

**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, banker, solicitor, accountant or other professional advisers immediately.

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**SEE HUP CONSOLIDATED BERHAD**  
(Registration No.: 199601018726 (391077-V))  
(Incorporated in Malaysia)

**CIRCULAR TO SHAREHOLDERS**

**IN RELATION TO THE**

**PROPOSED DIVERSIFICATION OF THE EXISTING PRINCIPAL ACTIVITIES OF SEE HUP CONSOLIDATED BERHAD (“SEE HUP” OR “COMPANY”) AND ITS SUBSIDIARIES TO INCLUDE THE CONSTRUCTION CONTRACTS SERVICES AND OTHER SUPPORT ACTIVITIES (“PROPOSED DIVERSIFICATION”)**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

The Extraordinary General Meeting (“**EGM**”) will be conducted on a fully virtual basis vide the online meeting platform at <https://agm.digerati.com.my/pasb-online> (Domain registration number D1A119533) on Wednesday, 29 September 2021 at 11.00 a.m. or immediately after the conclusion or adjournment (as the case may be) of the Company’s Twenty-Fifth (25<sup>th</sup>) Annual General Meeting, to be conducted fully virtual on the same day at 9.45 a.m., whichever is the later. The notice of EGM together with the Form of Proxy are enclosed in this Circular.

If you are unable to attend and vote in person at the EGM, you may appoint a proxy or proxies to attend and vote on your behalf. If you wish to do so, you must complete the Form of Proxy for the EGM in accordance with the instructions contained therein and lodge the same at the Company’s registered office at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang not less than forty-eight (48) hours before the time appointed for holding the EGM or any adjournment thereof. The lodging of the Form of Proxy for the EGM will not preclude you from attending and voting in person at the EGM should you subsequently decide to do so.

Last date and time for lodging the Form of Proxy : Monday, 27 September 2021 at 11.00 a.m.

Date and time of the EGM : Wednesday, 29 September 2021 at 11.00 a.m.

This Circular is dated 10 September 2021

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## DEFINITIONS

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Except where the context otherwise requires, the following terms and abbreviations shall apply throughout this Circular:

AGM	:	Annual general meeting
Board	:	The board of directors of See Hup
Bursa Securities	:	Bursa Malaysia Securities Berhad (Registration No.: 200301033577 (635998-W))
China Communications	:	China Communications Construction (ECRL) Sdn Bhd (Registration No.: 201701022218 (1236384-H))
CIDB	:	Construction Industry Development Board
Circular	:	This circular to the shareholders of See Hup dated 10 September 2021
Construction Business	:	Construction contracts services and other support activities such as the supervision, coordination, management and administration of construction projects
COVID-19	:	Coronavirus 2019
ECRL	:	East Coast Rail Link
ECRL Project I	:	The construction and completion of part of the subgrade works of Package 1, Section 4 for the ECRL
ECRL Project II	:	The construction and completion of part of the subgrade works of Package 2, Section 4 for the ECRL
ECRL Projects	:	ECRL Project I and ECRL Project II, collectively
EGM	:	Extraordinary general meeting
EPS	:	Earnings per Share
Existing Construction Business	:	Existing construction contracts services and other support activities such as the supervision, coordination, management and administration of construction projects
FPE	:	Financial period ended
FYE	:	Financial year ended/ending, as the case may be
Government	:	Government of Malaysia
HKD	:	Hong Kong Dollar
LBT	:	Loss before taxation
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	30 August 2021, being the latest practicable date prior to the printing of this Circular
LPS	:	Loss per Share
MCO	:	Movement control order

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**DEFINITIONS (CONT'D)**

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NA	:	Net assets
NBV	:	Net book value
Proposed Diversification	:	Proposed diversification of the existing principal activities of the See Hup Group to include the Construction Business
RM and sen	:	Ringgit Malaysia and sen, respectively
See Hup Group or Group	:	See Hup and its subsidiaries, collectively
See Hup or Company	:	See Hup Consolidated Berhad (Registration No.: 199601018726 (391077-V))
See Hup Share(s) or Share(s)	:	Ordinary share(s) in See Hup
SH Moment	:	SH Moment Builder Sdn Bhd (Registration No.: 201401009865 (1085944-V))
Trading Business	:	Trading of general merchandise such as spare part components and construction related materials
Transportation and Logistics Business	:	General cargo transporter, freight forwarding agent, hiring of cranes, forklifts, heavy equipment and machinery, servicing and maintenance of heavy vehicles and forklifts and provision of bonded warehouse and bonded trucks services, container haulage and bulk cargo handling services
Uni Moment	:	Uni Moment Engineering Builders Sdn Bhd (Registration No.: 201101003542 (931680-M))
USD	:	United States Dollar

Reference to “we”, “us”, “our” and “ourselves” are to the Company, and where the context otherwise requires, the subsidiaries of the Company. All references to “you” are to the shareholders of the Company.

Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Circular to any statutes, rules, regulations or rules of the stock exchange is a reference to such statutes, rules, regulations or rules of the stock exchange currently in force and as may be amended from time to time and any re-enactment thereof.

Any reference to a time or date in this Circular shall be a reference to Malaysian time, unless otherwise stated.

Any discrepancy in the tables included in this Circular between the amounts listed, actual figures and the totals thereof are due to rounding.

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## EXECUTIVE SUMMARY

**THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT INFORMATION OF THE PROPOSED DIVERSIFICATION. YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS TOGETHER WITH THE APPENDIX OF THIS CIRCULAR WITHOUT RELYING SOLELY ON THIS EXECUTIVE SUMMARY BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED DIVERSIFICATION TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY.**

Key information	Summary	Reference to this Circular
Summary of the Proposed Diversification	<p>Presently, the Group is principally involved in the following business activities:</p> <ul style="list-style-type: none"> <li>(i) Transportation and Logistics Business;</li> <li>(ii) Trading Business; and</li> <li>(iii) Existing Construction Business.</li> </ul> <p>As part of the Group's strategy to expand its earnings base and reduce reliance on its Transportation and Logistics Business, See Hup had, on 3 April 2018, completed the acquisition of 51% equity interest in SH Moment for a cash consideration of RM382,500. On 27 January 2021 and 8 June 2021, SH Moment had accepted the letters of acceptance amounting to approximately RM190.04 million from China Communications in relation to the ECRL Projects, further details of which are set out in Section 2 of this Circular.</p> <p>Taking into consideration the historical financial performance of the Group, the value of the ECRL Projects and the Group's plan to potentially secure additional construction contracts moving forward, the Board anticipates that the Construction Business may contribute 25% or more of the net profits of the Group and/or result in a diversion of 25% or more of the NA of the Group. As such, the Board proposes to seek the approval from its shareholders for the Proposed Diversification at the forthcoming EGM of the Company.</p>	Section 2
Rationale and benefits of the Proposed Diversification	<ul style="list-style-type: none"> <li>(i) The Proposed Diversification is part of the Group's long term strategy to improve its financial performance by expanding further its existing Construction Business after taking into consideration, amongst others, the experience, track record and industry know-how of the key management personnel of SH Moment as set out in Section 2.3 of this Circular.</li> <li>(ii) The Construction Business will expand the revenue stream and earnings base of the Group, thereby reducing its dependency on its existing core business i.e. Transportation and Logistics Business and enhance the shareholders' value of the Company in the medium to long term.</li> </ul>	Section 3

**EXECUTIVE SUMMARY (CONT'D)**

Key information	Summary	Reference to this Circular
Risk factors	<p>The Group is expected to be subject to challenges and certain risks inherent in the construction industry in which the Group has not been exposed to:</p> <ul style="list-style-type: none"> <li>(i) Business diversification risks;</li> <li>(ii) Dependency on award of new contracts;</li> <li>(iii) Dependency on key management personnel;</li> <li>(iv) Political, economic and regulatory risks; and</li> <li>(v) Financing risk.</li> </ul>	Section 5
Effects of the Proposed Diversification	<ul style="list-style-type: none"> <li>(i) The Proposed Diversification will not have any effect on the issued share capital and substantial shareholders' shareholdings of See Hup as the Proposed Diversification does not involve any issuance of new See Hup Shares.</li> <li>(ii) The Proposed Diversification is not expected to have any material pro forma effect on the NA and NA per Share of the Group as at 31 March 2021.  The impact of the pro forma gearing of the Group as at 31 March 2021 as a result of the Proposed Diversification will depend on the manner of funding for the ECRL Projects and/or any future construction projects to be secured.</li> <li>(iii) The Proposed Diversification is expected to contribute positively to the future earnings and EPS of the Group.</li> </ul>	Section 6
Interests of directors, major shareholders and/or persons connected with them	None of the directors, major shareholders of the Company and/or persons connected with them have any interest, directly or indirectly, in the Proposed Diversification.	Section 9
Directors' statement and recommendation	<p>The Board, having considered all aspects of the Proposed Diversification, including but not limited to the rationale and benefits of the Proposed Diversification as well as the prospects of the See Hup Group and the risks involved, is of the opinion that the Proposed Diversification is in the best interest of the Company.</p> <p>Accordingly, the Board recommends you to <b>VOTE IN FAVOUR</b> of the resolution pertaining to the Proposed Diversification to be tabled at the forthcoming EGM of the Company.</p>	Section 11



**SEE HUP CONSOLIDATED BERHAD**

(Registration No.: 199601018726 (391077-V))  
(Incorporated in Malaysia)

**Registered Office:**

170-09-01, Livingston Tower  
Jalan Argyll  
10050 George Town  
Pulau Pinang

10 September 2021

**Board of Directors:**

Lee Chor Min	<i>(Group Managing Director)</i>
Lee Hean Huat	<i>(Executive Director)</i>
Haji Shamsul Ariffin B. Mohd. Nor	<i>(Executive Director)</i>
Datuk Haji Muhadzir Bin Mohd. Isa	<i>(Executive Director)</i>
Ng Shiek Nee	<i>(Independent Non-Executive Director)</i>
Mak Cheow Yeong	<i>(Independent Non-Executive Director)</i>
Lee Phay Chian	<i>(Independent Non-Executive Director)</i>

**To: The shareholders of See Hup**

Dear Sir/Madam,

**PROPOSED DIVERSIFICATION**

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**1. INTRODUCTION**

On 11 August 2021, the Board announced that the Company intends to undertake the Proposed Diversification.

The details of the Proposed Diversification are set out in the ensuing sections of this Circular.

**THE PURPOSE OF THIS CIRCULAR TOGETHER WITH THE APPENDIX IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSED DIVERSIFICATION TOGETHER WITH THE RECOMMENDATION OF THE BOARD AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED DIVERSIFICATION TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY. THE NOTICE OF THE EGM TOGETHER WITH THE FORM OF PROXY ARE ENCLOSED IN THIS CIRCULAR.**

**YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS TOGETHER WITH THE APPENDIX OF THIS CIRCULAR BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED DIVERSIFICATION TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY.**

## 2. DETAILS OF THE PROPOSED DIVERSIFICATION

Presently, the Group is principally involved in the following business activities:

- (i) Transportation and Logistics Business;
- (ii) Trading Business; and
- (iii) Existing Construction Business.

The Existing Construction Business is currently not a significant contributor to the revenue and profitability of the Group but the contribution from this segment is expected to grow significantly in the future as described below.

The historical financial information of the See Hup Group based on the audited consolidated financial statements of See Hup for the past three (3) FYEs 31 March 2019 to 2021 are as follows:

FYE 31 March	Audited		
	2019 RM'000	2020 RM'000	2021 RM'000
Revenue			
▪ Transportation and Logistics Business	88,335	88,834	76,702
▪ Trading Business	3,943	525	86
▪ Existing Construction Business	891	5,985	2,647
▪ Others	2,656	220	229
	<b>95,825</b>	<b>95,564</b>	<b>79,664</b>
LBT	(4,375)	(7,371)	(3,926)
Loss after taxation attributable to owners of the Company	(4,562)	(6,618)	(3,272)

Based on the table above, the Transportation and Logistics Business has been the main contributor of the Group's revenue, accounting for more than 90% of the Group's total revenue for the past three (3) FYEs 31 March 2019 to 2021. In addition, the Group is highly dependent on the aforesaid Transportation and Logistics Business given that this business segment has been the Group's main revenue contributor since its commencement of business in 1960.

As part of the Group's strategy to expand its earnings base and reduce reliance on its Transportation and Logistics Business, See Hup had, on 3 April 2018, completed the acquisition of 51% equity interest in SH Moment for a cash consideration of RM382,500. SH Moment is principally involved in building construction works, civil engineering construction and supply of various mechanical equipment.

Following the completion of the acquisition of SH Moment in 2018, the Group's revenue from the Existing Construction Business recorded approximately 0.93%, 6.26% and 3.32% of the Group's total revenue for FYEs 31 March 2019 to 2021 respectively.

On 27 January 2021, the Company announced that SH Moment had accepted a letter of acceptance amounting to RM99,009,252.16 from China Communications for the ECRL Project I. The ECRL Project I has commenced on 14 May 2021 and is expected to take approximately 28 months from the date of commencement to complete.

Subsequently, on 8 June 2021, the Company announced that SH Moment had accepted another letter of acceptance amounting to RM91,030,582.15 from China Communications for the ECRL Project II. The ECRL Project II has commenced on 13 June 2021 and is expected to take approximately 26 months from the date of commencement to complete.



In accordance with Paragraph 10.13(1) of the Listing Requirements, a listed issuer must obtain its shareholders' approval in a general meeting for any transaction or business arrangement which might reasonably be expected to result in either:

- (a) the diversion of 25% or more of NA of the listed issuer to an operation which differs widely from those operations previously carried on by the listed issuer; or
- (b) the contribution from such an operation of 25% or more of the net profits of the listed issuer.

Taking into consideration the historical financial performance of the Group, the value of the ECRL Projects and the Group's plan to potentially secure additional construction contracts moving forward, the Board anticipates that the Construction Business may contribute 25% or more of the net profits of the Group and/or result in a diversion of 25% or more of the NA of the Group. As such, the Board proposes to seek the approval from its shareholders for the Proposed Diversification at the forthcoming EGM of the Company.

Notwithstanding the Proposed Diversification, the Board intends to continue with the Group's existing core business i.e. Transportation and Logistics Business as further elaborated in Section 4.4 of this Circular. The Board will continuously review the Group's business operations from time to time with the intention to further improve the Group's financial performance.

## **2.1 Commentaries on historical financial performance of the See Hup Group**

### **FYE 31 March 2019 vs FYE 31 March 2020**

The Group's revenue decreased by approximately RM0.26 million or 0.27% from approximately RM95.83 million for the FYE 31 March 2019 to approximately RM95.56 million for the FYE 31 March 2020. The lower revenue was mainly due to lower volume recorded from the Trading Business due to the overall economic sentiment. However, this was partially offset by higher revenue from the Existing Construction Business as more subcontracting works were awarded during the financial year.

The Group's LBT increased by approximately RM3.00 million or 68.48% from approximately RM4.38 million for the FYE 31 March 2019 to approximately RM7.37 million for the FYE 31 March 2020. The higher losses were mainly due to an impairment loss on trade receivables of approximately RM3.03 million recognised during the financial year arising from the supply of construction related materials.

### **FYE 31 March 2020 vs FYE 31 March 2021**

The Group's revenue decreased by approximately RM15.90 million or 16.64% from approximately RM95.56 million for the FYE 31 March 2020 to approximately RM79.66 million for the FYE 31 March 2021. The decrease was mainly attributable to the general economic downturn due to the COVID-19 pandemic as:

- (i) the Group's Transportation and Logistics Business registered a lower revenue due to certain of its customers not operating at full capacity; and
- (ii) the various forms of MCO implemented by the Government to contain the increase in cases from the COVID-19 pandemic led to lower levels of revenue from the Trading Business and Existing Construction Business.

Despite the decrease in revenue, the Group's LBT decreased by approximately RM3.44 million or 46.74% from approximately RM7.37 million for the FYE 31 March 2020 to approximately RM3.93 million for the FYE 31 March 2021. The lower losses were mainly due to the decrease in depreciation of approximately RM1.02 million attributable to reduction in acquisition of new vehicles arising from rigorous upkeep and regular maintenance undertaken on vehicles, machinery and equipment used by the Group in carrying out its services. Further, there was a minimal impairment loss on trade receivables of approximately RM0.08 million recognised during the financial year as compared to the amount of approximately RM3.03 million which was recognised in FYE 31 March 2020.

## 2.2 Details of SH Moment

SH Moment was incorporated in Malaysia under the Companies Act, 1965 on 21 March 2014 as a private limited company under the name of Hong Seng Builder Sdn Bhd. It subsequently assumed its present name on 2 March 2018. SH Moment is a contractor registered with the CIDB and holds a Grade G7 license which permits the undertaking of building construction works, civil engineering construction and supply of various mechanical equipment with indefinite contract value. SH Moment commenced its business operations in April 2018.

As at the LPD, the issued share capital of SH Moment is RM4,000,000 comprising 4,000,000 ordinary shares. The shareholders of SH Moment and their respective shareholdings in SH Moment are as follows:

Shareholders	No. of shares	%
See Hup	2,040,000	<sup>(i)</sup> 51.00
Uni Moment <sup>(ii)</sup>	1,200,000	30.00
Hong Seng Housing Sdn Bhd (" <b>Hong Seng</b> ") <sup>(iii)</sup>	760,000	19.00
<b>Total</b>	<b>4,000,000</b>	<b>100.00</b>

Notes:

- (i) For information purposes, See Hup does not intend to increase its equity interest in SH Moment.
- (ii) As at the LPD, the directors and shareholders of Uni Moment and their respective shareholdings in Uni Moment are as follows:

Directors and shareholders	No. of shares	%
Lee Kean Leng	375,000	50.00
Lee Kiang Hwa	375,000	50.00
<b>Total</b>	<b>750,000</b>	<b>100.00</b>

- (iii) As at the LPD, the directors of Hong Seng are as follows:

Directors
Teoh Hai Bim
Teoh Hai Peng
Dato' Teoh Hai Hin

As at the LPD, the shareholders of Hong Seng and their respective shareholdings in Hong Seng are as follows:

Shareholders	No. of shares	%
THH Supreme Holdings Sdn Bhd	412,501	25.00
Teoh Hai Bim	412,500	25.00
Teoh Hai Peng	412,500	25.00
Teoh Hai Seng	412,500	25.00
Ong Ah Hua	1	Negligible
<b>Total</b>	<b>1,650,002</b>	<b>100.00</b>

As at the LPD, the directors of SH Moment are as follows:

<b>Directors</b>	<b>Nationality</b>	<b>Designation</b>	<b>Family relationship</b>
Lee Hean Huat	Malaysian	Director	Lee Hean Huat is the uncle of Lee Chor Min and father of Lee Yee Ping.
Lee Chor Min	Malaysian	Director	Lee Chor Min is the nephew of Lee Hean Huat and cousin of Lee Yee Ping.
Lee Yee Ping	Malaysian	Director	Lee Yee Ping is the son of Lee Hean Huat and cousin of Lee Chor Min.
Lee Kean Leng	Malaysian	Director	Lee Kean Leng is the brother of Lee Kiang Hwa.
Lee Kiang Hwa	Malaysian	Director	Lee Kiang Hwa is the brother of Lee Kean Leng.

Lee Chor Min and Lee Hean Huat are the Group Managing Director and Executive Director of See Hup respectively, whilst Lee Yee Ping is the Head of Information Technology and Marketing of the See Hup Group. Lee Kean Leng and Lee Kiang Hwa are the Directors of Uni Moment.

The construction projects undertaken by SH Moment since its commencement of business in April 2018 up to the LPD are as follows:

<b>No.</b>	<b>Project Description</b>	<b>Project Owner</b>	<b>Project Duration</b>	<b>Project Value RM'000</b>
1.	ECRL Project II	China Communications	June 2021 – August 2023	91,031
2.	ECRL Project I	China Communications	May 2021 – September 2023	99,009
3.	Supply, deliver and installation of prefabricated vertical drains for mixed development scheme on Mukim 4, Jalan Tun Hussein Onn, Seberang Perai Tengah, Pulau Pinang	Gugusan Cemerlang Bina Sdn Bhd	February 2020 – July 2020	176
4.	Supply, deliver and installation of prefabricated vertical drains for the upgrading of Jalan Suka Menanti, Daerah Kota Setar	Uni Moment	April 2019 – June 2023	1,397

No.	Project Description	Project Owner	Project Duration	Project Value RM'000
5.	<p>Upgrading of part of Jalan Suka Menanti, Daerah Kota Setar, Kedah*</p> <p><i>Note:</i></p> <p><i>* This project was awarded by Lam Ho Builders Sdn Bhd to Uni Moment. Subsequently, Uni Moment sub-awarded part of the project (project value of approximately RM30.19 million) to SH Moment.</i></p>	Lam Ho Builders Sdn Bhd / Uni Moment	December 2018 – June 2023	30,191
6.	Construction of temporary access road for the ECRL project from Dungun to Marang, Terengganu	China Communications	April 2018 – July 2018	379

The ECRL Projects cover part of the subgrade works for the ECRL, which include, amongst others, the following:

- (i) stripping the ground surface such as to remove all kind of unsuitable earth material including all undergrowth, shrubs, crops, superfluous vegetation, roots, turfing and cut down all unwanted trees;
- (ii) bulk excavation for soil to the required formation level, get out, load, transport and dispose off site surplus excavated material to approved subcontractor's dumping site and/or unload soil to filling areas/section;
- (iii) supply, filling and spread imported suitable material (earth filling) from subcontractor's own sources as approved by the main contractor to build up to embankment including well levelling, compaction, watering, temporary drainage etc, all as per drawings and specification requirements;
- (iv) supply, fill and spread the subgrade bed including well levelling, compaction, watering, temporary drainage etc, all as per drawings and specification requirements;
- (v) supply, fill and spread the transition area with well-graded gravel including well compaction, all as per drawings and specification requirements;
- (vi) installation of (100x4mm) prefabricated vertical drains (PVD) including drilling into soil as per specification and drawings;
- (vii) supply, filling and spread suitable materials as approved by the main contractor for temporary surcharge including well compaction, levelling, elevation as well as removal of temporary surcharge, all as per drawings and specification requirements;
- (viii) supply, fill and spread the sand cushion with qualified materials as approved by the main contractor including well levelling, compaction, watering, temporary drainage, all as per drawings and specification requirements;
- (ix) supply, installation and maintenance of monitoring instrumentation including monitoring, recording and submitting the relevant data and reports as per main contractor, drawings and specification requirements;

- (x) excavate to depth reinforced concrete retaining wall and supply with imported approved suitable material and backfill to required level, well grade, water spread and well compacted before commencement next stage of work, all as per drawings and specification requirements; and
- (xi) supply labour, materials and machinery/small tools to apply hydroseeding to slope areas, all as per drawings and specification requirements.

SH Moment shall comply with, amongst others, the following requirements:

- (i) responsible for assigning qualified survey personnel and equipping qualified survey instruments to carry out site setting out and elevation control. China Communications shall only be responsible for site review surveying;
- (ii) make all necessary arrangements before the commencement of earthwork excavation activities, embankment fill, drainage works and box culvert works;
- (iii) purchase insurance required (especially for those Plant and Equipment Insurance) by Local Laws, Government Requirements and implementation of the ECRL Projects other than Contractor All Risks (CAR), Third Party Liability (TPL) and Workmen Compensation (WC) which will be provided by China Communications' existing insurance coverage;
- (iv) provide detailed information, method of construction and documentation on the earthworks (including drainage) activities on excavation of unsuitable material, preparation of earth filling, earth cutting (including blasting works and disposal of rocks), disposal of unsuitable materials and other related works under the ECRL Projects;
- (v) provide erosion and sediment control plan as required or instructed by China Communications and supervising consultant representatives. SH Moment is to install and maintain all erosion and sediment control system install for the duration of the ECRL Projects;
- (vi) provide proper drainage area for cleaning of all construction plants and machineries as required. SH Moment shall provide sufficient number of functional wash troughs at designated locations as instructed by China Communications;
- (vii) all excavation and embankment fill works shall be carried out to formation level compacted to the required specification, finished cut slope, gradients, drainage and limits as provided in the construction plans and drawings;
- (viii) shall comply with all Statutory Requirements, Employment Act 1955 and CIDB Regulations including to pay the levy before and during the execution of works;
- (ix) SH Moment shall provide temporary power supply, water supply and any necessary consumable materials and parts for the works. SH Moment shall rectify and make good any defects of the works;
- (x) must comply with all Safety, Health and Environmental Regulations pertaining to all workmen and machineries (including those supplied by nominated subcontractors) supplied to the site;
- (xi) shall employ workers with valid working permits and submit a copy of the employee working permit to China Communications before mobilising workers to the site; and
- (xii) clear all the debris during construction and after the completion of work.

The ECRL Projects are expected to be funded via the progress payments to be received from the ECRL Projects, internally generated funds, shareholder advances and/or external borrowings of SH Moment. Should SH Moment decide to fund the ECRL Projects via shareholder advances, See Hup will provide the advances to SH Moment according to their respective shareholdings. Such additional funds cannot be determined at this juncture and this will be funded via internally generated funds of See Hup. In the event SH Moment decides to obtain external borrowings to finance the ECRL Projects, See Hup and the other shareholders of SH Moment will collectively provide a financial guarantee for the external borrowings, if required. The other on-going construction projects undertaken by SH Moment, as set out in table above, will be funded via internally generated funds of SH Moment.

## **2.3 Key Management Personnel**

The Board believes that the See Hup Group has the capacity, capability and resources to diversify further into the Construction Business by leveraging on the experience and expertise of the following key management personnel of SH Moment:

### **(i) Lee Hean Huat**

Lee Hean Huat, a Malaysian aged 73, is the Executive Director of See Hup. He is also a Director of SH Moment.

He has been with the See Hup Group since 1971 after completing his secondary school education. With his extensive experience in the logistics industry, he plays an active role in the strategic business planning of various divisions of the Group, namely maintenance and servicing, property, equipment hiring, warehousing and bulk cargo handling.

He was also involved in various projects such as the Penang Second Bridge, the land reclamation project in Seri Tanjung Pinang, Penang, the highway from Alor Setar to Gurun and the highway from Gurun to Butterworth, where the See Hup Group was involved in providing the transportation and logistics services, as well as supplying certain machineries and building materials.

Following the completion of the acquisition of SH Moment in 2018, he joined SH Moment as a Director where he is responsible for overseeing and providing direction as well as spearheading the business expansion plans and growth of SH Moment. Having been actively involved in various construction projects in the past, he has established a wide business network within the construction industry. Under his leadership, the Group has successfully secured the ECRL Projects which serve as an opportunity for the Group to expand its Construction Business.

### **(ii) Lee Chor Min**

Lee Chor Min, a Malaysian aged 46, is the Group Managing Director of See Hup. He is also a Director of SH Moment.

He graduated with a Bachelor of Business (International Trade) degree from University of Monash and a Master degree in Applied Finance from University of Melbourne in Australia.

He started his career in the banking industry prior to joining the See Hup Group. With his extensive experience in the logistics industry, he plays an active role in the strategic business planning of various divisions of the See Hup Group. He was responsible in promoting the cross-border logistics plying between Thailand, Malaysia and Singapore.

Following the completion of the acquisition of SH Moment in 2018, he joined SH Moment as a Director where he is responsible for overseeing the strategic and financial planning of SH Moment.

**(iii) Lee Kean Leng**

Lee Kean Leng, a Malaysian aged 47, is the Director of SH Moment. He is also the Director and substantial shareholder of Uni Moment. He has approximately 28 years of experience in the logistic and construction industries.

Upon graduating from his secondary school, he started as a sole proprietor in 1993 to provide lorry transport services for the transportation of quarry products. In 2004, he founded Proful Tading Sdn Bhd, a company involved in provision of transportation services, trading of construction materials, spare parts, diesel, tyres and accessories for motor vehicles as well as repairing services. He is responsible for managing the overall operations of Proful Trading Sdn Bhd.

In 2011, he co-founded Uni Moment. Throughout his career in the construction industry, he has established a wide business network within the construction industry and has vast experience in liaising with government officials and relevant authorities in respect of the necessary approvals, licences and permits which are required to be obtained prior to carry out construction activities.

In 2018, he joined SH Moment as a Director where he is responsible for the overall management and business operations of SH Moment.

**(iv) Lee Kiang Hwa**

Lee Kiang Hwa, a Malaysian aged 43, is the Director of SH Moment. He is also the Director and substantial shareholder of Uni Moment. He has approximately 20 years of experience in management and operations for civil engineering related activities.

He graduated with a Bachelor of Science in Civil Engineering from Universiti Teknologi Malaysia in 2001.

He began his career in 2001 as a Project Engineer in Keringat Sdn Bhd. In 2011, he co-founded Uni Moment. He is responsible for overseeing the implementation of all the projects undertaken by Uni Moment. His responsibilities include amongst others, contract negotiations, monitoring contract agreements, progress monitoring, budget and quality control monitoring as well as overseeing the construction and infrastructure works of the projects.

In 2020, he joined SH Moment as the Director where he is responsible for leading, planning and overseeing the progress of the construction projects of SH Moment.

Lee Kean Leng and Lee Kiang Hwa had undertaken construction contracts and property development projects totaling approximately RM144 million in value over the past (ten) 10 years. Some of the notable construction contracts and property development projects overseen by Lee Kean Leng and Lee Kiang Hwa are summarised below:

No.	Project Description	Project Owner	Project Duration	Project Value RM' million
1.	Upgrading of Jalan Suka Menanti, Daerah Kota Setar, Kedah*  <i>Note:</i>  <i>* Part of this project (project value of approximately RM30.19 million) was subsequently sub-awarded to SH Moment by Uni Moment.</i>	Lam Ho Builders Sdn Bhd	December 2018 – June 2023	58.45
2.	Engineering, procurement, construction and commissioning of ECRL project for construction of concrete road	China Communications	Apr 2018 – July 2018	0.13

No.	Project Description	Project Owner	Project Duration	Project Value RM' million
3.	Development and upgrading of Pan Borneo Highway in the state of Sawarak (Phase 1 Pantu Junction to Batang Skrang)	Gamuda Naim Engineering and Construction (GNEC) Sdn Bhd	2017 – 2023	13.88
4.	Road and drainage work for housing scheme on Mukim 14, Seberang Perai Tengah, Pulau Pinang	Prima Jadi (PG) Sdn Bhd	2015 - 2018	7.96
5.	Construction, completion, testing, commissioning and maintenance of the infrastructure works for Nibong Tebal and Parit Buntar	MMC-Gamuda Joint Venture Sdn Bhd	2013 - 2014	2.09
6.	Earthwork and ground treatment work for: (i) ROB 1, Jalan Perusahaan, Butterworth; (ii) ROB 6, N5 Permatang Tinggi; (iii) ROB 10, N5, Sungai Bakap; and (iv) ROB 12, Jalan Sempadan Parit Buntar.	MMC-Gamuda Joint Venture Sdn Bhd	2011 - 2012	6.30

**(v) Pore Chee Sian**

Pore Chee Sian, a Malaysia aged 45, is the Project Manager of SH Moment. He has approximately 22 years of experience in engineering and construction related industries in Malaysia and overseas.

He graduated with a Bachelor of Engineering (Civil) from the Universiti Teknologi Malaysia in 1999. Subsequently, he completed a Master of Science (Building Science) from National University of Singapore in 2004.

He began his career in 1999 as a Design Engineer in SSI Consulting Engineers Sdn Bhd where he was responsible for design and preparation for engineering drawing, project management and other technical support related activities. Prior to joining SH Moment, he served in various executive and managerial roles in construction companies based in Malaysia, Singapore, Abu Dhabi, Dubai, China and Hong Kong. His responsibilities include planning, supervising and quality control of various construction projects, design and study on the feasibility and workability construction method as well as handling on subcontracting process and tender award.

Some of the notable construction contracts overseen by Pore Chee Sian are summarised below:

No.	Project Description	Project Owner	Project Duration	Project Value HKD' million
1.	Eastern vehicular tunnel advance works, and excavation and lateral support works for Hong Kong International Airport	Hong Kong International Airport	2019 – present	32.00
2.	Earthwork lateral support works for Tseung Kwan O – Lam Tin Tunnel	Civil Engineering and Development Department of Hong Kong	2019 – present	48.00



No.	Project Description	Project Owner	Project Duration	Project Value HKD' million
3.	Infrastructure works for development at southern part of the former runway for Kai Tak Development Stage III	Civil Engineering and Development Department of Hong Kong	2016 – 2020	74.00
4.	Subcontract for earthwork lateral support works for Central - Wan Chai Bypass – Tunnel (North Point Section) and Island Eastern Corridor Link	Highways Department Major Works Project Management Office	2012 - 2016	116.00

In 2021, he joined SH Moment as the Project Manager and is responsible for overseeing the progress of construction projects undertaken by SH Moment.

The Board believes that the existing key management personnel of SH Moment have the relevant expertise and capabilities to manage the Construction Business. Further, the existing key management personnel of SH Moment are supported by a team of 52 employees and SH Moment may also engage sub-contractors to support the Construction Business. As such, the Group does not have any immediate plans to recruit new personnel for the ECRL Projects in view that SH Moment has an experienced management and operational team in place. However, as and when the need arises, the management may recruit additional personnel with the relevant experience, qualification and network to further support the Construction Business, taking into consideration the size and requirement of the construction projects to be secured in the future and the cash flow position of the Group at the relevant point in time.

Notwithstanding the above, the Group will continuously identify suitable candidates and/or employees to be trained and groomed for the purposes of succession planning. In any event, the Group is of the view that there is a sufficient pool of talent with relevant experience and technical expertise in the construction industry which may be recruited as and when required by the Group. In order to attract suitably qualified personnel, the Group will offer the prospective employees a competitive remuneration package, training and development as well as career progression opportunities.

Premised on the above, the Board believes that by leveraging on the competency and experience of its key management personnel and with the appointment of additional employees and technical personnel, when required, the See Hup Group possesses the requisite skills, expertise and experience to venture into, manage and run the Construction Business.

### **3. RATIONALE AND BENEFITS OF THE PROPOSED DIVERSIFICATION**

As set out in Section 2 of this Circular, the Group's revenue from the Existing Construction Business recorded approximately 0.93%, 6.26% and 3.32% of the Group's total revenue for FYEs 31 March 2019 to 2021 respectively following the completion of the acquisition of SH Moment in 2018. The ECRL is a key railway project under China's flagship Belt and Road initiative and is a catalyst for national infrastructure which is expected to connect cities in the East Coast of Malaysia and the Klang Valley as well as upgrade the public transportation system in rural areas. The profits to be generated from the ECRL Projects are expected to contribute and improve the Group's future financial performance. Accordingly, the approval from the shareholders of See Hup for the Proposed Diversification is sought as the Board expects the Construction Business to contribute 25% or more of the net profits of the Group and/or result in a diversion of 25% or more of the NA of the Group moving forward.

Taking into consideration the past financial performance of the Group's Transportation and Logistics Business and Trading Business, as well as the challenges arising from the COVID-19 pandemic, the Proposed Diversification is part of the Group's long term strategy to improve its financial performance by expanding further its Existing Construction Business and reducing the Group's reliance on its existing core business i.e. Transportation and Logistics Business. The Proposed Diversification is expected to expand the revenue stream and earnings base of the Group, which in turn should improve the Group's financial performance moving forward.

The Board has decided on the Proposed Diversification after taking into consideration, amongst others, the experience, track record and industry know-how of the key management personnel of SH Moment as set out in Section 2.3 of this Circular. The Group will be able to leverage on the competency and expertise of the key management personnel in undertaking and expanding the Construction Business, which is expected to augur well for the Group's financial performance. In addition, SH Moment currently holds a Grade G7 license registered with the CIDB which permits the undertaking of building construction works, civil engineering construction and supply of various mechanical equipment with indefinite contract value.

Pursuant thereto, the Board expects that with the track record of the ECRL Projects, the Group may be able to enhance its existing business network to secure more construction projects in the future.

The Board acknowledges that 2020 was a challenging year for the Malaysian construction industry mainly due to COVID-19 containment measures imposed by the Government. Nevertheless, the Board is optimistic of the future prospects of the Malaysian construction industry as the country goes through a recovery phase, supported by the rolling out of several stimulus packages that included assistance, subsidies and incentives which benefited industry players and the community in the construction sector.

Premised on the above, the Board believes that the Construction Business will expand the revenue stream and earnings base of the Group, thereby reducing its dependency on its existing core business i.e. Transportation and Logistics Business and enhance the shareholders' value of the Company in the medium to long term.

#### **4. INDUSTRY OVERVIEW, OUTLOOK AND PROSPECTS**

##### **4.1 Overview and outlook of the Malaysian economy**

The Malaysian economy expanded by 16.1% in the second quarter of 2021 (1Q 2021: -0.5%). Growth was supported mainly by the improvement in domestic demand and continued robust exports performance. The strong growth also reflected continued policy support and the low base from the significant decline in activity during the second quarter of 2020. Economic activity picked up at the start of the second quarter but slowed following the re-imposition of stricter nationwide containment measures, particularly under Phase 1 of the Full Movement Control Order (FMCO). For the second quarter as a whole, all economic sectors registered an improvement, particularly the manufacturing sector. On the expenditure side, growth was driven by higher private sector spending and strong trade activity. On a quarter-on-quarter seasonally adjusted basis, the economy registered a decline of 2.0% (1Q 2021: 2.7%), due to the containment measures.

The Malaysian economy was on track for a broad recovery in 2021 as compared to last year. However, the resurgence of COVID-19 cases has necessitated the re-imposition of nationwide containment measures, which would weigh on growth. Nevertheless, the impact will be partially mitigated by continued allowances for essential economic sectors to operate, higher adaptability to remote work, as well as increased automation and digitalisation. Growth will continue to be supported by policy measures, which will provide cash flow support, particularly for affected households and businesses. Going forward, the economic recovery will be underpinned by higher external demand and gradual improvement in domestic demand. The rapid progress of the nationwide vaccination programme will allow economic sectors to be gradually reopened and provide some lift to household and business sentiments.

Against this backdrop, for 2021, the Malaysian economy is projected to expand within the range of 3.0 – 4.0%, although the pace of recovery will be uneven across sectors. The recovery is expected to accelerate going into 2022, supported by normalisation of economic activities as well as the positive spillovers from continued improvement in external demand.

The balance of risks remains tilted to the downside, arising mainly from pandemic-related factors, such as delay in the easing of containment measures or imposition of tighter containment measures, and a weaker-than-expected global growth recovery.

*(Source: BNM Quarterly Bulletin: Economic, Monetary and Financial Developments in the Malaysian Economy in the Second Quarter of 2021, Bank Negara Malaysia)*

## **4.2 Overview and outlook of the transportation and logistics industry in Malaysia**

In Malaysia, the industry is highly integrated across various sectors. It has been a key enabler for the advancement of industrialisation, international trade and competitiveness. The logistics industry has contributed immensely in the production and distribution processes as well as facilitating trade activities. In 2019, the logistics industry<sup>1</sup> expanded by 6.8% contributing RM53.7 billion to the country's gross domestic products (GDP) (*Department of Statistics Malaysia, 2020*). Nevertheless, the industry faces various challenges inhibiting it from reaching its full potential and efficiency. Accordingly, it is imperative to transform the industry with the applications of the fourth Industrial Revolution (IR4.0) to improve efficiency and productivity as well as to remain competitive.

<sup>1</sup>*Proxied by the transportation and storage subsector.*

Digital transformation will benefit industries through lower cost and additional revenues. Cost is expected to be reduced by 34.2% while increasing revenue by 33.6% in the logistics services industry through this transformation (*Lehmacher et al., 2017*).

The adoption of digitalisation enables the logistics players to manage their operations efficiently and provide seamless logistics services to their clients worldwide. This will allow businesses to run with greater resilience and flexibility to remain competitive. The COVID-19 pandemic has precipitated the digital transformation of firms, including those in the logistics sector, which can no longer do business conventionally. With the rise of e-commerce activities, logistics players need to ramp up their performance while adjusting to strict guidelines to keep in pace with the new norms.

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

The Malaysian freight and logistics market was valued at USD37.60 billion in 2020, and it is expected to reach more than USD 55 billion by 2026 at a CAGR of more than 4% during the forecast period.

Due to COVID-19, customers have become accustomed to online shopping. This change in their shopping habits is making the logistics industry refocus on last-mile delivery services. Logistics businesses will have to enhance their last-mile capabilities to suit the present times. The COVID-19 pandemic pushed the logistics industry to re-evaluate and re-strategise its operations towards digitalization.

The logistics industry in Malaysia has evolved in recent years. With the rise of e-commerce in the country, companies are capitalising on this emerging trend. The interest of the companies in emerging areas, such as cold chain logistics, last-mile delivery services, etc., is growing due to the high margins and rising demand.

As the growth of the logistics sector is expected to be positive in the future, there is much scope for improvement. To enable the logistics sector to handle greater volumes of freight, to speed up the time taken to deliver goods across the supply chains, and to lower the cost of this delivery, several improvements need to be made. While the country's logistics infrastructure is improving, there is a need for continuous investment into infrastructures, such as port upgrades and expansion, road networks, and advanced information technology (IT) systems.

Malaysia is a trade-dependent economy that generates large amounts of trade to be brought to and from global markets, especially in the region. Logistics is a strong supporter of supporting key industries such as manufacturing, oil, and gas.

It is estimated that the Malaysian logistics industry may need to increase the workforce by 41%, from 393,000 workers in 2016 to 554,000 workers by 2022. With the fast-growing e-commerce industry in the country, numerous jobs are expected to be created in the digital free-trade zone and e-fulfillment centers.

*(Source: Malaysia Freight and Logistics Market – Growth, Trends, COVID-19 Impact and Forecasts (2021-2026), Mordor Intelligence)*

#### **4.3 Overview and outlook of the construction industry in Malaysia**

The construction sector registered a strong positive growth of 40.3% (1Q 2021: -10.4%). Growth was supported by the continuation of construction works in large infrastructure projects and on-going implementation of small-scale projects under the 2021 Budget, Program Strategik Memperkasa Rakyat Dan Ekonomi (PEMERKASA) and PEMERKASA Plus stimulus packages. However, on a seasonally adjusted, quarter-on-quarter basis, construction growth declined by 3.2%. Activity was disrupted by the restrictions under phase 1 of the full MCO, where only essential construction projects<sup>1</sup> were allowed to operate, albeit at a reduced capacity.

<sup>1</sup> *Activities that were allowed to operate include critical maintenance and repair works, public infrastructure projects as well as projects with approved onsite worker accommodation.*

*(Source: BNM Quarterly Bulletin: Economic, Monetary and Financial Developments in the Malaysian Economy in the Second Quarter of 2021, Bank Negara Malaysia)*

The construction sector contracted by 25.9% in the first half of 2020 and is expected to shrink by 11.8% in the second half with all segments declining significantly. At the same time, prolonged property overhangs continue to weigh down the performance of the sector. However, civil engineering and specialised construction activities subsectors are expected to improve gradually, cushioned by various measures under the economic stimulus packages. Overall, for the year, the sector is projected to contract by 18.7%.

The construction sector is expected to rebound by 13.9% in 2021 on account of the acceleration and revival of major infrastructure projects, coupled with affordable housing projects. The civil engineering subsector will continue to be the main driver of the construction sector. Among the major infrastructure projects include Mass Rapid Transit 2 (MRT2), Light Rail Transit 3 (LRT3), West Coast Expressway (WCE) and Bayan Lepas Light Rail Transit (LRT) as well as Pan Borneo and Coastal Highways in Sarawak. Utility projects include the Langat 2 Water Treatment Plant, Baleh Hydroelectric Dam and Sarawak Water Supply Grid Programme (Phase 1).

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

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#### 4.4 Prospects of the See Hup Group

The Group has recorded losses for the past three (3) FYEs 31 March 2019 to 2021. Based on the latest audited consolidated financial statements of See Hup for the FYE 31 March 2021, the Group's revenue decreased by approximately RM15.90 million or 16.64% from approximately RM95.56 million for the FYE 31 March 2020 to approximately RM79.66 million for the FYE 31 March 2021. The decrease in revenue was mainly attributable to the scaling down of the Group's operations as a result of the imposition of various forms of MCO by the Government. Despite the decrease in revenue, the Group's LBT improved from approximately RM7.37 million for the FYE 31 March 2020 to a LBT of approximately RM3.93 million for the FYE 31 March 2021 which was mainly due to the management's continuous efforts in improving operational efficiency and cost reductions.

According to Malaysia Freight and Logistics Market – Growth, Trends, COVID-19 Impact and Forecasts (2021-2026) published by Mordor Intelligence, the Malaysian freight and logistics market was valued at USD37.60 billion in 2020 and it is expected to reach more than USD55 billion by 2026 giving a compound annual growth rate of more than 4% during the forecast period. However, against the backdrop of the ongoing COVID-19 pandemic, the Board expects that these prolonged challenges will continue to evolve providing uncertainty in the local and global economy for the demand of freight transport and logistics services. Nonetheless, the Group will continue to review its operational efficiency and cost management initiatives to manage the revenue and profit of the Group. The management has also undertaken several other initiatives including, amongst others, reviewing the Group's customers profile vis-à-vis the ageing of the trade receivables. It is the intention of the Group to maintain customers with a good credit profile and reassessing customers with long-overdue payment.

In addition, on 14 January 2021, See Hup announced that Limsa Ekuiti Sdn Bhd, a wholly-owned subsidiary of See Hup, had entered into a conditional sale and purchase agreement with Wangsaga Industries Sdn Bhd and Tek Seng Properties & Development Sdn Bhd for the disposal of nine (9) adjoining lots of industrial land and warehouse for a total cash consideration of RM46,962,465 ("**Disposal Consideration**") ("**Disposal**"). The Disposal was completed on 6 August 2021 and RM18.00 million of the Disposal Consideration was allocated for the expansion of the Group's logistics business, warehousing facilities, maintenance of workshop, upgrading and increasing the See Hup Group's fleet of trucks, through potential acquisitions, investments in assets and/or strategic collaborations, joint ventures or alliances that are expected to enhance the Group's performance and shareholders' value.

As set out in Section 2 of this Circular, SH Moment was awarded the ECRL Projects with total contract value of approximately RM190.04 million. The ECRL Projects cover part of the subgrade works for the ECRL and are expected to take approximately 26 to 28 months to complete. This is expected to provide earnings visibility to the Group for the next two (2) years and contribute to the Group's future financial performance. By leveraging on the key management personnel of SH Moment, the Board believes that the Group has the capability and resources to ensure the successful execution of the awarded ECRL Projects. In addition, the successful implementation of the ECRL Projects is expected to enhance SH Moment's track record and thereby place SH Moment in a better position to secure other similar projects in the future and provide further growth to the Group.

As at the LPD, save for the construction projects as disclosed in Section 2.1 of this Circular, the Group has not tendered or secured any additional projects and/or contracts in relation to the Construction Business. The Group will continue to explore opportunities to enhance the value of its Construction Business and ensure a sustainable revenue stream for the medium to long term through proactively monitoring the development of the construction industry in Malaysia and participating in new construction project tenders which are suitable for the Group's operations and construction expertise. If the Group manages to secure additional contracts for the Construction Business, the Group will make the relevant announcements in compliance with the Listing Requirements.

The Group may also in the future embark on additional viable ventures into the Construction Business through organic approaches or otherwise, including but not limited to, strategic businesses or investments, joint ventures, collaborative arrangements, business agreements, and/or mergers and acquisitions of suitable businesses or investments in the construction related activities subject to applicable compliance/ rules and other relevant acts or authorities applicable at the material time. Notwithstanding the above, the Group will undertake feasibility studies to provide risk-reward assessment on the viability of such organic/inorganic growth strategies prior to implementing such strategies.

Premised on the above and having considered the projected recovery of the construction industry in Malaysia as set out in Section 4.3 of this Circular, the Board is cautiously optimistic that the Construction Business would contribute positively to the Group's future earnings and thus enhance the shareholders' value of the Company in the medium to long term.

#### **4.5 Impact of COVID-19 pandemic on the Group's financial performance and operations**

The COVID-19 pandemic has caused a global economic slowdown since early 2020. The Government has enforced the MCO starting from 18 March 2020. This resulted in the restriction of travel and social gathering activities as well as the temporary closure of non-essential businesses. As a result of the MCOs, the operations of the Group had to be temporarily scaled down. The Group has since implemented standard operating procedures introduced by Malaysia's Ministry of Health to ensure the safe and smooth resumption of the Group's business operations. Further, during the re-imposition of the MCO period in January 2021 as well as the full lockdown imposed by the Government on 1 June 2021, the Group was allowed to operate its Transportation and Logistics Business on a reduced basis in compliance with the relevant standard operating procedures as this segment is classified as an essential service.

The Group's revenue decreased by approximately RM15.90 million or 16.64% from approximately RM95.56 million for the FYE 31 March 2020 to approximately RM79.66 million for the FYE 31 March 2021. The decrease was mainly attributable to the general economic downturn due to the COVID-19 pandemic as:

- (iii) the Group's Transportation and Logistics Business registered a lower revenue due to certain of its customers not operating at full capacity; and
- (iv) the various forms of MCO implemented by the Government to contain the increase in cases from the COVID-19 pandemic led to low levels of revenue from the Trading Business and Existing Construction Business.

However, the Group's business operations are expected to gradually recover from the COVID-19 pandemic disruptions mainly attributable to the Group's continued focus on operational efficiency and cost reductions for the Transportation and Logistics Business and the revival of the major infrastructure projects for the Existing Construction Business.

Nevertheless, the Group intends to expand its earnings base and reduce reliance on its Transportation and Logistics Business through the Proposed Diversification.

The Board wishes to highlight that as the circumstances pertaining to the said pandemic are fluid and uncertain in these unprecedented times, there can be no assurance that any prolonged adverse development arising from the MCOs, the COVID-19 pandemic and/or any other external factors will not have a material adverse effect on the financial performance and/or operations of the Group.

## **5. RISK FACTORS**

The Proposed Diversification will result in the expansion of the Group's Existing Construction Business. Accordingly, the Group is expected to be subject to challenges and certain risks inherent in the construction industry in which the Group has not been exposed to.

### **5.1 Business diversification risks**

The Proposed Diversification may expose the Group to certain new business risks inherent in the construction industry that could have material adverse effects on its financial performance, including but not limited to the following:

- (i) delays in project execution;
- (ii) failure to obtain the necessary operating permits, licenses, certificates and/or regulatory approvals;
- (iii) availability and fluctuation of building materials and labour costs; and
- (iv) changes in the regulatory framework in the construction industry.

Nevertheless, the Group will seek to mitigate this risk by leveraging on the experience, network and expertise of the key management personnel of SH Moment. The Group will also seek to limit the risks through, amongst others, diligently monitoring the performance and changes within the construction industry, careful planning and periodic review of construction operations.

However, there can be no assurance the aforementioned risks may be adequately addressed and any changes to the operating conditions of the Group may have an adverse effect on the Group's financial performance.

### **5.2 Dependency on award of new contracts**

As the nature of the Construction Business is project-based, there is no assurance that the Group will be able to continuously secure new construction projects, nor any assurance that new construction projects secured will be on commercial terms favourable to the Group. The financial performance of the Group's Construction Business depends on the Group's ability to secure new construction projects to sustain its order book. Should the Group be unable to do so, its order book may decline, which may cause a material adverse impact on the growth potential and future financial performance of its Construction Business.

The Group will seek to limit such risks by actively participating in open tenders and securing new construction contracts by leveraging on the competency of the key management personnel who have the relevant expertise and experience in the construction industry. Further, the Group may consider entering into strategic joint ventures to tender for more complex contracts with higher profit margins including, but not limited to, civil engineering projects. By undertaking the ECRL Projects, the Group will be able to accumulate experience in the construction industry and build its track record.

Nonetheless, there can be no assurance that the Group will be able to successfully secure new contracts in the future.

### **5.3 Dependency on key management personnel**

The business growth and success in the Construction Business is largely attributable to the skill, experience, competency and continued efforts of the Group's key management personnel as well as the Group's ability to attract more qualified personnel who have the relevant experience in the construction industry. The loss of any key management personnel without timely replacement or the Group's inability to attract and/or retain qualified personnel may adversely affect the Construction Business which would in turn negatively impact on the financial performance of the Group.

As such, the Group will strive to adopt appropriate measures to retain its key management personnel and attract qualified personnel, including providing attractive remuneration, requisite training, career advancement opportunities and other employment benefits. The Group may also reduce its reliance on any key management personnel by regularly reviewing its staff strength and policies (including succession planning) to ensure that it will be able to effectively address human resource risks.

Notwithstanding the above, there can be no assurance that the above measures will enable the Group to retain key management personnel or address the loss of key management personnel effectively or that a smooth transition will occur during any staff replacement exercise.

#### **5.4 Political, economic and regulatory risks**

Adverse changes in political, economic, regulatory and social conditions in Malaysia including amongst others, changes in economic conditions, changes in governmental policies, such as the method of taxation and the introduction of new regulations, could materially and unfavourably affect the financial prospects of the Construction Business directly or indirectly.

Notwithstanding that, the Group will constantly keep abreast with the political, economic and regulatory developments through various media, events and/ or seminars, and may also engage in discussions or meetings with the relevant stakeholders to evaluate, introduce and/or undertake measures with the aim of mitigating impact of the aforementioned risks.

There can however be no assurance that any adverse development in the economic, political and/or regulatory environment in Malaysia will not have any material adverse effect on the business operations and/or financial performance of the Group.

#### **5.5 Financing risk**

The ECRL Projects will be funded via the progress payments to be received from the ECRL Projects, internally generated funds, shareholder advances and/or external borrowings of SH Moment.

In the event SH Moment decides to obtain external borrowings to finance the ECRL Projects, See Hup and the other shareholders of SH Moment will collectively provide a financial guarantee for the external borrowings, if required. As such, the Group's gearing level will increase correspondingly as a result of consolidating SH Moment's bank borrowings. The Group may be exposed to, amongst others, fluctuations in interest rate and debt servicing risk, which may potentially lead to higher borrowing costs and in turn adversely affect the Group's financial performance as well as its ability to service future loan repayment obligations.

In addition, any utilisation of internal funds for the Construction Business is expected to result in a reduction of funds available for other business segments, which could potentially lead to an adverse effect on the Group's cash flow position.

Notwithstanding the above, the Group will continuously monitor and review its gearing level, interest costs as well as its cash flow position to achieve an overall optimal capital structure.

### **6. EFFECTS OF THE PROPOSED DIVERSIFICATION**

#### **6.1 Issued share capital and substantial shareholders' shareholdings**

The Proposed Diversification will not have any effect on the issued share capital and substantial shareholders' shareholdings of See Hup as the Proposed Diversification does not involve any issuance of new See Hup Shares.



## **6.2 NA, NA per Share and gearing**

The Proposed Diversification is not expected to have any material pro forma effect on the NA and NA per Share of the Group as at 31 March 2021. The impact of the pro forma gearing of the Group as at 31 March 2021 as a result of the Proposed Diversification will depend on the manner of funding for the ECRL Projects and/or any future construction projects to be secured.

For avoidance of doubt, the on-going construction projects undertaken by SH Moment will be funded via internally generated funds. As such, there will be no impact on the pro forma gearing of the Group as at 31 March 2021.

## **6.3 Earnings and EPS**

The Proposed Diversification is not expected to have any material effect on the earnings and EPS of the Group for the FYE 31 March 2022. Nevertheless, the Proposed Diversification is expected to contribute positively to the future earnings and EPS of the Group.

## **6.4 Convertible securities**

As at the LPD, the Company does not have any convertible securities.

## **7. APPROVALS REQUIRED**

The Proposed Diversification is subject to the approval of the shareholders of See Hup at the forthcoming EGM of the Company.

## **8. CONDITIONALITY**

The Proposed Diversification is not conditional upon any other corporate exercise undertaken or to be undertaken by See Hup.

## **9. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM**

None of the directors, major shareholders of the Company and/or persons connected with them have any interest, directly or indirectly, in the Proposed Diversification.

## **10. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION**

Save for the Proposed Diversification, there is no other corporate exercise which has been announced but pending completion as at the LPD.

## **11. DIRECTORS' STATEMENT AND RECOMMENDATION**

The Board, having considered all aspects of the Proposed Diversification, including but not limited to the rationale and benefits of the Proposed Diversification as well as the prospects of the See Hup Group and the risks involved, is of the opinion that the Proposed Diversification is in the best interest of the Company.

Accordingly, the Board recommends you to vote in favour of the resolution pertaining to the Proposed Diversification to be tabled at the forthcoming EGM of the Company.

## **12. TENTATIVE TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances, the Proposed Diversification will take immediate effect upon obtaining approval from the shareholders of See Hup at the forthcoming EGM of the Company.

## **13. EGM**

The EGM, the notice of which is enclosed in this Circular, will be conducted on a fully virtual basis via the online meeting platform at <https://agm.digerati.com.my/pasb-online> (Domain registration number D1A119533) on Wednesday, 29 September 2021 at 11.00 a.m. or immediately after the conclusion or adjournment (as the case may be) of the Company's Twenty-Fifth (25<sup>th</sup>) AGM, to be conducted fully virtual on the same day at 9.45 a.m., whichever is the later, for the purpose of considering and if thought fit, passing the resolution to give effect to the Proposed Diversification.

If you are unable to attend and vote in person at the EGM, you may appoint a proxy or proxies to attend and vote on your behalf. If you wish to do so, you must complete the Form of Proxy for the EGM in accordance with the instructions contained therein and lodge the same at the Company's registered office at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, not less than forty-eight (48) hours before the time appointed for holding the EGM or any adjournment thereof.

The lodging of the Form of Proxy for the EGM will not preclude you from attending and voting in person at the EGM should you subsequently decide to do so.

## **14. FURTHER INFORMATION**

Shareholders are advised to refer to the attached appendix for further information.

Yours faithfully,  
For and on behalf of the Board of  
**SEE HUP CONSOLIDATED BERHAD**

**LEE CHOR MIN**  
Group Managing Director

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**FURTHER INFORMATION**


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**1. DIRECTORS' RESPONSIBILITY STATEMENT**

The Board has seen and approved the contents of this Circular, and they collectively and individually, accept full responsibility for the accuracy of the information given in this Circular. The Board confirms that after making all reasonable enquires and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in this Circular false or misleading.

**2. MATERIAL COMMITMENTS**

Save as disclosed below, as at the LPD, the Board is not aware of any material commitments incurred or known to be incurred by the Group, which upon becoming enforceable, may have a material impact on the business or financial position of the Group.

	<b>RM'000</b>
Contracted but not provided for:	
- Property, plant and equipment	2,903

**3. CONTINGENT LIABILITIES**

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

**4. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours from 9.00 a.m. to 5.00 p.m. from Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the forthcoming EGM of the Company, at the registered office of the Company at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang:

- (i) the Constitution of See Hup; and
- (ii) the audited consolidated financial statement of See Hup for the past two (2) FYEs 31 March 2020 and FYE 31 March 2021 as well as the latest unaudited quarterly report of See Hup for the three (3)-month FPE 30 June 2021.



**SEE HUP CONSOLIDATED BERHAD**  
(Registration No. 199601018726 (391077-V))  
(Incorporated in Malaysia)

## **NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN THAT** an Extraordinary General Meeting (“EGM”) of See Hup Consolidated Berhad (“See Hup” or “Company”) will be conducted on a fully virtual basis vide the online meeting platform at <https://agm.digerati.com.my/pasb-online> (Domain registration number D1A119533) on Wednesday, 29 September 2021 at 11.00 a.m. or immediately after the conclusion or adjournment (as the case may be) of the Company’s Twenty-Fifth (25<sup>th</sup>) Annual General Meeting, to be conducted fully virtual on the same day at 9.45 a.m., whichever is the later, for the purpose of considering and if thought fit, passing with or without modifications of the following resolution:

### **ORDINARY RESOLUTION**

#### **PROPOSED DIVERSIFICATION OF THE EXISTING PRINCIPAL ACTIVITIES OF SEE HUP AND ITS SUBSIDIARIES (“SEE HUP GROUP” OR “GROUP”) TO INCLUDE THE CONSTRUCTION CONTRACTS SERVICES AND OTHER SUPPORT ACTIVITIES (“PROPOSED DIVERSIFICATION”)**

“**THAT** subject to the approval and consent being obtained from all relevant authorities and/or parties (where applicable), approval be and is hereby given to the Group to diversify its existing principal activities to include the construction contracts services and other support activities;

**AND THAT** the Board of Directors of See Hup (“Board”) be and are hereby authorised to sign and execute all documents, do all acts, deeds and things as may be required to give effect to and to complete the aforesaid Proposed Diversification, with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or imposed by the relevant authorities or deemed necessary by the Board to implement, finalise and give full effect to the Proposed Diversification.”

By Order of the Board

**TAI YIT CHAN (MAICSA 7009143) (SSM PC 202008001023)**  
**ONG TZE-EN (MAICSA 7026537) (SSM PC 202008003397)**  
**LAU YOKE LENG (MAICSA 7034778) (SSM PC 202008003368)**  
**Joint Company Secretaries**

Penang  
10 September 2021

Notes:

#### **1. Virtual EGM**

- (a) The EGM of the Company will be conducted on a fully virtual basis through **live streaming and Remote Participation and Voting (“RPV”) facilities**. Please refer to the Administrative Guide for the EGM for the procedures to register, participate and vote remotely via the RPV facilities.
- (b) For the purpose of complying with Section 327(2) of the Companies Act 2016, the Chairman of the meeting is required to be present at the main venue of the EGM. Members/Proxies/Corporate Representatives will **not be allowed** to attend this EGM in person at the broadcast venue on the day of the EGM.

#### **2. Appointment of Proxy**

- (a) A Member may appoint up to two (2) proxies to attend on the same occasion. A proxy may but need not be a Member of the Company. A proxy must be of full age. If a Member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
- (b) Where a Member of the Company is an authorised nominee as defined under the Securities Industry (Central Depository) Act 1991 (“SICDA”), it may appoint up to 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.
- (c) Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) 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.  
An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
- (d) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, the Form of Proxy must be executed under the corporation’s seal or under the hand of an officer or attorney duly authorised.
- (e) To be valid, the Form of Proxy duly completed must be deposited at the Company’s registered office at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang at least forty-eight (48) hours before the time appointed for holding the meeting or any adjournments thereof.
- (f) In respect of deposited securities, only a Depositor whose name appears on the Record of Depositors on 20 September 2021 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.



CDS Account No.	
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No. of Shares Held	
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I/We\* \_\_\_\_\_  
(Full Name in Block Letters and NRIC / Company No.)

of \_\_\_\_\_ and \_\_\_\_\_  
(Address) (Tel. No.)

being a member\* / members\* of See Hup Consolidated Berhad hereby appoint

Full Name (in Block Letters)	NRIC/Passport No.	No. of Shares	% of Shareholding
Address:			
Email Address:			
Telephone No.:			

\* and/or (\*delete if not applicable)

Full Name (in Block Letters)	NRIC/Passport No.	No. of Shares	% of Shareholding
Address:			
Email Address:			
Telephone No.:			

or failing him/her, the CHAIRMAN OF THE MEETING as my\*/our\* proxy, to vote for me\*/us\* and on my\*/our\* behalf at the EXTRAORDINARY GENERAL MEETING (“EGM”) of the Company to be conducted on a fully virtual basis vide the online meeting platform at <https://agm.digerati.com.my/pasb-online> (Domain registration number D1A119533) on Wednesday, 29 September 2021 at 11.00 a.m. or immediately after the conclusion or adjournment (as the case may be) of the Company’s Twenty-Fifth (25th) Annual General Meeting, to be conducted fully virtual on the same day at 9.45 a.m., whichever is the later.

NO.	RESOLUTION	FOR	AGAINST
1	Ordinary Resolution – Proposed Diversification		

(Please indicate with an “X” in the appropriate space how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion)

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2021

\_\_\_\_\_  
Signature of Shareholder

\_\_\_\_\_  
Common Seal to be affixed here if Shareholder is a Corporation

- Notes:
- Virtual EGM**
    - The EGM of the Company will be conducted on a fully virtual basis through **live streaming and Remote Participation and Voting (“RPV”) facilities**. Please refer to the Administrative Guide for the EGM for the procedures to register, participate and vote remotely via the RPV facilities.
    - For the purpose of complying with Section 327(2) of the Companies Act 2016, the Chairman of the EGM is required to be present at the main venue of the EGM. Members/Proxies/Corporate Representatives will **not be allowed** to attend this EGM in person at the broadcast venue on the day of the EGM.
  - Appointment of Proxy**
    - A Member may appoint up to two (2) proxies to attend on the same occasion. A proxy may but need not be a Member of the Company. A proxy must be of full age. If a Member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
    - Where a Member of the Company is an authorised nominee as defined under the Securities Industry (Central Depository) Act 1991 (“SICDA”), it may appoint up to 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.
    - Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) 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.  
  
An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
    - The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, the Form of Proxy must be executed under the corporation’s seal or under the hand of an officer or attorney duly authorised.
    - To be valid, the Form of Proxy duly completed must be deposited at the Company’s registered office at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang at least forty-eight (48) hours before the time appointed for holding the meeting or any adjournments thereof.
    - In respect of deposited securities, only a Depositor whose name appears on the Record of Depositors on 20 September 2021 (Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

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**AFFIX  
STAMP**

The Joint Company Secretaries  
**SEE HUP CONSOLIDATED BERHAD**  
(Registration No. 199601018726 (391077-V))  
170-09-01 Livingston Tower, Jalan Argyll,  
10050 George Town, Pulau Pinang, Malaysia

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