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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)**

# **DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF PROPERTIES IN MALAYSIA**

## **THE ACQUISITION**

The Board is pleased to announce that on 30 April 2024 (after trading hours of the Stock Exchange), the Purchaser, being the indirect controlled subsidiary of the Company has entered into two (2) conditional sale and purchase agreements with the Vendor, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase, the Properties for a total purchase price of RM13,500,000.00 (equivalent to approximately HK\$22,140,000.00) upon the terms and subject to the conditions set out therein.

## **LISTING RULES IMPLICATIONS**

As one or more applicable percentage ratio(s) (as defined under the Listing Rule) in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to reporting and announcement requirements but is exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

**The completion of the Acquisition is subject to the fulfilment of the conditions precedent as set out in the Agreements and therefore the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.**

## **THE AGREEMENTS**

The principal terms of the Agreements are as follows:–

### **Date**

30 April 2024

### **Parties**

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

### **Properties**

The details of the Properties are as follows:–

- (a) one (1) parcel of leasehold industrial land with a tenure of sixty (60) years expiring on 8 May 2071 held under individual title H.S.(D) 5788, PT 8200 together with a unit of open shed warehouse and a single storey office, with the total built-up area of approximately 2,150.59 square meters erected thereon (“**Property 1**”); and
- (b) one (1) parcel of leasehold industrial land with a tenure of sixty (60) years expiring on 16 May 2072 held under individual title H.S.(D) 5927, PT 8430 (“**Property 2**”),

all in Mukim of Teluk Kalung, District of Kemaman, State of Terengganu, Malaysia with the land area of approximately 127,949 square meters in aggregate.

Property 1 and Property 2 are currently rented by the Purchaser via Tenancy Agreement 1 and Tenancy Agreement 2 respectively.

### **Conditions Precedent**

The Acquisition shall take effect upon the satisfaction of the following conditions precedent within six (6) months from the date of the Agreements (“**Conditional Period**”):–

- (a) the Vendor obtaining from Pejabat Tanah dan Galian Terengganu, being the relevant authority of the state for its written consent for the transfer and/or charge of the Properties to the Purchaser and/or the Purchaser’s financier;
- (b) the approval of the shareholders of the Company (if required); and
- (c) the Purchaser obtaining from the relevant authority of the state for its written consent for the purchase of the Properties by any foreign interest under Section 433B of the Malaysian National Land Code 1965.

collectively, the “**Conditions Precedent**”.

If any of the Conditions Precedent cannot be fulfilled within the Conditional Period, then the Conditional Period shall be extended for a further six (6) months from the expiry of the Conditional Period for the parties to fulfil the Conditions Precedent (“**Extended Conditional Period**”) provided always that either one of the Conditions Precedent must have first been fulfilled, failing which the Extended Conditional Period is deemed to have lapsed without fulfilment of the Conditions Precedent.

If the Conditions Precedent cannot be fulfilled within the Extended Conditional Period for any reason whatsoever, either party may elect to terminate the Agreements due to non-fulfilment of the Conditions Precedent. In such event, the Vendor’s solicitors shall be authorized by the parties to refund a sum of the SPA Deposit (as defined herein), free of interest to the Purchaser within seven (7) days from the date of receipt of such written notice of termination from the Purchaser. For the avoidance of doubt, the Vendor is not required to refund the Earnest Deposit (as defined herein) to the Purchaser as the same shall be utilized as the rental for the Properties up to 30 November 2024.

### **Purchase Consideration and Payment Terms**

The purchase consideration of the Acquisition is RM13,500,000.00 (equivalent to approximately HK\$22,140,000.00) (“**Purchase Consideration**”) which shall be payable by the Purchaser in the manner below.

- (a) A sum of RM682,000.00 (equivalent to approximately HK\$1,118,480.00) (“**Earnest Deposit**”), representing 5% of the Purchase Consideration, has been paid by the Purchaser to the Vendor (as part of the rental payable to the Vendor for Property 1 and Property 2 for Tenancy Period 1 (as defined herein)) in four (4) milestones as follows:-

<b>No.</b>	<b>Payment Date</b>	<b>Amount</b>
1.	7 November 2023	RM56,833.00
2.	7 December 2023	RM56,833.00
3.	7 January 2024	RM56,833.00
4.	7 February 2024	RM511,501.00

Considering the execution of the Agreements, the Vendor has agreed that these payments shall be recognized as the Earnest Deposit, which shall form part of the Purchase Consideration.

- (b) A sum of RM1,350,000.00 (equivalent to approximately HK\$2,214,000.00) (“**SPA Deposit**”), representing 10% of the Purchase Consideration, shall be paid by the Purchaser to the Vendor’s solicitors in three (3) milestones as follows:-

<b>No.</b>	<b>Payment Date</b>	<b>Amount</b>
1.	5 April 2024	RM450,000.00
2.	30 April 2024	RM450,000.00
3.	31 May 2024	RM450,000.00

For clarification, it is an ordinary practice in the property market of Malaysia to have the deposit paid in full upon signing of a sale and purchase agreement. Nevertheless, to ease the cash flow of the Purchaser, the Vendor has agreed that the SPA Deposit shall be paid in three (3) milestones instead of such ordinary practice. As such, the first milestone of the SPA Deposit was made on 5 April 2024 when the parties have verbally indicated their firm commitment to execute the Agreements by 30 April 2024.

- (c) A sum of RM11,468,000.00 (equivalent to approximately HK\$18,807,520.00) (“**Balance Purchase Price**”), representing 85% of the Purchase Consideration, shall be paid by the Purchaser to the Vendor’s solicitors within three (3) months from the Unconditional Date (“**Completion Period**”), failing this, an extension of one (1) month period (“**Extended Completion Period**”) from the Completion Period shall automatically be granted to the Purchaser subject to an interest rate of 8% per annum calculated on a day-to-day basis on the unpaid Balance Purchase Price from the commencement of the Extended Completion Period until full settlement of the same.

For the purpose of the Agreements, any payment made to the Vendor’s Solicitors shall be deemed as payment received by the Vendor.

The Purchase Consideration was determined on the basis of normal commercial terms and after arm’s length negotiations between the Vendor and the Purchaser with reference to the following matters:–

- (i) the preliminary valuation of the Properties at RM15,100,000.00 (equivalent to approximately HK\$24,764,000.00) as of 1 April 2024 was conducted by Henry Butcher Malaysia (Terengganu) Sdn. Bhd., an independent property valuer by referring to the sales evidence available in the market;
- (ii) the location of the Properties; and
- (iii) the saving on the rental expenses under the Tenancy Agreements.

The Purchase Consideration will be funded by bank borrowings and internal resources of the Group.

### **Tenancy of the Properties**

Notwithstanding the provisions of the Tenancy Agreements, the parties agree that the following terms and conditions shall apply:

- (a) Subject to the completion of the Agreements, the Vendor shall allow the Purchaser to occupy the Properties wherein the rental for Property 1 and Property 2 for the period from 1 November 2023 (Property 1) and/or 1 December 2023 (Property 2) until 30 November 2024 (for both Property 1 and Property 2) (“**Tenancy Period 1**”), which is equivalent to the Earnest Deposit, shall be waived.
- (b) In the event that the Balance Purchase Price is not paid by the Purchaser to the Vendor on or before 30 November 2024, the tenancy of the Properties shall continue to subsist for a further period of one (1) year from the end date of Tenancy Period 1, on the basis that the monthly rental of RM46,000.00 (equivalent to HK\$75,440.00) (for Property 1) and RM11,000.00 (equivalent to HK\$18,040.00) (for Property 2) shall be payable by the Purchaser to the Vendor on a monthly basis.

- (c) In the event that the Conditions Precedent cannot be fulfilled in the manner as set forth in the Agreements, the Earnest Deposit shall be forfeited and treated as the total rental for both Property 1 and Property 2 during the Tenancy Period 1 to the Vendor.

### **Delivery of the Properties**

The vacant possession of the Properties shall be deemed delivered to the Purchaser prior to the execution of the Agreements by virtue of Tenancy Agreements. The legal possession of the Properties shall be deemed to be delivered by the Vendor to the Purchaser upon the date of full settlement of the Balance Purchase Price together with the late payment interest (if any) and all apportioned outgoings due and payable to the Vendor (if any) by the Purchaser.

## **GENERAL INFORMATION**

### **Information of the Group**

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

### **Information of the Vendor**

The Vendor is a company incorporated in Malaysia with its registered address at B34, 1st Floor, Lorong Haji Ahmad 4, Sri Pahang Business Centre, 25300 Kuantan, Pahang, Malaysia.

The shareholders of the Vendor, all of whom are Malaysian and their shareholdings in the Vendor are as follows:–

<b>Shareholders</b>	<b>No. of Shares</b>	<b>Percentage (%)</b>
Yip Lai Sung	400,000	40
Ng Wan Li Mann	400,000	40
Kong Swee Leong	100,000	10
Kong Yoon Fook	100,000	10

The directors of the Vendor are Yip Lai Sung, Ng Wan Li Mann and Kong Swee Leong.

The Vendor is principally engaged in the business of site clearing and earthworks contracting, manufacturing concrete products, and providing transport services.

To the best of the Directors' knowledge, information, and belief, having made all reasonable enquiries, as at the date of this announcement, the Vendor and its respective ultimate beneficial owners are third parties independent of the Company and its connected persons as defined in the Listing Rules.

## Information of the Purchaser

The Purchaser is a company incorporated in Malaysia with its registered address at No. 42, 1st Floor, Jalan Haji Abdul Aziz, 25000 Kuantan, Pahang.

The Purchaser is an indirect controlled subsidiary of the Company. The shareholders of the Purchaser and their shareholdings in the Purchaser are as follows:–

Shareholders	No. of Shares	Percentage (%)
Heng Hup Metal Sdn Bhd	1,275,000	51
Jiang Donglin	725,000	29
Chen Ming Yuan	500,000	20

Heng Hup Metal Sdn Bhd is a company incorporated in Malaysia and an indirectly wholly owned subsidiary of the Company. It is principally engaged in the business of scrap metal trading in Malaysia. Jiang Donglin and Chen Ming Yuan are Mainland Chinese.

The directors of the Purchaser are Datuk Sia Kok Chin, Sia Kok Seng, Sia Kok Heong, Jiang Donglin and Chen Ming Yuan.

The Purchaser is principally engaged in the business of steel slag recycling and metal scrap extraction.

## REASONS FOR AND BENEFITS OF THE ACQUISITION

The Directors believe that the strategic location of the Properties, situated merely 7 kilometres from the Teluk Kalong Industrial Area and 3 kilometres from the MIEL Industrial Area, known for their dynamic industrial activities in the State of Terengganu, Malaysia, offers significant geographical advantages to the Purchaser. Considering the majority of the Purchaser's existing and potential customers are located or conduct their business operations within the vicinity of these areas, the proximity of the Properties to these industrial areas is poised to further enhance service deliveries, improve customer experiences, and strengthen the Purchaser's relationships with its clients.

Having ownership of the Properties secures better business prospects by eliminating uncertainties like termination or non-renewal of the Tenancy Agreements by the Vendor, which could significantly disrupt business operations of the Purchaser. The Purchaser will also benefit from not having to pay rental expenses for the Properties which will result in substantial long-term savings. Notably, the Acquisition also represents an optimal and cost-effective investment for the Group as the Properties are secured at a significant discount of approximately 10.50% from the prevailing market value.

The Directors believe that the terms of the Acquisitions are fair and reasonable and in the interests of the shareholders as a whole.

## IMPLICATIONS OF THE LISTING RULES

As one or more applicable percentage ratio(s) (as defined under the Listing Rules) in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to reporting and announcement requirements but is exempt from the circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:–

“Acquisition”	acquisition of the Properties by the Purchaser from the Vendor
“Agreements”	the sale and purchase agreements dated 30 April 2024 in respect of the Properties
“Board”	the board of Directors of the Company
“Company”	Heng Hup Holdings Limited (stock code: 1891), a company incorporated in Cayman Islands with limited liability, the issue shares of which are listed on the Main Board of the Stock Exchange
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Listing Rules”	the Rules governing the Listing of Securities on the Stock Exchange
“Properties”	Property 1 and Property 2
“Purchaser”	East China Metallurgy Sdn Bhd
“RM”	Ringgit Malaysia, the lawful currency of Malaysia
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Tenancy Agreements”	Tenancy Agreement 1 and Tenancy Agreement 2
“Tenancy Agreement 1”	tenancy agreement dated 16 November 2021 in respect of Property 1
“Tenancy Agreement 2”	tenancy agreement dated 29 December 2021 in respect of Property 2

“Unconditional Date”	the date when all the Conditions Precedent are satisfied under the Agreements
Vendor	ISO Concrete Products Sdn Bhd
“%”	per cent

Unless otherwise specified, the conversion of RM into HK\$ is based on the exchange rate of RM1.00 to HK\$1.64. No representation is made that any amounts in RM and HK\$ has been or could be converted at the relevant dates at the above rate or other rates or at all.

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

Hong Kong, 30 April 2024

*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.*