

**HONG SENG CONSOLIDATED BHD** 200101001581 (537337-M)  
*(FORMERLY KNOWN AS MSCM HOLDINGS BHD)*

**UNAUDITED INTERIM FINANCIAL REPORT  
FOR THE THIRD QUARTER ENDED  
31 DECEMBER 2020**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2020**

	Note	INDIVIDUAL PERIOD		CUMMULATIVE PERIOD	
		Current Year	Preceding Year	Current Year	Preceding Year
		Quarter 31.12.2020	Quarter 31.12.2019	Year-to-date 31.12.2020	Year-to-date 31.12.2019
		RM	RM	RM	RM
Revenue		25,293,546	748,568	26,351,632	4,092,739
Cost of sales		(17,171,093)	(324,288)	(17,730,343)	(1,572,805)
Gross profit		8,122,453	424,280	8,621,289	2,519,934
Other income		384,298	263,817	2,409,432	1,898,012
Interest income		221,186	133,626	746,062	139,255
Impairment gain on financial assets		184,811	-	611,021	-
Selling and distribution expenses		-	(6,266)	-	(6,266)
Administration expenses		(1,562,715)	(1,391,786)	(3,356,359)	(3,762,955)
Other expenses		-	-	(67,486)	-
Finance cost		(215,514)	(2,678)	(401,412)	(4,377)
Share of results of an associate company		(23,008)	-	(23,008)	-
Profit/(Loss) before taxation		7,111,511	(579,007)	8,539,539	783,603
Taxation		(1,798,307)	5,149	(1,798,307)	(2,390)
Profit/(Loss) for the financial period		5,313,204	(573,858)	6,741,232	781,213
Other comprehensive profit		-	707,727	-	250,443
Total comprehensive profit for the financial period		5,313,204	133,869	6,741,232	1,031,656
<b>Profit/(Loss) attributable to:-</b>					
Owners of the Company		3,035,486	(573,858)	4,463,514	781,213
Non-controlling interest		2,277,718	-	2,277,718	-
		5,313,204	(573,858)	6,741,232	781,213
<b>Total comprehensive profit attributable to:-</b>					
Owners of the Company		3,035,486	133,869	4,463,514	1,031,656
Non-controlling interest		2,277,718	-	2,277,718	-
		5,313,204	133,869	6,741,232	1,031,656
Earning/(Loss) per share attribute to equity holders of the Company (sen)					
- Basic	<b>B10.1</b>	0.59	(0.18)	1.06	0.28
- Diluted	<b>B10.2</b>	0.47	(0.18)	0.85	0.28

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 March 2020 and the accompanying explanatory notes attached to the quarterly report.

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2020**

	As at 31.12.2020 (Unaudited) RM	As at 31.03.2020 (Audited) RM
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	13,399,937	1,668,922
Investment in an associate company	1,976,992	-
Other investments	9,432,787	9,432,787
Contract costs	-	74,152
<b>Total non-current assets</b>	<b>24,809,716</b>	<b>11,175,861</b>
<b>Current assets</b>		
Inventories	1,666,813	-
Trade receivables	16,021,141	801,962
Other receivables	4,136,047	356,590
Contract costs	198,204	286,081
Tax recoverable	96,191	9,176
Other investments	14,798	31,849
Fixed deposits with licensed banks	33,592,854	30,282,500
Cash and bank balances	34,343,445	22,581,715
<b>Total current assets</b>	<b>90,069,493</b>	<b>54,349,873</b>
<b>TOTAL ASSETS</b>	<b>114,879,209</b>	<b>65,525,734</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Deferred tax liability	471	-
Lease liabilities	580,252	663,584
Contract liabilities	30,123	205,429
<b>Total non-current liabilities</b>	<b>610,846</b>	<b>869,013</b>
<b>Current liabilities</b>		
Trade payables	2,432,705	404,668
Other payables	10,167,262	1,072,593
Contract liabilities	304,973	565,916
Lease liabilities	161,022	195,376
Bank borrowings	542,642	1,090,295
Tax payable	2,021,644	211
<b>Total current liabilities</b>	<b>15,630,248</b>	<b>3,329,059</b>
<b>TOTAL LIABILITIES</b>	<b>16,241,094</b>	<b>4,198,072</b>

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**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2020 (CON'T)**

	<b>As at 31.12.2020 (Unaudited) RM</b>	<b>As at 31.03.2020 (Audited) RM</b>
<b>Equity attributable to owners of the Company</b>		
Share capital	86,429,852	46,146,632
Irredeemable convertible preference shares	29,804,548	39,822,853
Share option reserve	6,022	66,394
Fair value reserve	(950,588)	(950,588)
Accumulated losses	<u>(19,294,115)</u>	<u>(23,757,629)</u>
	95,995,719	61,327,662
Non-controlling interest	<u>2,642,396</u>	<u>-</u>
<b>Total equity</b>	<u>98,638,115</u>	<u>61,327,662</u>
 <b>TOTAL EQUITY AND LIABILITIES</b>	 <u><b>114,879,209</b></u>	 <u><b>65,525,734</b></u>
 Net asset per share attributable to owners of the Company (RM)	 <u>0.1848</u>	 <u>0.1925</u>

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 March 2020 and the accompanying explanatory notes attached to the quarterly report.

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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	-----> Attributable To Owners of the Company ----->					-----> Distributable ----->			
	-----> Non-Distributable ----->								
	Share capital RM	Irredeemable convertible preference shares RM	Share option reserve RM	Fair value reserve RM	Foreign currency translation reserve RM	Accumulated losses RM	Total RM	Non- controlling interest RM	Total equity RM
<b>At 1 April 2019</b>	32,872,348	-	67,802	(556,873)	(161,656)	(15,233,966)	16,987,655	-	16,987,655
Net profit for the financial period	-	-	-	-	-	781,213	781,213	-	781,213
Other comprehensive loss for the period	-	-	-	-	250,443	-	250,443	-	250,443
Total comprehensive profit for the period	-	-	-	-	250,443	781,213	1,031,656	-	1,031,656
<b>Transaction with owners:</b>									
Issuance of new shares	13,274,284	-	-	-	-	-	13,274,284	-	13,274,284
Issuance of irredeemable convertible preference shares	-	39,822,853	-	-	-	-	39,822,853	-	39,822,853
Share issuance expenses	-	-	-	-	-	(1,089,336)	(1,089,336)	-	(1,089,336)
Reversal of share-based payment under ESOS	-	-	(1,408)	-	-	-	(1,408)	-	(1,408)
<b>Balance at 31 December 2019</b>	46,146,632	39,822,853	66,394	(556,873)	88,787	(15,542,089)	70,025,704	-	70,025,704
<b>At 1 April 2020</b>	46,146,632	39,822,853	66,394	(950,588)	-	(23,757,629)	61,327,662	-	61,327,662
Net profit for the financial year	-	-	-	-	-	4,463,514	4,463,514	2,277,718	6,741,232
Other comprehensive profit for the period	-	-	-	-	-	-	-	-	-
Total comprehensive profit for the period	-	-	-	-	-	4,463,514	4,463,514	2,277,718	6,741,232
<b>Transactions with owners:</b>									
Conversion of irredeemable convertible preference shares	40,073,220	(10,018,305)	-	-	-	-	30,054,915	-	30,054,915
Exercise of ESOS	210,000	-	-	-	-	-	210,000	-	210,000
Acquisition of a subsidiary company	-	-	-	-	-	-	-	364,678	364,678
Reversal of share-based payment under ESOS	-	-	(60,372)	-	-	-	(60,372)	-	(60,372)
<b>Balance at 31 December 2020</b>	86,429,852	29,804,548	6,022	(950,588)	-	(19,294,115)	95,995,719	2,642,396	98,638,115

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 March 2020 and the accompanying explanatory notes attached to the quarterly report.

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**CONDENSED CONSOLIDATED STATEMENTS OF CASHFLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	<b>Current Year Quarter 31.12.2020 RM</b>	<b>Preceding Year Quarter 31.12.2019 RM</b>
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>		
<b>Profit before taxation</b>	8,539,539	783,603
Adjustments for:-		
Non-cash items	(2,813,556)	186,776
Non-operating items	(645,451)	(136,950)
<b>Operating income before working capital changes</b>	5,080,532	833,429
Net changes in inventories	(1,666,813)	-
Net changes in current assets	15,739,282	(750,794)
Net changes in current liabilities	(20,220,146)	(2,071,782)
<b>Cash used in operations</b>	(1,067,145)	(1,989,147)
Interest paid	(33,125)	(1,699)
Income tax refund	-	201,344
Income tax paid	(18,550)	(3,696)
<b>Net cashflow used in operating activities</b>	(1,118,820)	(1,793,198)
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>		
Acquisition of subsidiary company	(142,069)	-
Interest received	746,062	-
Investment in an associate company	(2,000,000)	-
Purchase of property, plant and equipment	(12,549,716)	(1,683,125)
Proceeds from disposal of property, plant and equipment	520,000	138,650
<b>Net cashflow used in investing activities</b>	(13,425,723)	(1,544,475)
<b>CASHFLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of shares	30,264,915	12,184,948
Issuance of irredeemable convertible preference shares	-	39,822,853
Repayment of lease liabilities	(117,686)	(59,388)
<b>Net cashflow from financing activities</b>	30,147,229	51,948,413
Net changes in cash and cash equivalents	15,602,686	48,610,740
Effect on exchange rate differences	-	249,631
Cash and cash equivalents at beginning of period	51,747,488	2,534,689
Cash and cash equivalents at end of period	67,350,174	51,395,060
<b>Analysis of cash and cash equivalents</b>		
Other investments	14,798	47,186
Bank borrowings	(542,642)	(1,222,412)
Fixed deposits	33,592,854	30,058,281
Cash and bank balances	34,343,445	22,570,286
	67,408,455	51,453,341
Less: Fixed deposits pledged	(58,281)	(58,281)
	67,350,174	51,395,060

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 March 2020 and the accompanying explanatory notes attached to the quarterly report.

**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134**

**A1. Basis of preparation**

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standard (“MFRS”) 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should be read in conjunction with the audited financial statements of Hong Seng Consolidated Berhad (formerly known as MSCM Holdings Berhad) (“Hong Seng” or the “Company”) and its subsidiary companies (“Group”) for the financial year ended 31 March 2020.

The accounting policies adopted by the Group in the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 March 2020 except for the adoption of the new and revised MFRSs which are mandatory for financial periods beginning on or after 1 April 2020.

**A2. Qualification of financial statements**

The auditors’ report of the preceding financial statements for the financial year ended 31 March 2020 was not subject to any audit qualification.

**A3. Seasonal or cyclical factors**

The business of the Group was not materially affected by any significant seasonal or cyclical factors during the current quarter under review.

**A4. Unusual items due to their nature, size or incidence**

There were no unusual items affecting assets, liabilities, equity, net income or cash flow of the Group during the current quarter under review.

**A5. Significant estimates and changes in estimates**

There were no changes in the estimates of amounts reported in the prior financial period, which have a material effect in the current quarter under review.

**A6. Debts and equity securities**

On 7 August 2020, 27 August 2020, 8 September 2020, 14 September 2020, 28 September 2020, 7 October 2020, 21 October 2020, 30 October 2020, 4 November 2020, 11 December 2020 and 17 December 2020, there are total of 200,366,100 ordinary shares have been issued pursuant to the conversion of 200,366,100 ICPS by the way of conversion of 1 unit ICPS with payment of RM0.15 in cash for 1 new ordinary share.

On 19 October 2020, total of 600,000 ordinary shares have been issued pursuant to the exercise of 600,000 ESOS by the way of conversion of 1 unit ESOS with payment of RM0.35 in cash for 1 new ordinary share

Other than above, there were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter.

**A7. Dividends paid**

There was no dividend paid during the current quarter under review.

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**A8. Segmental information**

The Group's segment report is presented based on its operating segments as follows:-

For the financial period ended 31 December 2020	Healthcare RM'000	Financial Services RM'000	Search & Advertising RM'000	Other RM'000	Total RM'000	Adjustments and eliminations		Total RM'000
						RM'000	RM'000	
Sales to external customer	24,608	632	1,111	1	26,352	-	-	26,352
Inter-segment sales	-	-	-	-	-	-	-	-
<b>Total sales</b>	<b>24,608</b>	<b>632</b>	<b>1,111</b>	<b>1</b>	<b>26,352</b>	<b>-</b>	<b>-</b>	<b>26,352</b>
Profit/(Loss) before tax	7,188	123	17	(1,123)	6,205	2,335	-	8,540
Segment assets	13,245	17,404	1,563	116,734	148,946	(34,067)	-	114,879
Segment liabilities	5,344	13,774	50,247	15,204	84,569	(68,328)	-	16,241

  

For the financial period ended 31 December 2019	Healthcare RM'000	Financial Services RM'000	Search & Advertising RM'000	Other RM'000	Total RM'000	Adjustments and eliminations		Total RM'000
						RM'000	RM'000	
Sales to external customer	-	-	4,069	24	4,093	-	-	4,093
Inter-segment sales	-	-	-	-	-	-	-	-
<b>Total sales</b>	<b>-</b>	<b>-</b>	<b>4,069</b>	<b>24</b>	<b>4,093</b>	<b>-</b>	<b>-</b>	<b>4,093</b>
Profit/(Loss) before tax	-	-	1,793	(1,009)	784	-	-	784
Segment assets	-	-	24,591	78,853	103,444	(30,257)	-	73,187
Segment liabilities	-	-	78,045	1,425	79,470	(76,309)	-	3,161

**A9. Valuation of property, plant and equipment**

The Group did not revalue any of its property, plant and equipment during the current quarter under review.

**A10. Material events during the interim period**

The following were the material events during the financial period ended 31 December 2020:-

- (i) On 1 October 2020, the Board of Directors announced that the Company has changed its name to Hong Seng Consolidated Berhad with effect from 30 September 2020, being the date of the Notice of Registration on Change of Name of Company issued by the Companies Commission of Malaysia;



**A10. Material events during the interim period (Cont'd)**

The following were the material events during the financial period ended 31 December 2020 (Cont'd):-

- (ii) On 5 October 2020, the Board of Directors announced that HS Bio, a 51% owned subsidiary of the Company, has entered into a Consortium Agreement with RP Integrated Berhad (“RPIB”) to jointly work together and to form an unincorporated consortium for the purposes to pursue distributorship and opportunities relating to medicinal drugs and vaccines from the People’s Republic of China. On 8 December 2020, HS Bio and RPIB had entered into a Letter of Termination to mutually agree to terminate the Consortium Agreement (“Mutual Termination”) on the ground that there was no progress on the intended collaboration and co-operation as contemplated in the Consortium Agreement. Pursuant to the Mutual Termination, the Parties agree to stop undertaking any activity in the name of the consortium and neither of the Parties shall have any further claims against each other;
- (iii) On 8 October 2020, the Board of Directors announced that Bursa Securities had, vide its letter dated 7 October 2020, resolved to approve the listing and quotation of up to 127,500,500 new shares to be issued pursuant to the Proposed Private Placement;
- (iv) On 4 November 2020, HS Bio entered into a memorandum of understanding with Shijiazhuang Yiling Pharmaceutical Co., Ltd (“Yiling Pharmaceutical”) (“Yiling MOU”) and pursuant to the Yiling MOU, Yiling Pharmaceutical has authorised HS Bio to act as its agent in Malaysia for 8 months from the date of the Yiling MOU to obtain the relevant approvals from the Ministry of Health for the registration of their therapeutic and health related products in Malaysia.

On 4 November 2020, HS Bio has also entered into a memorandum of understanding with Beijing Applied Biological Technologies Co., Ltd (“XABT”) (“XABT MOU”) to jointly work together for development of the technologies, products, services and total solutions related to the COVID-19 PCR test kits and other infrastructure development projects. The XABT MOU shall be valid for an initial period of 1 year from the date of the XABT MOU and the parties may agree to extend the term of the XABT MOU for a subsequent period of up to 3 years. The estimated total capital and/or investment outlay to be committed to jointly work with XABT cannot be determined by HS Bio at this juncture as it is still subject to the terms of the definitive agreement to be agreed with XABT in future. HS Bio anticipates that at the initial stage of the business collaboration, it will focus on the distribution of the products of XABT in Malaysia and the Company will use internally generated funds and proceeds from exercise and/or conversion of the convertibles of the Company to fund the business operations.

HS Bio has on 12 January 2021 obtained an establishment licence issued by the Medical Device Authority, the Ministry of Health Malaysia with a validity period from 12 January 2021 until 11 January 2024 to act as an authorised representative, distributor and importer of Medical and Healthcare Products in Malaysia. Further, HS Bio has submitted an application to the Ministry of Health for the registration of XABT’s COVID-19 PCR test kits in Malaysia on 21 January 2021, which is still pending approval from the Ministry of Health as at the date of this announcement. HS Bio also intends to submit an application to the Ministry of Health for the registration of Yiling Pharmaceutical’s therapeutic and health related products in Malaysia in the first quarter of 2021; and

- (v) On 28 December 2020, the Board of Directors announced that its wholly-owned subsidiary company, Hong Seng Industries Sdn Bhd (“HSISB”) had issued a letter of acceptance to accept a Letter issued by Northern Corridor Implementation Authority (“NCIA”) in relation to its interest to secure a federal land in Kedah Rubber City (“KRC”) for the purpose of setting up a nitrile butadiene latex (“NBL”) manufacturing plant (“Proposed KRC NBL Project”). On 9 February 2021, HSISB had entered into a Pre-Contract Agreement with PH2 Global Limited (“PH2”) for the purpose to engage PH2 to conduct a feasibility study in relation to the Proposed KRC NBL Project. On 16 February 2021, HSISB had accepted the Letter of Offer issued by NCIA for the sublease of an industrial land located at KRC for a period of 60 years (with an option to renew for a further period of 30 years) for a total cash consideration of RM45,572,472.00.

**A11. Material events subsequent to the end of the interim period**

The following were the material events subsequent to the financial period ended 31 December 2020:-

- (i) On 25 January 2021, total of 400,000 ordinary shares have been issued pursuant to the conversion of 400,000 ICPS by the way of conversion of 1 unit ICPS with payment of RM0.15 in cash for 1 new ordinary share;
- (ii) On 3 February 2021, the Board of Directors announced that its 51% owned sub-subsiary company, Pantasniaga Sdn Bhd (“PSB”) had received a “Surat Arahan Memulakan Bekalan/Perkhidmatan/Kerja” i.e. an instruction letter to start supply/service/work (“Instruction Letter”) from the Government of Malaysia represented by the Ministry of Health of Malaysia to supply polymerase chain reaction (“PCR”) test kits for COVID-19 to the Institute for Medical Research (IMR), Ministry of Health Malaysia, for a total estimated sum of RM34.25 million in accordance with the terms and conditions stipulated in the Instruction Letter and subject to price negotiation between the Company and the Government of Malaysia;
- (iii) On 4 February 2021, the Board of Directors announced that the Company proposes to undertake the Proposed Share Split and the listing application in relation to the Proposed Share Split, listing of and quotation for the Additional Warrants and Additional ICPS arising from the Proposed Share Split as well as the new Hong Seng Shares to be issued pursuant to the exercise of the Additional Warrants and conversion of the Additional ICPS on the Main Market of Bursa Securities has been submitted to Bursa Securities;
- (iv) On 8 February 2021, total of 50,000 ordinary shares have been issued pursuant to the conversion of 50,000 ICPS by the way of conversion of 1 unit ICPS with payment of RM0.15 in cash for 1 new ordinary share; and
- (v) On 15 February 2021, Bursa Securities had approved:
  - (a) the Proposed Share Split;
  - (b) the listing of and quotation for up to 159,291,411 Additional Warrants to be issued pursuant to the Adjustments arising from the Proposed Share Split and up to 159,291,411 new Hong Seng Shares to be issued pursuant to the exercise of the Additional Warrants on the Main Market of Bursa Securities; and
  - (c) the listing of and quotation for up to 596,090,955 Additional ICPS to be issued pursuant to the Adjustments arising from the Proposed Share Split and up to 596,090,955 new Hong Seng Shares to be issued pursuant to conversion of the Additional ICPS on the Main Market of Bursa Securities.

**A12. Changes in composition of the Group**

Other than disclosed below, there were no major changes in the composition of the Group for the current quarter under review:-

- (i) On 28 July 2020, the Company entered into a SSA with Hong Seng Motor Sdn. Bhd., Hong Seng Assembly Sdn. Bhd., HS Hanvan Commercial Vehicles Sdn. Bhd. and HS Hohan Commercial Vehicles Sdn. Bhd. to acquire 2,000,000 ordinary shares in Hong Seng Priority Management Sdn. Bhd. (formerly known as IHP Priority Management Sdn. Bhd.) (“HSPMSB”) representing entire equity interest in HSPMSB for a total consideration of RM420,621.00 only. HSPMSB is principally engaged in hire purchase and deferred payments agreements in relation to the sales and purchases of any goods or merchandise that can be traded with upon the hire purchase system and also carry business as financial agents and advisers;
- (ii) On 10 August 2020, the Board of Directors announced that the Company had on 7 August 2020 incorporated a wholly-owned subsidiary, HSGSB with an initial share capital of RM100.00 comprising 100 ordinary shares. HSGSB is principally engaged in manufacturing and trading of gloves and masks;
- (iii) On 11 August 2020, the Company entered into a SSA with UICT, a wholly-owned subsidiary of MMAG for the proposed disposal of 49% of the entire equity interest in HS Bio, comprising 49,000 ordinary shares for a cash consideration of RM1.00 only;

**A12. Changes in composition of the Group (Cont'd)**

Other than disclosed below, there were no major changes in the composition of the Group for the current quarter under review (Cont'd):-

- (iv) On 12 August 2020, HS Bio invested a total of RM2.0 million for a 20% stake in eMedAsia;
- (v) On 12 October 2020, the Board of Directors announced that the Company had entered into a Share Sale Agreement (“SSA”) with United ICT Consortium Sdn. Bhd. (“UICT”), a wholly-owned subsidiary of MMAG Holdings Berhad (“MMAG”) for the proposed acquisition of 49% of the entire equity interest in HS Bio, comprising 1,029,000 ordinary shares for a cash consideration of RM980,001.00 only;
- (vi) On 20 October 2020, the Board of Directors announced that HS Bio had on entered into a SSA with Norashikin Binti Tajuddin and Lee Yeow Tuck for the acquisition of 51% of the equity interest in Pantasniaga Sdn Bhd (“Pantasniaga”), comprising 51,000 ordinary shares in Pantasniaga for a cash consideration of RM51.00 only;
- (vii) On 22 October 2020, the Board of Directors announced that the Company had on incorporated a wholly-owned subsidiary, namely HS Petchem Logistics Sdn. Bhd. (“HS Petchem”) with an initial share capital of RM100.00 comprising 100 ordinary shares. HS Petchem is principally engaged in petrochemical business to construct and operate tank farm facilities for feedstocks storage such as Butadiene (BD), Acrylonitrile (AN) and Liquefied Natural Gas (LNG) as well as providing the related integrated logistics services to complement the existing businesses of Hong Seng Group;
- (viii) On 31 December 2020, the Board of Directors announced that HS Bio had entered into a Conditional Shares Sale Agreement with Open Dynamics Sdn Bhd for the acquisition of 32% of the equity interest in eMedAsia Sdn Bhd (“eMedAsia”), comprising 4,000 ordinary shares in eMedAsia for a purchase consideration of RM3,000,000.00 to be fully satisfied via the issuance of 3,000,000 new ordinary shares by Hong Seng to the Vendor at an issue price of RM1.00 per Consideration Share. On 8 February 2021, Bursa Securities had approved the listing and quotation of 3,000,000 Consideration Shares to be issued pursuant to the this acquisition; and
- (ix) On 31 December 2020, the Board of Directors announced that HS Bio had entered into a Shares Sale Agreement with Neoh Cheu An for the acquisition of 60% of the equity interest in Neogenix Laboratoire Sdn Bhd (“Neogenix”), comprising 120,000 ordinary shares in Neogenix for a cash consideration of RM6,500,000.00 only.

**A13. Capital commitments**

Other than disclosed below, there were no material capital commitments that have a material effect in the current quarter under review:-

	<b>As at</b>
	<b>31.12.2020</b>
	<b>RM'000</b>
Turnkey commissioning of Nitrile Butadiene Rubber double fomer glove dipping production line	<u>47,520</u>

**A14. Contingent assets or liabilities**

There were no changes in contingent assets or liabilities in the current quarter under review.

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS  
OF BURSA MALAYSIA SECURITIES BERHAD**

**B1. Review of performance**

**1.1 Financial review for quarter ended and financial year-to-date**

	Individual Period		Variances		Cumulative Period		Variances	
	Quarter ended	Quarter ended			Year ended	Year ended		
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	Amount	%		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
Revenue	25,294	749	24,545	3,277.0	26,352	4,093	22,259	543.8
Profit/(Loss) before interest and tax before share of results of an associate	7,350	(576)	7,926	1,376.0	8,964	788	8,176	1,037.6
Profit/(Loss) before interest and tax	7,327	(576)	7,903	1,372.0	8,941	788	8,153	1,034.6
Profit/(Loss) before tax	7,112	(579)	7,691	1,328.3	8,540	784	7,756	989.3
Profit/(Loss) after tax	5,313	(574)	5,887	1,025.6	6,741	781	5,960	763.1
Profit/(Loss) attributable to owner of the Company	3,035	(574)	3,609	628.7	4,464	781	3,683	471.6

**Current year quarter vs preceding year quarter**

Revenue

The Group revenue for the current quarter under review of RM25.3 million increased by 3,277% as compared to last year same quarter of RM0.7 million mainly due to revenue of RM24.6 million generated by Healthcare segment on supplying PCR test kits for Covid-19.

Revenue for current quarter under review comprises of revenue derived from Healthcare segment, Financial Services segment and Search and Advertising segment. Financial services segment consists of hire purchase business and moneylending business. RM0.6 million of revenue was contributed by the hire purchase business. However, the Company has not extended any loans/advances to any party or received any loan/advances from any party in the ordinary course of its business as a licensed moneylender in current quarter.

Profit before interest and tax ("PBIT")

The Group PBIT for current quarter of RM7.3 million was increased by RM7.9 million as compared to the preceding year corresponding quarter loss of RM0.6 million mainly due to profit generated by Healthcare segment in the current year quarter.

**Current year to-date vs preceding year to-date**

Revenue

The Group revenue for the financial period to date under review of RM26.4 million increased by 544% as compared to the preceding year corresponding financial period of RM4.1 million mainly due to revenue of RM24.6 million generated by Healthcare segment on supplying PCR test kits for Covid-19.

PBIT

The Group PBIT for current period to date of RM9.0 million was increased by RM8.2 million as compared to the preceding year corresponding financial period of RM0.8 million mainly due to profit generated by Healthcare segment.

**B1. Review of performance (cont'd)**

**1.2. Financial review for current quarter with immediate preceding quarter**

	<b>Current quarter ended 31.12.2020 RM'000</b>	<b>Immediate preceding quarter ended 30.09.2020 RM'000</b>	<b>Variances</b>	
			<b>Amount RM'000</b>	<b>%</b>
Revenue	25,294	530	24,764	4,672.5
Profit before interest and tax and before share of results of an associate	7,350	1,603	5,747	358.5
Profit before interest and tax	7,327	1,603	5,724	357.1
Profit before tax	7,112	1,429	5,683	397.7
Profit after tax	5,313	1,429	3,884	271.8
Profit attributable to owner of the Company	3,035	1,429	1,606	112.4

Revenue

The Group revenue for the current quarter increased by 4,673% as compared to immediate preceding quarter was mainly due to revenue derived from Healthcare segment on supplying PCR test kits for Covid-19.

PBIT

The Group recorded a PBIT of RM7.3 million for the current quarter as compared to PBIT of RM1.6 million for the immediate preceding quarter. This is mainly due to profit generated by Healthcare segment in the current year quarter.

**1.3. Analysis of the performance of business segments**

Healthcare business segment

	<b>Individual Period</b>		<b>Cumulative Period</b>	
	<b>Quarter ended 31.12.2020 RM'000</b>	<b>Quarter ended 31.12.2019 RM'000</b>	<b>Year-to-date ended 31.12.2020 RM'000</b>	<b>Year-to-date ended 31.12.2019 RM'000</b>
	Revenue	24,607	-	24,607
Cost of sales	(16,916)	-	(16,916)	-
Gross profit	7,691	-	7,691	-
Other income	3	-	3	-
Operating expenses	(506)	-	(506)	-
Finance costs	-	-	-	-
Profit before taxation	<b>7,188</b>	-	<b>7,188</b>	-

Revenue and profit before tax ("PBT")

The Group has diversified into healthcare related business subsequent to the approval obtained from shareholders on Extraordinary General Meeting held on 15 December 2020. In current quarter under review, this segment had registered a revenue of RM24.6 million and profit before taxation of RM7.2 million via supplying PCR test kits for Covid-19.

**B1. Review of performance (cont'd)**

**1.3. Analysis of the performance of business segments (Cont'd)**

Search and Advertising (“S&A”) business segment

	Individual Period		Cumulative Period	
	Quarter ended 31.12.2020 RM'000	Quarter ended 31.12.2019 RM'000	Year-to-date ended 31.12.2020 RM'000	Year-to-date ended 31.12.2019 RM'000
	Revenue	254	749	1,111
Cost of sales	(255)	(325)	(814)	(1,551)
Gross profit	(1)	424	297	2,518
Other income	-	237	-	1,863
Operating expenses	(39)	(622)	(116)	(2,584)
Finance costs	(17)	(2)	(64)	(2)
(Loss)/Profit before taxation	<b>(57)</b>	<b>37</b>	<b>117</b>	<b>1,795</b>

Revenue and PBT

Revenue from S&A business segment decreased by 66% or RM0.5 million as compared to same quarter of the preceding year ended 31 December 2019. Rapid media evolution which reshaped the advertising and marketing landscapes and the increasingly competitive environment as well as the COVID-19 pandemic being the factors that caused the drop in revenue for this segment.

Besides the continuous drop in revenue, fixed costs such as staff costs and depreciation charges also led to the shrinkage in PBT for this segment.

Business Segment by Countries

The details of the Group's business segments by countries and exchange ratio used as below:-

	Quarter ended 31.12.2020		Quarter ended 31.12.2019		
	Malaysia RM'000	Total RM'000	Malaysia RM'000	Cambodia RM'000	Total RM'000
	Revenue	26,352	26,352	3,273	820
Profit/(Loss) before interest and tax and before share of results of an associate	8,964	8,964	943	(155)	788
Profit/(Loss) before interest and tax	8,941	8,941	943	(155)	788
Profit/(Loss) before tax	8,540	8,540	939	(155)	784
Profit/(Loss) after tax	6,741	6,741	936	(155)	781
Profit/(Loss) attributable to owner of the Company	4,464	4,464	936	(155)	781

Exchange Rate Ratio Used (2019/2020)	
MYR	
1 USD Dollar :	4.0930

The exchange rate ratio used is based on Bank Negara exchange rate as per balance sheet date.

**B2. Group's prospects**

The Group expects 2020/2021 to be a challenging year. The S&A business in Malaysia continues to face challenges such as low economic activities, low confidence and increasingly competitive business environment.

On 24 July 2020, the Company has obtained approval from its shareholders to diversify and expand its business activities to include moneylending business. On 18 November 2019, Hong Seng Capital Sdn Bhd (formerly known as Food Cheetah Sdn Bhd), a wholly-owned subsidiary of the Company, has received the Money Lending License issued by the Registrar of Moneylenders of Kementerian Perumahan dan Kerajaan Tempatan on 15 November 2019.

In view of the positive outlook of the glove industry, healthcare industry as well as hire purchase and automotive industries in Malaysia, in order to improve our Group's financial performance and to enhance our Group's prospect, the Company had on 15 December 2020 obtained approval from its shareholders to diversify and expand its business activities to included manufacturing and trading of gloves and other personal protective equipment ("PPE"), healthcare related business and hire purchase business.

The 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.

The COVID-19 outbreak has led to changes in consumer behavior 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.

In view of the above, the diversifications are deemed timely for our Group to capture the rising demand for the product such as gloves, medical and healthcare products and healthcare related services so as to gain the greatest market presence for possible advantage from the prevailing health crisis.

The pervasiveness of the e-commerce landscape in Malaysia, in particular after the Movement Control Order implemented by 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, mainly for those who supply vehicles to last-mile delivery service providers as well as demand for loans to automotive for commercial vehicles. In order to ride on this surge in demand for commercial vehicles, our Group diversified to provide hire purchase services.

Our management believes that despite challenging economic environment amid the COVID-19 pandemic, the impact of COVID-19 on the outlook of economy is likely to be significant in the short term. Our Group is expected to remain resilient while entering this period with liquidity buffers and will seize every opportunity premised on the above to improve our Group's operations and financial performances in the future.

**B3. Statement of the board of directors' opinion on profit estimate, forecast, projection or internal targets**

The Group has not provided any profit estimate, forecast, and projection in any public documents.

**B4. Variance on profit forecast**

The Group has not issued any profit forecast in any public comment.

**B5. Status of corporate proposal**

Save from the following, there were no corporate proposal announced but not completed as at 19 February 2021, being the last practicable date from the date of the issue of this report.

**On-going Corporate Exercises**

- (i) On 15 September 2020, the Board of Director announced that the Company proposes to undertake the Proposed Private Placement of new ordinary shares, representing not more than 10% of the number of shares in issue (excluding treasury shares) ("**Proposed Private Placement**") and obtained the Bursa approval vide its letter dated 7 October 2020, to approve the listing and quotation of up to 127,500,500 new shares to be issued pursuant to the Proposed Private Placement; and
- (ii) On 19 October 2020, the Board of Directors announced that the Company proposes to undertake the followings:-
  - (a) 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**");
  - (b) 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**");
  - (c) proposed diversification of the existing business of Hong Seng Group to include hire purchase and related business ("**Proposed Diversification into Hire Purchase Business**"); and
  - (d) 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**", and the Proposed Diversification into Manufacturing and Trading of Gloves and Other PPE, Proposed Diversification into Healthcare Related Business and Proposed Diversification into Hire Purchase Business are collectively referred to as the "**Proposed Diversifications**").

The Proposals and Proposed Diversification are subject to the approval from the shareholders of Hong Seng at the forthcoming extraordinary general meeting to be convened.

On 26 November 2020, the Company announced that HSCB's Extraordinary General Meeting ("EGM") will be held on 15 December 2020 and conducted fully virtual through live streaming via a remote participation and voting facilities at Gate C, 2nd Floor No. 3, Jalan TP 2, Taman Perindustrian UEP, 47600 Subang Jaya, Selangor Darul Ehsan, Malaysia.

On 15 December 2020, the Board announced the resolutions as prescribed in the notice convening the EGM of the Company dated 27 November 2020 was duly passed by way of poll at the EGM held on 15 December 2020.



**B6. Utilisation of proceeds**

On 15 December 2020, the proposed variation to the utilisation of proceeds raised from the Rights Issue of Shares with Warrants and Rights Issue of ICPS (“Proposed Variation”) was duly passed by way of poll at the Extraordinary General Meeting held on 15 December 2020.

Status of utilisation of proceeds raised from corporate proposals (Rights Issue of Shares with Warrants and Rights Issue of ICPS) as at 31 December 2020 are as follows:-

Purpose	Proposed utilisation after variation RM'000	Actual utilisation RM'000	Intended timeframe for utilisation
Capital expenditure and rental deposits	624	624	Utilised
Working capital requirements	938	938	Utilised
Estimated expenses in relation to the Corporate Exercises	1,090	1,090 *	Utilised
Turnkey agreement	30,000	11,880	Within 12 months
Working capital for moneylending and hire purchase businesses	17,000	5,000	Within 24 months
Working capital requirement of the Group	3,445	112	Within 24 months
	53,097	19,644	

\* Any variation in the actual amount of the expenses for the corporate exercises will be adjusted accordingly to/from the funding for the workings capital requirements of our Group.

**B7. Group’s borrowings and debts securities**

The details of the Group’s borrowings and debts securities outstanding as at 31 December 2020 are as follows:-

	Quarter ended 31.12.2020			Quarter ended 31.12.2019		
	Long Term RM'000	Short Term RM'000	Total RM'000	Long Term RM'000	Short Term RM'000	Total RM'000
<b>Secured</b>						
Lease liabilities	580	161	741	7	83	90
<b>Unsecured</b>						
Bank Overdraft	-	543	543	-	1,222	1,222
<b>Total Borrowings</b>	<b>580</b>	<b>704</b>	<b>1,284</b>	<b>7</b>	<b>1,305</b>	<b>1,312</b>

All borrowings are denominated in Ringgit Malaysia and The Group does not have foreign currency borrowings.

The bank borrowings obtained from local banks bears interest of 2.75% to 8.35% (2020: 2.75% to 8.35%).

**B8. Material litigation**

The Group is not engaged in any material litigation either, as plaintiff or defendant, and the Directors do not have any knowledge of any proceedings pending or threatened against the Group as at the date of this report.

**B9. Dividends**

No dividend has been declared/paid during the quarter under review.

**B10. Earning per share**

**10.1 Basic earning per share**

The basis earning per share is calculated by dividing the net profit/(loss) for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the financial period.

		Individual Period		Cumulative Period	
		Quarter ended 31.12.2020	Quarter ended 31.12.2019	Year-to-date 31.12.2020	Year-to-date 31.12.2019
Profit/(Loss) attributable to owners of the Company	(RM'000)	3,035	(574)	4,464	781
Weighted average number of ordinary shares in issue	(Unit'000)	518,621	318,006	423,091	283,056
Basic earning/(loss) per share	(sen)	0.59	(0.18)	1.06	0.28

**10.2 Diluted earning per share**

The diluted earning per share is calculated by dividing the net profit/(loss) for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares that would have been issued upon full conversion of the remaining employee share option and Warrant 2019/2024.

		Individual Period		Cumulative Period	
		Quarter ended 31.12.2020	Quarter ended 31.12.2019	Year-to-date 31.12.2020	Year-to-date 31.12.2019
Profit/(Loss) attributable to owners of the Company	(RM'000)	3,035	(574)	4,464	781
Weighted average number of ordinary shares in issue	(Unit'000)	518,621	318,006	423,091	283,056
Effect of dilution:					
Exercise of ESOS option		49	^	39	^
Exercise of warrants		120,503	^	104,946	^
Adjusted weighted average number of ordinary shares in issue	(Unit'000)	639,173	318,006	528,076	283,056
Diluted earning/(loss) per share	(sen)	0.47	(0.18)	0.85	0.28

^ Not applicable.

**B11. Qualification of financial statements**

The Company's preceding annual financial statements was not subject to any audit qualifications.