

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Heng Hup Holdings Limited

興合控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1891)

**SUPPLEMENTAL ANNOUNCEMENT TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019
AND
CHANGE IN USE OF PROCEEDS**

Reference is made to the prospectus of Heng Hup Holdings Limited (the “**Company**”) dated 27 February 2019 (the “**Prospectus**”) and the annual report of the Company for the year ended 31 December 2019 (the “**Annual Report**”). The capitalised terms used herein shall have the same meanings as those defined in the Prospectus and the Annual Report unless the context requires otherwise.

In addition to the information disclosed in the Annual Report, the Board would like to provide the following additional information:

USE OF PROCEEDS FROM THE SHARE OFFER AND CHANGE IN USE OF PROCEEDS

The utilisation of the net proceeds and the latest change in use of proceeds and the resulting new allocation for unutilised amount of net proceeds from the Share Offer was summarised as follows:

	Available (RM'000)	Amount utilised up to 31 December 2019 (RM'000)	Balance as at 31 December 2019 (RM'000)	Balance as at 30 June 2020 (RM'000)	Reallocation in use of proceeds as at date of this announcement (RM'000)	New allocation for unutilised amount of net proceeds (RM'000)	Expected timeline for fully utilising the remaining proceeds (taking into account of the new allocation) (Note)
Partially replacing our fleet of trucks	3,604	2,044	1,560	428	-	428	Third quarter of 2020
Enhancing our processing abilities	2,908	2,598	310	-	-	-	
Setting up a new enterprise resource planning system	942	372	570	399	-	399	Fourth quarter of 2020
Setting up a new scrapyards in the east coast of Peninsular Malaysia	4,546	-	4,546	4,546	(4,546)	-	
Expansion of our scrapyards in Selangor, Malaysia	6,389	723	5,666	5,666	-	5,666	Second quarter of 2022
The Group's working capital for our scrap ferrous metal trading business	18,471	18,471	-	-	4,546	4,546	Fourth quarter of 2020
General working capital for other general corporate purpose (excluding the purchase of scrap materials)	4,096	4,096	-	-	-	-	
	<u>40,956</u>	<u>28,304</u>	<u>12,652</u>	<u>11,039</u>	<u>-</u>	<u>11,039</u>	

Note: The expected timeline for utilising the remaining proceeds was based on the best estimation of the future market conditions made by the Group. It would be subject to change based on the current and future development of market conditions.

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

Since the listing of the Company, the Directors discovered that the overall market competition amongst scrap metal traders in sourcing scrap ferrous metal has become more intense. The Directors noted that other major scrap metal traders were worried their market share would be threatened after the Company's listing in Hong Kong, and were prepared to compete against the Company in securing supplies. As a result, the Company often had to follow to increase the procurement price in securing supplies in order to fulfil the customers' demands, thereby adversely affecting its operating margin. The situation was even more challenging on the east coast of Malaysia given the Company's market position history in that region.

Furthermore, in negotiating the land lease for the proposed new scrap yard on the east coast of Malaysia, the Company encountered the land owner demanding some changes in the lease terms which the Directors considered to be unacceptable. The Company attempted to identify some other comparable sites but was unable to find a suitable one which could satisfy all the Company's requirements in terms of location, power availability, and lease terms.

Having considered the above and in view of the increasing uncertainty faced by the steel industry in Malaysia and the global economy, the Directors have resolved that the unutilised net proceeds originally allocated to set up a new scrapyards in the state of Pahang on the east coast of Peninsular Malaysia are reallocated as general working capital for the Company's scrap ferrous metal trading business. The Directors are of the view that the reallocation is in line with the business strategy of the Group and will not adversely affect the operation and business of the Group and is in the best interest of the Company and the shareholders as a whole.

COMPLIANCE WITH NON-COMPETITION DEED

Each of the Controlling Shareholders entered into the Deed of Non-Competition on 19 February 2019. Further to the information disclosed in the Annual Report, the Company wishes to provide the following supplemental information regarding the compliance of the non-competition undertakings pursuant to the Deed of Non-Competition (the “**Non-Competition Undertakings**”) by the Controlling Shareholders and the procedures which the Company has taken to confirm such compliance.

The Controlling Shareholders have provided written confirmations to the Company confirming that they had fully complied with the Deed of Non-Competition during the year ended 31 December 2019 and that they did not conduct or acquire any competing business with the Group during the year ended 31 December 2019. The independent non-executive Directors have reviewed the confirmations from the Controlling Shareholders and are satisfied that the Deed of Non-Competition was fully complied with by Controlling Shareholders during the year ended 31 December 2019, and no competing business was reported by the Controlling Shareholders throughout the year ended 31 December 2019.

The above additional information does not affect other information contained in the Annual Report and save as disclosed above, all other information in the Annual Report remains unchanged.

By order of the Board
Heng Hup Holdings Limited
Sia Kok Chin
Chairman

Hong Kong, 16 July 2020

As at the date of this announcement, the executive Directors are Mr. 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.