



HENG HUP HOLDINGS LIMITED

興合控股有限公司

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

Board of Directors

Executive Directors:

Datuk Sia Kok Chin
(Chairman and Chief Executive Officer)
Datuk Sia Keng Leong
Mr. Sia Kok Chong
Mr. Sia Kok Seng
Mr. Sia Kok Heong

Independent Non-Executive Directors:

Ms. Sai Shioh Yin
Mr. Puar Chin Jong
Mr. Chu Kheh We

Registered office:

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Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Principal Place of Business
in Hong Kong:*

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East, Wanchai
Hong Kong

29 November 2021

To the Shareholders

Dear Sir or Madam,

DISCLOSABLE AND CONNECTED TRANSACTION ACQUISITION OF PROPERTIES

Reference is made to the announcement of the Company dated 30 October 2021 (the "Announcement") in relation to the Acquisition.

The purpose of this circular is to provide you with, among other things, (i) the details of the Sale and Purchase Agreement and the transactions contemplated thereunder and other information as required under the Listing Rules; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Acquisition; (iii) the letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition; (iv) the valuation report prepared by Henry Butcher; (v) general information of the Group; and (vi) a notice of the EGM.

SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are as follows:

Date

30 October 2021

Parties

- (a) the Vendor; and
- (b) the Purchaser.

Subject Matter

On 30 October 2021, the Vendor, a direct and wholly owned company of the Sia Brothers, has entered into the conditional Sale and Purchase Agreement with the Purchaser, an indirect and wholly owned subsidiary of the Company pursuant to which the Vendor agreed to sell, and the Purchaser agreed to acquire the Properties at a consideration of RM9,300,000 (equivalent to approximately HKD17,391,000).

Properties

Three (3) adjoining parcels of agricultural land held under Title No. HSM 4044, HSM 4045, and HSM 4043, Lot No. PT 10541, PT 10542, and PT 10543 respectively, all in Tempat Bukit Cheraiah, Mukim of Ijuk, District of Kuala Selangor, State of Selangor, Malaysia with the total land area of approximately 2.4282 hectares. The original acquisition cost of the Properties to the Vendor was RM7,845,000 (equivalent to approximately HKD14,670,150).

Consideration and payment terms

The consideration of RM9,300,000 (equivalent to approximately HKD17,391,000) for the Properties is payable by the Purchaser in cash in the following manner:

- (a) RM930,000 (equivalent to approximately HKD1,739,100) representing 10% of the consideration, shall be paid by the Purchaser to the Vendor upon the execution of the Sale and Purchase Agreement; and
- (b) RM8,370,000 (equivalent to approximately HKD15,651,900) representing 90% of the consideration, shall be paid within three (3) months from the date the Sale and Purchase Agreement shall become unconditional.

The consideration was determined on the basis of normal commercial terms and after arm's length negotiations between the Vendor and the Purchaser with reference to the preliminary valuation of the Properties of RM9,300,000 (equivalent to approximately HKD17,391,000) as of 28 October 2021 conducted by Henry Butcher by making reference to sales evidence as available in the market. The consideration will be funded by bank borrowing and the internal resources of the Group.

The Board makes reference to the valuation report prepared by Henry Butcher whereby, in arriving at its opinion of value based on as is where is basis, Henry Butcher took into consideration amongst others, certain transactions (as set out under the valuation report) (the "Comparable Transactions") which it extracted from the Malaysian Department of Property Valuation and Services. The Board notes that the Comparable Transactions were conducted in 2019.

The Board understands that there was no recent transaction of similar properties recorded within the vicinity of the Properties in the past 18 months. In the absence of actual transaction, Henry Butcher has relied on the asking price for the market activities in relation to vacant lands and/or potential lands for development as a source of valuation and Henry Butcher noted that the asking price of such properties within the vicinity has remained consistent throughout the years since 2019.

The Board also refers to the internal searches conducted by the Company on the leading and most common used portal for market activities involving properties in Malaysia. The Board notes that there is one (1) agriculture land (the "Comparable Land") located in the nearest proximity of the Properties currently available for sale. The asking price of the Comparable Land as at the Latest Practicable Date is RM2,100,000, calculated at RM32.14 per square foot (*Note 1*). In the meantime, the Board notes that only the lands located at the better location fronting onto the main road of an already developed industrial park and other existing infrastructures will have a higher asking price compared to the Comparable Land. Given the reasons above, the Board is of the view that the asking price for the Comparable Land is sufficient to reflect that the actual transaction price of the Comparable Transactions in 2019 is still relevant to the current market and compatible with the valuation of the Properties as set out in the valuation report prepared by Henry Butcher.

Having considered the advice from Henry Butcher and the internal searches conducted by the Company as elaborated above, the Board concludes that the valuation of the Properties with reference to the transactions in 2019 is fair and reasonable.

Note:

1. The asking price of the Comparable Land as at the Latest Practicable Date is RM2,100,000, calculated at RM32.14 per square foot. Please refer to the hyperlink below for more information of the Comparable Land.
 - (a) https://www.propertyguru.com.my/commercial-property/puncak-alam-puncak-alam-for-sale-by-anson-lee-33164796?utm_campaign=my-pg-site-share-other-na-disih-clink&utm_medium=organic&utm_source=pg

Conditions Precedent

The Sale and Purchase Agreement shall take effect upon the satisfaction of the following conditions precedent:-

- (a) the consent from the State Authority for the Sale and Purchase Agreement and the transactions contemplated thereunder; and
- (b) the passing of ordinary resolution(s) by the Shareholders at the EGM to be convened and held to approve the Sale and Purchase Agreement and the transactions contemplated thereunder in accordance with the Listing Rules.

If any of the conditions precedent set out in the Sale and Purchase Agreement has not been fulfilled within three (3) months from the date of the Sale and Purchase Agreement, subject to any further extension as may be agreed by the Vendor and the Purchaser, the Purchaser will be entitled to terminate the Sale and Purchase Agreement by a written notice to the Vendor.

Completion

The Properties will be delivered to the Purchaser on an "as-is" basis upon completion of the Sale and Purchase Agreement, which will take place within three (3) months from the date the Sale and Purchase Agreement shall become unconditional and the consideration is fully settled by the Purchaser.

FINANCIAL EFFECTS OF THE ACQUISITION

Immediately upon completion of the Acquisition and assuming the consideration is intended to be satisfied by (i) internal resources of the Group in the amount of approximately RM1,400,000; and (ii) external financing in the amount of approximately RM7,900,000, the financial effects of the Acquisition to the Group are: (i) an increase of asset arising from the Properties amounting to RM9,300,000; and (ii) an increase of net debts by RM9,300,000 calculated by a decrease in cash on hand and an increase in debt. Save as the abovementioned, the Directors consider that the Acquisition will not have any other material effect on the total assets, total liabilities and earnings of the Group.

INFORMATION ON PARTIES

The Group

The Company is an investment holding company and its subsidiaries are principally engaged in trading of scrap ferrous metals, used batteries, waste papers and other scraps in Malaysia.

The Vendor

The Vendor is a company incorporated and existing under the laws of Malaysia with limited liability, which is directly and wholly owned by the Sia Brothers. As advised by the Vendor, it is an investment holding company.

The Purchaser

The Purchaser is a company incorporated and existing under the laws of Malaysia with limited liability, which is indirectly and wholly owned subsidiary of the Company. The Purchaser is engaged in the trading of scrap ferrous metals, used batteries and other scraps.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group has always strived to extend its overseas portfolio by growing its export business while continue to strengthen its position as the leading player in the local market.

The Acquisition is in line with the Group's priority to develop a new scrapyards in the State of Selangor, Malaysia for its business expansion. The Board believes that the new scrapyards will help the Group to achieve operational efficiency on its logistic management and serve as a risk management strategy on its plan for market diversification.

LISTING RULES IMPLICATIONS

As one or more applicable percentage ratios calculated by reference to Rule 14.07 of the Listing Rules in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company.

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 and is therefore subject to the reporting, announcement, and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and its Shareholders as a whole, and to advise the Independent Shareholders as to how to vote at the EGM.

Gram Capital has been appointed as the Independent Financial Adviser to provide advice and recommendation to the Independent Board Committee and the Independent Shareholders in this respect.

GENERAL

As at the Latest Practicable Date, the Sia Brothers, all being the executive directors of the Company, owned as to 100% of the Vendor and regarded as having material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder, and therefore have abstained from voting on the relevant board meeting of the Company.

The EGM will be convened for the purpose of considering and, if thought fit, approving, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder.

EGM

The voting at the EGM will be taken by a poll. The Company will make an announcement of the poll results in accordance with the relevant requirements under the Listing Rules as soon as possible. Any Shareholder who has a material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder shall abstain from voting on the resolution in relation thereto to be proposed at the EGM.

The Sia Brothers have entered into a deed of acting in concert confirmation and undertaking dated 20 August 2018. As such, each of the Sia Brothers, being parties to the deed of acting in concert confirmation and undertaking, is deemed under the SFO to be interested in the 510,000,000 Shares collectively held through 5S Holdings and the 48,000,000 Shares held by each of the other Sia Brothers.

As at the Latest Practicable Date, the Sia Brothers held 750,000,000 Shares (representing 75% of the existing issued share capital of the Company) among which 510,000,000 shares are held in the capacity as interest in a controlled corporation, 192,000,000 shares are held in the capacity as interests held jointly with another person and 48,000,000 shares are held in the capacity as beneficial owner. The Sia Brothers are the controlling shareholders of the Company and collectively, they are able to exercise control over the voting right of 750,000,000 Shares.

The Sia Brothers have material interests in the Sale and Purchase Agreement and the transactions contemplated thereunder as described above and as such, the Sia Brothers and their associates are required to abstain from voting on the relevant resolution approving the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

Save as disclosed above and to the best of the Directors' knowledge, as at the Latest Practicable Date, no other Shareholder had any material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder, and no other Shareholder is required to abstain from voting at the EGM on the relevant resolution approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholders; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby it/he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its/his Shares to a third party, either generally or on a case-by-case basis. Accordingly, to the best knowledge, information and belief of the Directors, there exists no discrepancy between any Shareholder's beneficial shareholding interest in the Company and the number of Shares in the Company in respect of which such Shareholder will control or will be entitled to exercise control over the voting right at the EGM.

A notice for convening the EGM to be held at 40th Floor, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong on Wednesday, 15 December 2021 at 10:00 a.m. is set out on pages 32 to 33 of this circular. A form of proxy for the EGM is also enclosed with this circular. Whether or not you intend to be present at the EGM, you are requested to complete the form of proxy and return it to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the EGM. The completion of a form of proxy will not preclude you from attending and voting at the EGM in person.

CLOSURE OF REGISTER OF MEMBERS

In order to determine members who are entitled to attend the EGM on Wednesday, 15 December 2021, the transfer books and register of members will be closed from Tuesday, 14 December 2021 to Wednesday, 15 December 2021, both days inclusive, during which period no share transfers can be registered.

In order to be eligible to attend and vote at the EGM, all registered holders of shares of the Company should ensure that all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4.30 p.m. on Monday, 13 December 2021.

RECOMMENDATION

The Board are of the view that the terms of the Sale and Purchase Agreement, which have been agreed after arm's length negotiations are on normal commercial terms and such terms are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the resolution for approving the Sale and Purchase Agreement and the transactions contemplated thereunder to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee, the letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders, the additional information as set out in the appendices to this circular and the notice of the EGM.

By order of the Board
Heng Hup Holdings Limited



Datuk Sia Kok Chin
Chairman and Chief Executive Officer