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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)

CHANGE IN USE OF PROCEEDS

Reference is made to (i) the Prospectus issued by Heng Hup Holdings Limited (the “**Company**”) dated 27 February 2019 (the “**Prospectus**”) in relation to the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), which set out the intended use of the net proceeds from the issue of new shares of the Company (the “**Net Proceeds**”) at the time of preparing the Prospectus, (ii) the announcement dated 16 July 2020 in relation to a reallocation of certain amount of Net Proceeds which were unutilised (the “**Previous Announcement**”), and (iii) the annual report of the Company for the financial year ended 31 December 2022 (the “**Annual Report**”), in which the utilisation of the Net Proceeds up to 31 December 2022 was disclosed. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus, the Previous Announcement, and the Annual Report.

PREVIOUS CHANGE IN USE OF PROCEEDS PURSUANT TO THE PREVIOUS ANNOUNCEMENT

The original intended use of the Net Proceeds, which amounted to approximately RM41.00 million after deducting underwriting fee and all related expenses was set out in the section headed “*Future Plans and Use of Proceeds*” in the Prospectus. On 16 July 2020, an amount of approximately RM4.54 million, being partially unutilised Net Proceeds as at 16 July 2020, was reallocated in the manner set out in the Previous Announcement. As disclosed in the section headed “*Use of Proceeds from the Share Offer*” in the Annual Report, the Company had utilised approximately RM35.61 million of the Net Proceeds up to 31 December 2022. The proposed reallocation of the Net Proceeds as set out in the Previous Announcement and the actual usage of the Net Proceeds up to 31 December 2022 are set out in the table below.

	Available (RM'000)	Change in use of Proceeds (RM'000)	New allocation for Net Proceeds (RM'000)	Balance as at 31 December 2021 (RM'000)	Amount utilised during the financial year ended 31 December 2022 (RM'000)	Balance as at 31 December 2022 (RM'000)	Original expected timeline for utilising the remaining Net Proceeds
Partially replacing our fleet of trucks	3,604	-	3,604	-	-	-	-
Enhancing our processing abilities	2,908	-	2,908	-	-	-	-
Setting up a new enterprise resource planning system	942	-	942	158	158	-	-
Setting up a new scrapyard in the east coast of Peninsular Malaysia	4,546	(4,546)	-	-	-	-	-
Expansion of our scrapyard in Selangor, Malaysia	6,389	-	6,389	5,349	-	5,349	Second quarter of 2023
The Group's working capital for our scrap ferrous metal trading business	18,471	4,546	23,017	-	-	-	-
General working capital for other general corporate purpose (excluding the purchase of scrap materials)	4,096	-	4,096	-	-	-	-
	<u>40,956</u>	<u>-</u>	<u>40,956</u>	<u>5,507</u>	<u>158</u>	<u>5,349</u>	

FURTHER CHANGE IN USE OF PROCEEDS

As at the date of this announcement, the Company has utilised approximately RM35.61 million of the Net Proceeds. The amount of Net Proceeds which remains unutilised (the “**Unutilised Net Proceeds**”) up to the date of this announcement is approximately RM5.35 million.

The board of directors (the “**Board**”) of the Company, having considered the recent business environment and development of the Group, resolved to change the use of the remaining Unutilised Net Proceeds. The Unutilised Net Proceeds up to the date of this announcement and the proposed change of use of the remaining Unutilised Net Proceeds (the “**Proposed Change**”) are summarised as follows:

	Balance as at 31 December 2022 (RM'000)	Utilised Net Proceeds as at the date of this announcement (RM'000)	Unutilised Net Proceeds as at the date of this announcement (RM'000)	Reallocation of Unutilised Net Proceeds (RM'000)	Expected timeline for utilising the remaining Net Proceeds
Expansion of scrapyard in Selangor	5,349	–	5,349	–	–
(a) Set up and renovation costs inclusive of furniture, fixture and fittings of our corporate office in Selangor	–	–	–	700	Expected to be fully utilised by the third quarter of 2023
(b) The Group’s working capital for our scrap ferrous metal trading business	–	–	–	2,000	Expected to be fully utilised by financial year ending 31 December 2023
(c) General working capital for other general corporate purpose*	–	–	–	2,649	Expected to be fully utilised by financial year ending 31 December 2023
	5,349	–	5,349	5,349	

Note:

* The general working capital includes payment of our Group’s staff related expenses and other statutory contributions and payments, as well as payment of utility expenses and other administration and operation related expenses.

REASONS FOR THE PROPOSED CHANGE

As disclosed in the section headed “Management Discussion and Analysis” in the Annual Report, the Board projects that the market outlook for the industry is expected to remain gloomy, with uncertainties such as political conflicts, global inflation and elevated energy prices. The Board believes it is not the best of time for the Group to expand the scrapyard in Selangor (the “**Selangor Scrapyard**”) by building an adjacent office building from scratch. Notwithstanding, the Board notes the importance to streamline the Group’s operation and administrative activities in Selangor and is of the view that the establishment of a corporate office through a rental (the “**Corporate Office**”) of three (3) years will serve as the best solution for the Group. The Board’s decision to rent the Corporate Office is arrived at after taking into consideration of its strategic location with just a convenient 15-minute drive from the Selangor Scrapyard. The set-up costs and expenses for the Corporate Office is approximately RM0.70 million and as such, the Board decides that the remainder of RM4.65 million from the Unutilised Net Proceeds will be allocated to serve as the general working capital for the Group.

The Board considers the above change in the use of Unutilised Net Proceeds will enable the Company to deploy its financial resources more effectively and will satisfy the current needs of the Group as the business continues to develop. The Board also confirms that there is no material change in the principal business nature of the Group as set out in the Prospectus and considered that the Proposed Change is in line with the overall business strategy of the Group and will not have any material adverse impact on its operations and is in the best interests of the Company and its shareholders as a whole.

The Board will continuously assess the plan for the use of the Unutilised Net Proceeds and may revise or amend such plan where necessary to respond to the changing market conditions and strive for better business performance of the Group.

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

Hong Kong, 12 July 2023

As at the date of this announcement, the executive Directors are Datuk Sia Kok Chin, Datuk Sia Keng Leong, Mr. Sia Kok Chong, Mr. Sia Kok Seng and Mr. Sia Kok Heong; and the independent non-executive Directors are Ms. Sai Shiow Yin, Mr. Puar Chin Jong and Mr. Chu Kheh Wee.