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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in Heng Hup Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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HENG HUP HOLDINGS LIMITED **興合控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1891)

CONTINUING CONNECTED TRANSACTIONS: 2022 MASTER PURCHASE AGREEMENTS

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.

A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 22 to 23 of this circular. A letter from Gram Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 24 to 36 of this circular.

A notice convening the EGM to be held at 264, Jalan Satu A, Kampung Baru Subang, 40150 Shah Alam, Selangor, Malaysia and by way of online webcast to participate in the EGM on Saturday, 14 May 2022 at 10 a.m. is set out on pages EGM-1 to EGM-4 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon 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 or via the designated URL (<https://spot-meeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

21 April 2022

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PRECAUTIONARY MEASURES AND ARRANGEMENTS FOR THE EGM

The health of the Shareholders, staff and stakeholders of the Company is of paramount importance to us. Due to the constantly evolving COVID-19 pandemic situation, the Company may be required to change the EGM arrangements in respect of the meeting venue at short notice. The Shareholders should check the Company's website (www.henghup.com) or the Stock Exchange's website (www.hkexnews.hk) for any future announcements and updates on the EGM arrangements.

- (a) Whether or not the Shareholders intend to be present at the EGM, the Shareholders 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 or via the designated URL (<https://spot-meeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company 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.
- (b) The EGM will be held physically and broadcasted by online webcast so that Shareholders will be able to participate the EGM through Tricor e-Meeting System. **No remote voting system is provided** as there is no such arrangement is allowed as pursuant to the existing articles of association of the Company (the "Articles"). So Shareholders are recommended to cast their votes by posting their forms of proxy in advance of the EGM and appointing the chairman of the EGM to vote on their behalf at the EGM.
- (c) All registered Shareholders will be able to join the EGM via the Tricor e-Meeting System. The Tricor e-Meeting System can be accessed from any location with access to the internet via smartphone, tablet device or computer. Through the Tricor e-Meeting System, our registered Shareholders will be able to view the live video broadcast and submit questions online by using the username and password provided on the notification letter sent by the Company. Login details and information regarding the Tricor e-Meeting System are included in the Company's notification letters to registered Shareholders.
- (d) Non-registered holders whose Shares are held in the Central Clearing and Settlement System through banks, brokers, custodians or Hong Kong Securities Clearing Company Limited may also be able to participate in the EGM and submit questions online. In this regard, they should consult directly with their banks, brokers or custodians (as the case may be) for the necessary arrangements.
- (e) If any Shareholder have any questions on the arrangements of the EGM, please contact Tricor Investor Services Limited, the Company's branch share registrar, at the following:

Address: Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
Email: is-enquiries@hk.tricorglobal.com
Telephone: (852) 2980 1333 from 9:00 a.m. to 5:00 p.m. (Monday to Friday, excluding Hong Kong public holidays)

DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“2019 Chye Seng Huat Trading Master Purchase Agreement”	the master purchase agreement dated 19 February 2019 and entered into among the Company with Chye Seng Huat Trading, Chye Seng Huat Sdn. Bhd. and Soon Lee Metal Sdn. Bhd.
“2019 Lek Seng Master Purchase Agreement”	the master purchase agreement dated 19 February 2019 and entered into among the Company with Lek Seng and Lek Seng Metal Sdn. Bhd.
“2019 Long Hin Master Purchase Agreement”	the master purchase agreement dated 19 February 2019 and entered into between the Company and Long Hing
“2019 Master Purchase Agreements”	together the 2019 Long Hin Master Purchase Agreement, the 2019 Lek Seng Master Purchase Agreement and the 2019 Chye Seng Huat Master Purchase Agreement and each a “2019 Master Purchase Agreement”
“2022 Chye Seng Huat Trading Master Purchase Agreement”	the conditional master purchase agreement dated 7 March 2022 and entered into among the Company with Chye Seng Huat Trading, Chye Seng Huat Sdn. Bhd. and Soon Lee Metal Sdn. Bhd.
“2022 Lek Seng Master Purchase Agreement”	the conditional master purchase agreement dated 7 March 2022 and entered into among the Company with Lek Seng and Lek Seng Metal Sdn. Bhd.
“2022 Long Hin Master Purchase Agreement”	the conditional master purchase agreement dated 7 March 2022 and entered into between the Company and Long Hing
“2022 Master Purchase Agreements”	together the 2022 Long Hin Master Purchase Agreement, the 2022 Lek Seng Master Purchase Agreement and the 2022 Chye Seng Huat Master Purchase Agreement and each a “2022 Master Purchase Agreement”
“associate”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors

DEFINITIONS

“Chye Seng Huat Sdn. Bhd.”	a company incorporated in Malaysia 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
“Chye Seng Huat Trading”	a sole proprietorship owned by Mr. Lim Ching Chan, who is a cousin of the Sia Brothers
“Company”	Heng Hup Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to this term under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to this term under the Listing Rules and for the purpose of this circular, the Sia Brothers or where the context requires, any one of them
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held and convened for the Independent Shareholders to consider and, if thought fit, approve the 2022 Master Purchase Agreements and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the 2022 Master Purchase Agreements and the transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholder(s) who are not required to abstain from voting at the EGM to approve the 2022 Master Purchase Agreements and the transactions contemplated thereunder
“Latest Practicable Date”	13 April 2022, being the latest practicable date for ascertaining certain information contained in this circular

DEFINITIONS

“Lek Seng”	a partnership owned by Mr. Lim Lai Wah and Mr. Lam Swee Seng, who are cousins of the Sia Brothers
“Lek Seng Metal Sdn. Bhd.”	a company incorporated in Malaysia and is owned as to 22.5% by Mr. Lam Swee Seng, 22.5% by Mr. Lim Lai Wah and the remaining shares held by three (3) sons of Mr. Lim Lai Wah
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Long Hin”	Long Hin Recycle & Trading Sdn. Bhd., a company incorporated in Malaysia and owned as to 50% by Mr. Sia Yin Hwee, being an uncle of the Sia Brothers, and 50% by Ms. Tan Ah Ngoo, being his spouse
“RM”	Ringgit Malaysia, the lawful currency of Malaysia
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Sia Brothers”	together Datuk Sia Keng Leong, Mr. Sia Kok Chong, Mr. Sia Kok Seng, Datuk Sia Kok Chin, Mr. Sia Kok Heong, who are executive Directors and controlling shareholders of the Company
“Soon Lee Metal Sdn. Bhd.”	a company incorporated in Malaysia and 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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

In this circular, the terms “associate”, “connected person”, “connected transaction”, “controlling shareholder”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

LETTER FROM THE BOARD



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

Registered Office:

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

Principal office of business in Hong Kong:

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

21 April 2022

To the Shareholders,

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS: 2022 MASTER PURCHASE AGREEMENTS

INTRODUCTION

Reference is made to the announcement of the Company dated 7 March 2022 in relation to, among others, the entering into of the 2022 Master Purchase Agreements by the Company.

As the counterparty to the 2022 Long Hin Master Purchase Agreement, being Long Hin, the counterparty to the 2022 Lek Seng Master Purchase Agreement, being Lek Seng and Lek Seng Metal Sdn. Bhd., and the counterparty to the 2022 Chye Seng Huat Trading Master Purchase Agreement, being Chye Seng Huat Trading, Chye Seng Huat Sdn. Bhd. and Soon Lee Metal Sdn. Bhd., are connected with each other, the transactions contemplated under the 2022 Long Hin Master Purchase Agreement, the 2022 Lek Seng Master Purchase Agreement and the 2022 Chye Seng Huat Trading Master Purchase Agreement are aggregated pursuant to Rules 14A.81 and 14A.82 of the Listing Rules. As the counterparties to the 2022 Master Purchase Agreements are connected persons or deemed connected persons of the Company, the

LETTER FROM THE BOARD

transactions contemplated under the 2022 Master Purchase Agreements constitute continuing connected transactions on the part of the Company under Chapter 14A of the Listing Rules and shall be subject to approval of the Independent Shareholders at the EGM.

The purpose of this circular is to give you among other things, (i) details of the 2022 Master Purchase Agreements 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 2022 Master Purchase Agreements; (iii) the letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in relation to the 2022 Master Purchase Agreements; (iv) general information of the Group; and (v) a notice of the EGM.

INTRODUCTION AND BACKGROUND OF THE TRANSACTIONS

Reference is made to the prospectus of the Company dated 27 February 2019 in relation to the listing of the Company on the Stock Exchange. As disclosed in the section headed “Connected Transactions” in the prospectus, the Company entered into (a) the 2019 Long Hin Master Purchase Agreement with Long Hin, pursuant to which the Group may, but is not obliged to, purchase scrap ferrous metals and used batteries from Long Hin; (b) the 2019 Lek Seng Master Purchase Agreement with Lek Seng and Lek Seng Metal Sdn. Bhd., pursuant to which the Group may, but is not obliged to, purchase scrap ferrous metals, used batteries and waste paper from Lek Seng and/or Lek Seng Metal Sdn. Bhd.; and (c) the 2019 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 the Group 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. The 2019 Master Purchase Agreements are effective from the date of listing of the Company on the Stock Exchange and had expired on 31 December 2021.

In order to renew the existing continuing connected transactions contemplated under the 2019 Master Purchase Agreement, the Company entered into the 2022 Master Purchase Agreements to reflect the terms of the proposed continuing connected transactions and the caps of the transactions thereunder for the period of the three financial years ended 31 December 2022, 2023 and 2024.

As the counterparties to the 2022 Master Purchase Agreements are connected persons or deemed connected persons of the Company, the transactions contemplated under the 2022 Master Purchase Agreements constitute continuing connected transactions on the part of the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

The principal terms of the 2022 Master Purchase Agreements are set out below.

(A) THE 2022 LONG HIN MASTER PURCHASE AGREEMENT

Date:

7 March 2022 (after trading hours)

Parties:

The Company

Long Hin

Subject Matter

Pursuant to the 2022 Long Hin Master Purchase Agreement, the Group may, but is not obliged to, purchase scrap ferrous metals and used batteries from Long Hin, subject to the annual caps of RM100,000 for each of the three years ending 31 December 2022, 2023 and 2024.

The 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 the Group will continue to purchase scrap ferrous metals and used batteries from Long Hin.

The prices payable by the Group under the 2022 Long Hin Master Purchase Agreement will be determined after arm's length negotiations between the parties with reference to market prices and be on normal commercial terms (or on terms better to the Group than those available to Independent Third Parties).

Pricing Basis

The pricing mechanism under the 2022 Long Hin Master Purchase Agreement will be based on: (i) the government-prescribed price (if any); or (ii) if there is no applicable government-prescribed price, the market price at the time of placing the relevant orders, which means such price(s) that:

- (1) Long Hin as the contracting party (as the supplier of materials) provides such materials to independent third parties for the same or similar materials in the Malaysia market; or
- (2) other independent third parties which would provide such materials for the same or similar materials in the Malaysia market.

The scrap metal trading market in Malaysia is driven by the demand of the customers and the purchase prices fluctuate daily. The customers of the Group, which are Independent Third Parties, will communicate with the Group on a regular basis for the trading of scrap metals. Based on the target selling prices obtained by the Group, the

LETTER FROM THE BOARD

Group will set purchase prices for the suppliers. The purchase prices may be subject to variation depending on (i) whether the supplier can commit bulk supply; (ii) whether the supply was a direct delivery or delivered to the yard of the Group; and (iii) the transportation costs (i.e. whether the Group would provide logistic services or not).

The purchase price is determined on a daily basis based on the ongoing negotiations with suppliers based on the aforesaid factors. The Group has over 20 customers, which are Independent Third Parties. As such, the Company considers that the target selling prices from those customers in the industry would reflect the market prices. The Group has more than 700 suppliers throughout Malaysia and other places. As such, the Company considers that the purchase prices would reflect the market prices.

Conditions

The 2022 Long Hin Master Purchase Agreement is conditional upon:

- (a) if required under the Listing Rules, the passing by the Independent Shareholders at a general meeting of the Company to be convened and held of an ordinary resolution to approve the 2022 Long Hin Master Purchase Agreement and the transactions contemplated thereunder; and
- (b) all necessary consents, authorisations and approvals required to be obtained on the part of the parties hereof in respect of the 2022 Long Hin Master Purchase Agreement having been obtained.

If the conditions set out above have not been satisfied on or before 30 April 2022 (or such other date as the parties thereto may agree), the 2022 Long Hin Master Purchase Agreement shall cease and terminate and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

Duration

Subject to the fulfillment of the conditions precedent of the 2022 Long Hin Master Purchase Agreement, the 2022 Long Hin Master Purchase Agreement shall be for the three financial years ended 31 December 2022, 2023 and 2024 unless terminated earlier by agreement signed between the parties thereto.

Historical transaction amounts

Set out below are the historical transaction amounts under the 2019 Long Hin Master Purchase Agreement.

LETTER FROM THE BOARD

For the financial year ended 31 December 2019 (audited) (RM)	For the financial year ended 31 December 2020 (audited) (RM)	For the financial year ended 31 December 2021 (unaudited) (RM)
11,802	Nil	Nil

As at the Latest Practicable Date, the Company confirms that the total historical transaction amounts did not exceed the annual caps of RM0.4 million, RM0.5 million, RM0.6 million per annum for each of the three financial years ended 31 December 2019, 2020, 2021 under the 2019 Long Hin Master Purchase Agreement.

Proposed annual caps for the 2022 Long Hin Master Purchase Agreement

It is expected that the maximum aggregate amount payable by the Group to Long Hin for each of the three financial years ending 31 December 2022, 2023 and 2024 not exceed the following respective amounts and such amounts have been set as the proposed annual caps for the relevant continuing connected transactions contemplated under the 2022 Long Hin Master Purchase Agreement.

For the financial year ending 31 December 2022 (RM)	For the financial year ending 31 December 2023 (RM)	For the financial year ending 31 December 2024 (RM)
100,000	100,000	100,000

In arriving at the proposed annual caps above, the Company has taken into account: (a) the Group's aggregate costs of purchase of the materials from Long Hin during the historical period; (b) the anticipated demand of the customers of the Group for the materials for the three financial years ending 31 December 2022, 2023 and 2024; (c) the Group's expected business growth; and (d) the market overview of the scrap material trading market. The Company considers that the above proposed annual caps are on normal commercial terms, in the ordinary and usual course of business, and fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Whilst the Group did not have transactions with Long Hin for the two years ended 31 December 2021, it was noted that for the Group had transactions with Long Hin in the year ended 31 December 2019. Without the 2022 Long Hin Master Purchase Agreement, this will hinder the Group to source from Long Hin in the event that Long Hin can supply materials at favourable terms to the Company. As such, the relatively small annual caps under the 2022 Long Hin Master Purchase Agreement will serve the purpose.

LETTER FROM THE BOARD

It is noted that there was high market demand of the steel products in the year ended 31 December 2021 and the price of the steel products was rising during the year ended 31 December 2021 compared with the corresponding period in 2020. According to Malaysian Iron and Steel Industry Federation, it was expected that Malaysia's steel demand would grow at a compounded annual growth rate (CAGR) of 3.5%. In order to allow sufficient flexibility and in light of the strong demand of growth in years to come, the Company will consider into entering for the 2022 Long Hin Master Purchase Agreement and the proposed annual caps are deemed fair, reasonable and justified.

(B) THE 2022 LEK SENG MASTER PURCHASE AGREEMENT

Date:

7 March 2022 (after trading hours)

Parties:

The Company

Lek Seng

Lek Seng Metal Sdn. Bhd.

Subject Matter

Pursuant to the 2022 Lek Seng Master Purchase Agreement, the Group may, but is not obliged to, purchase scrap ferrous metals, used batteries and waste paper from Lek Seng and/or Lek Seng Metal Sdn. Bhd., subject to the annual caps of RM50 million, RM50 million and RM55 million for each of the three financial years ending 31 December 2022, 2023 and 2024.

The 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 the Group will continue to purchase scrap ferrous metals, used batteries and waste paper from Lek Seng and Lek Seng Metal Sdn. Bhd.

The prices payable by the Group under the 2022 Lek Seng Master Purchase Agreement will be determined after arm's length negotiations between the parties with reference to market prices and be on normal commercial terms (or on terms better to the Group than those available to Independent Third Parties).

LETTER FROM THE BOARD

Pricing Basis

The pricing mechanism under the 2022 Lek Seng Master Purchase Agreement will be based on: (i) the government-prescribed price (if any); or (ii) if there is no applicable government-prescribed price, the market price at the time of placing the relevant orders, which means such price(s) that:

- (1) Lek Seng and/or Lek Seng Metal Sdn. Bhd. as the contracting party (as the supplier of materials) provides such materials to independent third parties for the same or similar materials in the Malaysia market; or
- (2) other independent third parties which would provide such materials for the same or similar materials in the Malaysia market.

The scrap metal trading market in Malaysia is driven by the demand of the customers and the purchase prices fluctuate daily. The customers of the Group, which are Independent Third Parties, will communicate with the Group on a regular basis for the trading of scrap metals. Based on the target selling prices obtained by the Group, the Group will set purchase prices for the suppliers. The purchase prices may be subject to variation depending on (i) whether the supplier can commit bulk supply; (ii) whether the supply was a direct delivery or delivered to the yard of the Group; and (iii) the transportation costs (i.e. whether the Group would provide logistic services or not).

The purchase price is determined on a daily basis based on the ongoing negotiations with suppliers based on the aforesaid factors. The Group has over 20 customers, which are Independent Third Parties. As such, the Company considers that the target selling prices from those customers in the industry would reflect the market prices. The Group has more than 700 suppliers throughout Malaysia and other places. As such, the Company considers that the purchase prices would reflect the market prices.

Conditions

The 2022 Lek Seng Master Purchase Agreement is conditional upon:

- (a) if required under the Listing Rules, the passing by the Independent Shareholders at a general meeting of the Company to be convened and held of an ordinary resolution to approve the 2022 Lek Seng Master Purchase Agreement and the transactions contemplated thereunder; and
- (b) all necessary consents, authorisations and approvals required to be obtained on the part of the parties hereof in respect of the 2022 Lek Seng Master Purchase Agreement having been obtained.

If the conditions set out above have not been satisfied on or before 30 April 2022 (or such other date as the parties thereto may agree), the 2022 Lek Seng Master Purchase Agreement shall cease and terminate and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

LETTER FROM THE BOARD

Duration

Subject to the fulfillment of the conditions precedent of the 2022 Lek Seng Master Purchase Agreement, the 2022 Lek Seng Master Purchase Agreement shall be for the three financial years ended 31 December 2022, 2023 and 2024 unless terminated earlier by agreement signed between the parties thereto.

Historical transaction amounts

Set out below are the historical transaction amounts under the 2019 Lek Seng Master Purchase Agreement.

For the financial year ended 31 December 2019 (audited) (RM)	For the financial year ended 31 December 2020 (audited) (RM)	For the financial year ended 31 December 2021 (unaudited) (RM)
27.513 million	24.588 million	37.039 million

As at the Latest Practicable Date, the Company confirms that the total historical transaction amounts did not exceed the annual caps of RM40.0 million, RM45.0 million, RM50.0 million per annum for each of the three financial year ended 31 December 2019, 2020, 2021 under the 2019 Lek Seng Master Purchase Agreement.

Proposed annual caps for the 2022 Lek Seng Master Purchase Agreement

It is expected that the maximum aggregate amount payable by the Group to Lek Seng for each of the three financial years ending 31 December 2022, 2023 and 2024 shall not exceed the following respective amounts and such amounts have been set as the proposed annual caps for the relevant continuing connected transactions contemplated under the 2022 Lek Seng Master Purchase Agreement.

For the financial year ending 31 December 2022 (RM)	For the financial year ending 31 December 2023 (RM)	For the financial year ending 31 December 2024 (RM)
50 million	50 million	55 million

In arriving at the proposed annual caps above, the Company has taken into account: (a) the Group's aggregate costs of purchase of the materials from Lek Seng and Lek Seng Metal Sdn. Bhd., during the historical period; (b) the anticipated demand of the customers of the Group for the materials for the three financial years ending 31 December 2022, 2023 and 2024; (c) the Group's expected business growth; and (d) the market overview of the scrap material trading market. The Company considers that the above proposed annual caps are on normal commercial terms, in the ordinary and usual course of business, and fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

It is noted that there was high market demand of the steel products in the year ended 31 December 2021 and the price of the steel products was rising during the year ended 31 December 2021 compared with the corresponding period in 2020. According to Malaysian Iron and Steel Industry Federation, it was expected that Malaysia's steel demand would grow at a compounded annual growth rate (CAGR) of 3.5%. In order to allow sufficient flexibility and in light of the strong demand of growth in years to come, the Company will consider into entering for the 2022 Lek Seng Master Purchase Agreement and the proposed annual caps are deemed fair, reasonable and justifiable.

(C) THE 2022 CHYE SENG HUAT TRADING MASTER PURCHASE AGREEMENT

Date:

7 March 2022 (after trading hours)

Parties:

The Company

Chye Seng Huat Trading

Chye Seng Huat Sdn. Bhd.

Soon Lee Metal Sdn. Bhd.

Subject Matter

Pursuant to the 2022 Chye Seng Huat Trading Master Purchase Agreement, the Group 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/or Soon Lee Metal Sdn. Bhd., subject to the annual caps of RM50 million, RM55 million and RM60 million for each of the three financial years ending on 31 December 2022, 2023 and 2024.

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

The prices payable by the Group under the 2022 Chye Seng Huat Trading Master Purchase Agreement will be determined after arm's length negotiations between the parties with reference to market prices and be on normal commercial terms (or on terms better to the Group than those available to Independent Third Parties).

LETTER FROM THE BOARD

Pricing Mechanism

The pricing mechanism under the 2022 Chye Seng Huat Trading Master Purchase Agreement will be based on: (i) the government-prescribed price (if any); or (ii) if there is no applicable government-prescribed price, the market price at the time of placing the relevant orders, which means such price(s) that:

- (1) Chye Seng Huat Trading, Chye Seng Huat Sdn. Bhd. and/or Soon Lee Metal Sdn. Bhd. as the contracting party (as the supplier of materials) provides such materials to independent third parties for the same or similar materials in the Malaysia market; or
- (2) other independent third parties which would provide such materials for the same or similar materials in the Malaysia market.

The scrap metal trading market in Malaysia is driven by the demand of the customers and the purchase prices fluctuate daily. The customers of the Group, which are Independent Third Parties, will communicate with the Group on a regular basis for the trading of scrap metals. Based on the target selling prices obtained by the Group, the Group will set purchase prices for the suppliers. The purchase prices may be subject to variation depending on (i) whether the supplier can commit bulk supply; (ii) whether the supply was a direct delivery or delivered to the yard of the Group; and (iii) the transportation costs (i.e. whether the Group would provide logistic services or not).

The purchase price is determined on a daily basis based on the ongoing negotiations with suppliers based on the aforesaid factors. The Group has over 20 customers, which are Independent Third Parties. As such, the Company considers that the target selling prices from those customers in the industry would reflect the market prices. The Group has more than 700 suppliers throughout Malaysia and other places. As such, the Company considers that the purchase prices would reflect the market prices.

Conditions

The 2022 Chye Seng Huat Trading Master Purchase Agreement is conditional upon:

- (a) if required under the Listing Rules, the passing by the Independent Shareholders at a general meeting of the Company to be convened and held of an ordinary resolution to approve the 2022 Chye Seng Huat Trading Master Purchase Agreement and the transactions contemplated thereunder; and
- (b) all necessary consents, authorisations and approvals required to be obtained on the part of the parties hereof in respect of the 2022 Chye Seng Huat Trading Master Purchase Agreement having been obtained.

LETTER FROM THE BOARD

If the conditions set out above have not been satisfied on or before 30 April 2022 (or such other date as the parties thereto may agree), the 2022 Chye Seng Huat Trading Master Purchase Agreement shall cease and terminate and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

Duration

Subject to the fulfillment of the conditions precedent of the 2022 Chye Seng Huat Trading Master Purchase Agreement, the 2022 Chye Seng Huat Trading Master Purchase Agreement shall be for the three financial years ended 31 December 2022, 2023 and 2024 unless terminated earlier by agreement signed between the parties thereto.

Historical transaction amounts

Set out below are the historical transaction amounts under the 2019 Chye Seng Huat Trading Master Purchase Agreement.

For the financial year ended 31 December 2019 (audited) (RM)	For the financial year ended 31 December 2020 (audited) (RM)	For the financial year ended 31 December 2021 (unaudited) (RM)
29.437 million	24.046 million	43.383 million

As at the Latest Practicable Date, the Company confirms that the total historical transaction amounts did not exceed the annual caps of RM35.0 million, RM40.0 million, RM45.0 million per annum for each of the three financial years ended 31 December 2019, 2020, 2021 under the 2019 Chye Seng Huat Trading Master Purchase Agreement.

Proposed annual caps for the 2022 Chye Seng Huat Trading Master Purchase Agreement

It is expected that the maximum aggregate amount payable by the Group to Chye Seng Huat Trading, Chye Seng Huat Sdn. Bhd. and/or Soon Lee Metal Sdn. Bhd. for each of the three financial years ending 31 December 2022, 2023 and 2024 not exceed the following respective amounts and such amounts have been set as the proposed caps for the relevant continuing connected transactions contemplated under the 2022 Chye Seng Huat Trading Master Purchase Agreement.

LETTER FROM THE BOARD

For the financial year ending 31 December 2022 <i>(RM)</i>	For the financial year ending 31 December 2023 <i>(RM)</i>	For the financial year ending 31 December 2024 <i>(RM)</i>
50 million	55 million	60 million

In arriving at the proposed annual caps above, the Company has taken into account: (a) the Group's aggregate costs of purchase of the materials from Chye Seng Huat Trading, Chye Seng Huat Sdn. Bhd. and/or Soon Lee Metal Sdn. Bhd. during the historical period; (b) the anticipated demand of the customers of the Group for the materials for the three financial years ending 31 December 2022, 2023 and 2024; (c) the Group's expected business growth; and (d) the market overview of the scrap material trading market. The Company considers that the above proposed annual caps are on normal commercial terms, in the ordinary and usual course of business, and fair and reasonable and in the interests of the Company and its Shareholders as a whole.

It is noted that there was high market demand of the steel products in the year ended 31 December 2021 and the price of the steel products was rising during the year ended 31 December 2021 compared with the corresponding period in 2020. According to Malaysian Iron and Steel Industry Federation, it was expected that Malaysia's steel demand would grow at a compounded annual growth rate (CAGR) of 3.5%. In order to allow sufficient flexibility and in light of the strong demand of growth in years to come, the Company will consider into entering for the 2022 Chye Seng Huat Trading Master Purchase Agreement and the proposed annual caps are deemed fair, reasonable and justified.

INTERNAL CONTROL PROCEDURES

To ensure that the transactions contemplated under the 2022 Master Purchase Agreements are conducted on normal commercial terms, fair and reasonable, and no less favourable than those available from independent third parties, the Group has adopted the following procedures to determine the pricings and terms of the transactions.

Due to the frequent and fluctuating nature of trading of scrap materials in the market, the Group has established its pricing system for procurement. The Company will receive the target selling prices from its customers and then will negotiate with its suppliers for the materials. The management will closely monitor and update the pricing to ensure that the Group will not enter into the transactions above the selling prices and also the referencing pricing will reflect the latest market prices. The referencing pricing on the system would be updated on a daily basis to ensure that the referencing pricing will reflect the latest market prices and such updates would be approved by the senior management of the Operating and Logistic Department of the Group on a daily basis. The senior management will consider from an internal control perspective in approving the pricing update to ensure that the pricing will reflect the market prices and also in compliance with the pricing policies as set out in the above. The Finance Department of the Company will review the pricing system and the transactions on a regular basis to ensure the effectiveness of the pricing system and that the pricing for such potential transactions will be in compliance with the pricing policies as set out in the above.

LETTER FROM THE BOARD

Independent non-executive Directors will conduct a quarterly and an annual review of the transactions (including the pricing mechanism, methods and procedures established by the Group) under the 2022 Master Purchase Agreements with reference to the audit department (the “Internal Audit Department”) of the Company’s conclusion on the review of such continuing connected transactions and the internal control procedures, and the independent auditor (the “Auditor”) of the Company’s confirmation letter regarding these continuing connected transactions issued by the Auditor, and submit their views to the Board.

Given the above, the Board considers that there are appropriate internal controls and procedures in place to ensure that the transactions contemplated under the 2022 Master Purchase Agreements will be conducted on normal commercial terms and are not prejudicial to the interests of the Company and the Shareholders as a whole.

The Group will continue to adopt a market-oriented approach. Since the 2022 Master Purchase Agreements are on a non-committed and non-exclusive basis, the Board considers that the Group is capable to select and maintain its purchases from independent third party suppliers in the future in the event that terms available from independent third party suppliers would be more favourable to the Group.

REASONS FOR AND BENEFITS OF THE PROPOSED TRANSACTIONS

In view of the strong demand of scrap materials of the end customers, the Company would source scrap materials from suppliers in the market so long as they are able to deliver the required scrap materials for the Group. Given that there has been no material interruption in the supply of scrap materials by the relevant counterparties of the 2022 Master Purchase Agreements, the transactions were on arm’s length basis, and the purchase prices payable and the payment terms granted by the relevant counterparties of the 2022 Master Purchase Agreements to the Group were comparable to those payable and granted to independent suppliers, our Directors consider the relevant counterparties of the 2022 Master Purchase Agreements to be reliable sources of supply of scrap materials and it is in the interests of the Group and the Shareholders as a whole that the Group continues to purchase scrap materials from the relevant counterparties of the 2022 Master Purchase Agreements.

To ensure the fairness and reasonableness of the terms of the 2022 Master Purchase Agreements, the Company will from time to time contact with other independent suppliers and its customers to keep abreast of the market conditions. Further, before the Company agrees on the purchase prices with the relevant counterparties of the 2022 Master Purchase Agreements, the Group will obtain the pricing information from other independent suppliers to ensure that the Group only source scrap materials from suppliers who are willing to offer us competitive prices.

The Directors (other than the independent non-executive Directors who will express their views in the circular after considering the advice of Gram Capital) are of the view that the continuing connected transactions contemplated under the 2022 Master Purchase Agreements will be conducted on normal commercial terms (or better to the Group) and in the ordinary and usual course of business of the Group and that the terms of the 2022 Master Purchase Agreements and the proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

INFORMATION ABOUT THE PARTIES

The Company and its subsidiaries

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.

Long Hin

Long Hin is a company owned as to 50% by Mr. Sia Yin Hwee, being an uncle of the Sia Brothers, and 50% by Ms. Tan Ah Ngoo, being his spouse. As such, Long Hin is a deemed connected person of our Company pursuant to Rule 14A.21(1)(a) and (b) of the Listing Rules. As advised by Long Hin, Long Hin is engaged in trading of scrap materials.

Lek Seng

Lek Seng is a partnership owned by Mr. Lim Lai Wah and Mr. Lam Swee Seng, who are cousins of the Sia Brothers. Mr. Lim Lai Wah and Mr. Lam Swee Seng are brothers. As the Sia Brothers are our executive Directors and Controlling Shareholders, both Mr. Lim Lai Wah and Mr. Lam Swee Seng are deemed connected persons of the Company pursuant to Rule 14A.21(1)(a) of the Listing Rules. As advised by Lek Seng, Lek Seng is engaged in trading of scrap materials.

Lek Seng Metal Sdn. Bhd.

Lek Seng Metal Sdn. Bhd. is a company owned as to 22.5% by Mr. Lam Swee Seng, 22.5% by Mr. Lim Lai Wah and the remaining shares hold by three (3) sons of Mr. Lim Lai Wah, Lim Wei Jeng (18.33%), Lim Wei Sing (18.33%) and Lim Wei Shyong (18.34%). As such, Lek Seng Metal Sdn. Bhd. is a deemed connected person of the Company upon the Listing pursuant to Rules 14A.21(1)(a) and (b) of the Listing Rules. As advised by Lek Seng Metal Sdn. Bhd., Lek Seng Metal Sdn. Bhd. is engaged in trading of scrap materials.

Chye Seng Huat Trading

Chye Seng Huat Trading is a sole proprietorship owned by Mr. Lim Ching Chan, who is a cousin of the Sia Brothers. As such, Mr. Lim Ching Chan is a deemed connected person of the Company pursuant to Rule 14A.21(1)(a) of the Listing Rules. As advised by Chye Seng Huat Trading, Chye Seng Huat Trading is engaged in trading of scrap materials.

LETTER FROM THE BOARD

Chye Seng Huat Sdn. Bhd.

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, Chye Seng Huat Sdn. Bhd. is thus a deemed connected person of the Company pursuant to Rules 14A.21(1)(a) and (b) of the Listing Rules. As advised by Chye Seng Huat Sdn. Bhd., Chye Seng Huat Sdn. Bhd. is engaged in trading of scrap materials.

Soon Lee Metal Sdn. Bhd.

Soon Lee Metal 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, Soon Lee Metal Sdn. Bhd. has been treated as a deemed connected person of the Company pursuant to Rules 14A.21(1)(a) and (b) of the Listing Rules. As advised by Soon Lee Metal Sdn. Bhd., Soon Lee Metal Sdn. Bhd. is engaged in trading of scrap materials.

Sia Brothers

Sia Brothers are executive Directors and controlling shareholders of the Company.

LISTING RULES IMPLICATIONS

As the counterparty to the 2022 Long Hin Master Purchase Agreement, being Long Hin, the counterparty to the 2022 Lek Seng Master Purchase Agreement, being Lek Seng and Lek Seng Metal Sdn. Bhd., and the counterparty to the 2022 Chye Seng Huat Trading Master Purchase Agreement, being Chye Seng Huat Trading, Chye Seng Huat Sdn. Bhd. and Soon Lee Metal Sdn. Bhd., are connected with each other, the transactions contemplated under the 2022 Long Hin Master Purchase Agreement, the 2022 Lek Seng Master Purchase Agreement and the 2022 Chye Seng Huat Trading Master Purchase Agreement are aggregated pursuant to Rules 14A.81 and 14A.82 of the Listing Rules. As the counterparties to the 2022 Master Purchase Agreements are connected persons or deemed connected persons of the Company, the transactions contemplated under the 2022 Master Purchase Agreements constitute continuing connected transactions on the part of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the 2022 Master Purchase Agreements are more than 5%, the 2022 Master Purchase Agreements and the proposed annual caps for the transactions thereunder are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

As the Sia Brothers are deemed to have interests in the 2022 Master Purchase Agreements, the Sia Brothers have abstained from voting on the relevant board resolutions approving the 2022 Master Purchase Agreements. Save for the Sia Brothers, none of the other Directors have a material interest in the 2022 Master Purchase Agreements. Accordingly, no other Director was required to abstain from voting on the relevant board resolutions.

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.

As the Sia Brothers are deemed to have interests in the 2022 Master Purchase Agreements and the transactions contemplated thereunder as described above, the Sia Brothers and their associates are required to abstain from voting on the relevant resolution(s) approving the 2022 Master Purchase Agreements 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 2022 Master Purchase Agreements and the transactions contemplated thereunder, and no other Shareholder is required to abstain from voting at the EGM on the relevant resolution(s) approving the 2022 Master Purchase Agreements 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/she has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its/his/her 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.

LETTER FROM THE BOARD

A notice for convening the EGM to be held at 264, Jalan Satu A, Kampung Baru Subang, 40150 Shah Alam, Selangor, Malaysia and supplemented by way of electronic means on 14 May 2022 is set out on pages EGM-1 to EGM-4 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 or via the designated URL (<https://spot-emeeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company 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.

All registered Shareholders will be able to join the EGM via the Tricor e-Meeting System. The Tricor e-Meeting System can be accessed from any location with access to the internet via smartphone, tablet device or computer. Through the Tricor e-Meeting System, our registered Shareholders will be able to view the live video broadcast and submit questions online by using the username and password provided on the notification letter sent by the Company. Login details and information regarding the Tricor e-Meeting System are included in the Company's notification letters to registered Shareholders.

Non-registered holders whose Shares are held in the Central Clearing and Settlement System through banks, brokers, custodians or Hong Kong Securities Clearing Company Limited may also be able to participate the EGM and submit questions online. In this regard, they should consult directly with their banks, brokers or custodians (as the case may be) for the necessary arrangements.

CLOSURE OF REGISTER OF MEMBERS

In order to determine members who are entitled to attend the EGM, the transfer books and register of members will be closed from 10 May 2022 to 14 May 2022, 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 6 May 2022.

RECOMMENDATION

The Board are of the view that the terms of the 2022 Master Purchase Agreements and the transactions contemplated thereunder, 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 resolutions for approving the 2022 Master Purchase Agreements and the transactions contemplated thereunder to be proposed at the EGM.

LETTER FROM THE BOARD

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 appendix 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



HENG HUP HOLDINGS LIMITED

興合控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1891)

21 April 2022

To the Independent Shareholders,

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS:
2022 MASTER PURCHASE AGREEMENTS**

We refer to the circular dated 21 April 2022 (the “**Circular**”) issued by the Company to its Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed as the Independent Board Committee to consider and to advise the Independent Shareholders on the terms of the 2022 Master Purchase Agreements and the transactions contemplated thereunder as set out in the Circular as to the fairness and reasonableness and to recommend whether or not the Independent Shareholders should approve the 2022 Master Purchase Agreements and the transactions contemplated thereunder as set out in the Circular. 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 regard. Details of the independent advice of Gram Capital, together with the principal factors and reasons Gram Capital has taken into consideration, are set out on pages 24 to 36 of the Circular.

We wish to draw your attention to the Letter from the Board and the Letter from Gram Capital to the Independent Board Committee and the Independent Shareholders which contains its advice to us in respect of the 2022 Master Purchase Agreements and the transactions contemplated thereunder. Your attention is also drawn to the additional information set out in the appendix to the Circular.

Having considered the terms of the 2022 Master Purchase Agreements and the transactions contemplated thereunder, the advice of Gram Capital and the relevant information contained in the Letter from the Board, we consider that (i) the entering into of the 2022 Master Purchase Agreements is in the ordinary and usual course of business of the Company,

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

on normal commercial terms and in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the 2022 Master Purchase Agreements are also fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions for approving the 2022 Master Purchase Agreements and the transactions contemplated thereunder to be proposed at the EGM.

Yours faithfully, The
Independent Board Committee of
Heng Hup Holdings Limited

*Independent Non-executive
Director*

Ms. Sai Shiow Yin

*Independent Non-executive
Director*

Mr. Puar Chin Jong

*Independent Non-executive
Director*

Mr. Chu Kheh Wee

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders in respect of the CCTs for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

21 April 2022

*To: The Independent Board Committee and the Independent Shareholders
of Heng Hup Holdings Limited*

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS 2022 MASTER PURCHASE AGREEMENTS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the 2022 Master Purchase Agreements, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 21 April 2022 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

With reference to the Board Letter, the Company entered into the 2019 Master Purchase Agreements on 19 February 2019 in relation to the purchase of scrap ferrous metals, used batteries and/or waste paper by the Group from connected persons (the “**CCTs**”). The 2019 Master Purchase Agreements were effective from the date of listing of the Company on the Stock Exchange and had expired on 31 December 2021. In order to renew the existing CCTs contemplated under the 2019 Master Purchase Agreements, the Company entered into the 2022 Master Purchase Agreements to reflect the terms of the CCTs and the caps of the CCTs for a term of three years commencing from 1 January 2022 to 31 December 2024 (both dates inclusive).

With reference to the Board Letter, the CCTs constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement and Independent Shareholders’ approval requirements under the Listing Rules.

LETTER FROM GRAM CAPITAL

The Independent Board Committee comprising Ms. Sai Shiow Yin, Mr. Puar Chin Jong and Mr. Chu Kheh Wee, being all of the independent non-executive Directors (“INEDs”), has been formed to advise the Independent Shareholders on (i) whether the terms of the CCTs are on normal commercial terms and are fair and reasonable; (ii) whether the CCTs are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of the business of the Company; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the 2022 Master Purchase Agreements at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as independent financial adviser in respect of a discloseable and connected transaction of the Company as set out in the Company’s circular dated 29 November 2021. Notwithstanding the aforesaid past engagement, as at the Latest Practicable Date, we were not aware of any relationship or interest between Gram Capital and the Company or any other parties that could be reasonably regarded as a hindrance to Gram Capital’s independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors’ representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the CCTs and the 2022 Master Purchase Agreements. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable

LETTER FROM GRAM CAPITAL

enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Long Hin, Lek Seng, Lek Seng Metal Sdn. Bhd., Chye Seng Huat Trading, Chye Seng Huat Sdn. Bhd., Soon Lee Metal Sdn. Bhd. or their respective subsidiaries or associates (if applicable), nor have we considered the taxation implication on the Group or the Shareholders as a result of the CCTs. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the CCTs, we have taken into consideration the following principal factors and reasons:

Information on the Group

With reference to the Board Letter, the Company is an investment holding company and its subsidiaries are principally engaged in trading of scrap ferrous metals, used batteries, waste paper and other scraps in Malaysia.

LETTER FROM GRAM CAPITAL

Set out below are the financial information of the Group for the three years ended 31 December 2021 as extracted from the Company's annual report for the year ended 31 December 2020 (the "2020 Annual Report") and annual results announcement for the year ended 31 December 2021 (the "2021 AR Announcement"):

	For the year ended 31 December 2021 ("FY2021") (audited) RM'000	Change from FY2020 to FY2021 %	For the year ended 31 December 2020 ("FY2020") (audited) RM'000	Change from FY2019 to FY2020 %	For the year ended 31 December 2019 ("FY2019") (audited) RM'000
Revenue	1,418,239	63.33	868,312	(12.35)	990,604
Gross profit	77,574	58.36	48,986	(2.71)	50,352
Net profit and total comprehensive income for the year/period attributable to the owners of the Company	25,485	203.68	8,392	25.78	6,672

With reference to the 2020 Annual Report, the Malaysian economy experienced the full impact of the COVID-19 pandemic from the second quarter of FY2020. Despite extreme challenges, the Group quickly adjusted and maintained focus on disciplining cost control and cash-flow to ensure sustainability.

As illustrated in the above table, the Group's revenue amounted to approximately RM868 million for FY2020, representing a decrease of approximately 12.35% as compared to that for FY2019. The Group's gross profit for FY2020 slightly decreased as compared to that for FY2019. Despite the aforesaid decreases in the Group's revenue and gross profit, the net profit and total comprehensive income attributable to the owners of the Company increased by approximately 25.78% from FY2019 to FY2020. With reference to the 2020 Annual Report and as advised by the Directors, such improvement was mainly due to (i) increased scrap ferrous metal prices and that the Group was able to secure scrap ferrous metal supplies at a better pricing; (ii) better gross profit margin from export sales; and (iii) increase in other income.

The Group's revenue, gross profit and net profit and total comprehensive income attributable to the owners of the Company amounted to approximately RM1,418 million, RM78 million and RM25 million for FY2021, representing increases of approximately 63.33%, 58.36% and 203.68% respectively as compared with those for FY2020. With reference to the 2021 AR Announcement, such increases were mainly due to increase in demand of steel products across the globe, increase in volume sales and better cost control with improved operational efficiency.

LETTER FROM GRAM CAPITAL

As advised by the Directors, the COVID-19 pandemic is expected to remain a challenge. However, steel consumption and demand for steel products remain strong, thus the scrap metal price has not been affected. The Group will continue to leverage off on its core competitive advantages and continue to strengthen its market leading position in the Malaysian scrap ferrous metal trading industry, by expanding its supplier and customer bases and increasing its business volume of scrap ferrous metals in the market.

Information on the counterparties to the 2022 Master Purchase Agreements

Detailed information of the counterparties to the 2022 Master Purchase Agreements is set out under the section headed “INFORMATION ABOUT THE PARTIES” of the Board Letter. With reference to the Board Letter, all of the counterparties to the 2022 Master Purchase Agreements are connected persons of the Company.

Reasons for and benefits of the CCTs

With reference to the Board Letter, in view of the strong demand of scrap materials of the end customers, the Company would source scrap materials from suppliers in the market so long as they are able to deliver the required scrap materials for the Group. Given that there has been no material interruption in the supply of scrap materials by the relevant counterparties of the 2022 Master Purchase Agreements, the transactions were on arm’s length basis, and the purchase prices payable and the payment terms granted by the relevant counterparties of the 2022 Master Purchase Agreements to the Group were comparable to those payable and granted to independent suppliers, the Directors consider the relevant counterparties of the 2022 Master Purchase Agreements to be reliable sources of supply of scrap materials and it is in the interests of the Group and the Shareholders as a whole that the Group continues to purchase scrap materials from the relevant counterparties of the 2022 Master Purchase Agreements.

As illustrated under the section headed “Information on the Group” above, the Group’s financial performance was improved in FY2021 as compared to that for FY2020. According to the 2021 AR Announcement, sales volume of the scrap ferrous metal for FY2021 was 701,846 tonnes, representing an increase of approximately 9.7% as compared to that for the corresponding period in 2020.

Having considered (i) the Group’s business expansion and development strategy to increase its business volume of scrap ferrous metals; and (ii) that trading of scrap ferrous metals, used batteries, waste paper and other scraps in Malaysia is the principal business of the Group, we concur with the Directors that the CCTs are conducted in the ordinary and usual course of the business of the Company and in the interests of the Company and its Shareholders as a whole.

LETTER FROM GRAM CAPITAL

Principal terms of the 2022 Master Purchase Agreements

Summarised below are the principal terms for the 2022 Master Purchase Agreements, details of which are set out in the Board Letter.

	2022 Long Hin Master Purchase Agreement	2022 Lek Seng Master Purchase Agreement	2022 Chye Seng Huat Trading Master Purchase Agreement
Date:	7 March 2022	7 March 2022	7 March 2022
Parties:	The Company; and Long Hin	The Company; Lek Seng; and Lek Seng Metal Sdn. Bhd.	The Company; Chye Seng Huat Trading; Chye Seng Huat Sdn. Bhd.; and Soon Lee Metal Sdn. Bhd.
Subject matter:	Pursuant to the 2022 Long Hin Master Purchase Agreement, the Group may, but is not obliged to, purchase scrap ferrous metals and used batteries from Long Hin, subject to the annual caps of RM100,000 for each of the three years ending 31 December 2022, 2023 and 2024.	Pursuant to the 2022 Lek Seng Master Purchase Agreement, the Group may, but is not obliged to, purchase scrap ferrous metals, used batteries and waste paper from Lek Seng and/or Lek Seng Metal Sdn. Bhd., subject to the annual caps of RM50 million, RM50 million and RM55 million for each of the three financial years ending 31 December 2022, 2023 and 2024.	Pursuant to the 2022 Chye Seng Huat Trading Master Purchase Agreement, the Group 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/or Soon Lee Metal Sdn. Bhd., subject to the annual caps of RM50 million, RM55 million and RM60 million for each of the three financial years ending on 31 December 2022, 2023 and 2024.

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2022 Long Hin Master Purchase Agreement

2022 Lek Seng Master Purchase Agreement

2022 Chye Seng Huat Trading Master Purchase Agreement

Duration: Subject to the fulfillment of the conditions precedent of the 2022 Long Hin Master Purchase Agreement, the 2022 Long Hin Master Purchase Agreement shall be for a term of three years commencing from 1 January 2022 and expiring on 31 December 2024 (both days inclusive) unless terminated earlier by agreement signed between the parties thereto.

Subject to the fulfillment of the conditions precedent of the 2022 Lek Seng Master Purchase Agreement, the 2022 Lek Seng Master Purchase Agreement shall be for a term of three years commencing from 1 January 2022 and expiring on 31 December 2024 (both days inclusive) unless terminated earlier by agreement signed between the parties thereto.

Subject to the fulfillment of the conditions precedent of the 2022 Chye Seng Huat Trading Master Purchase Agreement, the 2022 Chye Seng Huat Trading Master Purchase Agreement shall be for a term of three years commencing from 1 January 2022 and expiring on 31 December 2024 (both days inclusive) unless terminated earlier by agreement signed between the parties thereto.

Pricing: The prices payable by the Group under the 2022 Long Hin Master Purchase Agreement will be determined after arm's length negotiations between the parties with reference to market prices and be on normal commercial terms (or on terms better to the Group than those available to Independent Third Parties).

The prices payable by the Group under the 2022 Lek Seng Master Purchase Agreement will be determined after arm's length negotiations between the parties with reference to market prices and be on normal commercial terms (or on terms better to the Group than those available to Independent Third Parties).

The prices payable by the Group under the 2022 Chye Seng Huat Trading Master Purchase Agreement will be determined after arm's length negotiations between the parties with reference to market prices and be on normal commercial terms (or on terms better to the Group than those available to Independent Third Parties).

Further pricing basis is set out in the Board Letter.

Further pricing basis is set out in the Board Letter.

Further pricing basis is set out in the Board Letter.

LETTER FROM GRAM CAPITAL

Assessment on pricing

With reference to the Board Letter, to ensure the fairness and reasonableness of the terms of the 2022 Master Purchase Agreements, the Company will from time to time contact with other independent suppliers and its customers to keep abreast of the market conditions. Further, before the Company agrees on the purchase prices with the relevant counterparties of the 2022 Master Purchase Agreements, the Group will obtain the pricing information from other independent suppliers to ensure that the Group only source scrap materials from suppliers who are willing to offer them competitive prices.

With reference to the Board Letter, to ensure that the transactions contemplated under the 2022 Master Purchase Agreements are conducted on normal commercial terms, fair and reasonable, and no less favourable than those available from independent third parties, the Group has adopted the internal control procedures as set out under the section headed “INTERNAL CONTROL PROCEDURES” of the Board Letter to determine the pricings and terms of the transactions.

For our due diligence purpose, we obtained a list of CCTs conducted under the 2019 Master Purchase Agreements from the Company and randomly selected one transaction with Long Hin in FY2019, one transaction with Lek Seng/Lek Seng Metal Sdn. Bhd. (as a group) for each of FY2019, FY2020 and FY2021, and one transaction with Chye Seng Huat Trading/Chye Seng Huat Sdn. Bhd./Soon Lee Metal Sdn. Bhd. (as a group) for each of FY2019, FY2020 and FY2021, from the list. We consider the aforesaid sampling basis to be justifiable as it covered the transactions under each of the 2019 Master Purchase Agreements for each of FY2019, FY2020 and FY2021. The Company provided us with transaction records on the selected transactions together with transaction record on a comparable transaction with Independent Third Parties for each of the selected transaction. We consider that it is acceptable for the Company to provide us with transaction records on comparable transactions with Independent Third Parties after taking into account product comparability, instead of a random sampling basis. We noted from the aforesaid transaction records that the unit prices payable by the Group to connected persons for the same products were not higher than the unit prices payable by the Group to Independent Third Parties.

With reference to the 2020 Annual Report and as confirmed by the Directors, the INEDs have reviewed, among other things, the CCTs for FY2020 and confirmed, among other things, that the CCTs for FY2020 were 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.

With reference to the 2020 Annual Report and as confirmed by the Directors, the Company’s auditor was engaged to report on, among other things, the CCTs 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

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Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditor issued an unqualified letter containing its findings and conclusions in respect of, among other things, the CCTs in accordance with Rule 14A.56 of the Listing Rules.

Having considered the above, we consider the pricing of the CCTs is fair and reasonable.

Assessment on annual caps

Proposed Long Hin Caps

Set out below are (i) historical annual caps (the “**Historical Long Hin Cap(s)**”) and historical amount of the CCTs under the 2019 Long Hin Master Purchase Agreement for the three years ended 31 December 2021; and (ii) the proposed annual caps (the “**Proposed Long Hin Cap(s)**”) under the 2022 Long Hin Master Purchase Agreement:

	For the year ended 31 December 2019 RM	For the year ended 31 December 2020 RM	For the year ended 31 December 2021 (“FY2021”) RM
Historical amount	11,802	Nil	Nil
Historical annual cap	400,000	500,000	600,000
Utilisation rate (approximate %)	3	Nil	Nil
	For the year ending 31 December 2022 RM	For the year ending 31 December 2023 RM	For the year ending 31 December 2024 RM
Proposed annual cap	100,000	100,000	100,000

With reference to the Board Letter, in arriving at the Proposed Long Hin Caps above, the Company has taken into account: (a) the Group’s aggregate costs of purchase of the materials from Long Hin during the historical period; (b) the anticipated demand of the customers of the Group for the materials for the three financial years ending 31 December 2022, 2023 and 2024; (c) the Group’s expected business growth; and (d) the market overview of the scrap material trading market. Whilst the Group did not have transaction with Long Hin for the two years ended 31 December 2021, it was noted that the Group had transactions with Long Hin in FY2019. Without the 2022 Long Hin Master Purchase Agreement, this will hinder the Group to source from Long Hin in the event that Long Hin can supply materials at favourable terms to the Company. As such, the relatively small annual caps under the 2022 Long Hin Master Purchase Agreement will serve the purpose.

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As depicted from the above table, the utilisation rate of the Historical Long Hin Cap for FY2019 was very low and there was no utilisation of the Historical Long Hin Caps for FY2020 and FY2021. Nevertheless, the Company does not rule out the possibility of purchase from Long Hin in future given the business growth of the Group. Accordingly, the Company set the Proposed Long Hin Caps for the three years ending 31 December 2024 at lower levels as compared to the Historical Long Hin Caps for the three years ended 31 December 2021.

Having considered the above, we are of the view that the Proposed Long Hin Caps are fair and reasonable.

Proposed Lek Seng Caps

Set out below are (i) historical annual caps (the “**Historical Lek Seng Cap(s)**”) and historical amount of the CCTs under the 2019 Lek Seng Master Purchase Agreement for the three years ended 31 December 2021; and (ii) the proposed annual caps (the “**Proposed Lek Seng Cap(s)**”) under the 2022 Lek Seng Master Purchase Agreement:

	For the year ended 31 December 2019 <i>RM'million</i>	For the year ended 31 December 2020 <i>RM'million</i>	For the year ended 31 December 2021 <i>RM'million</i>
Historical amount	27.513	24.588	37.039
Historical annual cap	40	45	50
Utilisation rate (approximate %)	69	55	74
	For the year ending 31 December 2022 <i>RM'million</i>	For the year ending 31 December 2023 <i>RM'million</i>	For the year ending 31 December 2024 <i>RM'million</i>
Proposed annual cap	50	50	55

With reference to the Board Letter, in arriving at the Proposed Lek Seng Caps above, the Company has taken into account: (a) the Group’s aggregate costs of purchase of the materials from Lek Seng and Lek Seng Metal Sdn. Bhd., during the historical period; (b) the anticipated demand of the customers of the Group for the materials for the three financial years ending 31 December 2022, 2023 and 2024; (c) the Group’s expected business growth; and (d) the market overview of the scrap material trading market.

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As depicted from the above table, the utilisation rates of the Historical Lek Seng Caps for the three years ended 31 December 2021 were over 50% and the utilisation rate of the Historical Lek Seng Cap for FY2021 was approximately 74%.

Given the above and that the Historical Lek Seng Cap for FY2021 was not fully utilised, we consider that it is reasonable for the Company to set the Proposed Lek Seng Caps for the two years ending 31 December 2023 at the same level with the Historical Lek Seng Cap for FY2021. Having also considered the Group's business growth as represented by the substantial increase in revenue for FY2021 as compared to that for FY2020, we are of the view that it is reasonable for the Company to incorporate a moderate annual increase of approximately 10% when determining the Proposed Lek Seng Cap for the year ending 31 December 2024.

Having considered the above, we are of the view that the Proposed Lek Seng Caps are fair and reasonable.

Proposed CSH Caps

Set out below are (i) historical annual caps (the "**Historical CSH Cap(s)**") and historical amount of the CCTs under the 2019 Chye Seng Huat Master Purchase Agreement for the three years ended 31 December 2021; and (ii) the proposed annual caps (the "**Proposed CSH Cap(s)**") under the 2022 Chye Seng Huat Master Purchase Agreement:

	For the year ended 31 December 2019 <i>RM'million</i>	For the year ended 31 December 2020 <i>RM'million</i>	For the year ended 31 December 2021 <i>RM'million</i>
Historical amount	29.437	24.046	43.383
Historical annual cap	35	40	45
Utilisation rate (approximate %)	84	60	96
	For the year ending 31 December 2022 <i>RM'million</i>	For the year ending 31 December 2023 <i>RM'million</i>	For the year ending 31 December 2024 <i>RM'million</i>
Proposed annual cap	50	55	60

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With reference to the Board Letter, in arriving at the Proposed CSH Caps above, the Company has taken into account: (a) the Group's aggregate costs of purchase of the materials from Chye Seng Huat Trading, Chye Seng Huat Sdn. Bhd. and/or Soon Lee Metal Sdn. Bhd. during the historical period; (b) the anticipated demand of the customers of the Group for the materials for the three financial years ending 31 December 2022, 2023 and 2024; (c) the Group's expected business growth; and (d) the market overview of the scrap material trading market.

As depicted from the above table, the utilisation rates of the Historical CSH Caps for the three years ended 31 December 2021 were over 60% and the utilisation rate of the Historical CSH Cap for FY2021 was approximately 96%.

Having considered the above, the substantially utilised Historical CSH Cap for FY2021 and the Group's business growth as represented by the substantial increase in revenue for FY2021 as compared to that for FY2020, we consider that it is reasonable for the Company to incorporate moderate annual increases of approximately 11%, 10% and 9% when determining the Proposed CSH Caps for the three years ending 31 December 2024.

Having considered the above, we are of the view that the Proposed CSH Caps are fair and reasonable.

Shareholders should note that as the above proposed annual caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2024, and they do not represent forecasts of costs arising from the CCTs. Consequently, we express no opinion as to how closely the actual costs arising from the CCTs will correspond with the above proposed annual caps.

Having considered the above, including the principal terms of the 2022 Master Purchase Agreements and the corresponding proposed annual caps, we are of the view that the terms of the CCTs are fair and reasonable so far as the Independent Shareholders are concerned.

Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the CCTs must be restricted by the proposed annual caps; (ii) the terms of the 2022 Master Purchase Agreements for the CCTs (together with the corresponding proposed annual caps) must be reviewed by INEDs annually; and (iii) details of the INEDs' annual review on the terms of the 2022 Master Purchase Agreements (together with the corresponding proposed annual caps) must be included in the Company's subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the CCTs (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iii) have exceeded the proposed annual caps. In the event that the total

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amounts of the CCTs are anticipated to exceed the proposed annual caps, or that there is any proposed material amendment to the terms of the 2022 Master Purchase Agreements for the CCTs, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the CCTs and thus the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the CCTs are on normal commercial terms and are fair and reasonable; and (ii) the CCTs are conducted in the ordinary and usual course of the business of the Company and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the 2022 Master Purchase Agreements and the CCTs and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of the above Directors in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which have been notified to the Company and to the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules were as follows:

Long position in the Shares, underlying shares and debentures of the Company or any other Associated Corporation

Director	Company concerned	Nature of interests	Class and number of securities held	Percentage of interests in the company concerned
Datuk Sia Kok Chin	Company	Interest in controlled corporation/Interests held jointly with another person/ Beneficial owner	750,000,000 ordinary shares (Note 1)	75%
Datuk Sia Keng Leong	Company	Interest in controlled corporation/Interests held jointly with another person/ Beneficial owner	750,000,000 ordinary shares (Note 1)	75%

Director	Company concerned	Nature of interests	Class and number of securities held	Percentage of interests in the company concerned
Mr. Sia Kok Chong	Company	Interest in controlled corporation/Interests held jointly with another person/ Beneficial owner	750,000,000 ordinary shares (Note 1)	75%
Mr. Sia Kok Seng	Company	Interest in controlled corporation/Interests held jointly with another person/ Beneficial owner	750,000,000 ordinary shares (Note 1)	75%
Mr. Sia Kok Heong	Company	Interest in controlled corporation/Interests held jointly with another person/ Beneficial owner	750,000,000 ordinary shares (Note 1)	75%

Note:

1. The Sia Brothers entered into a deed of acting in concert confirmation and undertaking dated 20 August 2018. As such, each of the Sia Brothers, being parties to the deed of acting in concert confirmation and undertaking, is deemed under the SFO to be interested in the 510,000,000 Shares collectively held through 5S Holdings and the 48,000,000 Shares held by each of the other Sia Brothers. In other words, each of the Sia Brothers is interested in the 750,000,000 Shares, among which 510,000,000 shares are held in the capacity as interest in a controlled corporation, 192,000,000 shares are held in the capacity as interests held jointly with another person and 48,000,000 shares are held in the capacity as beneficial owner.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service contracts with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors, directly or indirectly, had any interest in any assets which have been since 31 December 2020 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of by or leased to or by any member of the Group, or are proposed to be acquired or disposed of by or leased to or by any member of the Group.

5. INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, to the best knowledge of the Directors, none of the Directors or the controlling Shareholders or their respective associates had interests in any business which competes or may compete, either directly or indirectly, with the businesses of the Group or has or may have any other conflicts of interest with the Group pursuant to the Listing Rules.

6. LITIGATION AND CLAIMS

As at the Latest Practicable Date, there was no litigation or claim of material importance pending or threatened against any member of the Group.

7. EXPERTS AND CONSENTS

The following sets out the qualifications of the expert(s) who have been named in this circular:

Name	Qualifications
Gram Capital	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Gram Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or report (as the case may be) and references to its name, in the form and context in which they respectively appear.

As at the Latest Practicable Date, the above expert:

- (a) did not have any shareholding, either directly or indirectly, in any member of the Group;
- (b) did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (c) did not have any interest, either directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2020 (the date to which the latest published audited accounts of the Company were made up).

The letter from Gram Capital dated 21 April 2022 set out on pages 24 to 36 in this circular was given for incorporation in this circular.

8. NO MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, there had been no material adverse change in the financial or trading position of the Group since 31 December 2020, the date to which the latest published audited consolidated financial statements of the Group were made up.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.henghup.com) for a period of 14 days from the date of this circular:

- (a) the 2022 Master Purchase Agreements;
- (b) the letter from the Board dated 21 April 2022, the text of which is set out on pages 4 to 21 of this circular;
- (c) the letter from the Independent Board Committee dated 21 April 2022, the text of which is set out on pages 22 to 23 of this circular;
- (d) the letter from Gram Capital dated 21 April 2022, the text of which is set out on pages 24 to 36 of this circular;
- (e) the letter of consent from Gram Capital dated 21 April 2022 referred to in the above paragraph headed "7. Experts and Consents" in this appendix; and
- (f) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



HENG HUP HOLDINGS LIMITED

興合控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1891)

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “**EGM**”) of Heng Hup Holdings Limited (the “**Company**”, together with its subsidiaries as the “**Group**”) will be held at 264, Jalan Satu A, Kampung Baru Subang, 40150 Shah Alam, Selangor, Malaysia and by way of webcast to participate in the EGM at 10 a.m. on 14 May, 2022 for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “THAT

- (a) the conditional master purchase agreement dated 7 March 2022 (the “**Long Hin Master Purchase Agreement**”) and entered into between the Company and Long Hin Recycle & Trading Sdn. Bhd (“**Long Hin**”) pursuant to which the Group may, but is not obliged to, purchase scrap ferrous metals and used batteries from Long Hin (a copy of the Long Hin Master Purchase Agreement is marked “A” and produced to the EGM and signed by the chairman of the EGM for identification purpose) and the transactions contemplated thereunder (including but not limited to the proposed annual caps) be and are hereby ratified, confirmed and approved; and
- (b) any one or more director(s) of the Company (each a “**Director**”) be and is/are hereby authorised to implement and take all steps and do all acts and things and execute all such documents (including under seal, where applicable) which he/they consider(s) necessary, desirable or expedient to give effect to the Long Hin Master Purchase Agreement, the transactions contemplated thereunder and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interests of the Company and its shareholders as a whole.”

2. “THAT

- (a) the conditional master purchase agreement dated 7 March 2022 (the “**Lek Seng Master Purchase Agreement**”) and entered into between the Company and Lek Seng (“**Lek Seng**”) and Lek Seng Metal Sdn. Bhd. (“**Lek Seng Metal Sdn.**

NOTICE OF EXTRAORDINARY GENERAL MEETING

Bhd.”) pursuant to which the Group may, but is not obliged to, purchase scrap ferrous metals, used batteries and waste paper from Lek Seng and/or Lek Seng Metal Sdn. Bhd. (a copy of the Lek Seng Master Purchase Agreement is marked “B” and produced to the EGM and signed by the chairman of the EGM for identification purpose) and the transactions contemplated thereunder (including but not limited to the proposed annual caps) be and are hereby ratified, confirmed and approved; and

- (b) any one or more director(s) of the Company (each a “**Director**”) be and is/are hereby authorised to implement and take all steps and do all acts and things and execute all such documents (including under seal, where applicable) which he/they consider(s) necessary, desirable or expedient to give effect to the Lek Seng Master Purchase Agreement, the transactions contemplated thereunder and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interests of the Company and its shareholders as a whole.”

3. “**THAT**

- (a) the conditional master purchase agreement dated 7 March 2022 (the “**Chye Seng Huat Trading Master Purchase Agreement**”) and entered into between the Company and Chye Seng Huat Trading (“**Chye Seng Huat Trading**”), Chye Seng Huat Sdn. Bhd. (“**Chye Seng Huat Sdn. Bhd.**”) and Soon Lee Metal Sdn. Bhd. (“**Soon Lee Metal Sdn. Bhd.**”) pursuant to which the Group 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. (a copy of the Chye Seng Huat Trading Master Purchase Agreement is marked “C” and produced to the EGM and signed by the chairman of the EGM for identification purpose) and the transactions contemplated thereunder (including but not limited to the proposed annual caps) be and are hereby ratified, confirmed and approved; and
- (b) any one or more director(s) of the Company (each a “**Director**”) be and is/are hereby authorised to implement and take all steps and do all acts and things and execute all such documents (including under seal, where applicable) which he/they consider(s) necessary, desirable or expedient to give effect to the Chye Seng Huat Trading Master Purchase Agreement, the transactions contemplated thereunder and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interests of the Company and its shareholders as a whole.”

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

Hong Kong, 21 April 2022

Registered office:

Cricket Square
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

Notes:

1. **No remote voting system is provided** as there is no such arrangement is allowed as pursuant to the existing articles of association of the Company (the "Articles"). So Shareholders are recommended to cast their votes by posting their forms of proxy in advance of the EGM and appointing the chairman of the EGM to vote on their behalf at the EGM.

All registered Shareholders will be able to join the EGM via the Tricor e-Meeting System.

2. The Tricor e-Meeting System can be accessed from any location with access to the internet via smartphone, tablet device or computer. Through the Tricor e-Meeting System, our registered Shareholders will be able to view the live video broadcast and submit questions online by using the username and password provided on the notification letter sent by the Company. Login details and information regarding the Tricor e-Meeting System are included in the Company's notification letters to registered Shareholders.

Non-registered holders whose Shares are held in the Central Clearing and Settlement System through banks, brokers, custodians or Hong Kong Securities Clearing Company Limited may also be able to participate in the EGM and submit questions online. In this regard, they should consult directly with their banks, brokers or custodians (as the case may be) for the necessary arrangements.

3. A shareholder entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a shareholder of the Company.
4. The form of proxy in the case of an individual shall be signed by the appointor or his attorney and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
5. Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of the Company in respect of such share shall alone be entitled to vote in respect thereof.
6. If the form of proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.
7. If no name is inserted in the space for the name of your proxy on the form of proxy, the chairman of the EGM will act as your proxy.
8. To be valid, the form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong or via the designated URL (<https://spot-emeeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company, not less than 48 hours before the time for holding the EGM or any adjournment of such meeting.

NOTICE OF EXTRAORDINARY GENERAL MEETING

9. Personal Information Collection Statement: Your supply of Personal Data to the Company and/or the Company's Registrars in Bermuda and Hong Kong in the form of proxy is on a voluntary basis. If you fail to provide sufficient information, we may not be able to process your appointment of proxy and instructions. "Personal Data" in this statement has the meaning defined under the Personal Data (Privacy) Ordinance, Chapter 486 of the Laws of Hong Kong (the "PDPO"), which may include but is not limited to the Personal Data you supplied to us in the form of proxy. Your Personal Data is collected for the purposes of processing and administration by the Company (or its Registrars in Bermuda and Hong Kong (as the case may be)) of proxies appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof) (the "Purposes"). The Personal Data may be retained for such period as may be necessary for our verification and record purposes. If you have provided Personal Data of individuals other than yourself in the form of proxy, you confirm that you have informed and sought the requisite consent from those individuals to the collection, use and disclosure of their Personal Data for the stated purposes. The Company may disclose or transfer the Personal Data to its subsidiaries, its Registrars, its agent, its contractor, and/or third party service provider who provides administrative, computer and other services to the Company for use in connection with the Purposes and to such parties who are authorised by law to request the Personal Data or are otherwise relevant for the Purposes and need to receive the Personal Data. You have the right to request access to and/or correction of your Personal Data respectively in accordance with the provisions of the PDPO.
10. The Chinese version of the notice is for reference only. Should there be any discrepancies, the English version will prevail.