total revenue by product types for the periods under review are as below:

Six months ended 30 June 2024



Six months ended 30 June 2023



The substantial increase in revenue was mainly attributable to higher sales volume of scrap ferrous metal. Scrap ferrous metal sales volume recorded at 471,580 tonnes for 1H 2024, represented an increase of approximately 52.7% compared to 308,891 tonnes in 1H 2023. However, average selling price of scrap ferrous metal during 1H 2024 was recorded at RM1,670.00 metric tonne, approximately 4.0% lower as compared than RM1,740.00 per metric tonne in 1H 2023.

The Group's revenue and volume from the sales of scrap ferrous metal during the period under review are as follows:

Six months period ended 30 June			
2024		2023	
Volume sold ***(tonnes)***	**Revenue** ***(RM'000)***	Volume sold *(tonnes)*	Revenue *(RM'000)*
471,580	**787,399**	308,891	538,630

Gross Profit

The Group's gross profit improved by RM32.2 million from RM29.6 million in 1H 2023 to RM61.8 million in 1H 2024, represented an increase of approximately 109.1%. The substantial increase in gross profit was mainly attributable to higher scrap ferrous metal sales volume and lower procurement cost incurred during the period under review.

The Group's gross profit margin has improved to 7.1% for the 1H 2024 as compared to 5.1% in the 1H 2023.

Distribution and Selling Expenses

The Group's distribution and selling expenses have increased substantially by approximately 130.9% at RM26 million for 1H 2024 as compared to RM11.3 million for 1H 2023. The increase was mainly due to higher domestic transportation costs, such as diesel cost, repair and maintenance costs of motor vehicles etc, resulting from the higher sales volume of scrap metal and newly iron-ore trading activities.

Administrative Expenses

The Group's administrative expenses for 1H 2024 and 1H 2023 were recorded as RM16.7 million and RM13.4 million respectively, representing an increase of 24.8%. The increase was mainly attributable to the increase in head count on office and operation personnel and payroll adjustment.

Taxation

Malaysian corporate income tax has been provided at the rate of 24% of the estimated assessable profit. Our effective tax rate for 1H 2024 was 37.1% (1H 2023: 42.8%). The high effective tax rate was mainly attributable to the existence of non-deductible expenditures for tax purposes.

Profit Attributable to Owners of the Company

The Group's profit attributable to owners of the Company for 1H 2024 was RM11.5 million (1H 2023: RM2.5 million), which is in tandem with the increase in profit before tax.

Key Financial Ratios

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

	As at 30 June 2024 ***(Unaudited)***	As at 31 December 2023 *(Audited)*
Liquidity Ratios		
Current ratio	**2.0 times**	2.0 times
Gearing ratio (times)	**0.50**	0.48

	For the six months ended 30 June	
	2024	2023
Inventories' turnover period	**16 days**	16 days
Trade receivables' turnover period	**38 days**	38 days
Trade payables' turnover period	**10 days**	4 days

Working Capital

The inventories' turnover period of the Group remains at 16 days for 1H 2024 as compared to 1H 2023. The Company effectively upheld its logistical efficiency in ensuring timely delivery to customers.

The Group's trade receivables' turnover period remains at 38 days for 1H 2024 as compared to 1H 2023. The Group continues to work closely with our customer to ensure prompt settlement of outstanding sum.

The Group's trade payables' turnover period was 10 days for 1H 2024 as compared to 4 days for 1H 2023. The increase was due to longer payment term made by suppliers.

Liquidity and Financial Resources

As of 30 June 2024, the Group's total equity attributable to owners of the Company amounted to RM224.7 million (as at 31 December 2023: RM213.3 million) including retained earnings of RM140.7 million (as at 31 December 2023: RM129.3 million). The Group's working capital amounted to RM160.5 million (as at 31 December 2023: RM150.7 million) of which cash and bank balances, pledged bank deposits and fixed deposits were RM52.9 million (as at 31 December 2023: RM25.3 million).

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

Total borrowings of the Group as at 30 June 2024 were RM108.6 million (as at 31 December 2023: RM98.4 million). The borrowings were mainly used to finance the procurement of scrap ferrous metals and capital expenditure.

The Group's gearing ratio as at 30 June 2024 was 0.50 times (as at 31 December 2023: 0.48 times). Gearing ratio is calculated based on total interest-bearing debts divided by total equity as at the end of the period.

Material Acquisitions and Disposals of Subsidiaries, Associates or Joint Ventures

During the first six months ended 30 June 2024, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

Pledge of Assets

As at 30 June 2024, the Group has pledged the following assets to banks to secure certain bank borrowings and general banking facilities granted to the Group:

	As at 30 June 2024 ***RM'000*** ***(Unaudited)***	As at 31 December 2023 *RM'000* *(Audited)*
Property, Plant and Equipment	**494**	533
Right-of-use assets	**18,870**	19,017
Investment properties	**5,291**	5,320
Pledged bank deposits	**5,629**	5,561
	30,284	30,431

Contingent Liabilities

The Group did not have any significant contingent liability as at 30 June 2024 (as at 31 December 2023: Nil).

Capital Commitments

As at 30 June 2024, the Group has capital commitment to the bank in respect of the acquisition of property, plant and equipment of RM28.6 million (as at 31 December 2023: RM11.8 million).

Risk Management

The Group in its ordinary course of business is exposed to market risk (such as foreign currency risk and interest rate risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

As most of the Group's operation 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 bank balances, trade and other receivables and amounts due from related parties. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

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

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

The Group manages credit risk associated with cash and bank depositors 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. During the six months ended 30 June 2024, the expected loss rate for trade receivable was 0.6% (1H 2023: 0.9%). The provision for trade receivables for 1H 2024 was nil (1H 2023: Nil).

The Group has no write-off of trade receivables during 1H 2024 and 1H 2023.

The Group has significant concentration of credit risk from customers for scrap ferrous metals such as steel mills and ferrous metal trading companies. As at 30 June 2024, 86% (as at 31 December 2023: 77%) of its total trade receivables was due from this group of customers. As the Group is one of the few approved scrap metal providers to the steel mill customers and based on the past repayment history and forward-looking estimates, the Directors believe that the credit risk inherent in the Group's outstanding trade receivables from this group of customers is low.

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 of past-due status as long as there is no significant change in the credit rating of the customers. Historically, the Group's loss arising from risk of default and time value of money is negligible.

Cash flow forecasting is performed by the operating entities of the Group and aggregated by Group finance. The Group finance monitors rolling forecasts of our Group's liquidity requirements to ensure it has sufficient cash to meet operational needs, taking into consideration the Group's debt financing plans, covenant compliance, and if applicable external regulatory requirements, such as currency restrictions.

EVENTS OCCURRED SINCE THE END OF THE SIX MONTHS ENDED 30 JUNE 2024

Saved as disclosed in this announcement, the Board is not aware of any significant event affecting the Group and requires disclosures that took place subsequent to 30 June 2024 up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, the Group had 374 (as at 30 June 2023: 227) employees in Malaysia. For the six months ended 30 June 2024, total staff costs and related expenses of the Group (including the Directors' remuneration) were RM16.7 million (1H 2023: RM11.0 million), representing an increase of 51.8% as compared to the same period in 2023. The higher staff cost and related expenses of the Group (including Directors' remuneration) for 1H 2024 was mainly attributable to higher head count and salary adjustments during the period under review as compared to the corresponding period in 2023. 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 include 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 based on their merit, qualification and competence. We provide regular training for our employees to improve their skills and knowledge. The training courses range from further educational studies to skill training to professional development courses for management personnel.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2024. As at 1H 2024, neither the Company nor any of its subsidiaries held any treasury shares.

INTERIM DIVIDEND

The Board does not declare the payment of any dividend for 1H 2024 (1H 2023: Nil).

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued share capital, the prescribed minimum percentage of public float approved by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and permitted under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") are held by the public at all times throughout 1H 2024 and as of the date of this announcement.

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 C1 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 considering the circumstances of the Group as a whole. During the period under review, the Company has fully complied with the Corporate Governance Code apart from the deviation above.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuer" (the "**Model Code**") set out in Appendix C3 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities.

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

AUDIT AND RISK MANAGEMENT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit and Risk Management Committee of the Company (being Ms. Sai Shiow Yin, Mr. Puar Chin Jong and Mr. Chu Kheh Wee) has reviewed with management the condensed consolidated financial information for 1H 2024, including accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.henghup.com). The interim report of the Company for 1H 2024 will be published on the aforesaid websites in due course.

By order of the Board
Heng Hup Holdings Limited
Datuk Sia Kok Chin
Chairman and Chief Executive Officer

Hong Kong, 26 August 2024

As at the date of this announcement, the directors of the Company are:

Executive Directors
Datuk Sia Kok Chin *(chairman and chief executive officer)*
Datuk Sia Keng Leong
Mr. Sia Kok Chong
Mr. Sia Kok Seng
Mr. Sia Kok Heong

Independent Non-Executive Directors
Ms. Sai Shiow Yin
Mr. Puar Chin Jong
Mr. Chu Kheh Wee