THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

HONG SENG CONSOLIDATED BERHAD
(formerly known as MSCM Holdings Berhad)
Registration No. 200101001581 (537337-M)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

PART A

(I) TURNKEY AGREEMENT;

(II) PROPOSED DIVERSIFICATION INTO MANUFACTURING AND TRADING OF GLOVES AND OTHER PPE;

(III) PROPOSED DIVERSIFICATION INTO HEALTHCARE RELATED BUSINESS;

(IV) PROPOSED DIVERSIFICATION INTO HIRE PURCHASE BUSINESS; AND

(V) PROPOSED VARIATION

PART B

THE PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser for (II), (III), (IV) and (V) of Part A

TA SECURITIES
A MEMBER OF THE TA GROUP
TA SECURITIES HOLDINGS BERHAD (14948-M)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of Extraordinary General Meeting ("**EGM**") for the shareholders of Hong Seng Consolidated Berhad (*formerly known as MSCM Holdings Berhad*) ("**Hong Seng**") and the Proxy Form are set out in this Circular. Hong Seng's EGM will be held fully virtual through live streaming via a remote participation and voting facilities as follows:

Broadcast venue of the EGM	:	Gate C, 2nd Floor, No. 3, Jalan TP 2, Taman Perindustrian UEP, 47600 Subang Jaya, Selangor Darul Ehsan, Malaysia
Date and time of the EGM	:	Tuesday, 15 December 2020 at 10.30 a.m. or at any adjournment thereof
Last date and time for lodging the Proxy Form	:	Sunday, 13 December 2020 at 10.30 a.m.

As a shareholder who is entitled to attend and vote at the EGM, you are entitled to appoint a proxy or proxies to attend and vote on your behalf. The completed Proxy Form should be lodged at our share registrar's office at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time set for holding the EGM or at any adjournment thereof. The Proxy Form once deposited will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

This Circular is dated 27 November 2020

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE:

PART A

(I) PROPOSED TURNKEY COMMISSIONING OF NITRILE BUTADIENE RUBBER DOUBLE FORMER GLOVE DIPPING PRODUCTION LINE AGREEMENT ("TURNKEY AGREEMENT");

(II) PROPOSED DIVERSIFICATION OF THE EXISTING BUSINESS OF HONG SENG AND ITS SUBSIDIARIES ("HONG SENG GROUP") TO INCLUDE MANUFACTURING AND TRADING OF GLOVES AND OTHER PERSONAL PROTECTIVE EQUIPMENT ("PPE") PRODUCTS AND RELATED BUSINESS ("PROPOSED DIVERSIFICATION INTO MANUFACTURING AND TRADING OF GLOVES AND OTHER PPE");

(III) PROPOSED DIVERSIFICATION OF THE EXISTING BUSINESS OF HONG SENG GROUP TO INCLUDE THE SUPPLY OF HEALTHCARE PRODUCTS AND SERVICES AND RELATED BUSINESS ("PROPOSED DIVERSIFICATION INTO HEALTHCARE RELATED BUSINESS");

(IV) PROPOSED DIVERSIFICATION OF THE EXISTING BUSINESS OF HONG SENG GROUP TO INCLUDE HIRE PURCHASE AND RELATED BUSINESS ("PROPOSED DIVERSIFICATION INTO HIRE PURCHASE BUSINESS"); AND

(V) PROPOSED VARIATION TO THE UTILISATION OF PROCEEDS RAISED FROM THE RIGHTS ISSUE OF SHARES WITH WARRANTS AND RIGHTS ISSUE OF IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES UNDERTAKEN BY HONG SENG ("PROPOSED VARIATION")

(COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

PART B

(I) PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH HS VISION ONE SDN BHD

(II) PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH MMAG HOLDINGS BERHAD AND ITS SUBSIDIARIES

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular and the accompanying appendices:

"15M-FPE 2018"	:	15-month financial period commenced from 1 January 2017 until 31 March 2018
"3M-FPE"	:	3-month FPE
"3PL"	:	3rd party logistics
"4PL"	:	4th party logistics
"Act"	:	Companies Act 2016
"AGM"	:	Annual General Meeting
"Board"	:	Board of Directors of our Company
"Bursa Securities"	:	Bursa Malaysia Securities Berhad
"Circular"	:	This circular to our shareholders dated 27 November 2020 in relation to the Proposals
"Consortium"	:	An unincorporated consortium to pursue distributorship and opportunities relating to medicinal drugs and vaccines from China pursuant to the Consortium Agreement
"Consortium Agreement"	:	A consortium agreement dated 5 October 2020 entered into between HS Bio and Royce Pharma to jointly work together and to form the Consortium
"Contract Price"	:	RM59.40 million, being the total contract price for the Turnkey Agreement
"COVID-19"	:	Coronavirus disease
"Dato' Teoh"	:	Dato' Teoh Hai Hin, our Executive Chairman and major shareholder
"Director"	:	A natural person who holds a directorship in a company, whether in an executive or non-executive capacity, who is or was within the preceding 6 months of the date on which the terms of the transaction was agreed upon, and shall have the meaning given in Section 2(1) of the Act and Section 2(1) of the Capital Markets and Services Act 2007
"EGM"	:	Extraordinary general meeting of our Company
"eMedAsia"	:	eMedAsia Sdn Bhd, a 20% associated company of HS Bio
"eMedAsia Agreement"	:	A 3rd and 4th party logistics services and subscription agreement dated 28 August 2020 entered into between HS Bio and eMedAsia
"EPS"	:	Earnings per Share
"ESOS Options"	:	Options granted pursuant to our Company's employee share option scheme established on 4 July 2011 and expiring on 3 July 2021 for the issuance of up to 15% of the enlarged number of issued Hong Seng Shares (excluding treasury shares, if any) to eligible persons at any one time over a period of 10 years
"Factory"	:	4 blocks of single-storey factory building, a single-storey office building, a single-storey canteen and storage areas erected on a parcel of leasehold land on Lot 97, Jalan Sepuluh, Bakar Arang Industrial Estate, 08000 Sungai Petani, Kedah measuring approximately 217,800 square feet (with a total gross build-up area of 130,964 square feet)

"First Variation"	:	Variation to the utilisation of balance proceeds from the Rights Issues amounting to approximately RM50.73 million, pursuant to Section 3 of our Company's circular to shareholders dated 24 June 2020, as approved by our shareholders on 24 July 2020
"Francis Ho"	:	Ho Chia Yao, the sole director and sole shareholder of Howellcare
"Fosun"	:	Shanghai Fosun Pharmaceutical Group Co. Ltd.
"FPE"	:	Financial period ended
"FYE"	:	Financial year ended
"Glove Production Plant"	:	6 units of NBR double former glove dipping production lines with utilities support system at the Factory
"Hong Seng" or "Company"	:	Hong Seng Consolidated Berhad *(formerly known as MSCM Holdings Berhad)*
"Hong Seng Gloves"	:	Hong Seng Gloves Sdn Bhd, a wholly-owned subsidiary of our Company
"Hong Seng Group" or "Group"	:	Our Company and our subsidiaries (including all future subsidiaries to be acquired/incorporated by our Company before our next AGM, wherever applicable), collectively
"Hong Seng Share(s)" or "Share(s)"	:	Ordinary share(s) in our Company
"Howellcare"	:	Howellcare Industries Sdn Bhd, our Group's turnkey project partner for the Glove Production Plant pursuant to the Turnkey Agreement
"HSPM"	:	Hong Seng Priority Management Sdn Bhd *(formerly known as IHP Priority Management Sdn Bhd)*, a wholly-owned subsidiary of our Company
"HS Assembly"	:	Hong Seng Assembly Sdn Bhd
"HS Bio"	:	HS Bio Supplies Sdn Bhd *(formerly known as HC MSC Sdn Bhd)*, a wholly-owned subsidiary of our Company
"HS Group"	:	HS Assembly, HS Motor and its related group of companies
"HS Motor"	:	Hong Seng Motor Sdn Bhd
"HS Frontier"	:	Hong Seng Frontier Sdn Bhd *(formerly known as HS Frontier Sdn Bhd)*
"HS Vision"	:	HS Vision One Sdn Bhd
"ICPS"	:	Irredeemable convertible preference shares in our Company
"IT"	:	Information technology
"Jeff Chong"	:	Chong Koon Meng
"Kenny Khow"	:	Kenny Khow Chuan Wah
"LAT"	:	Loss after taxation
"Line Clear"	:	Line Clear Express & Logistics Sdn Bhd, a wholly-owned subsidiary of MMAG
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities
"LPD"	:	12 November 2020, being the latest practicable date prior to the printing of this Circular

"LPS"	:	Loss per Share
"MARGMA"	:	Malaysian Rubber Glove Manufacturers Association
"Major shareholder(s)"	:	A person who has an interest or interests in 1 or more voting shares in our Company and the number or aggregate number of those Shares is: (a) 10% or more of the total number of voting shares in our Company; or (b) 5% or more of the total number of voting shares in our Company where such person is our largest shareholder. For the purpose of this definition, "interest in shares" shall have the meaning given in Section 8 of the Act. Major shareholder(s) shall include any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder of our Company.
"Medical and Healthcare Products"	:	Pharmaceutical, medical and healthcare supplies such as medicine, medical consumables, bio supplies, medical equipment or devices, test-kits, vaccines, supplements, and other pharmaceutical, medical and healthcare related products
"MCO"	:	Movement control order
"MMAG"	:	MMAG Holdings Berhad
"MMAG Group"	:	MMAG and its subsidiaries (including all future subsidiaries to be acquired/incorporated by MMAG before our next AGM, wherever applicable)
"NA"	:	Net assets
"NBR"	:	Nitrile butadiene rubber
"PAT"	:	Profit after taxation
"Person(s) connected"	:	Such person(s), in relation to any person (referred to as "said Person") means such person who falls under any one of the following categories: (a) family member of the said Person; (b) a trustee of a trust (other than a trustee for a share scheme for employees or pension scheme) under which the said Person, or family member of the said Person is the sole beneficiary; (c) a partner of the said Person; (d) a person, or where the person is a body corporate, the body corporate or its directors, who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the said Person; (e) a person, or where the person is a body corporate, the body corporate or its directors, in accordance with whose directions, instructions or wishes the said Person is accustomed or is under an obligation, whether formal or informal, to act; (f) a body corporate in which the said person or persons connected with the said Person are entitled to exercise, or control the exercise of, not less than 20% of the votes attached to voting shares in the body corporate; or (g) a body corporate which is a related corporation of the said Person.
"PPE"	:	Personal protective equipment
"Private Placement"	:	Private placement of not more than 10% of the enlarged number of issued Hong Seng Shares (excluding treasury shares, if any) approved by Bursa Securities on 7 October 2020

"Proposals"	:	Turnkey Agreement, Proposed Diversifications and Proposed Variation, collectively
"Proposed Diversification into Healthcare Related Business"	:	Proposed diversification of the existing business of our Group to include the supply of healthcare products and services and related business
"Proposed Diversification into Hire Purchase Business"	:	Proposed diversification of the existing business of our Group to include hire purchase and related business
"Proposed Diversification into Manufacturing and Trading of Gloves and Other PPE"	:	Proposed diversification of the existing business of our Group to include manufacturing and trading of gloves and other PPE products and related business
"Proposed Diversifications"	:	Proposed Diversification into Manufacturing and Trading of Gloves and Other PPE, Proposed Diversification into Healthcare Related Business and Proposed Diversification into Hire Purchase Business, collectively
"Proposed RRPT Mandate"	:	Proposed Shareholders' Mandate as tabled out in **Section 2.2.2 of Part B** of this Circular
"Proposed Variation"	:	Proposed variation to the utilisation of the balance proceeds of RM50.45 million raised from the Rights Issues
"Related Party(ies)"	:	A Director or major shareholder or person connected with such Director or major shareholder
"Related Party Transaction(s)" or "RPT(s)"	:	Transaction(s) entered into by our Group which involved the interest, direct or indirect, of a Related Party
"Recurrent Related Party Transaction(s)" or "RRPT(s)"	:	Related Party Transaction(s) which are recurrent and of a revenue or trading nature which are necessary for the day-to-day operations and are in the ordinary course of business of our Group
"Rights Issues"	:	Collectively, (i) the renounceable rights issue of 53,097,137 new Shares on the basis of 1 new Share for every 5 existing Shares at an issue price of RM0.25 per new Share (together with 159,291,411 Warrants on the basis of 3 Warrants for every 1 new Share subscribed for); and (ii) the renounceable rights issue of 796,457,055 ICPS on the basis of 3 ICPS for every 1 existing Share at an issue price of RM0.05 per ICPS, both of which were completed on 2 October 2019
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively
"Royce Pharma"	:	RP Integrated Berhad
"Shareholders' Mandate"	:	A mandate from the shareholders of our Company pursuant to Paragraph 10.09 of the Listing Requirements in relation to RRPTs
"SME(s)"	:	Small and medium-sized enterprise(s)
"TA Securities" or "Adviser"	:	TA Securities Holdings Berhad
"Tenancy Agreement"	:	Tenancy agreement dated 10 August 2020 between HS Vision and Hong Seng Gloves for the rental of the Factory for a term of 3 years (with an option to renew for another 2 years)
"THB"	:	Teoh Hai Bim
"THP"	:	Teoh Hai Peng
"THS"	:	Teoh Hai Seng

"TSH"	:	Teoh Soon Han
"Turnkey Agreement"	:	An agreement for the turnkey commissioning of NBR double former glove dipping production plant dated 25 August 2020 entered into between Hong Seng Gloves and Howellcare
"United ICT"	:	United ICT Consortium Sdn Bhd, a wholly-owned subsidiary of MMAG
"USA"	:	United States of America
"Warrants"	:	Free detachable warrants in our Company

All references to "we", "us", "our" and "ourselves" are to our Company, or where the context requires, are to our Group. All references to "you" in this Circular are references to the shareholders of our Company.

Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa.

Reference to persons shall include a corporation, unless otherwise specified. Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

TABLE OF CONTENTS

PAGE

PART A

LETTER TO OUR SHAREHOLDERS IN RELATION TO THE PROPOSALS:

PART B

LETTER TO OUR SHAREHOLDERS IN RELATION TO THE PROPOSED RRPT MANDATE:

PART A

LETTER TO OUR SHAREHOLDERS IN RELATION TO THE PROPOSALS

THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT INFORMATION CONTAINED IN THE MAIN CONTENT OF THIS CIRCULAR. PLEASE READ THE ENTIRE CIRCULAR CAREFULLY FOR FURTHER DETAILS ON THE PROPOSALS BEFORE VOTING.

We are asking our shareholders to vote on the matters below. Our Board recommends that you vote **FOR** the resolutions in relation to the Proposals to be tabled at the forthcoming EGM.

TURNKEY AGREEMENT		
Purpose	:	To engage Howellcare to plan, design, supply, install and commission the Glove Production Plant, provide services such as setting up and training to our new operation team to operate the Glove Production Plant as well as undertake all marketing and sale of the NBR gloves for Hong Seng Gloves for the initial stage. Refer to **Section 2 of Part A** of this Circular for further details on the Turnkey Agreement.
Source of funding	:	We will fund the RM59.40 million contract price via a combination of part of the proceeds from the Rights Issues pursuant to the Proposed Variation, the conversion of ICPS and exercise of Warrants, internally generated funds, bank borrowings and/or proceeds from future equity and/or debt fundraising exercises of our Group.
Rationale	:	To increase our future earnings and improve our financial position while reducing dependency on our existing businesses. Refer to **Section 5.1 of Part A** of this Circular for further details on the rationale for the Turnkey Agreement.
PROPOSED DIVERSIFICATIONS		
Purpose	:	To diversify our Group's existing businesses to include manufacturing and trading of gloves and other PPE products, healthcare related business as well as hire purchase and related business. Refer to **Section 3 of Part A** of this Circular for further details on the Proposed Diversifications.
Source of funding	:	• Funding for the Proposed Diversification into Manufacturing and Trading of Gloves and Other PPE and the Proposed Diversification into Hire Purchase Business will be from a combination of part of the proceeds from the Rights Issues pursuant to the Proposed Variation, the conversion of ICPS and exercise of Warrants, internally generated funds, bank borrowings and/or proceeds from future equity and/or debt fundraising exercises of our Group. • Funding for the Proposed Diversification into Healthcare Related Business will be from the proceeds to be raised via the Private Placement. However, if our Company is not able to raise sufficient funds via the Private Placement or if additional funding is required to fund the Proposed Diversification into Healthcare Related Business, our Group intends to use a combination of internally generated funds, bank borrowings, proceeds from conversion of ICPS and exercise of Warrants and/or proceeds from future equity and/or debt fundraising exercises to be undertaken by our Group.
Rationale	:	• To provide additional income streams to our Group and reduce over-reliance on our existing businesses in the search and advertising segment and the IT segment. • To improve our Group's financial performance and enhance our Group's prospect. Refer to **Section 5.2 of Part A** of this Circular for further details on the rationale of the Proposed Diversifications.

TURNKEY AGREEMENT AND PROPOSED DIVERSIFICATIONS		
Risk factors	:	• New challenges and risks arising from the new businesses in which our Group currently has no exposure in. • No prior experience in gloves industry and healthcare industry. • Dependency on contractor for commissioning of the Glove Production Plant. • Competition from new entrants and existing players in the respective industries. • Delay or termination of contracts arising from breach or default of the parties and delays due to reasons beyond the control of our Group. • Obsolescence of our Glove Production Plant. • Financing risk due to interest rate fluctuation and incur fixed interest expense if our Group requires debt financing for our hire purchase, manufacturing and trading of gloves and other PPE and healthcare related businesses. • Occurrence of force majeure events which are beyond the control of our Group, for instances, natural disasters, lockdown, closure of international borders, economic risks (such as an economic downturn, slower global and domestic growth and inflation), ongoing trade and geopolitical tensions, commodity-related crisis, adverse developments in political and government policies in Malaysia and foreign markets, acts of war or terrorism, riots, expropriations and changes in political leadership. • Dependency on the abilities, skills and experience of Dato' Teoh, Lim Peng Tong, Jeff Chong and Yeoh Guan Kooi. The occurrence of any of the risks above may affect our Group's financial performance. Refer to **Section 7 of Part A** of this Circular for further details on the risk factors.

PROPOSED VARIATION		
Details	:	1. To vary the utilisation of the balance proceeds of the Rights Issues, which stood at approximately RM50.45 million as at the LPD, as follows:

Utilisation of proceeds	Balance proceeds as at the LPD (RM'000)	Proposed Variation (RM'000)	Revised time frame for utilisation
Capital expenditure and rental deposits	5,182	(5,182)	-
Woking capital requirements	10,263	(10,263)	-
Future prospective acquisition of land(s)/ warehouse(s)/ property holding company(s) and construction of cold rooms	18,000	(18,000)	-
Working capital for moneylending business	17,000	(17,000)	-
Turnkey Agreement	-	**30,000**	12 months
Working capital for moneylending and hire purchase businesses	-	**17,000**	24 months
Working capital for our Group	-	**3,445**	24 months
TOTAL	**50,445**	–	

PROPOSED VARIATION *(CONT'D)*		
Details *(cont'd)*	**:**	2. To divert the proceeds raised and to be raised from the conversion of ICPS and exercise of Warrants to part finance the Turnkey Agreement, the working capital of all of our Group's on-going business operations (i.e. search and advertising business, IT business, supply chain management business, moneylending business, manufacturing and trading of gloves and other PPE products, healthcare related business, hire purchase business and any future business expansions to be undertaken by our Group) and/or any future prospective business, project and/or acquisition to be identified by our Group. Refer to **Section 4 of Part A** of this Circular for further details on the Proposed Variation.
Rationale	**:**	Our Board proposes to undertake the Proposed Variation mainly to re-allocate the Rights Issues' proceeds to enable our Group: • To partly fund the Turnkey Agreement. • To fund the working capital of our moneylending and hire purchase businesses. • To fund the working capital of all of our Group's on-going business operations. The Proposed Variation also enables our Company to divert the proceeds raised and to be raised from the conversion of ICPS and exercise of Warrants to part finance the Turnkey Agreement, the working capital of all of our Group's on-going business operations, any future business expansions to be undertaken by our Group, and/or any future prospective business, project and/or acquisition to be identified by our Group. Refer to **Section 5.3 of Part A** of this Circular for further details on the rationale of the Proposed Variation.

HONG SENG CONSOLIDATED BERHAD
(formerly known as MSCM Holdings Berhad)
Registration No. 200101001581 (537337-M)
(Incorporated in Malaysia)

Registered Office:

802, 8th Floor
Block C, Kelana Square
17, Jalan SS 7/26
47301 Petaling Jaya
Selangor Darul Ehsan

27 November 2020

Board of Directors

Dato' Teoh Hai Hin *(Executive Chairman)*
Chong Koon Meng *(Executive Director)*
Kenny Khow Chuan Wah *(Executive Director)*
Lim Peng Tong *(Executive Director)*
Wong Mun Wai *(Senior Independent Non-Executive Director)*
YM Tengku Farith Rithauddeen *(Independent Non-Executive Director)*
Yap Kien Ming *(Independent Non-Executive Director)*
Ng Keok Chai *(Independent Non-Executive Director)*
Teoh Soon Han *(Alternate Director to Dato' Teoh Hai Hin)*

To: Our shareholders

Dear Sir/Madam,

(I) TURNKEY AGREEMENT;
(II) PROPOSED DIVERSIFICATION INTO MANUFACTURING AND TRADING OF GLOVES AND OTHER PPE;
(III) PROPOSED DIVERSIFICATION INTO HEALTHCARE RELATED BUSINESS;
(IV) PROPOSED DIVERSIFICATION INTO HIRE PURCHASE BUSINESS; AND
(V) PROPOSED VARIATION

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1. INTRODUCTION

On 24 July 2020, our shareholders approved at our EGM (i) the diversification of our Group's business to include moneylending business and (ii) the First Variation.

On 5 August 2020, our Board announced that our Company had issued a letter of intent to eMedAsia which was accepted by eMedAsia, indicating our Company's interest to invest a total of RM2.0 million for a 20% stake in eMedAsia and to be eMedAsia's exclusive 4PL service provider, with a board seat in eMedAsia, subject to a detailed subscription and 4PL services agreement to be agreed upon by both parties.

On 10 August 2020, our Board announced that Hong Seng Gloves have entered into a conditional Tenancy Agreement with a related party, HS Vision, to rent the Factory to set up the Glove Production Plant.

On 12 August 2020, our Board further announced that our Company and eMedAsia had agreed that our Company's rights, duties and obligations as provided in the aforesaid letter of intent to eMedAsia shall be granted and assigned to HS Bio (our Company's then 51% owned subsidiary). The remaining 49% in HS Bio was held by United ICT.

On 25 August 2020, our Board announced that Hong Seng Gloves had entered into the Turnkey Agreement.

On 28 August 2020, our Board announced that HS Bio had entered into the eMedAsia Agreement with eMedAsia.

On 15 September 2020, TA Securities announced on behalf of our Board that our Company proposed to undertake the Private Placement.

On 5 October 2020, our Board announced that HS Bio had entered into the Consortium Agreement.

On 8 October 2020, TA Securities announced on behalf of our Board that Bursa Securities had, vide its letter dated 7 October 2020, approved the Private Placement for the listing of and quotation for up to 127,500,500 new Hong Seng Shares, representing not more than 10% of the issued Hong Seng Shares.

On 12 October 2020, our Board announced that our Company had entered into a share sale agreement with United ICT for the acquisition of 49% of the equity interest in HS Bio comprising 1,029,000 ordinary shares for a cash consideration of RM980,001. The acquisition was completed on 13 October 2020.

On 19 October 2020, TA Securities had announced on behalf of our Board that our Company proposes to undertake the Proposed Diversifications and Proposed Variation.

Further details of the Proposals are set out in the ensuing sections of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION OF THE PROPOSALS, TO SET OUT OUR BOARD'S RECOMMENDATION ON THE PROPOSALS AND TO SEEK YOUR APPROVALS FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT OUR FORTHCOMING EGM. THE NOTICE OF EGM TOGETHER WITH THE PROXY FORM ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN CAREFULLY BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT OUR FORTHCOMING EGM.

2. DETAILS OF THE TURNKEY AGREEMENT

On 25 August 2020, Hong Seng Gloves, our wholly-owned subsidiary, entered into the Turnkey Agreement with Howellcare for a total contract price of RM59.40 million for the planning, designing, supplying, installing and commissioning of the Glove Production Plant at the Factory as well as providing services as set out in **Section 2(b)(v) of Appendix I** of this Circular including:

(i) setting up and providing training to Hong Seng Gloves' new operation team to run and manage the day-to-day operation of the Glove Production Plant on behalf of Hong Seng Gloves. Within 1 to 2 months prior to the delivery and commissioning of the first 2 production lines which is tentatively by April 2021, Howellcare will commence to provide offsite orientation training to our relevant key management personnel and employees. Upon commencement of the production lines, Howellcare will proceed to provide onsite operational training and guidance to the key management personnel and employees until the handover date of the Glove Production Plant (tentatively by November 2021) unless further extended as agreed between Hong Seng Gloves and Howellcare; and

(ii) undertaking all marketing and sale of the NBR gloves for Hong Seng Gloves for the initial stage of operation during the duration of the Turnkey Agreement until the handover date of the Glove Production Plant (tentatively by November 2021) unless further extended as agreed between Hong Seng Gloves and Howellcare.

For the construction site of the Glove Production Plant, Hong Seng Gloves had on 10 August 2020 entered into the Tenancy Agreement with a related party, HS Vision (a company controlled by Dato' Teoh (our Executive Chairman and major shareholder) and THP (Dato' Teoh's brother and our former major shareholder) as detailed in **Section 13 of Part A** of this Circular), for the rental of the Factory comprising 4 blocks of single-storey factory building (with a gross build-up area of approximately 110,558 square feet), a single-storey office building (with a gross build-up area of approximately 2,732 square feet), a single-storey canteen (with a gross build-up area of approximately 3,841 square feet) and storage areas (with a gross build-up area of approximately 13,833 square feet) erected on a parcel of leasehold land on Lot 97, Jalan Sepuluh, Bakar Arang Industrial Estate, 08000 Sungai Petani, Kedah measuring approximately 217,800 square feet (with a total gross build-up area of approximately 130,964 square feet) for a term of 3 years (with an option to renew for another 2 years) at a monthly rental of RM130,000.

The Factory and the adjoining property which comprises 5 blocks of single-storey factory building erected on Lot 96, Jalan Sepuluh, Bakar Arang Industrial Estate, 08000 Sungai Petani, Kedah measuring approximately 174,240 square feet (with a total gross build-up area of approximately 120,736 square feet) ("**Adjoining Property**") are leased by HS Vision from Perbadanan Kemajuan Negeri Kedah for 60 years from 13 March 1990 until 12 March 2050. As at the LPD, a part of the Adjoining Property is used by HS Vision's tenant as a plastic recycling factory which will be vacated by February 2021 and the remaining part of the Adjoining Property is vacant. Pursuant to the Tenancy Agreement, Hong Seng Gloves has a right of first offer to take over the leases of the Factory and the Adjoining Property upon the terms and conditions on which HS Vision intends to assign or transfer the said leases to a third party as well as an option granted to Hong Seng Gloves to take over the leases of the Factory and the Adjoining Property from HS Vision during the tenancy period at a market price to be determined between both parties in the future.

The Tenancy Agreement is deemed a RRPT pursuant to Paragraph 10.09 of the Listing Requirements. As such, the Tenancy Agreement is subject to and conditional upon our shareholders' approval at the forthcoming EGM on or before the expiry of 4 months from the date of the Tenancy Agreement as disclosed in **Part B** of this Circular. On 10 August 2020, Hong Seng Gloves has taken possession of the Factory and is entitled to a free rent period of 4 months from the date of the Tenancy Agreement or until we obtain our shareholders' approval for the RRPT on the Tenancy Agreement at the forthcoming EGM, whichever is earlier.

The expected production capacity and output for each of the NBR double former glove dipping production line is approximately 241,920,000 pieces per annum whilst the total expected production capacity and output for all 6 units of the NBR double former glove dipping production lines is approximately 1,451,520,000 pieces per annum.

For the operation of the Glove Production Plant, Hong Seng Gloves shall apply for and obtain certain permits, licences or approvals from the relevant authorities, such as the Royal Malaysian Customs Department, Malaysian Rubber Board, Ministry of Environment and Water, Ministry of International Trade and Industry of Malaysia, Department of Occupational Safety and Health, Ministry of Health and local municipal council. Hong Seng Gloves intends to submit the first application to local municipal council for approval of the development order of the Factory and its business licence by December 2020, thereafter, submission of applications to other respective authorities/regulatory bodies will depend on the stages of development of the Glove Production Plant during the period from December 2020 to April 2021.

Subject to obtaining all the relevant approvals, our Group expects to commission the first 2 production lines and produce NBR gloves by April 2021 which is tentatively 6 months from Howellcare's deployment of preliminary works in October 2020. The first 2 production lines are expected to produce approximately 483,840,000 pieces of NBR gloves per annum. Thereafter, 1 additional production line is expected to be commissioned every month from May 2021 with all the 6 production lines in operation by September 2021.

Apart from Malaysia, our Group intends to export our NBR gloves to the USA, the United Kingdom, Europe, Turkey, Middle East countries, Australia, China and etc.. The export sales in the foreign countries will require our Company to obtain certain permits, licences or approvals from Malaysian Rubber Board, Food and Drug Administration (FDA) (for USA only), Personal Protective Equipment Directives (CE), Therapeutic Goods Administration (TGA) (for Australia only), Medical Device Directive (MDD) based on the requirements of the respective foreign countries.

The salient terms of the Turnkey Agreement are set out in **Appendix I** of this Circular.

Pursuant to Paragraph 10.02(g) of the Listing Requirements, the highest percentage ratio applicable to the Turnkey Agreement is 96.86%, derived from the Contract Price of RM59.40 million against the audited NA of our Group for the FYE 31 March 2020 of approximately RM61.33 million. As such, we intend to seek our shareholders' approval for the Turnkey Agreement at the forthcoming EGM.

2.1 Information on Hong Seng Gloves

Hong Seng Gloves was incorporated as a private limited company in Malaysia under the Act on 7 August 2020 to engage in the business of manufacturing and trading in gloves, masks and other PPE related products. Hong Seng Gloves expects to commission the first 2 production lines of the Glove Production Plant and produce NBR gloves by April 2021 and the remaining 4 production lines are targeted to be fully commissioned by September 2021. Hong Seng Gloves also intends to commence production of masks and other PPE related products within 2 years after all the 6 production lines of the Glove Production Plant are operational and generating revenue as well as profit to our Group.

As at the LPD, Hong Seng Gloves' issued share capital is RM100 comprising 100 ordinary shares. The directors of Hong Seng Gloves are Dato' Teoh, Kenny Khow and Lim Peng Tong.

2.2 Information on Howellcare

Howellcare was incorporated as a private limited company in Malaysia under the Act on 11 February 2019 and had commenced its business since its incorporation. The principal activities of Howellcare are manufacturing and trading all kinds of gloves (synthetic rubber and natural rubber), general trading of articles of all description, training, consultation, manpower recruitment, management, event management and brokerage, construction and engineering works.

As at the LPD, Howellcare's issued share capital is RM520,000 comprising 520,000 ordinary shares. The sole director and shareholder of Howellcare is Francis Ho. Howellcare has been providing total solution and consultation on turnkey projects such as design and build services for clients in the glove manufacturing industry, supply of glove industry related equipment and machineries, and trading of latex and nitrile examination gloves.

Francis Ho, the founder and director of Howellcare, will be the key person for Hong Seng Gloves' turnkey commissioning of the Glove Production Plant. The profile of Francis Ho is disclosed as follows:

Francis Ho

Francis Ho (aged 50, Malaysian) completed his Sijil Tinggi Pelajaran Malaysia (STPM) at Sekolah Menengah Kebangsaan Munshi Abdullah, Melaka in 1989. He started working in food and beverage industry and entertainment industry after he completed his STPM from 1990 until 1999. He commenced his glove manufacturing career in 1999 by joining YTY Industry Sdn Bhd as the company's Factory Manager and was responsible for the daily operations of the company's glove manufacturing plant until 2007. In 2007, he became the Group Factory General Manager of Green Prospect Sdn Bhd (a company associated with YTY Industry Sdn Bhd) and was responsible for managing the daily operations of the company's glove manufacturing plant with more than 2,800 employees and 28 production lines until 2012. From 2013 to 2015, he was the Operations Director and Head of Administration of Central Medicare Sdn Bhd and was responsible for operating the company's glove manufacturing plant with more than 1,000 workers and 6 double former glove production lines. Subsequently, he was appointed as the Director of Administration of Encompass Industries Sdn Bhd from 2015 to 2018 where he developed an integrated NBR glove manufacturing plant on a 59 acres land with 8 production lines and was involved in the design, building and construction of the glove manufacturing plant, obtaining the relevant regulatory approvals and permits as well as management of the operation and administration of the company. He left the company and founded Howellcare in 2019.

Francis Ho has over 20 years' experience in the glove manufacturing industry and he has extensive network and knowledge in almost all aspects of the glove industry particularly in setting up the glove manufacturing plant from obtaining relevant permits and approvals, equipment design and manufacturing, project and construction management, water and land studies, testing and commissioning, training of staff, procedural planning and implementation, quality management, occupational health and safety, and managing the operations, sales and marketing of the glove business.

Francis Ho is supported by 6 team members, including a project manager, an engineer, an administrative manager, a project safety supervisor, a project coordinator and a project executive, who have vast knowledge, know-how and experience in designing, fabricating, installing, testing and commissioning, refurbishing, operating and managing glove manufacturing plant, facilities, machines, equipment and parts equipped with NBR latex and NBR glove dipping line technology.

2.3 Basis and justifications for the Contract Price

The Contract Price of RM59.40 million is for the planning, designing, supplying, installing and commissioning of the Glove Production Plant and the provision of services which includes the costs for amongst others, the 6 units of double former glove dipping production line, chiller and cooling tower, air compressor, chlorination and the turnkey project consultation fee. The Contract Price was arrived at based on arm's length contract negotiation between Hong Seng Gloves and Howellcare after taking into consideration the technical specifications of the Glove Production Plant, the price of the materials and machineries and the provision of services as further elaborated in **Appendix I** of this Circular.

Our Board is of the view that the Contract Price is justifiable based on the current market condition and supply and the prospects of the manufacturing and trading of glove and other PPE business as detailed in **Section 6 of Part A** of this Circular.

2.4 Source of funding

The Contract Price will be satisfied wholly in cash based on the payment terms as set out in **Section 3 of Appendix I** of this Circular and will be funded via a combination of part of the proceeds from the Rights Issues pursuant to Proposed Variation (i.e. RM30.0 million which will be utilised within 12 months from the date of approval of the Turnkey Agreement and the Proposed Variation by our shareholders at the forthcoming EGM), the conversion of ICPS and exercise of Warrants (as set out in **Section 4 of Part A** of this Circular), internally generated funds, bank borrowings and/or proceeds from future equity and/or debt fundraising exercises of our Group, the breakdown of which has not been determined by our Group at this juncture as the actual funding will depend on the progressive implementation of the Glove Production Plant, the progressive billing under the Turnkey Agreement as well as potential exercise and conversion of the convertible securities of our Company in future.

2.5 Liabilities to be assumed by our Group

There are no other liabilities, including contingent liabilities and guarantees, to be assumed by our Group arising from the Turnkey Agreement.

2.6 Additional financial commitment

Save for the Contract Price, our Group is not required to incur any additional financial commitment in putting the Glove Production Plant on-stream.

3. DETAILS OF THE PROPOSED DIVERSIFICATIONS

As at the LPD, our Group is principally involved in the following businesses:

(a) investment holding;

(b) search and advertising, specialising in marketing as a service (MaaS) comprising development and operation of online business platforms, production of print directories and internet advertising;

(c) IT which provides communication solution, a range of products and services that help our clients to improve their business operations, security and cost efficiency;

(d) supply chain management which provides integrated solutions such as storage, warehousing, distribution, transportation and third-party warehouse management services for our customers; and

(e) moneylending.

As at the LPD, our Group has not commenced the supply chain management business and moneylending business.

In view of the recent COVID-19 outbreak as well as the prevailing market and social health condition, there was a surge in demand for PPE (such as rubber gloves and masks) as well as pharmaceutical and medical supplies locally and internationally. Besides, there is an increasing demand for financing facilities from non-bank financial service providers especially from logistics related operators to expand their commercial vehicle fleet. Subject to our shareholders' approvals for the Turnkey Agreement, the Proposed Diversifications as well as the Proposed Variation being obtained at the forthcoming EGM, our Board believes that it is a timely opportunity for our Group to venture into the supply of PPE (such as rubber gloves), focus on the healthcare industry particularly in the provision of medical supplies instead of the initial plan for the construction and operation of cold rooms through the supply chain management services, as well as provide hire purchase financing for commercial vehicles and industrial machineries, to improve our Group's future earnings and financial position in near future.

3.1 Proposed Diversification into Manufacturing and Trading of Gloves and Other PPE

On 25 August 2020, Hong Seng Gloves entered into the Turnkey Agreement, as detailed in **Section 2 of Part A** of this Circular, which will enable our Group to set up the Glove Production Plant at the Factory and provide an initial foray for our Group to venture into manufacturing and trading of NBR gloves and related business.

Although our Group has no prior experience in commissioning and operating the Glove Production Plant, our Company's Executive Chairman, Dato' Teoh, who has strong managerial and entrepreneurial experiences will spearhead and oversee the implementation of our Group's Proposed Diversification into Manufacturing and Trading of Gloves and Other PPE. Further, our Group intends to leverage on the competency and network of Francis Ho, the Founder and Director of Howellcare, our Group's turnkey project partner who has considerable knowledge and experience in the glove manufacturing industry for more than 20 years.

The profile of Francis Ho is set out in **Section 2.2 of Part A** of this Circular and the profile of Dato' Teoh is disclosed as follows:

<u>Dato' Teoh</u>

Dato' Teoh (aged 61, Malaysian) was appointed as our Executive Chairman on 5 August 2020 and is our major shareholder.

After he completed his high school education at Han Chiang High School, Penang in 1977, he started his business in 1978 from a small workshop selling engines, spare parts, generator sets, marine engines, and used and rebuilt commercial trucks, etc.. Currently, he is the owner and Managing Director of HS Group.

From 2010 onwards, HS Group expanded its business and became the sole distributor of several emerging new China brands of heavy and light trucks such as Sinotruk HoHan, Foday, Yangtse and XCMG Hanvan as well as agricultural and construction heavy machineries in Malaysia. Under his stewardship, he transformed HS Group's business into a business conglomerate which also encompasses assets management, property development and construction.

Pursuant to the Turnkey Agreement, Howellcare shall, amongst others, set up and train a management team and workforce for Hong Seng Gloves to operate the Glove Production Plant. Our Group intends to hire 5 key management personnel (to oversee the operation; project and engineering; production and packaging; quality assurance, research and development; and supply chain) and up to 140 employees (such as technicians, inspectors, quality control operators, compounders, lab assistants, packers and security staff) to support the Proposed Diversification into Manufacturing and Trading of Gloves and Other PPE within 1 to 2 months prior to the delivery and commissioning of the first 2 production lines tentatively by April 2021. Our Group will increase workforce upon the delivery and commissioning of each of the subsequent production line. Within 1 to 2 months prior to the delivery and commissioning of the first 2 production lines which is tentatively by April 2021, Howellcare will commence to provide offsite orientation training to these key management personnel and employees. Howellcare will provide onsite operational training and guidance to these key management personnel and employees until the handover of the Glove Production Plant which is expected to be by November 2021. After the handover of the Glove Production Plant, if necessary, Hong Seng Gloves may further extend Howellcare's services subject to future agreement between both parties.

In view of the positive outlook of the glove industry in Malaysia as set out in **Section 6.2 of Part A** of this Circular, our Board expects that our Group's Proposed Diversification into Manufacturing and Trading of Gloves and Other PPE to contribute positively to our Group's future earnings after the commencement of the business which is expected to be in April 2021, which will potentially be 25% or more of our Group's net profits and/or result in a diversion of 25% or more of the NA of our Group to our operation for the Proposed Diversification into Manufacturing and Trading of Gloves and Other PPE which differs widely from those previously carried on by our Group. As such, in accordance with Paragraph 10.13(1) of the Listing Requirements, we are required to obtain our shareholders' approval in an EGM for the Proposed Diversification into Manufacturing and Trading of Gloves and Other PPE.

Subject to our shareholders' approval to be obtained for the Proposed Variation, our Group's Proposed Diversification into Manufacturing and Trading of Gloves and Other PPE and the Contract Price will be funded via a combination of part of the proceeds from the Rights Issues (RM30.0 million) and the conversion of ICPS and exercise of Warrants, internally generated funds, bank borrowings and/or proceeds from future equity and/or debt fundraising exercises to be undertaken by our Group, the breakdown of which has not been determined by our Group at this juncture as the actual funding will depend on the progressive implementation of the Glove Production Plant, the progressive billing under the Turnkey Agreement as well as potential exercise and conversion of the convertible securities of our Company in future.

3.2 Proposed Diversification into Healthcare Related Business

HS Bio, our Company's wholly-owned subsidiary, is engaged in the business to provide pharmaceutical, medical and healthcare supplies such as medicine, medical consumables, bio supplies, medical equipment or devices, test-kits, vaccines, supplements, and other pharmaceutical, medical and healthcare related products as well as healthcare related services such as mobile testing facilities and pathology laboratory services/ diagnostic laboratory services (to be offered in near future) in addition to the supply chain management services for the healthcare industry.

Prior to 12 October 2020, HS Bio was our 51% owned subsidiary. On 12 October 2020, our Company announced that we had entered into a share sale agreement to acquire the remaining 1,029,000 ordinary shares in HS Bio, representing 49% of the equity interest in HS Bio, from United ICT, which is a wholly-owned subsidiary of MMAG, for a cash consideration of RM980,001. The said acquisition was completed on 13 October 2020 and thereafter HS Bio has become a wholly-owned subsidiary of our Company.

Although HS Bio does not have the requisite experience in healthcare related services, HS Bio intends to venture into the healthcare related services through eMedAsia via leveraging on the expertise and network of Koperasi Persatuan Perubatan Malaysia Berhad ("**KOOP MMA**") (which is an investment vehicle of the Malaysian Medical Association's ("**MMA**") members and MMA is the main representative body for all registered medical practitioners in Malaysia. MMA has approximately 14,000 registered doctors in its association and 35,000 doctors on its continuing professional development (CPD) platform). HS Bio is also in the midst of identifying potential business partners in the field of diagnostic laboratory and/or pathology laboratory to support our Group's healthcare related services.

On 28 August 2020, HS Bio entered into a 3rd and 4th party logistics services and subscription agreement with eMedAsia. Pursuant to the eMedAsia Agreement, HS Bio has subscribed for 2,500 new ordinary shares in eMedAsia, representing 20% shareholdings in eMedAsia, at a cash consideration of RM2.0 million satisfied wholly in cash and funded via our Group's internally generated funds. The other shareholders of eMedAsia are KOOP MMA (48%) and Open Dynamics Sdn Bhd (32%) (which is a technology partner to MMA).

eMedAsia was incorporated as a private limited company in Malaysia under the Act on 23 June 2020. The directors of eMedAsia are Dr. Thirunavukarasu a/l Rajoo, Dr. Mohamed Namazie Bin A.M Ibrahim, Christopher Chan Hooi Guan and Jeff Chong. eMedAsia currently runs a medical digital platform with the domain name of www.emedasia.com which provides:

(i) online clinic appointment;

(ii) an e-commerce marketplace for clinics to purchase Medical and Healthcare Products; and

(iii) for suppliers/ pharmaceutical companies to place their Medical and Healthcare Products for clinics to search and buy together with the e-payment gateway system.

The medical digital platform was launched in early February 2020 under KOOP MMA and transferred to eMedAsia in September 2020. As at the LPD, approximately 2,000 medical clinics in Malaysia have registered with eMedAsia's medical digital platform.

KOOP MMA has obtained a letter of approval dated 28 November 2019 from the Ministry of Health (Pharmacy Enforcement Division) for the sale of pharmaceutical products and consumables via the medical digital platform to registered medical practitioners, which has commenced by KOOP MMA since February 2020.

eMedAsia shall, amongst others, via its digital platform introduce telehealth / e-health (online medical consultation) and telemedicine / e-medicine (pharmacy) in the first quarter of year 2021 where patients in Malaysia are able to consult a physician / doctor through electronic means with prescription medicine delivered to them directly.

HS Bio intends to engage up to 4 key management personnel to oversee the healthcare related business operations, sales and marketing functions, up to 9 drivers and 18 trained personnel (or to be outsourced) for its mobile testing facilities as well as up to 10 administrative, finance, operation, customer service, sales and marketing staff for the healthcare related business. Depending on our future business expansion, HS Bio may increase its workforce when the need arises. HS Bio expects to start hiring from 1st half of year 2021.

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Pursuant to the eMedAsia Agreement, HS Bio is eMedAsia's service provider for healthcare supply chain management services (i.e. 3PL and 4PL services) throughout Malaysia. 3PL includes warehousing, process, pick & pack and last mile delivery whilst 4PL is inclusive of 3PL fulfilment services and purchase of Medical and Healthcare Products. Currently, HS Bio does not own any warehouse, van and/or truck. In order to kickstart our supply chain management services, HS Bio will engage MMAG Group (such as Line Clear) as our subcontractor to assist with the abovementioned 3PL and 4PL fulfilment services. MMAG Group is in the business of providing fulfilment, warehousing, customised solutions and logistics services, has presence throughout Malaysia and is also involved in international courier services. Notwithstanding that United ICT, MMAG's wholly-owned subsidiary, has ceased to be a shareholder of HS Bio, MMAG Group will still cooperate with HS Bio towards providing 3PL and 4PL fulfilment services for the purpose of the implementation and rendering of such services by HS Bio to eMedAsia pursuant to the eMedAsia Agreement as well as for our Group's other customers. HS Bio has since commenced the healthcare supply chain management services pursuant to the eMedAsia Agreement on 31 October 2020.

Through the eMedAsia Agreement, the collaboration between HS Bio and eMedAsia as well as the Proposed Diversification into Healthcare Related Business will provide our Group an initial foray into the healthcare industry by leveraging on eMedAsia's medical digital platform to tap into the market for supply of Medical and Healthcare Products as well as related services to eMedAsia and its member clinics, doctors and their patients.

HS Bio will amongst others provide supply chain management services (3PL and 4PL fulfilment services) as set out below:

(i) procure Medical and Healthcare Products from suppliers and pharmaceutical companies in quantity mutually agreed between eMedAsia and HS Bio;

(ii) provide warehouse space for storage and warehouse management system for tracking purposes;

(iii) provide process, pick and pack services and ensure sufficient manpower and processes for the daily orders via the eMedAsia's digital platform;

(iv) provide last mile delivery and work with Line Clear and other courier service provider to deliver medical supplies to eMedAsia's doorstep with the agreed service line agreement or to clinics and patients;

(v) carry out mobile testing facilities for communicable diseases and viruses via our drivers and trained personnel (or to be outsourced) to handle the test samples and results with eMedAsia and its member clinics and/or designated pathology labs to be identified by member clinics or by HS Bio; and

(vi) such other services to be mutually agreed upon from time to time between eMedAsia and HS Bio.

The abovementioned collaboration aims to result in lower cost in terms of inventory investment, bulk medicine purchase and credit payment terms to pharmaceutical companies through the 3PL and 4PL fulfilment services offered by HS Bio to eMedAsia and its member clinics while providing patients with access to the telehealth and telemedicine services. The success of eMedAsia will benefit HS Bio in terms of market reach and HS Bio will be able to leverage on the digital platform, network and expertise of eMedAsia and MMA to venture into the supply chain management in the healthcare industry to provide supply of Medical and Healthcare Products as well as related services.

Apart from the collaboration with eMedAsia on the digital platform as elaborated above, HS Bio also intends to supply Medical and Healthcare Products as well as to provide 3PL and 4PL fulfilment services to other health facilities, pharmacies and customers. HS Bio intends to source from exclusive distributor of the Ministry of Health's approved and compliant Medical and Healthcare Products including vaccines, test kits, medicine, products and supplements relating to all kinds of illnesses and diseases including the prevailing pandemic or any future outbreak. Besides bringing in healthcare supplies currently unavailable in Malaysia through its network, HS Bio will also source for other Medical and Healthcare Products through existing manufacturers, suppliers and distributors both locally and globally to widen its product offering to eMedAsia's digital platform and other health facilities, pharmacies and customers. If required, HS Bio will submit applications to the Ministry of Health to obtain the relevant approvals for the registration of the Medical and Healthcare Products which have not been approved. In view of the recent pandemic, HS Bio intends to source for the much in demand medical products such as the COVID-19 reverse transcription polymerase chain reaction (RT-PCR) test kits, supplements and vaccines (upon availability and approval from the Ministry of Health).

Subject to compliance with the Ministry of Health's requirements and procedures, HS Bio will deploy its own mobile testing facilities for communicable diseases and viruses such as influenza, hepatitis and COVID-19. If required, HS Bio will submit applications to the Ministry of Health to obtain the relevant approvals for provision of medical testing facilities and services. Upon receiving instructions or requests from the eMedAsia's digital platform, the mobile testing facilities will allow HS Bio to provide services such as collecting test samples at designated locations and send to the designated pathology labs for testing, or purchase the test-kits, supplements and vaccines on behalf of customers from suppliers and pharmaceutical companies and send to customers at designated locations for immediate testing as well as administration of supplements and ready vaccines through trained personnel of HS Bio (or to be outsourced) by riding on eMedAsia's member clinics.

Further, on 5 October 2020, HS Bio entered into the Consortium Agreement to form the Consortium and to jointly work together with Royce Pharma to secure the distributorship of medicinal drugs and COVID-19 vaccine (subject to the relevant registration and/or approval from the authorities) distributed by a China company, namely Fosun, for the market of Malaysia and potentially the South East Asia. Royce Pharma is a group of companies in the pharmaceutical industry through its subsidiaries, namely Royce Pharma Manufacturing Sdn Bhd and Poly Laboratories Sdn Bhd, which are involved in manufacturing medicines and drugs. Fosun is a healthcare group in China and focuses on pharmaceutical manufacturing and research and development, and its businesses cover medical devices and medical diagnosis, healthcare services, pharmaceutical distribution and retail. On 5 October 2020, HS Bio has sent a letter of intent to Fosun and subject to the Consortium be granted with the distributorship from Fosun, HS Bio and Royce Pharma will enter into a definitive agreement to set out their respective responsibilities and obligations for the Consortium. As at the LPD, there is no further development on the letter of intent issued to Fosun. Our Company will make the necessary announcement if there is material development on the Consortium Agreement.

On 20 October 2020, our Company announced that HS Bio had on the same date entered into a shares sale agreement with Norashikin Binti Tajuddin and Lee Yeow Tuck for the acquisition of 51,000 ordinary shares in Pantasniaga Sdn Bhd ("**Pantasniaga**"), representing 51% of the equity interest in Pantasniaga, for a total cash consideration of RM51.00. The acquisition of Pantasniaga was completed on 20 October 2020 and Pantasniaga has become a 51%-owned subsidiary of HS Bio. Pantasniaga is a private limited company incorporated in Malaysia under the Act on 29 March 2013 and is primarily engaged in the supply of healthcare and medical related products, particularly supply of polymerase chain reaction ("**PCR**") test kits for COVID-19 throughout Malaysia and has the know-how and experience to build test labs.

Our Company's Executive Director, namely Jeff Chong, will be overseeing the Proposed Diversification into Healthcare Related Business.

The profile of Jeff Chong is disclosed as follows:

Jeff Chong

Jeff Chong (aged 54, Malaysian) was appointed to our Board as Executive Director on 21 September 2018. He completed his Executive Programme/ Education in Stanford University, USA and Stockholm School of Economics, Sweden. He holds a Master of Business Administration (MBA) from Charles Sturt University, Australia, and a Bachelor of Statistical Economics degree from National University of Malaysia. He is also the Executive Director of MMAG and the Chief Executive Officer of MMAG Digital Sdn Bhd.

He has over 25 years of working experience in the marketing and sales, product and communications fields, specialising in the telecommunications, device management and automotive sectors. In 1990, he started working with Edaran Tan Chong Motor Sdn Bhd in the car and mobile device divisions/subsidiaries and left the company in 1994. He then commenced his telecommunication career in DiGi Telecommunications Sdn Bhd as a start-up company where he worked for over 10 years in various portfolios and positions in the marketing, sales and distributions, and products divisions. His last position held before he left the company was the General Manager of the company's SME division, where he was responsible for overseeing the daily business activities, improving overall business functions, training heads of departments, managing budgets, developing strategic plans, formulating policies, and communicating business goals for the SME business segment. He then moved on to Maxis Berhad in 2005 till 2013, starting as a General Manager for the SMEs business and his last position in Maxis Berhad was the Vice President of Mobility and International Business and member of the Senior Leadership Team of the company. Prior to joining MMAG in July 2016, he was the Chief Sales and Distribution Officer with Ooredoo Myanmar which principally involved in telecommunication in 2013/2014.

Our Board believes that with his vast experience in running and establishing start-ups, Jeff Chong will have the capabilities and competencies to spearhead and be instrumental in the implementation of the Proposed Diversification into Healthcare Related Business.

In view of the positive outlook of the healthcare industry in Malaysia as set out in **Section 6.3 of Part A** of this Circular, our Board expects the Proposed Diversification into Healthcare Related Business to contribute positively to our Group's future earnings after our commencement on 31 October 2020, which will potentially be 25% or more of our Group's net profits and/or result in a diversion of 25% or more of the NA of our Group to our healthcare related business operation which differs widely from those previously carried on by our Group. As such, in accordance with Paragraph 10.13(1) of the Listing Requirements, we are required to obtain our shareholders' approval in an EGM for the Proposed Diversification into Healthcare Related Business.

The funding for the Proposed Diversification into Healthcare Related Business for providing supply of Medical and Healthcare Products as well as healthcare related services in addition to the provision of supply chain management services (i.e. 3PL and 4PL fulfilment services) will be from the proceeds to be raised via the Private Placement as announced by our Company on 15 September 2020. The estimated gross proceeds to be raised from the Private Placement for the Proposed Diversification into Healthcare Related Business is up to RM128.31 million of which:

(a) up to RM123.34 million has been earmarked and will be utilised for the purchase of Medical and Healthcare Products as well as provision of 3PL and 4PL fulfilment services within 36 months from the date of the listing of the new Hong Seng Shares to be issued pursuant to the Private Placement ("**Placement Shares**") on the Main Market of Bursa Securities. The exact breakdown for the utilisation of proceeds for each of the Medical and Healthcare Products as well as provision of 3PL and 4PL fulfilment services cannot be determined at this juncture as it will depend on the demand for the products and services by eMedAsia and its member clinics as well as health facilities, pharmacies and customers from time to time;

(b) up to RM0.90 million has been earmarked and will be utilised within 24 months from the date of the listing of the Placement Shares for purchase of up to 9 units of vans (at an estimated price of RM100,000 per unit) to provide mobile testing facilities to test patients of communicable diseases and viruses such as influenza, hepatitis and COVID-19 at designated locations upon receiving instructions or requests from eMedAsia and/or its member clinics via the eMedAsia's digital platform; and

(c) up to RM4.07 million has been earmarked and will be utilised within 36 months from the date of the listing of the Placement Shares as part of the working capital for our Group's healthcare related business, for staff costs such as drivers, administrative, operation, sales and marketing staff as well as trained personnel such as doctors and nurses (or to be outsourced); rental for operation office to be identified; utilities expenses; marketing expenses; and other operating and administrative expenses. The exact breakdown for the utilisation of proceeds cannot be determined at this juncture as it will depend on the growth of the business as well as demand of its customers from time to time. Our Group intends to hire up to 9 drivers and 18 trained personnel (or to be outsourced) for the mobile testing facilities. In addition, HS Bio intends to engage up to 4 key management personnel to oversee the operations, sales and marketing functions of our Group as well as up to 10 administrative, finance, operation, customer service, sales and marketing staff. Depending on its future business expansion, HS Bio may increase its workforce when the need arises.

However, if our Company is not able to raise sufficient funds via the Private Placement or if additional funding is required to fund the Proposed Diversification into Healthcare Related Business, our Group intends to use a combination of internally generated funds, bank borrowings, proceeds from conversion of ICPS and exercise of Warrants and/or proceeds from future equity and/or debt fundraising exercises to be undertaken by our Group, the breakdown of which has not been determined by our Group at this juncture.

3.3 Proposed Diversification into Hire Purchase Business

On 28 July 2020, our Company entered into a share sale agreement with HS Motor, HS Assembly, HS Hanvan Commercial Vehicles Sdn Bhd and HS Hohan Commercial Vehicles Sdn Bhd (collectively, the "**Vendors**") to acquire from the Vendors 2,000,000 ordinary shares in HSPM, representing the entire equity interest in HSPM, for a total cash consideration of RM420,621 which was funded by our internally generated funds. The purchase consideration was derived based on the audited NA of HSPM for the FYE 31 January 2019. Following the completion of the acquisition of HSPM on 30 July 2020, HSPM became our wholly-owned subsidiary.

HSPM was incorporated as a private limited company in Malaysia under the Act on 7 November 2014. HSPM is principally engaging in business of providing hire purchase financing for commercial vehicles and machineries.

HSPM commenced its business in June 2015 after obtaining membership from the Association of Hire Purchase Companies Malaysia, which is renewable every year, with the latest membership valid from 1 January 2020 until 31 December 2020. Currently, HSPM has an existing customer base in West Malaysia being referrals from HS Group and through Dato' Teoh's network. Moving forward, HSPM plans to actively seek for customers and sales from other channels (commercial customers) and expand the market to include the whole of Malaysia.

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On 24 July 2020, our shareholders had approved the diversification of our Group's business to include moneylending business and pursuant to the said diversification, our Group had initially planned to provide financial solutions to transportation and logistics entrepreneurs/companies to fund the purchases of reefer trucks and/or working capital, thereby strengthening our capability with enhanced infrastructure such as transport vehicles for pick and delivery facilities and in return, these companies are expected to give favourable term and pricing for the transportation and logistics services to support our Group's cold chain business through the aforesaid inter-dependent business relationship. Besides, our Group also planned to extend the moneylending facilities to any segments which are under-served by licensed financial institutions and co-operatives for various purposes such as personal financing, business start-up and expansion, vehicle and equipment financing, purchase of land / properties, project financing and others. In view of the cold chain business has been put on hold, the moneylending business no longer focuses on providing financial solutions to transportation and logistics entrepreneurs/companies to support the cold chain business as mentioned above. As at the LPD, Hong Seng Capital Sdn Bhd *(formerly known as Food Cheetah Sdn Bhd),* our wholly-owned subsidiary, has not commenced our moneylending business and is in the midst of identifying potential customers.

Our Board believes that it is a strategic move to widen our Group's financial services business to include both moneylending and hire purchase financing so that our Group will be able to cater to a broader market due to the current economic sentiments and the Proposed Diversification into Hire Purchase Business is expected to complement the moneylending business of our Group.

Our Group intends to gradually develop our customer base through methods such as providing flexible financing schemes to cater for a broader range of customers and offering hire purchase and moneylending services to those with limited access to banks and financial institutions. For moneylending business, our Group plans to extend our moneylending services to, amongst others, investment holding companies, SMEs and start-up entrepreneurs of all business segments (without limitation to any specific industry) which we perceive to be under-served by licensed financial institutions and co-operatives for various purposes such as personal financing, working capital, investment, business start-up and expansion, project financing and others. The hire purchase financing services offered by our Group targets to finance purchases of commercial vehicles and machineries for companies in logistics, trading or e-commerce, transportation, manufacturing, construction, engineering as well as food and beverages industries. Our hire purchase financing is typically secured with collaterals of customers which will serve to provide our customers with additional loan option with lower interest rate. The risks and profiles of our Group's customers for moneylending and hire purchases services are assessed separately and on case-to-case basis as and when the applications are received from the customers.

For information purposes, moneylending transaction is governed by the Moneylenders Act 1951 ("**MLA**") and involves the lending of money at interest, either with or without security by a moneylender to a borrower. The maximum interest chargeable under the MLA for a secured loan is 12% and for an unsecured loan is 18%. The purpose of the borrowing can be used for different purposes and can be secured with a collateral or unsecured. In contrast to moneylending transaction, the hire purchase transaction under the Hire-Purchase Act 1967 ("**HPA**") involves the hiring of goods by the hirer from the owner with the option to purchase the goods by instalments. The ownership of the goods will only be transferred to hirer once the hire purchase loan has been fully settled. The maximum interest rate chargeable under the HPA is 10%. Under the provision of the HPA, hire purchase transaction is only limited to the purchase of consumer goods (i.e. goods purchased for personal, family or household purposes) and motor vehicles. Any person who carries out the business of moneylending is required to be licensed under the MLA. The said money lending license is granted by the Ministry of Housing and Local Government and has a validity period of 2 years. In contrast, there is no licensing requirement under the HPA for person who provides hire purchase financing as the purpose of the HPA is to regulate the form and contents of hire purchase agreements, rights and duties of the parties to such agreements.

Based on HSPM's current business of providing hire purchase financing for commercial vehicles and machineries, the hire purchase financing of commercial vehicles (weighing below 2,450 kg) will require compliance with the HPA and the hire purchase financing of commercial vehicles (weighing above 2,450 kg) and industrial machineries and equipment will not require compliance with the HPA as they do not fall under the purchase of consumer goods (i.e. goods purchased for personal, family or household purposes) and motor vehicles within the purview of the HPA.

The pervasiveness of the e-commerce landscape in Malaysia, in particular after the MCO implemented by the Malaysian government, has led to flourishing demand for logistics services in particular the last-mile delivery. This has generated growth for the domestic transportation industry, particularly for those who supply vehicles to last-mile delivery service providers as well as demand for loans to automotive for commercial vehicles. As such, our Group intends to ride on this surge in demand for commercial vehicles and diversify our existing business to provide hire purchase services.

Our Group intends to leverage on the networking of our Company's Executive Chairman, Dato' Teoh, who has the extensive expertise, knowledge and experience in commercial vehicles industry from his operation and management of the HS Group. Our Board believes Dato' Teoh together with our Company's Executive Director, Lim Peng Tong, an established banker with more than 38 years' experience in the risk management and banking industry have the relevant expertise and experience to oversee our Group's hire purchase business.

The profile of Dato' Teoh is set out in **Section 3.1 of Part A** of this Circular. The profile of Lim Peng Tong is disclosed as follows:

<u>Lim Peng Tong</u>

Lim Peng Tong (aged 62, Malaysian) was appointed to our Board as an Executive Director on 4 April 2019 and is our substantial shareholder via his shareholdings in Radiance Dynasty Sdn Bhd. He graduated with a Diploma in Banking and Financial Services from Institute Bank-Bank Malaysia in 1997 and is a Certified Credit Professional since 2002, which is a professional requirement for all credit personnel in the banking industry. He is also an Associate member with Institute Bank-Bank Malaysia which is now known as Asian Institute of Chartered Bankers.

He joined Malayan Banking Berhad in 1979 and he retired from Malayan Banking Berhad as the Regional Head of Business Banking of Northern Region for Penang, Kedah and Perlis in 2017, after he had served the said bank loyally for 38 years. His roles and responsibilities were to oversee, manage and grow the entire business banking sector of Northern Region which mainly involves financial lending to SMEs, commercial customers and some listed corporations. More importantly, his role was to ensure credit quality and managing the banks' asset quality to mitigate risks and optimise profitability for the bank. With more than 38 years' experience in financial and banking industry, he is an established banker with vast knowledge and skills in the banking field, as well as supervisory and leadership roles, in commercial and corporate lending activities involving marketing, credit processes, business development and relationship management.

The daily business operations of HSPM will also be managed by Yeoh Guan Kooi. His profile is disclosed as follows:

<u>Yeoh Guan Kooi</u>

Yeoh Guan Kooi (aged 65, Malaysian) is currently a Manager of HSPM since June 2015 who is responsible for the whole spectrum on hire purchase financing from loan application, processing, disbursements and credit control.

After he completed the GCE (O LEVEL) and Part 1 of Association of Institutes of Bankers in year 1977, he started his career as a Clerk in United National Finance Berhad (a finance company) in 1978 and left as an executive in 1982. He joined Tan Chong Motors Sdn Bhd as a Hire Purchase Executive in charge of the company's inhouse financing for Nissan vehicles in April 1981 and left the company in May 1983. From 1985 until 1991, he served as a Marketing Executive of Supreme Finance Berhad specialising in the marketing of hire purchase loans. Then, he joined MBF Finance Berhad as a Manager and was responsible for the operations including marketing, credit control and administration of the branch in 1992 until 1994.

In 1995, he joined Perdana Finance Berhad as a Manager until 1998 prior to joining Southern Finance Berhad as the Head of Credit Control in Bukit Mertajam. He was tasked to manage the overall credit control of the hire purchase, term loans and credit card department. From 2003 to 2005, he was the Branch Manager of Prima Pearl Sdn Bhd, a Toyota dealer based in Penang where he was responsible in the business development and daily operations of the company.

Subsequently, from April 2005 to March 2015, he became the Senior Manager of Hap Seng Credit Sdn Bhd Butterworth, a company in which he had served for almost 10 years where he was assigned to manage the whole operations in the Northern region prior to joining HSPM in 2015.

He has more than 40 years' experience in the finance industry specialising in hire purchase and credit control. He has been the key management personnel for HSPM who plays a crucial role in its business growth.

With Dato' Teoh's network in the commercial vehicle industry as well as Lim Peng Tong's and Yeoh Guan Kooi's experience in the banking and hire purchase industries, our Board believes our Group will have the required capacity, capabilities and resources to undertake the Proposed Diversification into Hire Purchase Business. Currently, our Group has no immediate plan to recruit additional staff for our hire purchase business as the present number of personnel is deemed to be sufficient. Depending on its future business expansion, our Group may employ additional staff when the need arises.

Our Board expects the hire purchase business to contribute positively to our Group's future earnings, which will potentially be 25% or more of our Group's net profits and/or result in a diversion of 25% or more of the NA of our Group to the hire purchase business operation which differs widely from those previously carried on by our Group. As such, in accordance with Paragraph 10.13(1) of the Listing Requirements, we are required to obtain our shareholders' approval in an EGM for the Proposed Diversification into Hire Purchase Business.

The Proposed Diversification into Hire Purchase Business will be mainly funded via our Group's internally generated funds as it is an ongoing business as well as part of the proceeds from the Rights Issues of up to RM17.0 million which will be utilised within 24 months from date of our shareholders' approval of the Proposed Variation at the forthcoming EGM as well as potential proceeds from the conversion of ICPS. In the event additional financial commitment is required, it is expected to be funded via our Group's internally generated funds, bank borrowings, proceeds from conversion of ICPS and exercise of Warrants and/or proceeds from future equity or debt fundraising exercises to be undertaken by our Group, the breakdown of which has not been be determined by our Group at this juncture.

Notwithstanding the Proposed Diversifications, our Group remains committed to our existing businesses in investment holding, search and advertising, IT, supply chain management (focusing on healthcare related business) and moneylending.

4. DETAILS OF THE PROPOSED VARIATION

On 2 October 2019, our Company completed the Rights Issues upon the listing of 53,097,137 Hong Seng Shares, 159,291,411 Warrants and 796,457,055 ICPS on the Main Market of Bursa Securities. Pursuant to the Rights Issues, we had successfully raised total gross proceeds of RM53,097,137 to be utilised mainly for our Group's supply chain management business in the manner as set out in Section 5 of our Company's abridged prospectus dated 29 August 2019 in relation to the Rights Issues.

As at 18 June 2020, our Group had utilised approximately RM2.37 million of the Rights Issues' proceeds and the balance proceeds stood at approximately RM50.73 million. The Right Issues' proceeds of approximately RM2.37 million was utilised as follows:

Utilisation of proceeds	**RM'000**
IT expenditure	26
Rental deposits, office renovation costs and office furniture	598
Staff cost	420
Operating and administrative expenses	235
Expenses in relation to the corporate exercises	1,090
Total	**2,369**

On 24 July 2020, our shareholders approved, amongst others, the variation to the utilisation of balance proceeds from the Rights Issues amounting to approximately RM50.73 million to support our supply chain management and moneylending businesses, as set out in Section 3 of our Company's circular to shareholders dated 24 June 2020.

As at the LPD, our Group has further utilised approximately RM0.28 million of the Rights Issues' proceeds whereby the balance proceeds stood at approximately RM50.45 million. The details of the utilisation of the proceeds of approximately RM0.28 million are as follows:

Utilisation of proceeds	**RM'000**
Staff cost	270
Operating and administrative expenses	13
Total	**283**

In view of the surge in demand for gloves and Medical and Healthcare Products as well as to complement the moneylending business with the hire purchase business, our Group intends to focus on the Proposed Diversifications over the cold chain business (i.e. the operation of cold rooms) at this juncture. As such, our Company intends to seek our shareholders' approval for the Proposed Variation to re-allocate the Rights Issues' balance proceeds and the proceeds from the exercise of Warrants and conversion of ICPS to partly fund the Turnkey Agreement, the Proposed Diversification into Hire Purchase Business (in addition to our Group's moneylending business) and the working capital of all our Group's on-going business operations, any future business expansions, and/or any future prospective business, project and/or acquisition to be identified by our Group.

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After due deliberation and taking into consideration the rationale as set out in **Section 5 of Part A** of this Circular, our Board has resolved to vary and re-allocate the balance proceeds raised from the Rights Issues to part finance the Turnkey Agreement, the Proposed Diversification into Hire Purchase Business (in addition to our Group's moneylending business) and our Group's working capital requirements, as detailed below:

Utilisation of proceeds	Notes	Utilisation of proceeds pursuant to the First Variation (RM'000)	Amount utilised since the First Variation up to the LPD (RM'000)	Balance of proceeds as at the LPD (RM'000)	Proposed Variation to the balance of proceeds (RM'000)	Percentage of Proposed Variation (%)	Revised utilisation of proceeds after the Proposed Variation (RM'000)	Time frame for utilisation of proceeds (from 24 July 2020)	Revised time frame for utilisation of proceeds (from the EGM date)
		(A)	**(B)**	**(A+B=C)**	**(D)**		**(C+D)**		
Capital expenditure and rental deposits	(1)							Within 36 months	-
Racking systems		2,160	-	2,160	(2,160)	4.26	-		
IT expenditure		2,024	-	2,024	(2,024)	3.99	-		
Rental deposits, office renovation costs and office furniture		998	-	998	(998)	1.97	-		
Sub-total		**5,182**	-	**5,182**	**(5,182)**	**(10.22)**	**-**		
Woking capital requirements	(1)							Within 18 months	-
Staff cost		5,580	(270)	5,310	(5,310)	(10.47)	-		
Operating and administrative expenses		4,966	(13)	4,953	(4,953)	(9.76)	-		
Sub-total		**10,546**	**(283)**	**10,263**	**(10,263)**	**(20.23)**	**-**		
Future prospective acquisition of land(s)/warehouse(s)/property holding company(s) and construction of cold rooms	(1)	18,000	-	18,000	**(18,000)**	**(35.48)**	-	Within 24 months	-
Working capital for moneylending business	(2)	17,000	-	17,000	**(17,000)**	**(33.51)**	-	Within 24 months	
Turnkey Agreement	(1)	-	-	-	30,000	59.14	30,000	-	Within 12 months
Working capital for moneylending and hire purchase businesses	(2)	-	-	-	17,000	33.51	17,000	-	Within 24 months
Working capital requirements of our Group	(1)	-	-	-	3,445	6.79	3,445		Within 24 months
TOTAL		**50,728**	**(283)**	**50,445**	-	-	**50,445**		

Notes:

(1) Pursuant to the First Variation, our Group had varied and earmarked:

(a) up to RM5.18 million from the Rights Issues' proceeds to set up customised racking systems for the storage of products, for IT expenditure as well as rental deposits for warehouse(s) and office, office renovation costs and purchase of office furniture for our Group's supply chain managements business. As at the LPD, this amount remains unutilised;

(b) up to RM10.55 million from the Rights Issues' proceeds to working capital requirements (i.e. staff cost as well as operating and administrative expenses) for our Group's supply chain management business and moneylending business. As at the LPD, RM0.28 million has been expended by our Group for staff costs for staff involved in human resource, finance and administration functions of the supply chain management business and rental expenses. Therefore, the balance allocated for working capital requirements of our Group's supply chain management business and moneylending business is RM10.26 million; and

(c) up to RM18.0 million from the Rights Issues' proceeds for future prospective acquisition of land(s)/warehouse(s)/property holding company(s) as well as the construction of our Group's cold room(s) to serve our Group's supply chain management business. As at the LPD, this amount remains unutilised.

Therefore, the total unutilised amount of the Rights Issues' proceeds based on the **Notes (1)(a) to (c) of Section 4 of Part A** of this Circular is RM33.45 million as at the LPD.

After having deliberated on the increasing market demand for gloves due to the COVID-19 pandemic as opposed to long gestation period to commercialise the operation of cold rooms, our Board intends to vary and re-allocate the balance of RM33.45 million from the Rights Issues' proceeds to part finance the Turnkey Agreement as well as our Group's working capital requirements as follows:

(i) RM30.0 million to part finance the Turnkey Agreement

Pursuant to the Turnkey Agreement, Hong Seng Gloves engages Howellcare as its contractor to construct 6 units of NDR double former glove dipping production line with utilities support system at the Factory for the total contract price of RM59.40 million (which includes the costs for, amongst others, the 6 units of double former glove dipping production line, chiller and cooling tower, air compressor and chlorination). Howellcare's scope of work includes the planning, designing, supplying, installing and commissioning of the Glove Production Plant based on the technical, capacity, functionality, performance and specifications as agreed between Hong Seng Gloves and Howellcare in the Turnkey Agreement. Howellcare will also at its own cost assist Hong Seng Gloves to obtain certain governmental and regulatory permits, licences, and approvals for the Glove Production Plant.

At the initial stage of operation of the Glove Production Plant, Howellcare will set up and provide training to Hong Seng Gloves' new operation team on Hong Seng Gloves' behalf to run and manage the business of glove production as well as undertake marketing and sale of the NBR gloves for Hong Seng Gloves.

Subject to obtaining all the relevant approvals, our Group expects to commission the first 2 production lines and produce NBR gloves by April 2021 which is tentatively 6 months from Howellcare's deployment of preliminary works in October 2020. Thereafter, 1 additional production line is expected to be commissioned every month from May 2021 with all the 6 production lines in operation by September 2021.

(ii) RM3.45 million as working capital requirements for our Group which include operating and administrative cost such as procurement of raw materials for manufacturing and trading of gloves and inventories for glove and healthcare related business; factory operation cost; staff cost comprising basic salaries, employees' provident fund (EPF) and social security organisation contributions (SOCSO) for our Group's employees; rental, overheads and general upkeep for our Group's factory and office; utilities expenses; sales and marketing expenses; and any other expenses required to support all our Group's on-going business operations. The exact breakdown of these expenses cannot be determined at this juncture as it will depend on the actual expenses to be incurred at the relevant time.

(2) Pursuant to the First Variation, our Group had varied and earmarked up to RM17.0 million from the Rights Issues' proceeds for the initial working capital of the moneylending business to disburse loans to customers of our Group's moneylending business.

On 30 July 2020, our Group completed the acquisition of HSPM to provide hire purchase financing services for commercial vehicles and industrial machineries and equipment, which our Group expects to complement our moneylending business.

After taking into consideration the similar nature of the moneylending business and the hire purchase business, our Board proposes to tap into the readily available proceeds raised from the Rights Issues and re-allocate RM17.0 million to fund the initial working capital of our Group's moneylending business as well as the working capital of our Group's hire purchase business. Our Company will utilise this amount as capital for Hong Seng Capital Sdn Bhd *(formerly known as Food Cheetah Sdn Bhd)* and HSPM to disburse loans to customers for the moneylending and hire purchase businesses to earn interest income.

Pending utilisation of the remaining proceeds from the Rights Issues, such proceeds will be placed in deposits with financial institutions or short-term money market instruments as our Board may deem fit, and any interests or gain arising therefrom will be used for our Group's working capital requirements.

Furthermore, pursuant to the First Variation, our Board had varied the utilisation of proceeds to be raised from the exercise of the Warrants and the conversion of the ICPS for our Group's working capital in supply chain management and moneylending businesses, such as staff costs, rental, utilities expenses, disbursement of loans to customers and day-to-day business operation's expenses. As at the LPD, our Company has raised additional proceeds of approximately RM29.97 million from the conversion of 199,791,100 ICPS into 199,791,100 new Hong Seng Shares based on the conversion ratio of 1 ICPS converted with additional cash payment of RM0.15 into 1 new Hong Seng Share. Our Board proposes to re-allocate the said additional proceeds raised from the ICPS conversion as well as any future proceeds to be raised from the exercise of the Warrants and the conversion of the remaining ICPS be utilised to part finance the Turnkey Agreement, for the working capital of all our Group's on-going business operations (i.e. search and advertising business, IT business, supply chain management business, moneylending business, manufacturing and trading of gloves and other PPE products, healthcare related business, hire purchase business and any future business expansions to be undertaken by our Group) and/or any future prospective business, project and/or acquisition to be identified by our Group, the breakdown of which has not been determined by our Group at this juncture.

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5. RATIONALE FOR THE PROPOSALS

5.1 Turnkey Agreement

The Turnkey Agreement will enable our Group to set up the Glove Production Plant at the Factory and provide an initial foray for our Group to venture into manufacturing and trading of NBR gloves.

Over the years, Malaysia's major rubber glove producers have been continuously increasing production capacity to meet the rising global shortages in gloves supply. MARGMA is planning to produce even more rubber gloves to meet the sudden spike in consumption due to the COVID-19 outbreak. As for the industry growth, MARGMA had projected a 20% growth in global glove demand to 330 billion pieces this year. The growth is higher than the usual 8.0-10.0% annually.

According to an analysis by the ResearchAndMarkets.com, the global disposable medical gloves market is anticipated to show growth and expand with a compound annual growth rate of 6.90% and 5.56% in terms of revenue and volume respectively over the forthcoming period 2019-2028.

According to the World Health Organisation, an estimated 76 million pieces of examination gloves are required for the COVID-19 response each month. Hence, the need for medical gloves as PPE during the COVID-19 pandemic will boost the demand for rubber gloves, especially in countries that are severely affected. Therefore, our Board believes that it is still timely for our Group to enter into glove manufacturing business as it is expected to generate positive income once the business commences. As people has embraced the new norm in hygiene standard due to the outbreak, the global gloves demand is still expected to remain strong even when the COVID-19 vaccine is developed and mass-produced over the next few years. Our new glove manufacturing business will be able to reduce our Group's reliance on its existing businesses.

Further, upon completion of the Turnkey Agreement and commencement of the manufacturing and trading of gloves by Hong Seng Gloves, our Board believes that the manufacturing and trading of gloves would contribute positively to our Group's future earnings and improve our Group's financial position while reducing dependency on our Group's existing businesses after taken into consideration the outlook and overview of the glove industry in Malaysia as detailed in **Section 6.2 of Part A** of this Circular.

5.2 Proposed Diversifications

Our Group currently derives most of our revenue from our search and advertising business which have been facing erosion of profit margin due to the ever-changing landscape and advancement of technology in advertising and marketing industry.

In view of the positive outlook of the glove industry, healthcare industry as well as hire purchase and automotive industries in Malaysia as set out in **Sections 6.2 to 6.4 of Part A** of this Circular, in order to improve our Group's financial performance and to enhance our Group's prospect, our Group proposes to have additional income streams by diversifying our existing businesses to include manufacturing and trading of gloves and other PPE, supply of healthcare related products and services as well as provision of hire purchase financing.

The Proposed Diversification into Manufacturing and Trading of Gloves and Other PPE provides an opportunity to our Group to venture into the supply of PPE (such as gloves and masks), which is a growing industry with foreseeable sustainable demand given the current healthcare condition that enforces the usage of PPE in a global context. With the Proposed Diversification into Manufacturing and Trading of Gloves and Other PPE, our Group will have initial foray in the manufacturing and trading of NBR gloves pursuant to the Turnkey Agreement.

The COVID-19 outbreak has led to a higher demand and a global shortage of gloves in the medical industry as well as the public in general. According to the MARGMA, worldwide demand for gloves is projected to rise from 296 billion in year 2019 to 330 billion in year 2020. Our Board expects that the demand for gloves will continue in Malaysia and other countries as well as will continue to be sustainable even after the recovery of the COVID-19 pandemic due to the constant demand in the medical industry as well as the prevailing public awareness on the need for self-protection and hygienic practices.

Further, the COVID-19 outbreak has led to changes in consumer behaviour and preference whereby their shopping patterns have shifted to digital platforms and becoming more open to receive online medical consultation as well as receiving prescribed medicines through direct delivery to them without paying physical visits to clinics or hospitals. Telemedicine or teleconsultation services have become part of the new norm after the COVID-19 outbreak as it is safer to receive medical consultation without face-to-face meeting while maintaining safe social distance. Some private hospitals, such as Sunway Medical Centre Velocity, Pantai Hospitals, and Gleneagles Hospitals, also rolled out telemedicine or teleconsultation services after the COVID-19 outbreak this year. *(Source: "Malaysia Telehealth Grows in Contactless World" dated 8 June 2020, CodeBlue)*

In view of the above, our Board deems the Proposed Diversification into Manufacturing and Trading of Gloves and Other PPE and the Proposed Diversification into Healthcare Related Business as timely for our Group to capture the rising demand for the product offering of NBR gloves as well as the Medical and Healthcare Products and healthcare related services so as to gain the greatest market presence for possible advantage from the prevailing health crisis.

Based on the market outlook of hire purchase and automotive industries in **Section 6.4 of Part A** of this Circular, the loan growth and the sale of vehicles are expected to pick up in the second half of 2020. Besides, the pervasiveness of the e-commerce landscape in Malaysia, in particular after the MCO implemented by the Malaysian government, has led to flourishing demand for logistics services in particular the last-mile delivery. This has generated growth for the domestic transportation industry, particularly for those who supply vehicles to last-mile delivery service providers as well as demand for loans to automotive for commercial vehicles. As such, our Group intends to ride on this surge in demand for commercial vehicles and diversify our existing business to provide hire purchase services. Our Board is of the view that the Proposed Diversification into Hire Purchase Business will therefore be an opportunity to our Group to continue the business of HSPM in providing hire purchase services to customers for purchases of commercial vehicles and industrial machineries and equipment, which will complement our Group's moneylending business and reduce our Group's dependency on the existing business.

Our Board is of the view that the Proposed Diversifications will be part of our Group's future business plan to have additional income streams and reduce over-reliance on our existing businesses in the search and advertising segment and the IT segment which ultimately will improve the financial performance of our Group.

5.3 Proposed Variation

Our Board proposes to undertake the Proposed Variation mainly to re-allocate the Rights Issues' proceeds to enable our Group to:

(i) partly fund the Turnkey Agreement

After taking into consideration the long gestation period for the commencement of the cold chain business, our Board is of the view that it will be prudent to re-allocate the Rights Issues' proceeds and part of the proceeds from the conversion of ICPS to fund the Turnkey Agreement.

Subject to obtaining all the relevant approvals, our Group expects to commission the first 2 production lines and produce NBR gloves by April 2021 which is tentatively 6 months from Howellcare's deployment of preliminary works in October 2020. Thereafter, 1 additional production line is expected to be commissioned every month from May 2021 with all the 6 production lines in operation by September 2021. Our Board is of the view that the gestation period of the Proposed Diversification into Manufacturing and Trading of Gloves and Other PPE is shorter compared to commencement of the cold chain business.

(ii) fund the initial working capital of our moneylending business and working capital of our hire purchase business

The Proposed Variation will enable our Company to tap into the readily available proceeds raised from the Rights Issues and re-allocate RM17 million to facilitate the commencement of our Group's moneylending business and our Group's new venture into hire purchase via HSPM's on-going business.

Our Board expects the hire purchase business to complement the moneylending business. Our Group intends to gradually develop our customer base through methods such as providing flexible financing schemes to cater for a broader range of customers and offering hire purchase and moneylending services to those with limited access to banks and financial institutions. For moneylending business, our Group plans to extend our moneylending services to, amongst others, investment holding companies, SMEs and start-up entrepreneurs of all business segments (without limitation to any specific industry) which we perceive to be under-served by licensed financial institutions and co-operatives for various purposes such as personal financing, working capital, investment, business start-up and expansion, project financing and others, with or without secured collaterals of customers. The hire purchase financing services offered by our Group targets to finance purchases of commercial vehicles and industrial machineries and equipment for companies in logistics, trading or e-commerce, transportation, manufacturing, construction, engineering as well as food and beverages industries. Our hire purchase financing is typically secured with collaterals of customers which will serve to provide our customers with additional loan option with lower interest rate.

For information purposes, financing by moneylenders involves the lending of money with interest, with or without security, by a licensed moneylender to a borrower. The maximum interest chargeable under the MLA for a secured loan is 12% and for an unsecured loan is 18%. On the other hand, financing by hire purchase is only limited to the purchase of consumer goods and motor vehicles within the meaning of HPA. Hire purchase involves the hiring of goods with the option to buy the goods at the end of the hire purchase. In consideration of the continuous usage of the goods, the hirer is required to pay the owner a monetary instalment based on the agreed duration. Upon settlement of all the instalments, the ownership of the goods will be transferred to hirer. The maximum interest rate chargeable under the HPA is 10%. Any person who carries out the business of moneylending is required to be licensed under the MLA. The said money lending license is granted by the Ministry of Housing and Local Government and has a validity period of 2 years. In contrast, there is no licensing requirement under the HPA for person who provides hire purchase financing as the purpose of the HPA is to regulate the form and contents of hire purchase agreements, rights and duties of the parties to such agreements.

Based on HSPM's current business of providing hire purchase financing for commercial vehicles and machineries, the hire purchase financing of commercial vehicles (weighing below 2,450 kg) will require compliance with the HPA and the hire purchase financing of commercial vehicles (weighing above 2,450 kg) and industrial machineries and equipment will not require compliance with the HPA as they do not fall under the purchase of consumer goods (i.e. goods purchased for personal, family or household purposes) and motor vehicles within the purview of the HPA.

The Proposed Variation also presents an opportunity for our Group to earn higher return on investment (i.e. interest to be earned from moneylending and hire purchase business) compared to interest to be earned on deposit with financial institution or short-term money market instruments.

(iii) working capital for our Group

As our Board does not intend to proceed with the cold chain business at this juncture, it will be prudent to re-allocate part of the Rights Issues' proceeds for the working capital of all our Group's on-going business operations as and when required.

The Proposed Variation also enables our Company to divert the proceeds raised and to be raised from the conversion of ICPS and exercise of Warrants to part finance the Turnkey Agreement, the working capital of all of our Group's on-going business operations and any future business expansions to be undertaken by our Group, and/or any future prospective business, project and/or acquisition to be identified by our Group.

6. INDUSTRY OUTLOOK AND PROSPECT OF OUR GROUP

6.1 Overview and outlook of Malaysian economy

The Malaysian economy was confronted by concurrent supply and demand shocks arising from weak external demand conditions and strict containment measures in the second quarter of 2020 ("**2Q 2020**"). As a result, the economy registered its first contraction since the Global Financial Crisis (2Q 2020: -17.1%; Third quarter of 2009: -1.1%). On the supply side, this was reflected in negative growth across most sectors. From the expenditure side, domestic demand declined, while exports of goods and services registered a sharper contraction. On a quarter-on-quarter seasonally adjusted basis, the economy declined by 16.5% (First quarter of 2020 ("**1Q 2020**"): -2.0%). Weak growth was recorded across most economic sectors amid the imposition of the MCO, followed by the conditional and recovery MCO, during 2Q 2020.

The services sector contracted by 16.2% (1Q 2020: 3.1%). The sector was affected by the implementation of a nationwide restrictive MCO, with only essential services such as food-related retail, utilities, banking, transportation as well as information and communication entities allowed to operate with very limited capacity. The subsequent transition to conditional MCO in May and recovery MCO in June provided some relief to businesses in the sector.

The manufacturing sector contracted by 18.3% (1Q 2020: 1.5%), due largely to the imposition of MCO restrictions as well as weak demand conditions. The extension of the MCO from end-March throughout April curtailed production activity across all industries. Essential sectors and those in the related supply-chain sectors operated at reduced capacity to ensure sufficient social distancing at workplaces, while non-essential sectors such as transport equipment and textile-related industries did not operate. Following the lifting of MCO restrictions in May, manufacturing firms gradually restarted operations, but did so while observing sector-specific health protocols amidst subdued demand conditions externally and domestically.

Private consumption growth declined by 18.5% in 2Q 2020 (1Q 2020: 6.7%). Household spending was particularly impacted by the strict movement restrictions in the early part of the quarter and income losses amid weak economic conditions. As movement restrictions were gradually relaxed towards the end of the quarter, retail and financing data indicated some improvement in spending, albeit remaining subdued. During this challenging period, stimulus measures such as the disbursement of *Bantuan Prihatin Nasional* cash transfers, employees provident fund (EPF) i-Lestari withdrawals and the implementation of the loan moratorium helped to cushion consumption spending.

Economic activity in Malaysia contracted sharply in the first half of the year (-8.3%) as the measures introduced to contain the pandemic globally and domestically resulted in a concurrent supply and demand shock to the economy. However, growth is expected to have troughed in 2Q 2020. Economic activity has resumed significantly since the economy began to reopen in early May. Monthly indicators such as wholesale and retail trade, industrial production, electricity generation, and gross exports all grew faster in June than in the period between March and May.

The improvement in growth in the second half of 2020 will also be supported by the recovery in global growth and continued policy support. In particular, consumption and investment activities are expected to benefit from the wide-range of measures in the fiscal stimulus packages, continued financial measures and low interest environment. While there is upside potential to growth, the pace and strength of the recovery remain susceptible to downside risks emanating from domestic and external factors. Growth could potentially be lifted by a larger-than-expected impact from stimulus measures. Nevertheless, the prospect of secondary COVID-19 outbreaks leading to the re-imposition of containment measures, more persistent weakness in labour market conditions, and a weaker-than-expected recovery in global growth pose downside risks to growth.

(Source: Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2020, Bank Negara Malaysia)

In line with the reopening of the economy from earlier COVID-19 containment measures and improving external demand conditions, the Malaysian economy recorded a smaller contraction of 2.7% in the third quarter of 2020. This recovery is seen across most economic sectors, particularly the manufacturing sector, which turned positive on account of strong electrical and electronics production activity. On the expenditure side, domestic demand contracted at a slower pace, while net exports rebounded. On a quarter-on-quarter seasonally-adjusted basis, the economy turned around to register an expansion of 18.2% (2Q 2020: -16.5%).

(Source: Economic and Financial Developments in Malaysia in the Third Quarter of 2020, Bank Negara Malaysia)

The economy is expected to contract at a slower pace in the second half of 2020, aided by the speedy implementation of various stimulus package totalling RM305 billion to support the people and revitalise the economy. Reinforced by the reopening of the economy in phases, growth is expected to improve gradually during the second half of 2020, cushioning the significant contraction in the first half of 2020. Thus, the economy is expected to contract by 4.5% in 2020 (2019: 4.3%). With the anticipated improvement in global growth and international trade, the Malaysian economy is projected to rebound between 6.5% to 7.5% in 2021. Growth will continue to be supported by strong economic fundamentals and a well-diversified economy. However, the favourable outlook hinges on 2 major factors – the successful containment of the pandemic and sustained recovery in external demand.

Service sector

The services contracted by 6.7% in the first half of 2020 largely due to worldwide travel bans, domestic movement restrictions and quarantines, which severely affected the tourism-related subsectors and airlines. Among the subsectors that have been severely affected include wholesale and retail trade, food and beverages and accommodation, transportation and storage as well as real estate and business services. Nevertheless, the information and communication subsector expanded as online transactions increased significantly during the MCO. The services sector is expected to record a smaller decline of 1% in the second half of the year, reflecting the gradual resumption of economic activities. Overall, the sector is projected to contract by 3.7% in 2020 (2019: 6.1%) before rebounding by 7% in 2021. With the normalisation of economic activities in 2021, all subsectors are projected to record positive growth.

Manufacturing sector

The manufacturing sector contracted by 8.7% during the first half of 2020, as almost all industry operations were temporarily halted, following supply chain disruptions amid the MCO. Within the export-oriented industries, the electrical and electronics cluster was severely affected as global demand decelerated sharply. Domestic-oriented industries also recorded sluggish growth, with transport equipment; and non-metallic mineral products, basic metal and fabricated metal products segments registering a double-digit contraction.

Nonetheless, the manufacturing sector is expected to improve by 2.4% in the second half of 2020, as industries activities resume operations in line with the gradual lifting of the MCO. Within the export-oriented industries, the electrical and electronics segment is projected to improve following rising demand for computer and electronic products. Chemical and rubber products are anticipated to continue to record high growth, benefitting from higher demand for rubber gloves and pharmaceutical products. Within the domestic-oriented industries, the food products and transport equipment segments are expected to rebound, supported by higher demand. Overall, for the year, the manufacturing sector is expected to decline by 3% (2019:3.8%).

The manufacturing sector is forecast to rebound by 7% in 2021, driven by steady improvement in both the export and domestic-oriented industries.

(Source: Economic Outlook 2021, Ministry of Finance)

6.2 Overview and outlook of the glove industry in Malaysia

Malaysia's rubber glove exports are likely to surge nearly 20% to 230 billion pieces in 2020, up from 192 billion pieces last year, as the world rolls up its sleeves to fight against the deadly novel COVID-19. MARGMA president Denis Low said the export growth forecast is higher than the 210-220 billion pieces predicted by the association earlier.

(Source: MARGMA sees nearly 20% surge in Malaysia's glove exports in 2020 dated 8 February 2020, Malaysian Investment Development Authority (extracted from Bernama))

The local glove industry sold 55 billion pieces of gloves in the first quarter of 2020, with 99.6% of the supplies exported. MARGMA expects the gloves prices to hover around mid-US$60 (contractual) and US$120 (spot buy) for the post COVID-19 scenario but it all depends on who are able to supply and who need gloves urgently. In addition, MARGMA expects that the price post COVID-19 would be much higher than pre COVID-19.

Any move to impose a windfall tax on glove companies given their supernormal earnings due to the pandemic would only curb their expansion plans. The local glove industry invested between RM600 million and RM1 billion annually for organic expansion, following the increase in global demand averaging about 10% to 12% without the COVID-19 pandemic. If the tax rate goes beyond the 24% corporate tax rate, it will affect the expansion plan of the local glove companies as well as affect the ability to produce more. Hence, other players will take up the market share.

The local glove industry needs to hire an additional 25,000 workers urgently to meet the increased global demand whereby 10,000 are local workers and 15,000 are foreign workers.

(Source: "Malaysia's glove sector to produce 20b more pieces this year" dated 20 July 2020, New Straits Times)

With no end in sight to the coronavirus pandemic, worldwide demand for surgical gloves – as for other types of personal protective equipment – is booming, leaving manufacturers struggling to keep up. The global PPE market – from masks, gowns and gloves, to shoes and sanitising gels – is expected to balloon from US$52 billion in 2019 to US$93 billion in 2027, according to German market data specialist, Statista.

And, like other such products that were previously predominantly the domain of specialist medical personnel, the surgical glove has become much sought after even by the general public. USA-based Allied Market Research estimates that the global disposable gloves market amounted to US$6.8 billion in 2019, and is expected to nearly triple to US$18.8 billion by 2027. Just as worldwide shortages of masks and disinfectant gels have pushed up the prices of those products, single-use medical gloves have become increasingly difficult and costly to come by during the health crisis.

Malaysia is the world's biggest maker of rubber gloves, accounting for around 60% of global exports. According to the Malaysian manufacturers' association MARGMA, worldwide demand is projected to rise from 296 billion in 2019 to 330 billion this year. Given the surge, the industry is forecasting a shortage that is expected to last well into next year, MARGMA said.

Malaysian manufacturer said it is seeing orders for 11-12 billion a month, compared with 4.5 billion prior to the pandemic. As a result, customers must now wait nearly 600 days for their orders to be filled, compared with a normal delivery time of 30-40 days.

(Source: "Malaysia's glove makers struggle to meet booming demand" dated 5 September 2020, New Straits Times)

MARGMA's president, Denis Low Jau Foo, said that the supply and demand dynamics are lopsided due to the COVID-19 pandemic, but the industry is doing its best to churn out as many gloves as possible to meet the extraordinary demand across the globe.

MARGMA members are being hampered by several factors to make more gloves, and the major stumbling blocks causing the bottleneck are the huge shortage of workers and raw materials, he said. "According to our calculations, the industry could lose out on the opportunity to export more than 80 billion pieces of gloves in 2020 by not having enough workers. This translates to about RM7.6 billion in export revenue for Malaysia," he said. Hence, he asked the Government to allow a reasonable number of foreign workers to work in factories. He said approximately 40 percent of the workforce are locals who hold leadership, professional and technical positions, and this group is highly paid.

On the business side, Low said MARGMA is revising its export revenue projection for 2020, from RM21.8 billion to RM29.8 billion, based on the performance in the first half of the year. "MARGMA projected that in the next six months, the export revenue is expected to touch RM18 billion. The quantity is estimated to reach 130 billion pieces of gloves. "For 2021, MARGMA estimates that our annual export revenue should touch RM33.8 billion, with quantity increasing to 270 billion pieces," he said. Whether the demand for gloves would continue to be as strong as it is now, Low said it could take several years for the industry to fulfil the demand as it stands today.

(Source: MARGMA warns of scammers, laments shortage of workers and materials dated 18 September 2020, The Edge Markets)

6.3 Overview and outlook of the healthcare industry in Malaysia

There is concern regarding the sustainability of Malaysia's healthcare system and its ability to meet the needs of the population; given the demands on the healthcare services due to changing sociodemographic, economics as well as evolving disease burden.

The country faces several issues and challenges in ensuring the financial sustainability of the healthcare system. Malaysia's total health expenditure ("**THE**") stood at 4.24% of the gross domestic product (GDP) in 2017, of which 2.2% came from the government's expenditure. World average of THE is between 9.4 – 10.0% of gross domestic product (2010 – 2016). The public sector contributed 51% of THE and private sector contribution was 49% of THE. Out-of-pocket spending accounted for a significantly high proportion of 38% of THE. Even though 70% of THE were spent on curative services, the largest component compared to other functions of healthcare such as public health services, administration and research, the secondary and tertiary care services continue to face challenges to maintain its services to the people. Under-utilised or unutilised facilities due to lack of staff and equipment, hospital congestions, brain drain of medical specialist to the private sectors are hereditary issues that require sustainable strategies and investments.

There is an increase in demand for e-commerce, e-government services and virtual health services such as home doctor services through apps, internet pharmacy, teleconsultation and others. This is because patients find it convenient, cost efficient and time saving. However, currently there is no mechanism to ensure that clients obtain quality services from qualified practitioners and issues related to patient's confidentiality and ethics.

The growth of the healthcare industry in Malaysia has been organic in nature and is primarily driven by domestic consumption of healthcare products and services. However, medical / health tourism is currently one of the areas given importance by the Government especially in the promotion for oncology, cardiology and fertility treatment. Malaysia has become one of the popular destinations for medical tourists seeking medical treatment and wellness services including aesthetic procedures over the recent years. As such, in tandem with the promotion of medical tourism and the concept of private sector as a partner, the number of registered and licensed private healthcare facilities or services has and is steadily increasing.

The Ministry of Health has given emphasis to various reform agendas in the healthcare system including restructuring the system, creating a robust financing system, better public-private partnership, and seamless integration between primary and secondary care. The Ministry of Health has also given emphasis not only on evidence-based medicine but also on value-based medicine and opened for more innovative solutions including digital technology. Taking into consideration international commitments and various local policy direction, the overall objective of the Strategic Framework of the Medical Programme (2021 – 2025), is to improve access to medical care, leaving no one behind, through strengthening, enhancement and consolidation of medical services.

With primary aim to further develop the hospital services and also to better execute its, the Medical Programme has identified 7 strategies for the upcoming five years (2021 - 2025), following which a total of 61 implementation plans and 176 activities will be carried out in phases. The 7 strategies are (1) strengthen healthcare services delivery in hospitals; (2) optimise resource management including facility, equipment and financing; (3) enhance capacity and capability of human resource for health; (4) strengthen governance and stewardship of healthcare system; (5) strengthen safety and quality in delivery of healthcare system; (6) leverage the use of IT to improve efficiency; and (7) promote safe and quality practices of traditional and complementary medicine.

(Source: Strategic Framework of the New Medical Programme (2021 – 2025), Ministry of Health Malaysia)

Malaysia's telehealth industry has found new growth opportunities during the COVID-19 pandemic after struggling to go mainstream prior to the crisis.

While teleconsultation services were established only recently at some hospitals, other telehealth companies had gone through months, if not years of hardship, to establish the digital health industry, as it is a fairly new concept in this country.

Some private hospitals, such as Sunway Medical Centre Velocity, Pantai Hospitals, and Gleneagles Hospitals, also rolled out telemedicine or teleconsultation services after the COVID-19 outbreak this year, as society adapts to the new norm of safe social distancing because face-to-face consultations between health care providers and patients may pose a risk of virus transmission to both parties.

Since the COVID-19 outbreak and movement restrictions enforced by the government from March 18, the public has mainly relied on the internet for news, updates from the government, and even shopping needs.

Telehealth was a slow growing industry prior to the COVID-19 crisis that hit Malaysia last January. After several lockdown measures were implemented, healthcare providers have observed a shift in consumer behaviour, where people are now more accepting of digital conveniences in health care.

In comparison to brick-and-mortar clinics and pharmacies, telehealth or telemedicine provide the same services as a general practitioner clinic, with added convenience. In addition to the convenience that telehealth provides for its consumers, effectiveness was another important aspect of incorporating technology into healthcare delivery. In terms of the costs associated with healthcare, telehealth services can definitely cut costs through improvements in accessibility and affordability.

(Source: "Malaysia Telehealth Grows in Contactless World" dated 8 June 2020, CodeBlue)

Malaysia has the 2nd highest e-commerce penetration rate in the ASEAN region. During the COVID-19 pandemic, Malaysia's e-commerce industry has expanded at a fast pace. This accelerated growth is mainly due to the increase in the number of online shoppers. The growth has also triggered the transformation of the Malaysian retailers' business strategy toward e-commerce and Internet-Of-Things (IoT). This has opened opportunities for the main logistics drivers in the country such as manufacturing, pharmaceuticals, food and beverages, e-commerce, and third-party logistics sectors.

(Source: "CORONA VIRUS – The situation in Malaysia" dated 13 September 2020, Flanders Trade)

The other services subsector contracted by 9.6% in the first half of 2020 due to lower medical travellers and decline in enrolments in private colleges and universities. The contraction is expected to narrow to 6.6% in the second half of the year following the arrival of registered foreign students and critically ill patients, except those from high-risk countries with more than 150,000 Covid-19 cases. Thus in 2020, the subsector is expected to decline by 8.1%. The subsector is projected to expand by 6.2% in 2021, following aggressive branding and digital marketing for health tourism in targeted countries, such as Cambodia, China, Indonesia and Myanmar.

(Source: Economic Outlook 2021, Ministry of Finance Malaysia)

6.4 Overview and outlook of the hire purchase and automotive industries in Malaysia

Loan growth is expected to surge in the second half of 2020 driven by the reopening of the economy and the stimulus measures announced in the short-term National Economic Recovery Plan (Penjana) amid a low interest-rate environment.

Banks in Malaysia are likely to clock in loan growth between 3% and 4% for the year, almost similar to 2019's 3.9% as Bank Negara Malaysia cut its overnight policy rate by 25 basis points to 1.75% yesterday as part of its monetary stimulus effort to provide cheaper cash to consumers and businesses.

"We can expect more customers to reschedule and restructure their borrowing soon. Hire purchase financing should be more lively from May onwards. As such, loan growth should pick up its pace in the later part of the year," Bank Islam Malaysia Bhd chief economist Dr Mohd Afzanizam Abdul Rashid told The Malaysian Reserve. Loan growth was 7.7% in 2018.

Loans especially to the automotive and residential property sectors are likely to see an uptake, Mohd Afzanizam said.

Sales of autos shot up to 22,960 units in May from an all-time low of 141 units in April with carmakers saying sales in June remained strong, helped by the reduction in sales taxes in Penjana.

"Loan growth will be decent but this is more due to less repayment given the loan moratorium rather an increase in fresh new loans," he told The Malaysian Reserve.

(Source: "Loan growth to pick up in 2H20 with lower overnight policy rate" dated 8 July 2020, The Malaysian Reserve)

The total industry volume ("**TIV**") of new motor vehicles registered in Malaysia in the first 6 months of ("**1H**") 2020 was 174,675 units registered (1H2019: 296,317 units). This was a decline of 121,642 units or 41.1% compared with 1H2019.

As a result of the pandemic and the restrictions imposed on most social and business activities, the sales of new motor vehicles had been badly affected during the period under review. Except for February and June, the year-on-year sales trend was consistently lower for the 1H2020 compared to 1H2019.

A total of 15,799 units of new commercial vehicles were registered in the 1H2020 which accounted for 9% share of the TIV (1H 2019: 25,456 units). In terms of units, the 1H2020 achievement was lower by 9,657 units or 37.9% compared to total commercial vehicles registered in the same period last year.

Just like the passenger vehicles category, all sub-segments of the commercial vehicles' category recorded lower sales during 1H2020. In terms of units, the pick-ups sub-segment suffered the biggest drop (5,650 units), followed by trucks (2,902 units), panel vans (599 units), prime movers (367 units) and buses (139 units).

Within the commercial vehicles' category, pick-ups formed the biggest sub-segment in 1H2020 with 69% share, followed by trucks (22.5%), panel vans (5.5%), prime movers (2%) and buses (1%).

After taking into consideration the economic and environmental factors into account, the Malaysian Automotive Association has revised upwards their industry forecast for 2020. The TIV of new motor vehicles to be registered in Malaysia for 2020 has been revised from 400,000 units to 470,000 units. Increase from 360,000 units to 427,700 units of new passenger vehicles (2019 (Actual): 550,179 units) and increase from 40,000 units to 42,300 units of new commercial vehicles (2019 (Actual): 54,108 units).

The Malaysian Automotive Association forecasts growth for the TIV in the next four years from 2021 (17%), 2022 (9.1%), 2023 (2%) and 2024 (2%) with growth expected in both the passenger vehicles and commercial vehicles categories for all four years.

(Source: "1st Half of 2020 Motor Vehicle Sales and Production Performance" dated 24 July 2020, Press Release by Malaysian Automotive Association)

According to Malaysian Automotive Association, the monthly TIV increased by 0.4% month-on-month (+8.3% year-on-year) to 56,670 units in October 2020 mainly due to new model launches and on-going promotional campaigns from car manufacturers. The sales of passenger vehicles increased by 9.0% year-on-year to 51,795 units, while sales of commercial vehicle were flat at 4,875 units in October 2020. Malaysian Automotive Association expects a weaker month-on-month performance in November 2020 due to the full month impact from the implementation of the conditional MCO for all states in Peninsular Malaysia except Perlis, Pahang and Kelantan.

(Source: Malaysian Automotive Association)

6.5 Prospect of our Group

As at the LPD, our Group is principally involved in investment holding, search and advertising, IT, supply chain management and moneylending business segments.

In view of the rapid media evolution which reshaped the advertising and marketing landscapes and the increasingly competitive business environment for the search and advertising business segment, our financial performance has suffered in recent years. In order to improve our Group's financial performance, we have constantly been looking for new business opportunities to have additional income streams and diversify to prevent over-reliance on our existing businesses.

Our Group had on 25 February 2019 diversified our existing business to include supply chain management business to provide integrated supply chain solutions such as storage, warehousing, distribution, transportation and third-party warehouse management services for our Group's customers. Our Group had also on 24 July 2020 diversified into moneylending business to complement our supply chain management business. The supply chain management business and moneylending business have yet to commence as at the LPD. In view of the on-going uncertainties surrounding the course of the COVID-19 pandemic domestically, our Group is still assessing the commencement date of the businesses.

Looking at the increase in demand for gloves, in particular after the COVID-19 outbreaks, Malaysia's glove companies are standing in a very strong position and are expected to see one of the best phases in terms of revenue growth in the current year. Over the years, Malaysia's major glove producers have been continuously enhancing production capacity to meet the rising global demand in gloves. MARGMA is now planning to produce even more rubber gloves to meet the sudden spike in consumption due to the COVID-19 outbreak. Thus, the Proposed Diversification into Manufacturing and Trading of Gloves and Other PPE will allow our Group to venture into the glove industry as there is increasing demand for gloves and other PPE post COVID-19.

HS Bio has on 28 August 2020 entered into the eMedAsia Agreement with eMedAsia which will provide our Group an initial foray into the healthcare supply chain industry by collaborating with KOOP MMA and Open Dynamics Sdn Bhd on eMedAsia's digital platform. In view of the current COVID-19 pandemic and the positive outlook on the Malaysian healthcare industry, our Board believes that the Proposed Diversification into Healthcare Related Business will allow our Group to venture into healthcare related business.

Further, HS Bio has on 5 October 2020 entered into the Consortium Agreement with Royce Pharma to jointly work together to secure distributorship of medicinal drugs and COVID-19 vaccine from Fosun. Therefore, should the distributorship be granted, and the relevant approvals and licences obtained from the government authorities, the distributorship of medicinal drugs and COVID-19 vaccine will provide additional source of income for our Group and enhance HS Bio's prospect in the medical supplies and products business.

The Proposed Diversification into Hire Purchase Business allows our Group to venture into the hire purchase and related business to complement our Group's existing moneylending business with focus on extending our hire purchase facilities for commercial vehicles as well as industrial machineries and equipment. Currently, HSPM has an ongoing business with an existing loan base of RM24.66 million as at 31 October 2020 and the interest income to be earned from the hire purchase business will provide an additional source of income for our Group. Besides, there are other legitimate borrowers who may not have access to the types of loan facilities made available to those with collaterals recognised by licensed banks and other financial institutions due to stringent lending requirements imposed by such banks or other financial institutions. In view of this, our Board believes that the Proposed Diversification into Hire Purchase Business could be a viable business for our Group to venture into as there are demands for financing facilities from non-bank financial service providers for commercial vehicle as well as industrial machineries and equipment financing.

Premised on the above, our management believes that despite challenging economic environment amid the COVID-19 pandemic, the favourable outlook for industries in which our Group intends to operate will provide opportunities to improve our Group's operations and financial performances in the future while reducing dependency on our Group's existing business in search and advertising and IT.

(Source: Our management)

7. RISK FACTORS

The risk factors that may be inherent to our Group in relation to the Turnkey Agreement and Proposed Diversifications, which are by no means exhaustive, are as follows:

7.1 Business risks

The Proposed Diversifications would result in the diversification of our Group's core business to include manufacturing and trading of gloves and other PPE products, supply of healthcare related products and services in addition to the supply chain management business as well as hire purchase business whereby our Group may face new challenges and risks arising from the new businesses in which we currently have no exposure in.

As the demand for gloves and certain Medical and Healthcare Products are currently dependent on factors such as the severity of the COVID-19 pandemic, the availability of a vaccine and the commercial viability to make such a vaccine to the masses, the demand for gloves is still expected to be sustainable as demonstrated by the growth in demand pre-COVID-19. Moving forward, the demand for rubber gloves is expected to continue to be driven by the growth in the global and domestic healthcare industry, growth in the global economy and demand for gloves from emerging markets due to changes in healthcare requirements.

Our Group may also be exposed to risks inherent to the hire purchase industry, gloves industry and healthcare industry, in which our Group has no prior experience. These may include, amongst others, general economic downturn in the global and regional economies, competition from existing players, socio-political instability, changes in the legal and environmental framework within which the industry the respective business operates and changes in demand for the products.

Our Group seeks to mitigate these risks by leveraging on the experience of our key management personnel, i.e. Dato' Teoh, Jeff Chong and Lim Peng Tong. Our Group will recruit additional personnel with the relevant experience to complement the existing management team when the need arises. However, there can be no assurance that the Proposed Diversifications will be successful and that the anticipated benefits of the Proposed Diversifications will be realised.

7.2 No prior experience in gloves and healthcare industries

Our Group is principally involved in the search and advertising and IT industries. Given that the existing management of our Group does not possess any prior experience in the manufacturing and trading gloves business as well as provision of healthcare products and services, our Group may be subjected to challenges and the risks arising from venturing into the gloves and healthcare industries in which our Company has no direct experience in ensuring the success of these new business ventures.

Notwithstanding the above, our Group intends to tap on the competency and network of Francis Ho to operate the Glove Production Plant at the initial stage as well as the network of KOOP MMA's existing member clinics and the network of MMA's doctors for our Group's venture into the healthcare industry. Our Group may engage other service provider to carry out the commissioning of the Glove Production Plant and collaborate with other digital platform, health facilities and pharmacies, if required.

7.3 Dependency on contractor for commissioning of the Glove Production Plant

Our Group's commissioning of the Glove Production Plant as well as the initial stage of its operation depend largely on the abilities, skills, competency and network of Francis Ho (our Group's turnkey project partner with considerable knowledge and experience in the glove manufacturing industry for more than 20 years). The loss of Francis Ho, if not replaced timely, could disrupt the business operation and negatively impact our Group's Proposed Diversification into Manufacturing and Trading of Gloves and Other PPE. In such case, our Group is required to engage another contractor with comparable experience and capabilities as Francis Ho to undertake the scope of work similar to Howellcare to complete and commission the Glove Production Plant.

7.4 Competition risk

Being a new entrant in the hire purchase industry, glove industry and healthcare industry, our Group will face competition from, amongst others, existing players in the respective industries. Our Group may also be disadvantaged as a new entrant in the NBR gloves as well as the healthcare industries as it lacks the relevant track record compared to the existing companies which may enjoy the privilege of their established brand names and entrenched reputation in the industries. Other existing players in the industries may have longer operating histories, larger customer base, greater economies of scale and greater financial, marketing capabilities and industry network.

There is no assurance that our Group will be able to compete against current and future competitors or that competitive pressure will not materially and adversely affect the business, operations, results or financial condition of our Group. In order to remain competitive, our Board intends to develop our Group's customer base through our partners, namely Howellcare, eMedAsia and Royce Pharma, and will monitor the latest developments and opportunities in our Group's new business ventures.

7.5 Delay or termination of contracts

The Proposed Diversification into Manufacturing and Trading of Gloves and Other PPE as well as the Proposed Diversification into Healthcare Related Business are depending on the Turnkey Agreement and the eMedAsia Agreement, respectively, for our initial operations. As with any other agreements, the Turnkey Agreement and the eMedAsia Agreement are subject to termination clauses set out in the respective agreement in the event of breach or default of the parties. The performance of the obligations may also be delayed by our counterparts due to reasons beyond the control of our Group such as delay in obtaining the necessary approvals from the relevant authorities, unavailability of labour, unavailability of machines, parts and raw materials in adequate amounts for the Glove Production Plant, and delay in supply of the Medical and Healthcare Products.

In mitigating such risks, our Group intends to closely monitor the implementation of the agreements, seeks to limit such risk and take all reasonable steps to comply with the relevant terms and conditions so as to ensure that the potential benefits arising therefrom will materialise.

7.6 Risk of obsolescence of our Glove Production Plant and its related equipment and inability to upgrade such equipment and system cost-effectively

Our Glove Production Plant and its related equipment may become obsolete due to the development of more advanced equipment or enhanced technologies that increase productivity as well as enhance reliability and efficiency. The cost of replacing equipment and systems with new technologies could be significant and we may not be able to upgrade our Glove Production Plant on a cost-effective basis and in a timely manner due to, among others, increased expenses to our Group that cannot be passed on to our customers or insufficient resources to fund the necessary capital expenditures. The obsolescence of our Glove Production Plant and its related equipment or our inability to upgrade our equipment and system would likely reduce our competitiveness in the gloves industry and affect our revenues from glove manufacturing and trading business segment, which could have a material adverse effect on our Group.

In order to mitigate this risk, our Group will adopt a repair and preventive maintenance program to maintain system reliability and availability over the long term. We will also keep abreast with latest technology developments and assess the economic viability of adopting the latest technology in phases based on business growth and the requirements of our customers.

7.7 Financing risk

Our Group may require further funding for our hire purchase, manufacturing and trading of gloves and other PPE, and healthcare related businesses and such further funding may be derived from internally generated funds and/or future equity or debt fundraising exercises. If our Group raises funds from the debt market, it may be subject to interest rate fluctuation and incur fixed interest expense, and our Group shall be obligated to repay investors as and when the repayment is due.

Whilst no assurance can be given that our Group will be able to repay all of our borrowings and service all our finance cost in the future, our Group’s ability to make payments on loan principal and to service finance cost depends on our ability to generate sufficient cash in the future, which is subject to many factors beyond the control of our Group.

To mitigate such risk, our Group will actively review our debt position taking into consideration the level and nature of borrowings and seek to adopt appropriate cost-effective financing options.

7.8 Regulatory, political, social and economic risks

The conduct of hire purchase of commercial vehicles below 2,540 kg in Malaysia is governed by the Hire Purchase Act 1957. Any amendments or changes to the Hire Purchase Act 1957 and non-compliance could materially affect the financial and prospects of the hire purchase business.

To undertake the Turnkey Agreement and the Proposed Diversifications, our Group may be required to apply and obtain permits, licences or approvals from the various relevant authorities, such as the Royal Malaysian Customs Department, Malaysian Rubber Board, Ministry of Environment and Water, Ministry of International Trade and Industry of Malaysia, Department of Occupational Safety and Health, Ministry of Health and local municipal council. Our Group will seek to mitigate such risks by careful planning and monitoring as well as to obtain all the necessary permits, licences, certificates and approvals required for the Turnkey Agreement and the Proposed Diversifications.

The revenue contribution from our Group's new business ventures may also be affected by risks on the occurrence of force majeure events or circumstances which are beyond the control of our Group, for instances, natural disasters, lockdown, closure of international borders, economic risks (such as an economic downturn, slower global and domestic growth and inflation), ongoing trade and geopolitical tensions, commodity-related crisis, adverse developments in political and government policies in Malaysia and foreign markets, acts of war or terrorism, riots, expropriations and changes in political leadership.

In mitigating such risks, our Group will continue to review our business development strategies in response to the changes in political, social, economic and regulatory conditions but there can be no assurance that it will not materially affect the performance of our Group.

7.9 Dependency on key personnel

Our Group's involvement in the new business segments is highly dependent on the abilities, skills and experience of Dato' Teoh, Lim Peng Tong, Jeff Chong and Yeoh Guan Kooi as set out in **Sections 3.1 to 3.3 of Part A** of this Circular. If the said key personnel decides to leave our Group without suitable and timely replacement, or the inability of our Group to attract other qualified personnel to spearhead and/or oversee our Group's new business segments, could adversely affect our Group's new business segments and consequently, our Group's revenue and profitability.

Our Group will use our best endeavour to reduce dependency on particular key personnel by attracting qualified and experienced employees and addressing succession planning by grooming junior employees to complement the management team as well as to ensure continuity and competency of the management team.

8. EFFECTS OF THE PROPOSALS

8.1 Issued share capital and shareholdings of substantial shareholders

The Proposals will not have any effect on our issued share capital and our substantial shareholders' shareholdings as the Proposals do not involve any issuance of new Hong Seng Shares.

8.2 NA and gearing

The Proposals are not expected to have any immediate effects on NA and gearing of our Group. However, the profits contribution from our glove manufacturing and trading, healthcare related business and hire purchase business will have a positive impact on our Group's NA once the potential benefits from such businesses are materialised. Further, our Group's gearing may increase in the event that our Group obtains debt funding to finance the working capital for the glove manufacturing and trading, healthcare related business and hire purchase business.

8.3 Earnings

The Proposals are not expected to have any immediate effects on the earnings of our Group. However, our Board believes that the Proposals will contribute positively to our Group's future earnings as and when the benefits of the Proposals are realised.

8.4 Convertible securities

Save for the 74,000 outstanding ESOS Options, 159,291,411 outstanding Warrants and 596,665,955 outstanding ICPS, our Company does not have any other convertible securities or options as at the LPD.

The Proposals are not expected to have any effects to the outstanding number and exercise or conversion price of the ESOS Options, Warrants and ICPS.

9. HISTORICAL SHARE PRICES

The monthly highest and lowest transacted prices of Hong Seng Shares for the past 12 months are as follows:

	Highest (RM)	**Lowest (RM)**
2019		
November	0.170	0.115
December	0.155	0.120
2020		
January	0.170	0.115
February	0.130	0.110
March	0.140	0.040
April	0.140	0.055
May	0.130	0.095
June	0.190	0.110
July	0.400	0.135
August	1.880	0.450
September	1.800	0.980
October	1.210	0.985

The last transacted market price of Hong Seng Share on 16 October 2020 (being the last trading date prior to our announcement dated 19 October 2020 in relation to the Proposed Diversifications and Proposed Variation) was RM1.03.

The last transacted market price of Hong Seng Share on 12 November 2020 (being the LPD) was RM1.01.

(Source: Bloomberg Finance L.P.)

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10. APPROVALS REQUIRED

The Proposals are subject to the approvals from our shareholders at our forthcoming EGM.

Further, our Company is required to obtain the following licences and approvals from the respective authorities/regulatory bodies prior to the commencement of the operation of the Glove Production Plant:

No.	Authorities/government agencies	Licences
(a)	Local municipal council	1) Business licence (manufacture) 2) Development order 3) Certificate of completion and compliance (CCC)
(b)	Royal Malaysian Customs Department	Sales and service tax (SST) (sell)
(c)	Malaysian Rubber Board	Manufacturing, storing and export licence (manufacturer and sell)
(d)	Ministry of International Trade and Industry of Malaysia	Manufacturing licence (manufacturer and sell)
(e)	Ministry of Environment and Water / Department of Environment (DOE)	1) Waste water treatment plant approval (manufacture) 2) Chlorination scrubber system approval 3) Term of reference
(f)	Department of Occupational Safety and Health (DOSH)	1) Boiler certificate and approval 2) Air compressor approval 3) Permit to install 4) Permit to operate 5) Equipment & machinery registration (JKJ105 & JKJ106)
(g)	Ministry of Health	Poison licence
(h)	Fire and Rescue Department	Approval letter/ certificate/ supporting letter (where applicable)

Hong Seng Gloves intends to submit the first application to local municipal council for approval of the development order of the Factory and its business licence by December 2020, thereafter, submission of applications to other respective authorities/ government agencies will depend on the stages of development of the Glove Production Plant from December 2020 to April 2021.

For our Group's hire purchase business, HSPM has obtained membership from the Association of Hire Purchase Companies Malaysia with latest membership valid from 1 January 2020 until 31 December 2020.

11. CORPORATE PROPOSALS ANNOUNCED BUT NOT YET COMPLETED

Save for the Proposals and the Private Placement, our Board is not aware of any outstanding corporate proposals which have been announced by us but are pending implementation or completion prior to the printing of this Circular.

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12. INTER-CONDITIONALITY OF THE PROPOSALS

The Turnkey Agreement and the Proposed Diversification into Manufacturing and Trading of Gloves and Other PPE are inter-conditional.

The Proposed Variation is conditional upon the Turnkey Agreement, Proposed Diversification into Manufacturing and Trading of Gloves and Other PPE as well as the Proposed Diversification into Hire Purchase Business, but not otherwise.

The Proposed Diversification into Healthcare Related Business and the Proposed Diversification into Hire Purchase Business are not inter-conditional and are not conditional upon the Turnkey Agreement, the Proposed Diversification into Manufacturing and Trading of Gloves and Other PPE as well as the Proposed Variation.

Save for the above, the Proposals are not conditional upon any other corporate proposals undertaken or to be undertaken by our Company.

13. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM

Turnkey Agreement and Proposed Diversification into Manufacturing and Trading of Gloves and other PPE

Our Group intends to install and commission the Glove Production Plant in the Factory which is rented to Hong Seng Gloves by HS Vision pursuant to the Tenancy Agreement. In this regard, the respective directors and major shareholders of our Company wish to disclose their interests as follows:

(i) Dato' Teoh, who is our Executive Chairman and major shareholder via his direct shareholding in our Company (24,500,000 Hong Seng Shares, representing 4.72% of the equity interest in our Company) and his indirect shareholding in our Company through HS Frontier (112,008,200 Hong Seng Shares, representing 21.58% of the equity interest in our Company), is also a director and shareholder of HS Vision;

(ii) THP, THB and THS, who are the brothers of Dato' Teoh, were our major shareholders via their respective indirect shareholdings in our Company through HS Assembly prior to HS Assembly's disposal of all of its shareholdings in our Company on 28 October 2020. As their cessations of being major shareholders of our Company were within 6 months prior to the date of this Circular, THP, THB and THS are still deemed as major shareholders of our Company pursuant to Paragraph 10.02(f) of the Listing Requirements. THP is also a director and shareholder of HS Vision whilst THB is also a director of HS Vision;

(iii) TSH, who is our Alternate Director to Dato' Teoh, is also Dato' Teoh's daughter;

(iv) HS Frontier (a company controlled by Dato' Teoh) is our major shareholder; and

(v) HS Assembly (a company controlled by persons connected to Dato' Teoh as at the LPD) was our major shareholder prior to the disposal of all of its shareholdings in our Company on 28 October 2020. As HS Assembly's cessation of being a major shareholder of our Company was within 6 months prior to the date of this Circular, pursuant to Paragraph 10.02(f) of the Listing Requirements, HS Assembly is still deemed as a major shareholder of our Company.

(Dato' Teoh, THP, THB, THS, TSH, HS Frontier and HS Assembly are collectively referred to as "**Interested Persons**").

Notwithstanding the above, the Turnkey Agreement (which was entered into with Howellcare (an independent contractor)) and the Proposed Diversification into Manufacturing and Trading of Gloves and other PPE are not deemed as RPT pursuant to Chapter 10 of the Listing Requirements. As such, Dato' Teoh and TSH are not required to abstain from board deliberation and voting on the relevant resolutions in respect of the Turnkey Agreement and the Proposed Diversification into Manufacturing and Trading of Gloves and other PPE. Besides that, the Interested Persons and/or persons connected to them are not required to abstain from voting in respect of their direct and/or indirect shareholdings in our Company, if any, on any resolutions pertaining to the Turnkey Agreement and the Proposed Diversification into Manufacturing and Trading of Gloves and other PPE at the forthcoming EGM.

Save as disclosed above, none of our Directors, major shareholders and chief executive and/or persons connected with them has any interest, direct or indirect, in Turnkey Agreement and Proposed Diversification into Manufacturing and Trading of Gloves and other PPE.

Proposed Diversification into Healthcare Related Business

Our Group intends to commence the Proposed Diversification into Healthcare Related Business via HS Bio. Pursuant to the eMedAsia Agreement, our Company intends to engage MMAG Group to be our subcontractor to provide 3PL and 4PL fulfilment services. In this regard, the respective directors and major shareholders of our Company wish to disclose their interests as follows:

(i) MMAG was a major shareholder of our Company prior to the disposal of all of its shareholdings in our Company on 4 August 2020. As MMAG's cessation of being a major shareholder of our Company was within 6 months prior to the date of this Circular, pursuant to Paragraph 10.02(f) of the Listing Requirements, MMAG is still deemed as a major shareholder of our Company;

(ii) Goh Eugene, who was a major shareholder of our Company prior to the disposal of part of his shareholdings in our Company via Pentagon Parade Sdn Bhd on 1 September 2020, is also an Executive Director of MMAG. As his cessation of being a major shareholder of our Company was within 6 months prior to the date of this Circular, Goh Eugene is still deemed as a major shareholder of our Company pursuant to Paragraph 10.02(f) of the Listing Requirements. Goh Eugene has ceased to be a shareholder of our Company after the disposal of his remaining shareholdings in our Company via Pentagon Parade Sdn Bhd on 9 October 2020;

(iii) Chan Swee Ying, who was a major shareholder of our Company prior to MMAG's disposal of Hong Seng Shares on 4 August 2020, is also a Non-Independent and Non-Executive Director and a major shareholder of MMAG. As at the LPD, she holds 3,000,000 Hong Seng Shares, representing 0.58% of the equity interest in our Company;

(iv) Jeff Chong, who is an Executive Director of our Company and a director of eMedAsia, is also an Executive Director and a substantial shareholder of MMAG. As at the LPD, he does not hold any Hong Seng Shares; and

(v) Kenny Khow, who is an Executive Director of our Company and a director of HS Bio, is also an Executive Director and major shareholder of MMAG. As at the LPD, he does not hold any Hong Seng Shares.

Notwithstanding the above, the Proposed Diversification into Healthcare Related Business is not deemed as a RPT pursuant to Chapter 10 of the Listing Requirements. As such, Jeff Chong and Kenny Khow are not required to abstain from board deliberation and voting on the relevant resolution in respect of Proposed Diversification into Healthcare Related Business. Besides that, MMAG, Goh Eugene, Chan Swee Ying, Jeff Chong and Kenny Khow and/or persons connected to them are not required to abstain from voting in respect of their direct and/or indirect shareholdings in our Company, if any, on any resolution pertaining to the Proposed Diversification into Healthcare Related Business at the forthcoming EGM.

However, our Company will seek our shareholders' approval in the forthcoming EGM to engage MMAG Group as our subcontractor to provide 3PL and 4PL fulfilment services (as disclosed in **Section 2.2.2(b) of Part B** of this Circular) in accordance with the Listing Requirements.

Save as disclosed above, none of our Directors, major shareholders and chief executive and/or persons connected with them has any interest, direct or indirect, in Proposed Diversification into Healthcare Related Business.

Proposed Diversification into Hire Purchase Business

None of our Directors, major shareholders and chief executive and/or persons connected with them has any interest, direct or indirect, in the Proposed Diversification into Hire Purchase Business.

Proposed Variation

None of our Directors, major shareholders and chief executive and/or persons connected with them has any interest, direct or indirect, in the Proposed Variation.

14. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Board, after having considered all aspects of the Proposals, is of the opinion that the Proposals are in the best interest of our Company and accordingly recommend you to vote **IN FAVOUR** of the resolutions in respect of the Proposals to be tabled at the forthcoming EGM.

15. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to the approvals from our shareholders being obtained, our Board expects the Proposals (save for Turnkey Agreement which is expected to be completed in the 4th quarter of 2021) to be completed in the 4th quarter of 2020.

16. EGM

The EGM, the notice of which is set out in this Circular, will be held fully virtual through live streaming via a remote participation and voting facilities from the broadcast venue at Gate C, 2nd Floor, No. 3, Jalan TP 2, Taman Perindustrian UEP, 47600 Subang Jaya, Selangor Darul Ehsan, Malaysia on Tuesday, 15 December 2020 at 10.30 a.m. or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications, the resolutions to give effect to the Proposals.

If you are unable to attend and vote in person at the EGM, you should complete, sign and return the enclosed Proxy Form in accordance with the instructions provided thereon so as to arrive at the registered office of our share registrar's office at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time set for holding the EGM or any adjournment thereof.

The lodging of the Proxy Form will not, however, preclude you from attending the EGM and voting in person should you subsequently wish to do so.

17. FURTHER INFORMATION

You are advised to refer to the Appendices set out in this Circular for further information.

Yours faithfully,
For and on behalf of our Board
HONG SENG CONSOLIDATED BERHAD
(*FORMERLY KNOWN AS MSCM HOLDINGS BERHAD*)

DATO' TEOH HAI HIN
Executive Chairman

PART B

LETTER TO OUR SHAREHOLDERS IN RELATION TO THE PROPOSED RRPT MANDATE

HONG SENG CONSOLIDATED BERHAD
(formerly known as MSCM Holdings Berhad)
Registration No. 200101001581 (537337-M)
(Incorporated in Malaysia)

Registered Office:

802, 8th Floor
Block C, Kelana Square
17, Jalan SS 7/26
47301 Petaling Jaya
Selangor Darul Ehsan

27 November 2020

Board of Directors

Dato' Teoh Hai Hin *(Executive Chairman)*
Chong Koon Meng *(Executive Director)*
Kenny Khow Chuan Wah *(Executive Director)*
Lim Peng Tong *(Executive Director)*
Wong Mun Wai *(Senior Independent Non-Executive Director)*
YM Tengku Farith Rithauddeen *(Independent Non-Executive Director)*
Yap Kien Ming *(Independent Non-Executive Director)*
Ng Keok Chai *(Independent Non-Executive Director)*
Teoh Soon Han *(Alternate Director to Dato' Teoh Hai Hin)*

To: Our shareholders

Dear Sir/Madam,

PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

1.0 INTRODUCTION

The Company had on 26 October 2020 announced its intention to seek shareholders' approval for the Proposed RRPT Mandate which is necessary for our Group's day-to-day operations in connection with Paragraph 10.09 of the Listing Requirements.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSED RRPT MANDATE AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS RELATING TO THE PROPOSED RRPT MANDATE TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM TOGETHER WITH THE PROXY FORM ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER THE CONTENTS AND APPENDICES OF THIS DOCUMENT CAREFULLY BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSED RRPT MANDATE.

2.0 DETAILS OF THE PROPOSED RRPT MANDATE

2.1 Provisions under the Listing Requirements

Pursuant to Paragraph 10.09 of the Listing Requirements and Practice Note 12, a listed issuer may seek a shareholders' mandate in respect of related party transactions involving recurrent transactions of a revenue or trading nature which are necessary for its day-to-day operations subject to the following:

(i) the transactions are in the ordinary course of business and are on terms not more favourable to the Related Party than those generally available to the public;

(ii) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where the aggregate value is equal to or more than the threshold below in relation to a listed issuer with an issued and paid-up capital of RM60.0 million and above: -

(a) the consideration, value of the assets, capital outlay or costs of the aggregated transaction is RM1.0 million or more; or

(b) any one of the percentage ratios of such aggregated transaction is 1% or more,

whichever is the higher;

(iii) the listed issuer to issue circular to shareholders in relation to the shareholders' mandate and it must include information as may be prescribed by Bursa Securities. The draft circular must be submitted to Bursa Securities together with a checklist showing compliance with such information;

(iv) in a meeting to obtain shareholders' mandate, an interested Related Party must not vote on the resolutions in approving the transactions and ensuring that persons connected with them abstain from voting on the resolutions approving the transactions; and

(v) the listed issuer immediately announces to Bursa Securities when the actual value of a recurrent related party transaction entered into by the listed issuer, exceeds the estimated value of the recurrent related party transaction disclosed in the circular by ten percent (10%) or more and it must include the information as may be prescribed by Bursa Securities.

2.2 Details of the Proposed RRPT Mandate

It is anticipated that in the normal course of our Group's business, RRPTs between our Group and the Related Parties are likely to occur at any time and with some degree of frequency.

In this respect, our Directors are seeking approval from shareholders for the Proposed RRPT Mandate which will allow our Group to enter into RRPTs referred to in **Section 2.2.2 of Part B** of this Circular with the Related Parties, provided such transactions are made at arms' length, our Group's normal commercial terms and on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of our Company.

The Proposed RRPT Mandate is subject to annual renewal. In this respect, authority conferred by the Proposed RRPT Mandate shall take effect on 15 December 2020 being the date of this EGM and shall continue in force (unless revoked or varied by the Company in general meeting) until the conclusion of the next AGM of our Company or the expiry of the period within which the next AGM of our Company is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act) or revoked or varied by resolutions passed by our shareholders in general meeting, whichever is the earlier.

2.2.1 Principal Activities of our Group

The principal activity of our Company is investment holding. The principal activities of our subsidiary companies are as follows:

Name of Company	Effective Equity Interest (%)	Principal Activities
Held by our Company:		
Cyber Business Solutions Sdn Bhd	100	Provision of software solutions
HS Synergy Sdn Bhd *(formerly known as CBSA Synergy Sdn Bhd)*	100	Investment holding
CBSA Bizhub Sdn Bhd	100	Investment holding
Hong Seng Capital Sdn Bhd *(formerly known as Food Cheetah Sdn Bhd)*	100	Investment holding and moneylending
Hong Seng Gloves	100	Manufacturing and trading of gloves and other personal protective equipment products and related business.
HS Bio	100	Supply of medical and healthcare related products and related services in addition to the supply chain management services for the healthcare industry.
HC Global Limited	100	Dormant
HSPM	100	Hire purchase financing for commercial vehicle and machineries
HS Petchem Logistics Sdn Bhd	100	Construction and operations of tank farm facilities for feedstock storage as well as providing the related integrated logistics services
Held by CBSA Bizhub Sdn Bhd:		
CBSA International Sdn Bhd	100	Investment holding
PanPages Online Sdn Bhd	100	Research and development of local business platform, advertisement and online solutions
Held by CBSA Synergy Sdn Bhd:		
CASD Solutions Sdn Bhd	100	Inactive
Held by PanPages Online Sdn Bhd:		
PanPages Media Sdn Bhd	100	Engaging in publishing business directory journals
Held by HS Bio:		
Pantasniaga Sdn Bhd	51	Engaged in the business of providing pharmaceutical, medical and healthcare supplies such as medicine, medical consumables, bio supplies, medical equipment or devices, test-kits, vaccines, supplements and other medical and healthcare related products as well as healthcare related services.

2.2.2 Classes of Related Parties

Details of the RRPTs, including the classes of Related Parties with whom the RRPTs will be carried out and the nature of such transactions contemplated shall include those described below:

No.	Transacting Parties	Interested Related Parties	Nature of Transactions	Estimated aggregate value during the validity period of RRPT Mandate (RM'000)*
(a)	Hong Seng Group and HS Vision	Dato' Teoh, THP, THB, THS, TSH, HS Vision, HS Assembly, and HS Frontier	Renting of 4 blocks of single-storey factory building, a single-storey office building, a single-storey canteen and storage areas erected on a parcel of leasehold land on Lot 97, Jalan Sepuluh, Bakar Arang Industrial Estate, 08000 Sungai Petani, Kedah measuring approximately 217,800 square feet (with a total gross build-up area of 130,964 square feet) from HS Vision by Hong Seng Gloves, a wholly-owned subsidiary of the Company, for the purpose to set up the Glove Production Plant, for a term of 3 years (with an option to renew for another 2 years) with rental of RM130,000 per month commencing from the date of the Approval Notice^ (as defined in the notes below) from Hong Seng Gloves to HS Vision or 4 months from the date of the Tenancy Agreement dated 10 August 2020 between Hong Seng Gloves and HS Vision of which the tenancy agreement is subject to and is conditional upon obtaining the approval of the shareholders of the Company at a general meeting in relation to this RRPT ("**Approval**"), whichever is earlier.	1,690
(b)	Hong Seng Group and MMAG Group	Jeff Chong, Kenny Khow, Goh Eugene, Pentagon Parade Sdn Bhd, Chan Swee Ying, and MMAG Group	Engaging MMAG Group as subcontractor to provide logistics services, 3PL and 4PL fulfilment services as well as other related services to Hong Seng Group.	100,000

Notes:

* The values are merely indicative estimates for the period from 15 December 2020 to the next AGM of our Company expected to be held in the month of September 2021. The estimated value is based on the latest available information relating to the aforesaid transactions and historical trends and may vary.

^ The Approval Notice means notice on the Approval (as defined in **Section 2.2.2(a) of Part B** of this Circular) from Hong Seng Gloves to HS Vision.

There is no outstanding sum due and owing to our Company or our Group by the Related Parties pursuant to the RRPTs which exceeds the credit term.

<u>Nature of relationships</u>

Notes:

(a) Dato' Teoh, who is our Executive Chairman and major shareholder via his direct shareholding in our Company (24,500,000 Hong Seng Shares, representing 4.72% of the equity interest in our Company) and his indirect shareholding in our Company through HS Frontier (112,008,200 Hong Seng Shares, representing 21.58% of the equity interest in our Company), is also a director and shareholder of HS Vision;

(b) THP, THB and THS, who are the brothers of Dato' Teoh, were our major shareholders via their respective indirect shareholdings in our Company through HS Assembly prior to HS Assembly's disposal of all of its shareholdings in our Company on 28 October 2020. As their cessations of being major shareholders of our Company were within 6 months prior to the date of this Circular, THP, THB and THS are still deemed as major shareholders of our Company pursuant to Paragraph 10.02(f) of the Listing Requirements. THP is also a director and shareholder of HS Vision whilst THB is also a director of HS Vision;

(c) TSH, who is our Alternate Director to Dato' Teoh, is also Dato' Teoh's daughter;

(d) HS Frontier (a company controlled by Dato' Teoh) is our major shareholder;

(e) HS Assembly (a company controlled by persons connected to Dato' Teoh as at the LPD) was our major shareholder prior to the disposal of all of its shareholdings in our Company on 28 October 2020. As HS Assembly's cessation of being a major shareholder of our Company was within 6 months prior to the date of this Circular, pursuant to Paragraph 10.02(f) of the Listing Requirements, HS Assembly is still deemed as a major shareholder of our Company.

(f) MMAG was a major shareholder of our Company prior to the disposal of all of its shareholdings in our Company on 4 August 2020. As MMAG's cessation of being a major shareholder of our Company is within 6 months prior to the date of this Circular, pursuant to Paragraph 10.02(f) of the Listing Requirements, MMAG is still deemed as a major shareholder of our Company;

(g) Chan Swee Ying (who has substantial interest in MMAG), was a major shareholder of our Company prior to MMAG's disposal of Hong Seng Shares on 4 August 2020. As Chan Swee Ying's cessation of being a major shareholder of our Company was within 6 months prior to the date of this Circular, pursuant to Paragraph 10.02(f) of the Listing Requirements, Chan Swee Ying is still deemed as a major shareholder of our Company. She is also a Non-Independent and Non-Executive Director and a major shareholder of MMAG. As at the LPD, she holds 3,000,000 Hong Seng Shares, representing 0.58% of the equity interest in our Company;

(h) Pentagon Parade Sdn Bhd and Goh Eugene (who have substantial interests in Pentagon Parade Sdn Bhd), are former major shareholders of our Company, who ceased their substantial interests in our Company via disposal of shares in our Company by Pentagon Parade Sdn Bhd partly on 1 September 2020 and the remaining shareholding on 9 October 2020. As their cessations as major shareholders of our Company are within 6 months prior to the date of this Circular, Pentagon Parade Sdn Bhd and Goh Eugene are still deemed as major shareholders of our Company pursuant to Paragraph 10.02(f) of the Listing Requirements. Goh Eugene is also an Executive Director of MMAG;

(i) Jeff Chong, an Executive Director of our Company, is also an Executive Director and a substantial shareholder of MMAG. As at the LPD, he does not hold any Hong Seng Shares; and

(j) Kenny Khow, an Executive Director of our Company, is also an Executive Director and a major shareholder of MMAG. As at the LPD, he does not hold any Hong Seng Shares.

2.2.3 Disclosure and Review Procedures for RRPTs

Our Group has established policies/procedures/measures to ensure that the RRPTs are undertaken on transaction prices and on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders. The procedures are also to ensure that RRPTs are conducted at arm's length and on normal commercial terms consistent with our Group's usual business practices and policies and will not be prejudicial to shareholders. The review policies/procedures are as follows:

(a) all transactions with Related Parties will only be entered into after taking into consideration the pricing, level and quality of products or services and will not be entered into unless: -

   (i) the pricing for such transaction or contract is determined in accordance with our Group's usual business practices and policies and consistent with the usual margins of our Group with unrelated parties;

   (ii) the terms are based on prevailing market forces and not more favourable to the Related Parties than those extended to unrelated parties and available to the public, and the RRPTs are not detrimental to the minority shareholders of our Company;

   (iii) the terms offered, after taking into account factors such as pricing, quality, delivery schedules and, where applicable, preferential rates, rebates or discounts for bulk purchases, are fair, reasonable and consistent with normal practices; and

   (iv) wherever practicable and/or feasible, at least 2 other contemporaneous transactions or quotations obtained from/with unrelated third parties for similar products and/or services and/or quantities will be used as comparison for determining whether the price and terms offered to/by the Related Parties who are deemed interested in the RRPTs are fair and reasonable and comparable to those offered to/by unrelated third parties. In the event that quotation or comparative pricing from unrelated parties cannot be obtained (for instance, if there are no unrelated third party customers of similar products/services, or if the products is a proprietary item), the transaction price will be determined in accordance with our Group's usual business practices and policies, consistent with the usual margin of our Group for the same or substantially similar type of transaction made by our Group with unrelated third parties on terms which are generally in line with industry norms in order to ensure the RRPTs is not detrimental to our Group.

(b) The Audit Committee may, as it deems fit, request for additional information pertaining to the transactions.

(c) All records pertaining to RRPTs will be analysed and reviewed by the management of our Group. In addition, the management of our Group will report to our Audit Committee on the status of the RRPTs transacted on a quarterly basis.

(d) An audit shall be conducted by the auditors to review RRPTs to ascertain that the relevant approvals have been obtained and the procedures in respect of such transactions are adhered to, if required.

(e) Our Board and our Audit Committee shall review the audit reports whenever available and to establish that all transactions with the Related Parties have been undertaken in accordance with the procedures put in place by the management of our Group.

(f) Disclosure shall be made in our Company's Annual Report of a breakdown of the aggregate value of all RRPTs conducted pursuant to the Proposed RRPT Mandate during the financial year and, amongst others, based on the type of RRPTs made, the names of the Related Parties involved in each type of RRPTs made and their relationship with our Company, to which the Annual Report relates, for so long as the Proposed RRPT Mandate remains in force.

(g) All RPTs in excess of RM500,000 to be entered by our Group shall be subject to the review and approval of our Audit Committee or our Board before the transactions are carried out.

(h) All RPTs of RM500,000 and below shall be approved by the Executive Chairman of our Company provided that our Executive Chairman is not an interested party to the transaction and table to our Audit Committee every quarter for information. For RPTs where the Executive Chairman is an interested party, such RPTs shall be approved by our Board (with all interested parties abstaining from voting).

(i) If a member of our Board or Audit Committee has an interest in the RRPTs, he shall abstain from any decision making by our Board and/or Audit Committee in respect of such transactions and continue to abstain from voting on the resolutions approving the transactions.

(j) Our interested Director and/or interested major shareholder shall also ensure that persons connected to them abstain from voting on the resolutions approving the transactions.

(k) The review of the policies, procedures and processes would be carried out by the Audit Committee on need be basis as per the requirements of Bursa Securities.

2.2.4 Statement by Audit Committee

Our Audit Committee has seen and reviewed the terms of the Proposed RRPT Mandate and is satisfied that the review procedures for RRPTs as set out in **Section 2.2.3 of Part B** of this Circular are sufficient to ensure that RRPTs will be carried out on an arm's length basis and on normal commercial terms and on terms which are not more favourable to the Related Parties than those generally available to the public and not to the detriment of our minority shareholders.

Our Audit Committee is also of the view that our Group has in place adequate procedures and processes to monitor, track and identify RRPTs in a timely and orderly manner. The review of these procedures and processes was and will continue to be carried out at such frequency as our Audit Committee considers appropriate at least once a year, having regard to the value and the frequency of the RRPTs.

3.0 RATIONALE FOR THE PROPOSED RRPT MANDATE

The renting of the premises from the Related Party as described in **Section 2.2.2(a) of Part B** of this Circular is for the purpose of setting up a Glove Production Plant for our Group's new business into manufacturing and trading of gloves whilst the engagement of MMAG Group to provide logistics services, 3PL and 4PL fulfilment services as well as other related services to our Group as described in **Section 2.2.2(b) of Part B** of this Circular is to enable HS Bio and our other subsidiaries, to implement and render its services to eMedAsia Sdn Bhd pursuant to the eMedasia Agreement as well as to other health facilities, pharmacies and other customers.

Our Company will be seeking our shareholders' approval for the Proposed Diversification into Manufacturing and Trading of Gloves and Other PPE and Proposed Diversification into Healthcare Related Business in the forthcoming EGM. Details of the said proposed diversifications are set out in **Section 3 of Part A** of this Circular.

The RRPTs to be entered into by our Group are all in the ordinary course of business. They are recurring transactions of revenue or trading nature which are likely to occur with some degree of frequency and arise at any time and from time to time.

These transactions with Related Parties were made at arms' length on terms not more favourable to the Related Parties. Also, these transactions may be constrained by the time-sensitive nature and confidentiality of such transactions, and it may be impractical to seek shareholders' approval on a case-by-case basis before entering into such RRPTs. As such, our Board is seeking the requisite shareholders' mandate pursuant to Paragraph 10.09 of the Listing Requirements to allow our Group to enter into such RRPTs. The RRPTs will be made at an arm's length basis and on normal commercial terms and which are in our Board's opinion, not prejudicial to the interests of our shareholders. Such RRPTs will also be on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of our minority shareholders.

By obtaining our shareholders' approval for the RRPTs and the renewal of the same on an annual basis, the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such RRPTs occur would not arise. This would reduce substantial administrative time, inconvenience and expenses associated with the convening of such meetings and allow manpower resources and time to be channeled towards attaining other corporate objectives without compromising the corporate objectives of our Group or adversely affecting the business opportunities available to our Group.

The RRPTs will also enhance our Group's ability to pursue additional business opportunities to provide additional revenue streams, which may be time-sensitive in nature.

4.0 DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Save as disclosed below, none of our other Directors, major shareholders and/or persons connected with our Directors and/or major shareholders, have any interest, either direct or indirect, in the Proposed RRPT Mandate.

Shareholdings of our interested Directors, interested major shareholders and persons connected to them in Hong Seng as at the LPD are as follows: -

Directors	SHARES				ICPS			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of ICPS	%*	No. of ICPS	%*
INTERESTED DIRECTORS#								
Dato' Teoh(1)	24,500,000	4.721	112,008,200	21.583	-	-	-	-
TSH (2)	-	-	-	-	-	-	-	-
Jeff Chong	-	-	-	-	-	-	-	-
Kenny Khow	-	-	-	-	4,269,800	0.715	-	-
INTERESTED MAJOR SHAREHOLDERS##								
Dato' Teoh(1)	24,500,000	4.721	112,008,200	21.583	-	-	-	-
THP	-	-	-	-	-	-	-	-
THB	-	-	-	-	-	-	-	-
THS	-	-	-	-	-	-	-	-
HS Assembly	-	-	-	-	-	-	-	-
HS Frontier	112,008,200	21.583	-	-	-	-	-	-
MMAG	-	-	-	-	40,000,000	6.699	-	-
Chan Swee Ying	3,000,000	0.578	-	-	-	-	-	-
Goh Eugene	-	-	-	-	-	-	-	-
Pentagon Parade Sdn Bhd	-	-	-	-	-	-	-	-

Notes: -

* *Based on percentage of outstanding securities as at LPD.*

\# *Shareholding as per the Register of Directors' Shareholdings as at LPD.*

\## *Shareholding as per the Register of Substantial Shareholders' Shareholdings as at LPD.*

\### *Shareholding as per the Register of Depositors as at LPD.*

(1) *Deemed interested by virtue of his interest in HS Frontier pursuant to Section 8 of the Act.*

(2) *Alternate Director to Dato' Teoh and daughter to Dato' Teoh.*

Our interested Directors, namely, Dato' Teoh, Jeff Chong, Kenny Khow and TSH have and will continue to abstain from our Board deliberations and voting in relation to the RRPTs in which they are interested under the Proposed RRPT Mandate. Our interested Directors and interested major shareholders will abstain from voting in respect of their direct and/or indirect shareholdings in our Company on the ordinary resolutions relating to the Proposed RRPT Mandate in which they are interested to be tabled at the forthcoming EGM or at any adjournment thereof. In addition, they have undertaken that they will ensure persons connected with them abstain from voting in respect of their direct and/or indirect shareholdings on the Proposed RRPT Mandate in which they are interested at the said EGM or at any adjournment thereof.

5.0 EFFECTS OF THE PROPOSED RRPT MANDATE

The Proposed RRPT Mandate will not have any effect on the issued share capital and substantial shareholders' shareholdings of our Company and is not expected to have material impact on the gearing of our Group.

However, the Proposed RRPT Mandate is expected to contribute positively to our Group's future earnings and net assets as and when the benefits of the RRPT are realised.

6.0 VALIDITY PERIOD

If approved at the EGM, the Proposed RRPT Mandate will take effect from the date of passing of the ordinary resolutions relating thereto at the EGM and will continue to be in force until: -

(i) the conclusion of the next AGM of our Company, at which time it shall lapse, unless by ordinary resolutions passed at a general meeting, the authority is renewed, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next AGM of our Company is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(iii) revoked or varied by resolutions passed by the shareholders of our Company in a general meeting,

whichever is the earlier.

Our Directors will seek your approval for the Proposed RRPT Mandate at the EGM of our Company and at each subsequent AGM, subject to a satisfactory review by our Audit Committee of its continued application to RRPTs.

7.0 APPROVAL REQUIRED

The Proposed RRPT Mandate is conditional upon approval being obtained from the shareholders of our Company at the EGM to be convened and other relevant regulatory authority, if any.

8.0 DIRECTORS' RECOMMENDATION

Having considered all aspects of the Proposed RRPT Mandate, our Board, save for the interested Directors, Dato' Teoh, Jeff Chong, Kenny Khow and TSH (who have and will continue to abstain from making any opinion) is of the opinion that the entry into the RRPTs between our Group and those Related Parties described in **Section 2.2.2 of Part B** of this Circular in the ordinary course of its business is fair, reasonable and in the best interest of our Company and our subsidiary companies.

For the reasons stated above, our Board (with the exception of the interested Directors) recommends that you vote in favour of the ordinary resolutions in respect of the Proposed RRPT Mandate to be tabled at our forthcoming EGM.

9.0 EGM

The Proposed RRPT Mandate will be tabled at the EGM of our Company to be held fully virtual through live streaming via a remote participation and voting facilities from the broadcast venue at Gate C, 2nd Floor, No. 3, Jalan TP 2, Taman Perindustrian UEP, 47600 Subang Jaya, Selangor Darul Ehsan, Malaysia on Tuesday, 15 December 2020 at 10.30 a.m. or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications, the ordinary resolutions pertaining to the Proposed RRPT Mandate.

If you are unable to attend and vote in person at the EGM, you may complete the Form of Proxy in accordance with the instructions printed thereon as soon as possible and to deposit it at the share registrar's office at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan not later than forty-eight (48) hours before the time set for the meeting or at any adjournment thereof. The lodgement of the Form of Proxy will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

10.0 FURTHER INFORMATION

You are advised to refer to the Appendices set out in this Circular for further information.

Yours faithfully
For and on behalf of the Board of Directors of
HONG SENG CONSOLIDATED BERHAD
(FORMERLY KNOWN AS MSCM HOLDINGS BERHAD)

YM TENGKU FARITH RITHAUDDEEN
Independent Non-Executive Director

SALIENT TERMS OF THE TURNKEY AGREEMENT

1. Duration and Conditions Precedent

(a) The Turnkey Agreement shall commence on 25 August 2020 and shall continue in effect until the date of delivery, handover and commissioning of the Glove Production Plant with a certificate of handover to be issued by Hong Seng Gloves to Howellcare, subject to further extension as agreed between the parties and the right of either party to terminate the Turnkey Agreement prior to its completion in accordance with the terms of the Turnkey Agreement.

Howellcare will provide offsite orientation training to our Group's new operations team within 1 to 2 months prior to the delivery, handover and commissioning of each production line. Upon commencement of the production line, Howellcare will provide onsite operational training and guidance to our Group's new operations team until the actual completion date of the Turnkey Agreement (i.e. handover of the Glove Production Plant to Hong Seng Gloves) unless further extended as agreed between Hong Seng Gloves and Howellcare.

Howellcare will undertake all marketing and sale of the NBR gloves for Hong Seng Gloves for the initial stage of operation during the duration of the Turnkey Agreement until the handover date of the Glove Production Plant unless further extended as agreed between Hong Seng Gloves and Howellcare.

Upon the successful commissioning of the Glove Production Plant, Howellcare shall conduct the handover tests as set out in **Section 5 of Appendix I** of this Circular. Upon completion of the handover tests, 2 copies of the results for the Glove Production Plant shall be supplied to Hong Seng Gloves within 7 working days before the proposed delivery of the Glove Production Plant, as evidence of conformity of the Glove Production Plant with the specifications. Upon successful completion of the handover tests, the Glove Production Plant shall be deemed delivered and/or handed over to the Hong Seng Gloves whereby Hong Seng Gloves shall issue to Howellcare a certificate of handover in accordance with **Section 6 of Appendix I** of this Circular.

(b) The Turnkey Agreement is subject to the approvals being obtained from our shareholders for the Turnkey Agreement and for the Proposed Diversification into Manufacturing and Trading of Gloves and Other PPE ("**Approvals**").

(c) In the event Hong Seng Gloves has taken all the necessary steps to comply and has complied with the terms and conditions of the Turnkey Agreement and the said Approvals cannot be obtained within the stipulated period or such further extension of time to be mutually agreed between the parties, Hong Seng Gloves may terminate the Turnkey Agreement by notice in writing to Howellcare and thereafter the Turnkey Agreement shall absolutely cease and terminate and shall be of no further force and effect.

2. Scope of work

(a) During the term of the Turnkey Agreement, Howellcare shall perform the planning, designing, supplying, installing and commissioning of the Glove Production Plant as well as the provision of services in accordance with the terms and conditions of the Turnkey Agreement.

(b) Howellcare agrees and undertakes, amongst others, the following:

(i) to deliver the Glove Production Plant on time in accordance with the implementation schedule;

(ii) plan, design, supply, install and commissioning of the Glove Production Plant in accordance with the specifications and otherwise in accordance with the Turnkey Agreement. The Glove Production Plant shall conform with the technical, capacity, functionality, performance and specifications and contain all of the features as per the technical specifications in the Turnkey Agreement;

(iii) design, develop, manufacture, interwork, interface, integrate, interconnect and test the Glove Production Plant in accordance with the implementation schedule, the specifications and otherwise in accordance with the Turnkey Agreement;

(iv) carry out the works under the Turnkey Agreement in a good and workmanlike manner, using materials necessary for the completion of the works which are of the quality and standards specified in the specifications and which shall not be less than industry standards and be solely responsible for the correct design, quality and adequacy of the works; and

(v) provide and perform the following services ("**Services**") in a professional manner, consistent with industry standards, using all reasonable skill, care and diligence and in a timely manner:

(aa) co-ordinate with all the contractors employed by Hong Seng Gloves, towards the civil and structural works of the site for deployment;

(bb) set up workforce and management team and provide manpower training to undertake production and day-to-day operation and to furnish and provide all other technical expertise and knowledge necessary for the business;

(cc) set up proper quality management system and waste management system to ensure the production and manufacturing of gloves complies with the applicable regulations and/or standards; and

(dd) undertake all marketing and sale activities on behalf of Hong Seng Gloves for sourcing business opportunities based on terms to be further agreed by the parties.

3. Contract Price and payment terms

(a) The contract price for the planning, designing, supplying, installing and commissioning of the Glove Production Plant and the provision of Services is RM59,400,000 which includes the costs for, amongst others, the 6 units of double former glove dipping production line, chiller and cooling tower, air compressor, chlorination and the turnkey project consultation fee. Howellcare shall invoice Hong Seng Gloves in accordance with the milestones as below:

(i) 20% upon execution of the Turnkey Agreement;

(ii) 30% within 2 months from the date of the Turnkey Agreement;

(iii) 10% upon delivery of materials at site;

(iv) 30% upon installation at site (invoiced progressively based on progress claim);

(v) 5% before production line commissioning; and

(vi) 5% after 3 months from production line commissioning.

(b) Each milestone is payable upon Hong Seng Gloves' acceptance of the deliverables. All invoices shall be paid within 14 days of the date of receipt of the invoice by Hong Seng Gloves.

4. Implementation and Actual Completion Date

(a) The actual completion date shall be:

(i) for the delivery and commissioning of the Glove Production Plant, the date when the Glove Production Plant is deemed delivered and handed over to Hong Seng Gloves and Hong Seng Gloves' issuance of a certificate of handover to Howellcare; and

(ii) for the provisions of the Services, the actual completion date for the delivery and commissioning of the Glove Production Plant or such further extension of time as mutually agreed between the parties.

(b) The scheduled completion date for the delivery and commissioning of the Glove Production Plant shall be the scheduled date for the issuance of the certificate of handover for the Glove Production Plant in accordance with the implementation schedule.

5. Handover Tests

Upon the successful commissioning of the Glove Production Plant, Howellcare shall conduct a free run testing (without latex and/or any raw materials) of the Glove Production Plant for 7 days continuously to inspect, examine, test and ensure that the Glove Production Plant complies with the specifications.

6. Delivery and Certificate of Handover

(a) Howellcare shall be responsible for delivery of the Glove Production Plant in accordance with the implementation schedule.

(b) Following successful completion of the handover tests, the Glove Production Plant shall be deemed delivered and/or handed over to Hong Seng Gloves and Hong Seng Gloves shall issue to Howellcare a certificate of handover for acceptance of the Glove Production Plant within 10 business days from the receipt of the written notification of handover from Howellcare enclosing the tests result of the Glove Production Plant.

(c) If Hong Seng Gloves has not signed a certificate of handover within 10 business days from the date of such notification and fails to notify Howellcare within such period that the Glove Production Plant has materially failed to perform in accordance with the specifications, the certificate of handover shall be deemed to have been issued.

7. Delays

(a) Howellcare shall execute and complete the works so that each milestone shall be completed within the time specified in the implementation schedule and the delivery and commissioning of the Glove Production Plant is completed by the scheduled completion date.

(b) If Howellcare at any time knows or has reason to believe that the actual completion date will occur later than the scheduled completion date for reasons caused by Howellcare or its agents or sub-contractors, Howellcare shall promptly notify Hong Seng Gloves in writing of the expected period of delay, the cause of delay and steps proposed to be taken by Howellcare to minimise the delay. If a delay has been caused by force majeure event, or external factors beyond the reasonable control of Howellcare, including shortage of raw materials, shortage of machinery parts from third party supplier, delay in issuance of licences or approvals by authorities, non-availability of infrastructure, delay in issuance of certificate of fitness of occupation of the Factory, of which prompt notice has been given by Howellcare, the scheduled completion date shall be mutually extended between the parties.

(c) If the actual completion date occurs later than the scheduled completion date as a result of an act or omission of Howellcare or its agents or sub-contractors and such delay is not caused by a force majeure event or external factors beyond the reasonable control of Howellcare, Hong Seng Gloves shall be entitled to deduct or withhold payment or any amount payable to Howellcare under the Turnkey Agreement. Such right shall not relieve Howellcare from its obligation to deliver and commission the Glove Production Plant or from any other liability or obligation under the Turnkey Agreement.

(d) In the event that the payment due to Howellcare is not made by Hong Seng Gloves timely, Howellcare shall, at its sole discretion, cease and/or suspend all the progress of the works until all payments are paid up to date by Hong Seng Gloves and the scheduled completion date shall be extended for a period corresponding to the duration of delay in payment. Hong Seng Gloves shall be liable to bear any additional and/or incidental costs, loss and expenses suffered by Howellcare due to Hong Seng Gloves' delay.

(e) Howellcare reserves the right to remove the Glove Production Plant or any part thereof if Hong Seng Gloves fails to make payments to Howellcare in accordance with the Turnkey Agreement.

8. Warranty

During the warranty period of 6 months from the actual completion date, the Glove Production Plant shall be free from any and all defects in design, materials or workmanship and random component failure (fair wear and tear excepted) and Howellcare shall, at no additional cost to Hong Seng Gloves, promptly investigate the cause of defect, failure or non-compliance and shall promptly rectify or take such remedial action to ensure the Glove Production Plant meet the specifications.

If any part of the Glove Production Plant or parts are remedied, repaired or replaced by Howellcare, the warranty period for such part shall be 90 days from the date of completion of such remedy, repair or replacement or end of the original warranty period, whichever is later.

9. Termination of the Turnkey Agreement

(a) If either party is in material breach of any of its obligations under the Turnkey Agreement, which failure is not capable of cure, or if can be cured, the defaulting party does not cure such failure within 14 days after written notice from the non-defaulting party, then the non-defaulting party shall have the right, at its election and without prejudice to other rights and remedies as provided in the Turnkey Agreement or at law or in equity, to terminate the Turnkey Agreement and recover direct damages from the defaulting party.

For the avoidance of doubt, in the event of default by Howellcare, Hong Seng Gloves has the right to terminate the Turnkey Agreement and recover direct damages from Howellcare. There is no express clause in the Turnkey Agreement which provides the timeframe of refund. However, in the event of termination that is due to the fault and/or default of Howellcare, Hong Seng Gloves will seek refund from Howellcare of the monies that have been paid by Hong Seng Gloves to Howellcare pursuant the Turnkey Agreement.

(b) The parties mutually agree that if the termination is not due to the fault and/or default of Howellcare, any monies that have been paid by Hong Seng Gloves to Howellcare pursuant the Turnkey Agreement shall not be refundable by Howellcare to Hong Seng Gloves.

(c) Hong Seng Gloves has the right to deduct or withhold payment of any amount payable to Howellcare under the Turnkey Agreement if there is delay in the actual completion date by Howellcare.

SALIENT TERMS OF THE TURNKEY AGREEMENT *(CONT'D)*

10. Government Licences, Approvals and Permits

(a) Howellcare shall be responsible, at its sole cost, for obtaining chlorination scrubber system approval and air compressor receiver tank approval for the delivery and commission of the Glove Production Plant and provision of Services under the Turnkey Agreement.

(b) Hong Seng Gloves shall be responsible, at its sole cost, for obtaining the following governmental and regulatory permits, licences, and approvals for the delivery and commission of the Glove Production Plant and provision of Services under the Turnkey Agreement, as advised by Howellcare:

(i) manufacturing licence

(ii) Ministry of Environment and Water / Department of Environment (DOE) notification

(iii) Department of Occupational Safety and Health (DOSH) notification

(iv) Malaysian Rubber Board (MRB) licence

(v) poison licence

(vi) certificate of completion and compliance (CCC) / certificate of fitness for occupation (CF)

(vii) ISO Quality System Management, Personal Protective Equipment Directives (CE), Food and Drug Administration (FDA) and any other bodies certification

(viii) Municipal council business licence

(ix) Waste water treatment plant approval

(x) Biomass boiler system approval

(c) The scheduled completion date shall be extended for a period corresponding to the duration of any delay in the parties obtaining the governmental and regulatory permits, licences and approvals.

(d) Howellcare shall be liable for and shall indemnify, defend and hold harmless Hong Seng Gloves against any and all claims incurred by Hong Seng Gloves as a result of Howellcare's failure to obtain chlorination scrubber system approval and air compressor receiver tank approval, including, without limitation, any fines, fees or other penalties incurred or suffered by Hong Seng Gloves.

11. Governing Law

The Turnkey Agreement shall be governed by laws of Malaysia.

ADDITIONAL INFORMATION

1. Historical financial performance of our Group

The summary of the financial information of our Group for the audited consolidated financial statements for the 15M-FPE 2018, FYEs 31 March 2019 and 31 March 2020 as well as unaudited consolidated financial statements for the 3M-FPEs 30 June 2019 and 30 June 2020 is as follows:

	(Audited)				(Unaudited)	
	FYE 31 December 2016 (RM)	**15M-FPE 2018[(1)(2)] (RM)**	**FYE 31 March 2019 (RM)**	**FYE 31 March 2020 (RM)**	**3M-FPE 30 June 2019 (RM)**	**3M-FPE 30 June 2020 (RM)**
Revenue	30,857,373	33,334,126	10,412,445	4,429,306	2,021,142	528,351
(LAT)/ PAT attributable to owners of our Company	(7,750,604)	(30,693,178)	(13,072,016)	(7,434,327)	411,882	(1,371)
Shareholders' funds/ NA attributable to owners of our Company	55,750,202	30,842,157	16,987,655	61,327,662	17,157,740	61,326,291
Cash and cash equivalents[(3)]	5,900,337	(1,340,026)	2,534,689	51,747,488	2,090,294	51,999,907
Total bank borrowings	2,821,109	3,294,054	2,164,224	1,949,255	1,772,075	1,913,352
Weighted average number of Shares in issue ('000)	241,351	259,598	265,486	291,889	265,486	318,583
Number of Shares in issue ('000)	241,351	265,486	265,486	318,583	265,486	318,583
NA per Share attributable to owners of our Company (RM)[(4)]	0.23	0.12	0.06	0.19	0.06	0.19
Basic (LPS) / EPS (sen)[(5)]	(3.21)	(11.82)	(4.92)	(2.55)	0.16	~
Diluted (LPS) / EPS (sen)[(6)]	-	-	-	-	-	-
Current ratio (times)	1.79	1.01	1.33	16.33	1.41	16.76
Gearing (times)	0.05	0.11	0.13	0.03	0.10	0.03

Notes:

~ *Negligible.*

(1) *Our Company changed financial year end from 31 December to 31 March. Hence, the 15M-FPE 2018 commenced from 1 January 2017 until 31 March 2018.*

(2) *Annualised revenue and LAT attributable to owners of our Company for 15M-FPE 2018:*

	RM'000
Annualised revenue	*26,667*
Annualised LAT	*(24,554)*

(3) *Comprising bank overdraft, cash and bank balances, other investments and proceeds raised from the Rights Issues in fixed deposits.*

(4) *Calculated based on NA divided by the total number of Hong Seng Shares in issue for the respective financial years / periods under review.*

(5) *Calculated based on PAT/(LAT) attributable to owners of our Company divided by the weighted average number of Hong Seng Shares in issue for the respective financial years / periods under review.*

(6) *Diluted EPS/ (LPS) is not applicable in the financial years and periods as the unexercised ESOS Options and Warrants were anti-dilutive in nature, due to the average market price of the Shares being below the exercise price of the ESOS Options and Warrants.*

Commentaries:

(i) 3M-FPE 30 June 2020 vs 3M-FPE 30 June 2019

Our Group's revenue for 3M-FPE 30 June 2020 decreased by approximately RM1.49 million or 73.86% to approximately RM0.53 million (3M-FPE 30 June 2019: RM2.02 million) mainly due to the following:

(a) decrease in revenue for 3M-FPE 30 June 2020 from the search and advertising segment of approximately RM1.47 million to RM0.53 million (3M-FPE 30 June 2019: RM2 million) as a result of the disposal of subsidiaries from the search and advertising segment namely CBSA Pancommerce Sdn Bhd, Panpages Ltd., Cam YP Co., Ltd., P.T. Panpages and Panpages (Cambodia) Ltd. on 2 March 2020; and

(b) absence of revenue for 3M-FPE 30 June 2020 from the investment holding and others segment (3M-FPE 30 June 2019: RM0.02 million) due to no revenue from the software maintenance business of Cyber Business Solutions Sdn Bhd, a wholly-owned subsidiary of our Company.

Despite our Group recording an increase in interest income for 3M-FPE 30 June 2020 by RM0.27 million or 15,338.52% to RM0.27 million (3M-FPE 30 June 2019: RM1,729) and gain on impairment on financial assets of RM0.13 million for 3M-FPE 30 June 2020 (3M-FPE 30 June 2019: Nil), our Group recorded an LAT of RM1,371 for 3M-FPE 30 June 2020 (3M-FPE 30 June 2019: PAT of RM0.41 million) mainly due to the same reasons as above.

(ii) FYE 31 March 2020 vs FYE 31 March 2019

Our Group's revenue for FYE 31 March 2020 decreased by approximately RM5.98 million or 57.46% to RM4.43 million (FYE 31 March 2019: RM10.41 million) mainly due to the decline in revenue from our Group's search and advertising segment (comprising printed directories, internet directories and third-party online advertising services, and content databases) which contributed approximately RM4.40 million or 99.46% of our Group's total revenue during the FYE 31 March 2020. The decline in our Group's search and advertising segment's revenue was impacted by the weak economic sentiment, increase in market competition of advertising industry and disposals of the content development business in March 2019.

Our Group's LAT attributable to owners of our Company for the FYE 31 March 2020 recorded a decrease of approximately RM5.64 million or 43.13% to approximately RM7.43 million (FYE 31 March 2019: LAT of RM13.07 million) mainly due to:

(a) decrease in administrative expenses of approximately RM0.55 million to RM5.15 million for FYE 31 March 2020 (FYE 31 March 2019: RM5.70 million) arising from implementation of cost-cutting measures during FYE 31 March 2019 which led to reduction of staff costs in FYE 31 March 2020; and

(b) decrease in other expenses of approximately RM6.39 million to RM10.85 million for FYE 31 March 2020 (FYE 31 March 2019: RM17.24 million) mainly due to the absence of impairment of goodwill in FYE 31 March 2020 (FYE 31 March 2019: RM8.0 million).

The cash and cash equivalents of our Group as at 31 March 2020 stood at approximately RM51.75 million mainly due to the proceeds raised from the Rights Issues which were completed on 2 October 2019 as well as bank overdraft, cash and bank balances and other investments.

(iii) FYE 31 March 2019 vs 15M-FPE 2018

Our Group's revenue for FYE 31 March 2019 decreased by approximately RM22.92 million or 68.76% to RM10.41 million compared to the annualised revenue of RM26.67 million for the FPE 31 March 2018. The revenue decrease was mainly due to the decline in revenue from our Group's search and advertising segment (comprising printed directories, internet directories and third-party online advertising services, and content databases) which contributed approximately RM10.06 million or 96.64% of our Group's total revenue. The decline in our Group's search and advertising segment's revenue was mainly due to the disposal of the Malaysian digital advertising agency business (which was involved in reselling of third-party online advertisement products) in April 2018 as well as lower advertising revenue contribution from customers in Malaysia and Cambodia because of lower economies activities and increase in market competition.

Despite the decrease in revenue during the FYE 31 March 2019, our Group's gross profit margin increased by 18.61% to 39.09% (15M-FPE 2018: 20.48%), mainly due to the disposal of the aforesaid digital advertising agency business with low profit margin during the financial year. Subsequent to the disposal, all the direct cost attributed to the said business was no longer consolidated into our Group's cost of sales.

Our Group's LAT attributable to owners of our Company for the FYE 31 March 2019 recorded a decrease of approximately RM17.62 million or 57.41% to approximately RM13.07 million compared to the annualised LAT of RM24.55 million for the FPE 31 March 2018 mainly due to the following:

(a) the effectiveness of implementing cost-cutting measures in all divisions during the FYE 31 March 2019 which include the downsizing of the number of staffs in all divisions and the consolidation of departments. Our Group had consolidated the administration and human resources departments with the finance department as well as the production department was merged with marketing department;

(b) gain on disposal of approximately RM4.21 million from the disposal of the content databases business in March 2019 pursuant to the disposal of PanPages Lab Sdn Bhd and its subsidiary, PanPages (Thailand) Co., Ltd for a cash consideration of RM3.50 million; and

(c) net compensation received amounting to approximately RM3.31 million pursuant to the settlement of the litigation case in April 2018, whereby our Company and the wholly-owned subsidiary, Cyber Business Solutions Sdn Bhd, had on 26 April 2018 entered into a settlement agreement with Xmeg Technologies Sdn Bhd to settle all disputes and claims in relation to the civil suit claiming damages allegedly suffered by Cyber Business Solution Sdn Bhd due to the termination of the ASG Distribution Agreement by ASG Software Solutions Inc. on 28 May 2012 for a total settlement sum of RM3.50 million.

The cash and cash equivalents of our Group as at 31 March 2019 stood at approximately RM2.53 million mainly due to the net cash from investing activities of approximately RM3.16 million for the FYE 31 March 2019. Our Company reported a higher net cash from investing activities as a result of the disposal of the wholly-owned subsidiary, PanPages Lab Sdn Bhd, and its subsidiary, PanPages (Thailand) Co., Ltd, for a total cash consideration of RM3.50 million.

(iv) 15M-FPE 2018 vs FYE 31 December 2016

Our Group's revenue for the 15M-FPE 2018 increased by approximately RM2.48 million or 8.03% to approximately RM33.34 million (FYE 31 December 2016: RM30.86 million) mainly due to the change in financial year end. This was resulting in our Group recorded a revenue of 15 months for the 15M-FPE 2018 and only 12 months for the FYE 31 December 2016. Notwithstanding the additional 3 months for the 15M-FPE 2018, the revenue of our Group has only increased marginally due to the decrease in our Group's advertising revenue in Malaysia and Cambodia (which are mainly derived from production of print directories that advertise the goods and services of the customers) as a result of lower economic activities and increase in competition with existing competitors and new entrants to the advertising market in terms of market pricing and the pervasiveness of technology that has made digital advertising more accessible for SMEs. The advertising industry has become more dynamic and challenging resulting from the ever-changing landscape and advancement in technology which made it difficult for our Group to compete with new partners or agencies reselling third-party online advertisement products such as Google, Alibaba and Facebook in the market.

However, the annualised revenue decreased by approximately RM4.19 million or 13.58% to approximately RM26.67 million (FYE 31 December 2016: RM30.86 million) mainly due to the competitive advertising industry and lower economic activities that lead to the lower production of print directories as mentioned above.

Our Group recorded an increase in LAT of approximately RM22.94 million or 296.01% to approximately RM30.69 million while annualised LAT increased by approximately RM16.80 million or 216.81% to approximately RM24.55 million in the 15M-FPE 2018 (FYE 31 December 2016: RM7.75 million) mainly due to:

(i) impairment of goodwill of PanPages Online Sdn Bhd and PanPages (Thailand) Co., Ltd of RM7.99 million;

(ii) impairment of intangible assets (comprising trademark and customers listing of PanPages Online Sdn Bhd) amounting to approximately RM10.86 million; and

(iii) RM2.35 million of bad debts were written off during the 15M-FPE 2018 due to the writing off of certain debtors with outstanding debts of more than 2 years subsequent to the disposal of PanPages Vietnam Co., Ltd in February 2018.

The cash and cash equivalents of our Group as at 31 March 2018 stood at a deficit of approximately RM1.34 million and recorded a decrease of approximately RM7.24 million (FYE 31 December 2016: surplus of RM5.90 million) mainly due to the net cash used in operating activities and investing activities of approximately RM2.11 million and RM10.82 million, respectively, for the 15M-FPE 2018.

Our Company reported a higher net cash used in operating activities for the 15M-FPE 2018 as a result of payment for the administrative expenses, finance cost and corporate taxation. Our Company also reported a higher net cash used in investing activities for the 15M-FPE 2018 which was arising from the acquisition of 30% equity interest in G-Mart Borneo Retail Sdn Bhd ("**G-Mart**") for a purchase consideration of approximately RM10.75 million.

Nevertheless, the impact was mitigated by the net cash generated from financing activities of approximately RM5.80 million for the 15M-FPE 2018 arising from the proceeds of private placement of new Hong Seng Shares, representing not more than 10% of the existing number of issued shares which was completed on 5 May 2017. The fund raised from the private placement of RM7,505,984 was partially used to fund the acquisition of G-Mart. The acquisition was completed on 20 June 2017. The balance of proceeds from the private placement was RM1,773,000, which has been fully utilised for repayment of our Group's bank borrowings.

2. Steps taken or to be taken by our Group to improve the financial position

Our Group has made the following efforts to improve our financial performance and strengthen our financial position:

(i) our Group has continuously been streamlining our loss-making businesses whereby we have shut down our marketing-as-a-service business presence in Indonesia and Philippines in 2016; disposed of our Group's Malaysian digital agency business in April 2018 and the content development business in March 2019; and disposed of CBSA Pancommerce Sdn Bhd, Panpages Ltd., Cam YP Co., Ltd., P.T. Panpages and Panpages (Cambodia) Ltd. on 2 March 2020 to minimise losses;

(ii) our Group is constantly seeking for new business opportunities to have additional income streams and to minimise our Group's dependency on our Group's search and advertising segment. Our Group has diversified into the following segments:

(a) In February 2019, our Group diversified into supply chain management segment to provide integrated logistics solutions such as storage, warehousing, distribution, transportation, and third-party warehouse management services to our customers with initial foray in cold chain business. In view of the increasing demand for pharmaceutical, medical and healthcare products and services after the COVID-19 pandemic, our Board has decided to put on hold the cold chain business and is of the view that it is timely to venture into the supply of healthcare products and services in addition to the supply chain management services for healthcare industry leading to the Proposed Diversification into Healthcare Related Business to expand our Group's revenue base and income stream. Our Group may also expand the supply chain management services into other sectors and industries such as consumer goods, IT related products and services, food and beverage, etc. in medium term to long term depending on the market demand as and when the opportunities arise to strengthen our Group's position in the supply chain management business segment; and

(b) On 24 July 2020, our Group diversified into the moneylending business;

(iii) on 28 July 2020, our Company entered into a share sale agreement with the Vendors to acquire the entire equity interest in HSPM, which has an on-going hire purchase business since June 2015. Our Group intends to continue the existing business of HSPM by providing hire purchase financing mainly for commercial vehicles as well as industrial machineries and equipment. Our Board anticipates that HSPM's hire purchase business will complement the moneylending business of our Group;

(iv) on 25 August 2020, Hong Seng Gloves entered into the Turnkey Agreement with Howellcare for Howellcare to plan, design, supply, install and commission the Glove Production Plant as well as provide services such as setting up and provide training to Hong Seng Gloves' new operation team to run and manage the operation of Glove Production Plant as well as undertaking all the marketing and sale of the NBR gloves on behalf of Hong Seng Gloves, for a contract price of RM59.40 million. Our Board believes that the timely venture into the glove manufacturing business is expected to contribute positively to our Group's future earnings and improve our Group's financial position in near future;

(v) on 28 August 2020, HS Bio entered into the eMedAsia Agreement to provide 3PL and 4PL fulfilment services (including procuring Medical and Healthcare Products, warehousing, process, pick & pack and last mile delivery) and mobile testing facilities for communicable diseases and viruses to handle the test samples and results with eMedAsia and its member clinics and/or designated pathology labs. HS Bio has commenced its business in healthcare industry on 31 October 2020;

(vi) As part of our Group's healthcare related business:

(a) on 5 October 2020, HS Bio entered into the Consortium Agreement with Royce Pharma to jointly work together and to form the Consortium to secure distributorship of medicinal drugs and vaccines from Fosun for the Malaysian and potentially the South East Asian markets. On the same date, HS Bio has also sent a letter of intent to Fosun and subject to the Consortium be granted the distributorship from Fosun, HS Bio and Royce Pharma will enter into a definitive agreement to set out their respective responsibilities and obligations for the Consortium;

(b) on 20 October 2020, HS Bio entered into a shares sale agreement with Norashikin Binti Tajuddin and Lee Yeow Tuck for the acquisition of 51,000 ordinary shares in Pantasniaga, representing 51% of the equity interest in Pantasniaga, for a total cash consideration of RM51.00. The acquisition of Pantasniaga was completed on 20 October 2020 and Pantasniaga has become a 51%-owned subsidiary of HS Bio. Pantasniaga is primarily engaged in the supply of healthcare and medical related products, particularly supply of polymerase chain reaction ("**PCR**") test kits for COVID-19 throughout Malaysia and has the know-how and experience to build test labs;

(c) on 4 November 2020, HS Bio entered into a memorandum of understanding ("**MOU**") with Shijiazhuang Yiling Pharmaceutical Co., Ltd ("**Yiling Pharmaceutical**") and pursuant to the MOU, Yiling Pharmaceutical has authorised HS Bio to act as its agent in Malaysia for 8 months to obtain the relevant approvals from the Ministry of Health for the registration of their therapeutic and health related products in Malaysia and the MOU shall be valid for a period of 8 months;

(d) on 4 November 2020, HS Bio entered into a MOU with Beijing Applied Biological Technologies Co., Ltd to jointly work together within 1 year for development of the technologies, products, services and total solutions related to the COVID-19 PCR test kits and other infrastructure development projects and the MOU shall be valid for an initial period of 1 year and the parties may agree to extend the term of the MOU for a subsequent period of up to 3 years;

(e) HS Bio is in the midst of identifying potential laboratory for collaboration, partnership and/or acquisition which will be announced (if required) as and when our Group enters into any agreement; and

(vii) our Group will strive to implement cost-cutting measures which include amongst others, optimising the allocation of current human resources and recruit additional staff only as and when the needs arise.

In view of the steps undertaken and to be undertaken as mentioned above, our Board is of the opinion that our Group's strategies to expand the business activities will improve the financial position of our Group in the future.

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by our Board and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or information contained in this Circular, or other facts and information, the omission of which would make any statement in this Circular false or misleading.

2. CONSENT AND CONFLICT OF INTERESTS

TA Securities, being the Adviser for the Proposals has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

TA Securities has confirmed that it is not aware of any conflict of interest which exists or is likely to exist in its capacity as the Adviser for the Proposals.

3. MATERIAL CONTRACTS

Save as disclosed below, neither our Company nor any of our subsidiaries has entered into any material contracts which are or may be material (not being contracts entered into in the ordinary course of business of our Group) during the 2 years immediately preceding the LPD:

(i) shares sale agreement dated 21 November 2018 between our Company and Commerce Dotasia Data Holdings Sdn Bhd for the disposal of PanPages Lab Sdn Bhd and its subsidiary, PanPages (Thailand) Co., Ltd, for a cash consideration of RM3,500,000. The said disposal was completed on 15 March 2019;

(ii) shares sale agreement dated 26 March 2019 between our Company and Ace Credit (M) Sdn Bhd for the acquisition of the entire equity interest in Ace Worldwide Leasing Sdn Bhd for a purchase consideration of RM3,000,000. The proposed acquisition was terminated on 26 June 2019;

(iii) deed poll dated 13 August 2019 constituting the Warrants;

(iv) underwriting agreement dated 13 August 2019 between our Company and TA Securities for the underwriting of 16,000,000 rights shares together with 48,000,000 Warrants and 220,000,000 ICPS for the Rights Issues, for a total underwriting commission of RM300,000;

(v) Turnkey Agreement;

(vi) share sale agreement dated 28 July 2020 between our Company and the Vendors for the acquisition of 2,000,000 ordinary shares in HSPM, representing the entire equity interest in HSPM, for a total consideration of RM420,621. The acquisition was completed on 30 July 2020;

(vii) eMedAsia Agreement; and

(viii) share sale agreement dated 12 October 2020 between our Company and United ICT for the acquisition of 49% of the equity interest in HS Bio comprising 1,029,000 ordinary shares for a cash consideration of RM980,001. The acquisition was completed on 13 October 2020.

4. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

As at the LPD, neither our Company nor any of our subsidiaries is engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which has a material effect on the financial position of our Company and our Group and our Board is not aware of any proceedings pending or threatened, or of any facts likely to give rise to any proceedings, which might materially and adversely affect the business or financial position of our Group.

5. MATERIAL COMMITMENT

As at the LPD, save for the Contract Price, our Board is not aware of any material commitment incurred or known to be incurred by our Company or our Group, which upon becoming enforceable, may have material impact on the financial position of our Company and/or our Group.

6. CONTINGENT LIABILITIES

As at the LPD, our Board is not aware of any contingent liabilities incurred or known to be incurred by our Company or our Group, which upon becoming enforceable, may have a material impact on the financial position of our Company and/or our Group.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of our Company at 802, 8th Floor, Block C, Kelana Square, 17, Jalan SS 7/26, 47301 Petaling Jaya, Selangor Darul Ehsan during normal business hours from 9.00 a.m. to 5.00 p.m. from Monday to Friday (excluding public holidays) for the period commencing from the date of this Circular up to and including the date of the forthcoming EGM:

(i) our Company's Constitution;

(ii) our Group's audited financial statements for the past FYEs 31 March 2019 and 31 March 2020;

(iii) our Group's latest unaudited financial results for the 3M-FPE 30 June 2020;

(iv) the Consortium Agreement;

(v) the letter of consent and conflict of interest as referred to in **Section 2 of Appendix II** of this Circular; and

(vi) the material contracts as referred to in **Section 3 of Appendix II** of this Circular.

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HONG SENG CONSOLIDATED BERHAD
(formerly known as MSCM Holdings Berhad)
Registration No. 200101001581 (537337-M)
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of Hong Seng Consolidated Berhad (*formerly known as MSCM Holdings Berhad*) ("**Hong Seng**" or "**Company**") will be held fully virtual through live streaming via a remote participation and voting facilities at the Broadcast Venue, Gate C, 2nd Floor, No. 3, Jalan TP 2, Taman Perindustrian UEP, 47600 Subang Jaya, Selangor Darul Ehsan, Malaysia on Tuesday, 15 December 2020, at 10.30 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing with or without modifications, the following resolutions:

ORDINARY RESOLUTION 1

PROPOSED TURNKEY COMMISSIONING OF NITRILE BUTADIENE RUBBER DOUBLE FORMER GLOVE DIPPING PRODUCTION LINE AGREEMENT

"THAT subject to the passing of Ordinary Resolution 2, approval be and is hereby granted to the Company to proceed with the turnkey commissioning of nitrile butadiene rubber double former glove dipping production line agreement dated 25 August 2020 entered into between Hong Seng Gloves Sdn Bhd and Howellcare Sdn Bhd ("**Turnkey Agreement**");

AND THAT the Board of Directors of the Company ("**Board**") be and is hereby authorised to do all acts, deeds and things as are necessary to give full effect to the Turnkey Agreement with full powers to assent to any conditions, modifications, variations and/or amendments in any manner as may be required or imposed by the relevant authorities, and to take all steps and actions as the Board may deem fit or expedient in order to carry out, finalise and give full effect to the Turnkey Agreement."

ORDINARY RESOLUTION 2

PROPOSED DIVERSIFICATION OF THE EXISTING BUSINESS OF THE COMPANY AND ITS SUBSIDIARIES TO INCLUDE MANUFACTURING AND TRADING OF GLOVES AND OTHER PERSONAL PROTECTIVE EQUIPMENT PRODUCTS AND RELATED BUSINESS

"THAT subject to the passing of Ordinary Resolution 1, approval be and is hereby granted to the Company to diversify the existing business of the Company and its subsidiaries to include manufacturing and trading of gloves and other personal protective equipment ("**PPE**") products and related business ("**Proposed Diversification into Manufacturing and Trading of Gloves and Other PPE**");

AND THAT the Board of Directors of the Company ("**Board**") be and is hereby authorised to do all acts, deeds and things as are necessary to give full effect to the Proposed Diversification into Manufacturing and Trading of Gloves and Other PPE with full powers to assent to any conditions, modifications, variations and/or amendments in any manner as may be required or imposed by the relevant authorities, and to take all steps and actions as the Board may deem fit or expedient in order to carry out, finalise and give full effect to the Proposed Diversification into Manufacturing and Trading of Gloves and Other PPE."

ORDINARY RESOLUTION 3

PROPOSED DIVERSIFICATION OF THE EXISTING BUSINESS OF THE COMPANY AND ITS SUBSIDIARIES TO INCLUDE THE SUPPLY OF HEALTHCARE PRODUCTS AND SERVICES AND RELATED BUSINESS

"THAT approval be and is hereby granted to the Company to diversify the existing business of the Company and its subsidiaries to include the supply of healthcare products and services and related business ("**Proposed Diversification into Healthcare Related Business**");

AND THAT the Board of Directors of the Company ("**Board**") be and is hereby authorised to do all acts, deeds and things as are necessary to give full effect to the Proposed Diversification into Healthcare Related Business with full powers to assent to any conditions, modifications, variations and/or amendments in any manner as may be required or imposed by the relevant authorities, and to take all steps and actions as the Board may deem fit or expedient in order to carry out, finalise and give full effect to the Proposed Diversification into Healthcare Related Business."

ORDINARY RESOLUTION 4

PROPOSED DIVERSIFICATION OF THE EXISTING BUSINESS OF THE COMPANY AND ITS SUBSIDIARIES TO INCLUDE HIRE PURCHASE AND RELATED BUSINESS

"THAT approval be and is hereby granted to the Company to diversify the existing business of Company and its subsidiaries to include hire purchase and related business ("**Proposed Diversification into Hire Purchase Business**");

AND THAT the Board of Directors of the Company ("**Board**") be and is hereby authorised to do all acts, deeds and things as are necessary to give full effect to the Proposed Diversification into Hire Purchase Business with full powers to assent to any conditions, modifications, variations and/or amendments in any manner as may be required or imposed by the relevant authorities, and to take all steps and actions as the Board may deem fit or expedient in order to carry out, finalise and give full effect to the Proposed Diversification into Hire Purchase Business."

ORDINARY RESOLUTION 5

PROPOSED VARIATION TO THE UTILISATION OF PROCEEDS RAISED FROM THE RIGHTS ISSUE OF SHARES WITH WARRANTS AND THE RIGHTS ISSUE OF IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES UNDERTAKEN BY THE COMPANY

"THAT subject to the passing of Ordinary Resolution 1, Ordinary Resolution 2 and Ordinary Resolution 4, approval be and is hereby granted to the Company to vary the intended utilisation of proceeds raised from the rights issue of shares with warrants and the rights issue of irredeemable convertible preference shares undertaken by the Company (which were completed on 2 October 2019) ("**Proposed Variation**") to the manner and to the extent as stated in the circular to shareholders of the Company dated 27 November 2020;

AND THAT the Board of Directors of the Company ("**Board**") be and is hereby authorised to do all acts, deeds and things as are necessary to give full effect to the Proposed Variation with full powers to assent to any conditions, modifications, variations and/or amendments in any manner as may be required or imposed by the relevant authorities, and to take all steps and actions as the Board may deem fit or expedient in order to carry out, finalise and give full effect to the Proposed Variation."

ORDINARY RESOLUTION 6

PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH HS VISION ONE SDN BHD

"THAT, subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries ("**Hong Seng Group**") to enter into all transactions involving the interests of Directors, major shareholders or persons connected with Directors and/or major shareholders of the Group with HS Vision One Sdn Bhd ("**Related Parties**") as specified in **Section 2.2.2(a) of Part B** of the Circular to Shareholders dated 27 November 2020 in relation to the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("**Recurrent RPTs**") provided that such transactions are:

(i) recurrent transactions of a revenue or trading nature;

(ii) necessary for the day-to-day operations;

(iii) carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public; and

(iv) are not to the detriment of the minority shareholders,

("**RRPT Mandate**").

AND THAT such approval shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("**AGM**") of the Company, at which time it will lapse, unless by ordinary resolution passed at that meeting, the authority is renewed; or

(b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

(c) the authority is revoked or varied by ordinary resolution passed by the shareholders in general meeting; or

whichever is earlier; and the aggregate value of the Recurrent RPTs be disclosed in the annual report of the Company.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give full effect to the RRPT Mandate."

ORDINARY RESOLUTION 7

PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH MMAG HOLDINGS BERHAD AND ITS SUBSIDIARIES

"THAT, subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries ("**Hong Seng Group**") to enter into all transactions involving the interests of Directors, major shareholders or persons connected with Directors and/or major shareholders of the Group with MMAG Holdings Berhad and its subsidiaries ("**Related Parties**") as specified in **Section 2.2.2(b) of Part B** of the Circular to Shareholders dated 27 November 2020 in relation to the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("**Recurrent RPTs**") provided that such transactions are:

(i) recurrent transactions of a revenue or trading nature;

(ii) necessary for the day-to-day operations;

(iii) carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public; and

(iv) are not to the detriment of the minority shareholders, ("**RRPT Mandate**").

AND THAT such approval shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting **("AGM")** of the Company, at which time it will lapse, unless by ordinary resolution passed at that meeting, the authority is renewed; or

(b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

(c) the authority is revoked or varied by ordinary resolution passed by the shareholders in general meeting; or

whichever is earlier; and the aggregate value of the Recurrent RPTs be disclosed in the annual report of the Company.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give full effect to the RRPT Mandate."

By Order of our Board
SEOW FEI SAN (SSM Practicing Certificate No. 201908002299)
MOK MEE KEE (SSM Practicing Certificate No. 201908002288)
Secretaries

Petaling Jaya
27 November 2020

Notes:

1. *Only depositors whose names appear in the Record of Depositors as at 8 December 2020 shall be regarded as members and entitled to attend, speak and vote at the meeting.*

2. *In view of the COVID-19 pandemic and Government of Malaysia's official guidance on social distancing, the Board of Directors of Company wishes to inform that this Extraordinary General Meeting ("EGM") will be conducted on fully virtual basis through electronic live streaming from the Broadcast Venue, as scheduled. For the avoidance of doubt, a physical EGM will no longer be applicable. Please refer to the EGM Administrative Guide enclosed to this Notice of EGM on the registration and voting process for the EGM.*

3. *The Broadcast Venue is strictly for the purpose of compliance with Section 327(2) of the Companies Act 2016 which requires the Chairman of the meeting to be at the main venue of the EGM. Hence, NO SHAREHOLDERS / PROXIES should be physically present nor admitted at the Broadcast Venue on the day of the EGM. This is in line with the Guidance Notes on the Conduct of General Meetings for Listed Issuers whereby a general meeting conducted in states or districts under Conditional Movement Control Order shall be conducted in a fully virtual manner only where all shareholders participate in the meeting online.*

4. *A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any persons to be his proxy.*

5. *A member may appoint not more than two (2) proxies to attend the meeting. Where a member appoints two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.*

6. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

7. *Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.*

8. *The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under its Common Seal or under the hand of its officer or attorney duly authorised.*

9. *The instrument appointing a proxy must be deposited at the share registrar's office at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan at least forty-eight (48) hours before the time for holding the meeting or any adjournment thereof. Please refer to the EGM Administrative Guide enclosed to this Notice of EGM for further details on submission of proxy form.*

Administrative Guide for shareholders attending the EGM of Hong Seng Consolidated Berhad (*formerly known as MSCM Holdings Berhad*) using the Remote Participation and Voting ("**RPV**") facilities.

PROCEDURES TO PARTICIPATE IN RPV

Please follow the Procedure to Participate in RPV as summarized below:

BEFORE EGM DAY

A: REGISTRATION – FOR SHAREHOLDER

Individual Shareholders

Description	Procedure
Shareholders to register with Vote2U online	The registration will open from the day of notice and will be closed one (1) hour before the commencement of the EGM. a. Access website at https://web.vote2u.app b. Click "***Sign Up***" to sign up as a user. c. Read the 'Privacy Policy' and 'Terms & Conditions' and indicate your acceptance of the 'Privacy Policy' and 'Terms & Conditions' on a small box ☐. Then click "***Next***". d. *Fill-in your details (note: create your own password). Then click "***Continue***". e. Upload softcopy of your identification card (MYKAD) (front only) (for Malaysian) or Passport (for non-Malaysian). f. Log in as user completed. g. Your registration will be verified and an email notification will be sent to you. Please check your email. Note: If you have registered as a user with Vote2U Online previously, you are not required to register again. *Check your email address is keyed in correctly. *Remember the password you have keyed-in.

B: REGISTRATION - FOR PROXY

Individual Shareholder / Corporate Shareholder / Nominees Company

Description	Procedure
Submit Proxy Form (hardcopy)	The closing time to submit your hardcopy Proxy Form is at **10.30 a.m., Saturday, 13th December 2020.** a. *Fill-in details on the hardcopy Proxy Form and ensure to provide the following information: • MYKAD (for Malaysian) / Passport (for non-Malaysian) number of the Proxy • *Email address of the Proxy b. Submit/Deposit the hardcopy Proxy Form to Boardroom Share Registrars Sdn Bhd at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Him, Seksyen 13, 46200 Petaling Jaya, Selangor, Malaysia Note: After verification, an email notification will be sent to the Proxy and will be given a temporary password. The Proxy could use the temporary password to log in to Vote2U. *Check the email address of Proxy is written down correctly.

Shareholders who appoint Proxy(ies) to participate the virtual EGM must ensure that the hardcopy Proxy Form is submitted not less than 48 hours before the time for holding the meeting or any adjourned meeting at which the person named in the instrument proposes to vote and in default, the instrument of proxy shall not be treated as valid.

ON EGM DAY

A: WATCH LIVE STREAMING

Individual Shareholders & Proxies

Description	Procedures
Login to virtual meeting portal - Vote2U online & watch Live Streaming.	The Vote2U online portal will open for log in starting from 9.30a.m., Tuesday, 15th December 2020, one (1) hour before the commencement of the EGM. a. Login with your email and password b. Select the General Meeting event (for example, "Hong Seng EGM"). c. Check your details. d. Click "***Watch Live***" button to view the live streaming.

B: ASK QUESTION

Individual Shareholders & Proxies

Description	Procedures
Ask Question during EGM (real-time)	Questions submitted online using typed text will be moderated before being forwarded to the Chairman to avoid repetition. Every question and message will be presented with the full name of the shareholder or proxy raising the question. a. Click "***Ask Question***" button to post question(s). b. Type in your question and click "***Submit***". The Chairperson / Board of Director will endeavor to respond to questions submitted by remote shareholders and proxies during the EGM.

C: VOTING REMOTELY

Individual Shareholders & Proxies

Description	Procedures
Online Remote Voting	Once the Chairman announces the opening of remote voting: a. Click "***Confirm Details & Start Voting***". b. To vote, select your voting choice from the options provided. A confirmation screen will appear to show your selected vote. Click "***Next***" to continue voting for all resolutions. c. To change your vote, click "***Back***" and select another voting choice. d. After you have completed voting, a Voting Summary page appears to show all the resolutions with your voting choices. Click "***Confirm***" to submit your vote. **[**Please note that you are not able to change your voting choices after you have confirmed and submitted your votes.**]**

ADDITIONAL INFORMATION

Voting Procedure

Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, voting at the EGM will be conducted by poll. Poll administrator and Independent Scrutineers will be appointed to conduct the polling process and verify the results of the poll respectively.

Broadcast Venue

Broadcast Venue means the place where the broadcasting is taking place to transmit or air the meeting online. It could be a studio or a meeting room.

Shareholders and proxies are not advisable to go to the broadcast venue as it is only a place where the meeting is broadcast for transmission online in the present of Chairman, Directors, Auditors, Company Secretary and senior management. No seating and refreshment will be arranged for shareholders and proxies at the broadcast venue when it is a fully virtual meeting.

If shareholders and proxies arrive at the broadcast venue, the management has the right to ask you to leave the broadcast venue in order to comply with the government decrees and standard operating procedures.

No Door Gift or e-Voucher or Food Vouchers

There will be no door gift or e-Voucher or food voucher given at this EGM.

Enquiry

a. If you have enquiry relating to the EGM Administrative Guide for Shareholders, please contact our **Investor Relation** during office hours:

   Email: egm2020@hongseng.com.my

b. If you have enquiry relating to the RPV or encounters issues with the log in, steps to connect to live streaming and online voting:

   Email: vote2u@agmostudio.com

HONG SENG CONSOLIDATED BERHAD
(formerly known as MSCM Holdings Berhad)
Registration No. 200101001581 (537337-M)
(Incorporated in Malaysia)

PROXY FORM

Number of Shares Held	CDS ACCOUNT NO.
				-			-									

I/We ……
(Full Name in block letters & IC no./Company no.)

of …… being a member
(Address)

of HONG SENG CONSOLIDATED BERHAD (*formerly known as MSCM HOLDINGS BERHAD*) hereby appoint ………..

……..
(Full name in block letters & IC no.)

of ………………………………………………………………………………………(Email : ………………………………)
(Residential Address & Email Address)

or failing him/her ………..
(Full name in block letters & IC no.)

of ………………………………………………………………………………………(Email : ………………………………)
(Residential Address & Email Address)

or failing *him/her, the Chairman of the meeting as *my/our proxy to vote for *me/us on *my/our behalf at the Extraordinary General Meeting of our Company to be held fully virtual through live streaming via a remote participation and voting facilities from the broadcast venue at Gate C, 2nd Floor, No. 3, Jalan TP 2, Taman Perindustrian UEP, 47600 Subang Jaya, Selangor Darul Ehsan, Malaysia on Tuesday, 15 December 2020 at 10.30 a.m. or at any adjournment thereof and to vote as indicated below:

Ordinary Resolutions		For	Against
1.	To approve the Turnkey Agreement		
2.	To approve the Proposed Diversification into Manufacturing and Trading of Gloves and Other PPE		
3.	To approve the Proposed Diversification into Healthcare Related Business		
4.	To approve the Proposed Diversification into Hire Purchase Business		
5.	To approve the Proposed Variation		
6.	To approve the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with HS Vision One Sdn Bhd		
7.	To approve the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with MMAG Holdings Berhad and its Subsidiaries		

Please indicate with an "X" in the spaces provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific directions, your proxy will vote or abstain as *he/she thinks fit.

** Delete whichever inapplicable.*

Signed this...…..... day of ………................ 2020

Signature / Common Seal of Shareholder

Notes:

1. *Only depositors whose names appear in the Record of Depositors as at 8 December 2020 shall be regarded as members and entitled to attend, speak and vote at the meeting.*

2. *In view of the COVID-19 pandemic and Government of Malaysia's official guidance on social distancing, the Board of Directors of Company wishes to inform that this Extraordinary General Meeting ("EGM") will be conducted on fully virtual basis through electronic live streaming from the Broadcast Venue, as scheduled. For the avoidance of doubt, a physical EGM will no longer be applicable. Please refer to the EGM Administrative Guide enclosed to this Notice of EGM on the registration and voting process for the EGM.*

3. *The Broadcast Venue is strictly for the purpose of compliance with Section 327(2) of the Companies Act 2016 which requires the Chairman of the meeting to be at the main venue of the EGM. Hence, NO SHAREHOLDERS / PROXIES should be physically present nor admitted at the Broadcast Venue on the day of the EGM. This is in line with the Guidance Notes on the Conduct of General Meetings for Listed Issuers whereby a general meeting conducted in states or districts under Conditional Movement Control Order shall be conducted in a fully virtual manner only where all shareholders participate in the meeting online.*

4. *A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any persons to be his proxy.*

5. *A member may appoint not more than two (2) proxies to attend the meeting. Where a member appoints two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.*

6. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

7. *Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.*

8. *The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under its Common Seal or under the hand of its officer or attorney duly authorised.*

9. *The instrument appointing a proxy must be deposited at the share registrar's office at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan at least forty-eight (48) hours before the time for holding the meeting or any adjournment thereof. Please refer to the EGM Administrative Guide enclosed to this Notice of EGM on the registration and voting process for the EGM.*

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AFFIX
STAMP

The Share Registrar of
HONG SENG CONSOLIDATED BERHAD
(formerly known as MSCM Holdings Berhad)
Registration No. 200101001581 (537337-M)
Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan

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