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

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NI HSIN RESOURCES BERHAD
Registration No. 200401014850 (653353-W)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

- I. PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 960,100,350 REDEEMABLE CONVERTIBLE PREFERENCE SHARES ("RCPS") AT AN ISSUE PRICE OF RM0.01 PER RCPS ON THE BASIS OF 2 RCPS FOR EVERY 1 EXISTING ORDINARY SHARE IN NI HSIN HELD BY THE ENTITLED SHAREHOLDERS OF NI HSIN ON AN ENTITLEMENT DATE TO BE DETERMINED ("PROPOSED RIGHTS ISSUE OF RCPS");**
- II. PROPOSED DIVERSIFICATION OF THE EXISTING BUSINESSES OF NI HSIN AND ITS SUBSIDIARIES TO INCLUDE FOOD AND BEVERAGE BUSINESS ("PROPOSED DIVERSIFICATION"); AND**
- III. PROPOSED AMENDMENTS TO THE CONSTITUTION OF NI HSIN TO FACILITATE THE CREATION OF THE RCPS PURSUANT TO THE PROPOSED RIGHTS ISSUE OF RCPS AND TO ENHANCE ADMINISTRATIVE EFFICIENCY ("PROPOSED AMENDMENTS")**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser



M&A SECURITIES SDN BHD
Registration No. 197301001503 (15017-H)
(A Wholly-Owned Subsidiary of Insas Berhad)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of Extraordinary General Meeting ("EGM") together with the Proxy Form are enclosed in this Circular. The Proxy Form should be lodged at the Company's Share Registrar Office, Bina Management (M) Sdn Bhd at Lot 10, The Highway Centre, Jalan 51/205, 46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than 48 hours before the time appointed for holding the EGM or at any adjournment thereof.

A shareholder entitled to attend and vote at the EGM is entitled to appoint a proxy/proxies to attend and vote on his/her behalf. The lodging of the Proxy Form will not preclude a shareholder from attending and voting in person at the EGM should the shareholder subsequently decide to do so. The details of the EGM are as follows:

Last date and time for lodging the Proxy Form for the EGM	: Monday, 16 November 2020 at 9.30 a.m.
Date and time of the EGM	: Wednesday, 18 November 2020 at 9.30 a.m. or any adjournment thereof
Venue of the EGM	: Tioman Room, Bukit Jalil Golf & Country Resort, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur, Malaysia

This Circular is dated 13 October 2020

DEFINITIONS

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

Act	: Companies Act 2016, as amended from time to time including any re-enactment thereof
Additional Warrants	: Up to 37,318,783 additional Warrants to be issued pursuant to the Rights Adjustments
Board	: Board of Directors of Ni Hsin
Bursa Depository	: Bursa Malaysia Depository Sdn Bhd
Bursa Securities	: Bursa Malaysia Securities Berhad
CCM	: Companies Commission of Malaysia
Circular	: This circular to shareholders dated 13 October 2020 in relation to the Proposals
Code	: Malaysian Code on Take-Overs and Mergers, 2010
Collaboration Agreement	: The collaboration agreement dated 12 August 2020 entered into between Ni Hsin F&B and Fiatec
Clad Metals Business	: Research, development and manufacture of clad metals business
Collaboration Agreement	: Collaboration agreement entered into between Ni Hsin F&B and Fiatec to undertake the development and formulation of the health and bioenergy products for the F&B Business
Conversion Share(s)	: Up to 960,100,350 new Shares to be issued pursuant to the conversion of the RCPS
Convex Mirrors Business	: Manufacture and sale of stainless steel convex mirrors business
Cookware Business	: Design, manufacture and sale of stainless steel kitchenware and cookware business
Deed Poll	: The deed poll dated 24 April 2019 governing the terms and conditions of the Warrants
EGM	: Extraordinary general meeting
Entitled Shareholders	: Shareholders of Ni Hsin whose names appear in the Record of Depositors of the Company on the Entitlement Date
Entitlement Date	: A date to be determined and announced later by the Board, as at the close of business on which the shareholders of Ni Hsin must be registered in the Record of Depositors in order to be entitled to participate in the Proposed Rights Issue of RCPS
EPS	: Earnings per Share
F&B Business	: Food and beverage business

DEFINITIONS (CONT'D)

Fiatec	:	Fiatec Biosystem Sdn Bhd
FYE	:	Financial year ended/ending 31 December, as the case may be
IMR Report	:	Independent Market Research Report on cookware market and the food and beverages industry in Malaysia
LPD	:	13 September 2020, being the latest practicable date prior to the printing of this Circular
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities, as may be amended from time to time
M&A Securities	:	M&A Securities Sdn Bhd
Ni Hsin F&B	:	Ni Hsin Food & Beverages Sdn Bhd
Ni Hsin or Company	:	Ni Hsin Resources Berhad
Ni Hsin Group or Group	:	Ni Hsin and its subsidiaries, collectively
Ni Hsin Share(s) or Share(s)	:	Ordinary share(s) in Ni Hsin
NA	:	Net assets
Products	:	Health and bioenergy beverages which includes, but not limited to energy coffee and nutritional coffee
Proof of Concept	:	The evidence deriving from experiments conducted during the research and development processes which demonstrate that the product formulation is feasible to be developed into a target product
Proposals	:	Collectively, Proposed Rights Issue of RCPS, Proposed Diversification and Proposed Amendments
Proposed Rights Issue of RCPS	:	Proposed renounceable rights issue of up to 960,100,350 RCPS at the RCPS Issue Price on the basis of 2 RCPS for every 1 existing Ni Hsin Share held by the Entitled Shareholders on the Entitlement Date
Proposed Diversification	:	Proposed diversification of the existing businesses of Ni Hsin Group to include the F&B Business
Proposed Amendments	:	Proposed amendments to the Constitution of Ni Hsin to facilitate the creation of the RCPS pursuant to the Proposed Rights Issue of RCPS and to enhance administrative efficiency
Protégé Associates	:	Protégé Associates Sdn Bhd
Rights Adjustments	:	Adjustments to the Warrants in accordance with the provisions of the Deed Poll as a result of the Proposed Rights Issue of RCPS
RCPS	:	Redeemable convertible preference shares
RCPS Issue Price	:	Issue price of RM0.01 per RCPS

DEFINITIONS (CONT'D)

Record of Depositors	:	A record of securities holders established and maintained by Bursa Depository under the rules of Bursa Depository
RM and sen	:	Ringgit Malaysia and sen, respectively
Undertaking	:	Undertaking from Undertaking Shareholder to subscribe and/or procure the subscription of 300,000,000 RCPS
Undertaking Shareholder	:	Khoo Chee Kong, the major shareholder and key management of Ni Hsin Group
Warrant(s)	:	156,875,524 outstanding warrants 2019/2022 in Ni Hsin constituted under the Deed Poll
5D-VWAP	:	Five (5)-day volume weighted average market price

In this Circular, words importing the singular shall, where applicable, include the plural and vice versa, and words importing the masculine gender shall, where applicable, include the feminine gender and vice versa. References to persons shall, where applicable, include a corporation(s).

Any reference in this Circular to any enactments is a reference to that enactment as for the time being amended or re-enacted. For the purpose of this Circular, all references to time of a day shall be reference to Malaysian time, unless otherwise stated.

Certain figures included in this Circular have been subject to rounding adjustments.

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EXECUTIVE SUMMARY

THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT INFORMATION OF THE PROPOSALS. YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE ENTIRE CONTENTS OF THIS CIRCULAR WITHOUT RELYING SOLELY ON THIS EXECUTIVE SUMMARY BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS AT THE FORTHCOMING EGM OF THE COMPANY.

Key information	Summary	Reference to Circular
Summary of the Proposals	<p>Ni Hsin intends to undertake the following:</p> <p>(a) <u>Proposed Rights Issue of RCPS</u></p> <p>The Proposed Rights Issue of RCPS would entail an issuance of up to 960,100,350 RCPS to the Entitled Shareholders on the basis of 2 RCPS for every 1 existing Ni Hsin Shares held on the Entitlement Date at the RCPS Issue Price.</p> <p>The Proposed Rights Issue of RCPS is renounceable in full or in part. Accordingly, the Entitled Shareholders can subscribe in full and/or renounce their entitlements to the RCPS in full or in part. The RCPS which are not validly taken up shall be made available for excess applications by the Entitled Shareholders and/or their renounee(s). It is the intention of the Board to allocate the excess RCPS, if any, in a fair and equitable manner on a basis to be determined by the Board.</p> <p>The conversion price and conversion ratio of the RCPS will be determined by the Board, and announced by the Company on the price-fixing date after the receipt of all required approvals for the Proposed Rights Issue of RCPS and Proposed Amendments but before the announcement of the Entitlement Date.</p>	Section 2
	<p>(b) <u>Proposed Diversification</u></p> <p>The Proposed Diversification is part of the Group's strategy to reduce its reliance on the existing business for a diversified income stream.</p> <p>The Board anticipates that the F&B Business will potentially contribute 25% or more of the Group's net profit and/or result in a diversion of 25% or more of the Group's net assets towards the F&B Business. As such, the Company is seeking shareholders' prior approval for the Proposed Diversification.</p>	
	<p>(c) <u>Proposed Amendments</u></p> <p>The Proposed Amendments is a consequential proposal undertaken by the Company to facilitate the creation of the RCPS pursuant to the Proposed Rights Issue of RCPS and to enhance administrative efficiency.</p>	

EXECUTIVE SUMMARY (CONT'D)

Key information	Summary	Reference to Circular
Rationale and benefit of the Proposals	<p>(a) <u>Proposed Rights Issue of RCPS</u></p> <ul style="list-style-type: none">• Enable the Company to raise funds to mainly finance the capital expenditure for the F&B Business in a cost-effective manner as compared to bank borrowings. The RCPS are subject to a fixed dividend rate of 3% which is lower than the interest rate for bank borrowings.• Increase the size and strength of the Company's balance sheet as well as to potentially increase the market capitalisation, thus strengthening its financial position.• Raise funds from the equity market without dilution to the shareholdings of Entitled Shareholders, provided that all Entitled Shareholders subscribe to their entitlement and fully convert their RCPS.• Allows Entitled Shareholders to increase their equity participation in the Company. <p>(b) <u>Proposed Diversification</u></p> <p>Given the Cookware Business and Clad Metals Business of the Group has been incurring losses due to several factors, the Proposed Diversification allows the Company to venture into other revenue-generating business to mitigate the business concentration risk.</p> <p>The Board believe that the Proposed Diversification will contribute positively to the Group's future earnings and improve its financial position upon commencement of the F&B Business.</p> <p>(c) <u>Proposed Amendments</u></p> <p>The Proposed Amendments are necessary to facilitate the issuance of RCPS pursuant to the Proposed Rights Issue of RCPS and to enhance administrative efficiency.</p>	Section 3
Approvals required	<p>: The Proposals are conditional upon the following approvals being obtained:</p> <p>(a) Bursa Securities for the admission, listing of and quotation for the (i) RCPS; (ii) new Conversion Shares to be issued pursuant to the conversion of RCPS; (iii) Additional Warrants; and (iv) new Ni Hsin Shares to be issued pursuant to the exercise of Additional Warrants on the Main Market of Bursa Securities which was obtained vide its letter dated 24 September 2020 subject to the conditions as disclosed in Section 7 of this Circular;</p>	Section 7

EXECUTIVE SUMMARY (CONT'D)

Key information	Summary	Reference to Circular
	(b) the shareholders of Ni Hsin for the Proposals at the forthcoming EGM to be convened; and	
	(c) any other relevant authorities or parties, if any.	
Parties involved and the element of conflict of interests	: None of the Directors, major shareholders, chief executive of the Company and/or persons connected to them, have any interest, either direct or indirect, in the Proposals, apart from their respective entitlements as shareholders of the Company in respect of the Proposals, if any, which are also available to the other shareholders of the Company.	Section 9
	The Undertaking Shareholder have given the Undertaking to subscribe for 300,000,000 RCPS.	Section 2.1.5
Directors' Recommendation	: The Board, after having considered all aspects of the Proposals, is of the opinion that the Proposals are in the best interest of the Company and recommends that you vote in favour of the resolutions pertaining to the Proposals at the EGM to be convened on the basis of the rationale set out in Section 3 of this Circular.	Section 10

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NI HSIN RESOURCES BERHAD
Registration No. 200401014850 (653353-W)
(Incorporated in Malaysia)

Registered Office:

12th Floor, Menara Symphony,
No. 5, Jalan Prof. Khoo Kay Kim,
Seksyen 13,
46200 Petaling Jaya
Selangor Darul Ehsan

13 October 2020

Directors:

Sofiyani Bin Yahya (*Independent Non-Executive Chairman*)
Rizvi Bin Abdul Halim (*Executive Director*)
Ng Shwu Ching (*Executive Director*)
Datuk Tan Choon Hwa (*Independent Non-Executive Director*)
Leow Chan Khiang (*Independent Non-Executive Director*)

To: The Shareholders of Ni Hsin

Dear Sir/Madam,

- I. PROPOSED RIGHTS ISSUE OF RCPS;**
- II. PROPOSED DIVERSIFICATION; AND**
- III. PROPOSED AMENDMENTS**

1. INTRODUCTION

On 16 July 2020, M&A Securities had, on behalf of the Board, announced that the Company intends to undertake the Proposals.

On 8 September 2020, M&A Securities had, on behalf of the Board, announced that the Company intends to revise the conversion price of the RCPS to a price to be determined and announced by the Board at a later date after obtaining all the relevant approvals but before the announcement of the Entitlement Date.

On 25 September 2020, M&A Securities had, on behalf of the Board, announced that Bursa Securities had vide its letter dated 24 September 2020 approved the following:

- (a) admission of the RCPS to the Official List of Bursa Securities;
- (b) listing of and quotation of the RCPS to be issued pursuant to the Proposed Rights Issue of RCPS, on the Main Market of Bursa Securities;
- (c) listing of and quotation for the new Conversion Shares to be issued arising from the conversion of the RCPS, on the Main Market of Bursa Securities;

- (d) listing of and quotation of the Additional Warrants pursuant to the Rights Adjustments; and
- (e) listing of and quotation of the new Ni Hsin Shares to be pursuant to the exercise of the Additional Warrants.

The approval of Bursa Securities is subject to the conditions as set out in Section 7 of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE THE SHAREHOLDERS OF NI HSIN WITH THE DETAILS OF THE PROPOSALS, TO SET OUT THE BOARD'S OPINION AND RECOMMENDATION IN RELATION TO THE PROPOSALS AND TO SEEK THE APPROVAL OF NI HSIN'S SHAREHOLDERS FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM OF NI HSIN. THE NOTICE OF EGM TOGETHER WITH THE PROXY FORM IS ENCLOSED IN THIS CIRCULAR.

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

2. DETAILS OF THE PROPOSALS

2.1 PROPOSED RIGHTS ISSUE OF RCPS

The Proposed Rights Issue of RCPS entails the renounceable rights issue of up to 960,100,350 RCPS on the basis of 2 RCPS for every 1 Ni Hsin Share held by the Entitled Shareholders on the Entitlement Date and at the RCPS Issue Price.

As at the LPD, the Company has 323,174,651 Shares (including 9,216,536 treasury shares) and 156,875,524 outstanding Warrants which are exercisable into 156,875,524 Shares at an exercise price of RM0.138.

The RCPS will be provisionally allotted to the Entitled Shareholders on the Entitlement Date after obtaining all the relevant approvals in respect of the Proposed Rights Issue of RCPS. In determining the shareholders' entitlements under the Proposed Rights Issue of RCPS, fractional entitlements, if any, will be dealt with by the Board in such manner at its absolute discretion as it may deem fit, expedient and in the best interest of the Company.

The Proposed Rights Issue of RCPS is renounceable in full or in part. Accordingly, the Entitled Shareholders can subscribe in full and/or renounce their entitlements to the RCPS in full or in part. The RCPS which are not validly taken up shall be made available for excess applications by the Entitled Shareholders and/or their renounee(s). It is the intention of the Board to allocate the excess RCPS, if any, in a fair and equitable manner on a basis to be determined by the Board.

2.1.1 Basis of arriving at the RCPS Issue Price

The RCPS Issue Price was determined by the Board after taking into consideration the following:

- (i) prevailing market price of Ni Hsin Shares which include, among others, market sentiment and volatility of the Malaysian stock market;
- (ii) the 5D-VWAP of Ni Hsin Shares up to and including the 15 July 2020 (being the last practicable date prior to the announcement of the Proposals) of RM0.2274; and

- (iii) the funding requirements of the Group's new F&B Business segment as set out in Section 2.1.6 below.

The Board is of the view that the RCPS Issue Price is in the best interest of the Company and the Entitled Shareholders after taking into consideration the following:

- (i) the RCPS Issue Price is set at an attractive price of RM0.01 to encourage the Entitled Shareholders and/or their renounee(s) to subscribe for their entitlements; and
- (ii) the RCPS Issue Price together with the total number of RCPS to be issued pursuant to the Proposed Rights Issue of RCPS as well as the commitment by the Undertaking Shareholders to subscribe for a total number of 300,000,000 RCPS at the RCPS Issue Price is sufficient to meet the necessary funding requirements of the Ni Hsin Group as set out in Section 2.1.6 below.

The final conversion price and final conversion ratio of the RCPS will be determined by the Board, and announced by the Company on the price-fixing date after the receipt of all required approvals for the Proposed Rights Issue of RCPS and Proposed Amendments but before the announcement of the Entitlement Date. In any event, the Company shall take into consideration the prevailing market conditions and market prices of Ni Hsin Shares at the price-fixing stage, and may fix the final conversion price of the RCPS subject to a maximum allowable discount of not more than 60% to the 5D-VWAP of Ni Hsin Shares immediately preceding the price-fixing date.

For illustration purpose in this Circular, based on the RCPS Issue Price and an indicative conversion ratio of 15 RCPS for every 1 new Ni Hsin Share, the indicative conversion price of the RCPS is assumed at RM0.15 per RCPS ("**Indicative Conversion Price**"). This Indicative Conversion Price is assumed throughout the Circular, which represents a discount of 39.4% or RM0.0977 to the 5D-VWAP of Ni Hsin Shares up to and including the LPD of RM0.2477.

2.1.2 Listing of the RCPS and the Conversion Shares

Bursa Securities had vide its letter dated 24 September 2020, resolved to approve the listing of and quotation for the RCPS and Conversion Shares on the Main Market of Bursa Securities, subject to the conditions as disclosed in Section 7 below.

2.1.3 Ranking of the RCPS and the Conversion Shares

The RCPS shall rank equally amongst themselves and will rank ahead in point of priority to the Ni Hsin Shares, in respect of payment out of the assets of Ni Hsin upon any liquidation, dissolution or winding-up of Ni Hsin.

The Conversion Shares shall, upon allotment and issuance, rank *pari passu* in all respects with the existing Ni Hsin Shares, save and except that they will not be entitled to any dividends, rights, allotments and/ or any other distributions that may be declared, made or paid to shareholders, the entitlement date of which is prior to the date of allotment of the Conversion Shares, as the case may be.

2.1.4 Adjustments to the existing exercise price of the Warrants

Pursuant to the Deed Poll, which governs the terms and conditions of the Warrants, the Proposed Rights Issue of RCPS may give rise to adjustments of outstanding Warrants. The adjustments will be made in accordance with the provisions of the Deed Poll.

Any necessary adjustments arising from the Proposed Rights Issue of RCPS in relation to the Warrants will only be finalised on the Entitlement Date.

For illustrative purposes, assuming all the outstanding 156,875,524 Warrants are not exercised prior to the Entitlement Date, the additional Warrants to be issued will be 37,318,783 Warrants and the existing exercise price of RM0.138 for each Warrant will be adjusted to RM0.05 per Warrant, based on the following computations:-

(i) **Additional number of Warrants to be issued**

$$\text{Additional number of Warrants to be issued} = T \times \frac{C}{C - D^*} - T$$

where:

T = Existing number of Warrants

C = Current market price per Ni Hsin Share

D* = Value of rights attributable to 1 Ni Hsin Share, based on the following:

$$\frac{C - E^*}{F^* + 1}$$

E* = The subscription consideration for 1 new Ni Hsin Share under the terms of such offer or invitation to acquire or subscribe for Ni Hsin Shares

F* = The number of Ni Hsin Shares which it is necessary to hold in order to be offered or invited to acquire or subscribe for 1 additional Ni Hsin Share

Therefore, the additional number of Warrants to be issued is as follows:

$$\begin{aligned} \text{Additional number of Warrants to be issued} &= 156,875,524 \times \frac{\text{RM0.2274}}{\text{RM0.2274} - \text{RM0.0437}} - 156,875,524 \\ &= 37,318,783 \end{aligned}$$

(ii) **Adjusted exercise price per Warrant**

$$\text{Adjusted exercise price per Warrant} = S \times \frac{C - D}{C}$$

where:

S = Existing exercise price

C = Current market price per Ni Hsin Share

D = Value of rights attributable to 1 Ni Hsin Share, based on the following:

$$\frac{C - E}{F + 1}$$

- E = The subscription consideration for 1 new Ni Hsin Share under the terms of such offer or invitation to acquire or subscribe for Ni Hsin Share or 1 convertible security into Ni Hsin Shares or 1 security with rights to acquire or subscribe for Ni Hsin under the offer or invitation
- F = The number of Ni Hsin Shares which is necessary to hold in order to be offered or invited by way of rights to acquire or subscribe for 1 additional Ni Hsin Share or 1 convertible security into Ni Hsin Share or 1 security with rights to acquire or subscribe for Ni Hsin Shares under the offer or invitation

Therefore, the Adjusted exercise price per Warrant is as follows:

$$\begin{aligned} \text{Adjusted exercise price per Warrant} &= \text{RM0.138} \quad \times \quad \frac{\text{RM0.2274} - \text{RM0.14493}}{\text{RM0.2274}} \\ &= \text{RM0.05} \end{aligned}$$

The details on the actual adjustments to the exercise price of the Warrants shall be announced at a later date and shall be set out in a notice of adjustments to the holders of Warrants, if any, which shall be despatched in due course.

2.1.5 Undertaking by the major shareholder of the Company and minimum subscription level

The Proposed Rights Issue of RCPS is intended to be undertaken on a minimum subscription basis. In this regard, the Proposed Right Issue of RCPS under the minimum subscription level will entail the issuance of 300,000,000 RCPS. The minimum subscription level was determined based on, amongst others, the funding requirement of Ni Hsin Group as set out in Section 2.1.6 below.

To meet the minimum subscription level, Ni Hsin has obtained an irrevocable written undertaking from the Undertaking Shareholder to subscribe and/or procure the subscription of 300,000,000 RCPS. The illustration of the effects of the Undertaking are as follows:

	Shareholdings as at LPD		Entitlement under the Proposed Rights Issue of RCPS	Undertaking				
				No. of Shares	%	No. of RCPS	Excess RCPS	Total RCPS
							No. of RCPS	No. of RCPS
Khoo Chee Kong	89,556,000	28.5	179,112,000	120,888,000	300,000,000			

In view of the Undertaking, underwriting arrangement will not be required for the Proposed Rights Issue of RCPS.

The Undertaking Shareholder has confirmed that he has sufficient financial resources to fulfil the Undertaking and M&A Securities, being the Principal Adviser has verified the said confirmation. As the Undertaking Shareholder has given an irrevocable written undertaking for the Undertaking, the minimum subscription will be achieved.

The Company confirms that the Undertaking will not give rise to any consequences of mandatory general offer obligation pursuant to the Code upon the implementation of the Proposed Rights Issue of RCPS. However, should the Undertaking Shareholder exercises his RCPS and/or Warrants, such that his shareholdings in the Company increases to more than

33%, or in the case where his shareholdings is between 33% and 50%, an increase by more than 2% in any 6 months period, would result in him being obliged under Part III of the Code to undertake a mandatory offer for all the remaining Ni Hsin Shares not already held by him. In such an event, the Undertaking Shareholder will seek the relevant exemptions under the Code should he not intend to undertake such mandatory offer.

2.1.6 Utilisation of Proceeds

For illustrative purposes, based on the RCPS Issue Price, the gross proceeds to be raised from the Proposed Rights Issue of RCPS in minimum and maximum scenario are as follows:

"Minimum Scenario" : Assuming:

- none of the Warrants are exercised prior to the Entitlement Date;
- none of the Entitled Shareholders subscribe for their entitlements; and
- subscription of 300,000,000 RCPS by Mr. Khoo Chee Kong pursuant to the Undertaking.

The number of RCPS to be issued: 300,000,000 RCPS

Gross proceeds to be raised: RM3.00 million

"Maximum Scenario" : Assuming:

- all 9,216,536 treasury shares held by Ni Hsin as at the LPD have been resold prior to the Entitlement Date;
- all 156,875,524 outstanding Warrants are exercised into new Ni Hsin Shares prior to the Entitlement Date; and
- all Entitled Shareholders subscribe in full for their entitlement pursuant to the Proposed Rights Issue of RCPS.

The number of RCPS to be issued: 960,100,350 RCPS

Gross proceeds to be raised: RM9.60 million

The proceeds raised are expected to be utilised by the Group in the following manner:

Utilisation	Notes	Minimum Scenario RM'000	Maximum Scenario RM'000	Expected timeframe for utilisation of proceeds (from listing date)
Capital expenditure for the F&B Business	(i)	2,000	5,600	Within 12 months
Working capital	(ii)	500	3,501	Within 12 months
Estimated expenses for the Proposals	(iii)	500	500	Within 1 month
Total estimated proceeds		3,000	9,601	

Notes:

- (i) The Company had on 12 August 2020 entered into the Collaboration Agreement. Under the term of the Collaboration Agreement, Fiatic was appointed by Ni Hsin F&B to develop and formulate the Products.

Fiatic is an experienced market player involved in product research, formulation, development and production of health food developed with natural bioactive ingredients.

Further details of the Collaboration Agreement and Fiatec are set out in Section 2.2 below.

The Company is also in the midst of applying for the necessary regulatory approval/registration for the F&B Business:

- Hazard Analysis Critical Control Point (HACCP);
- Good Manufacturing Practice (GMP) certificate;
- Safe Food-Responsibility Industry/Makanan Selamat Tanggungjawab Industri (MeSTI) certificate;
- Halal certificate;
- International Organisation for Standardisation (ISO) 9001 & ISO 22000;
- Product Classification Letter; and
- Product Labelling Screening Approval

The Group intends to obtain the approvals from the relevant authorities/regulatory bodies by October 2020. The estimated cost for the application of the approval/registration is approximately RM30,000 and such cost will be funded via internally generated funds of the Group.

Upon the successful development of Products and receipt of the regulatory approval/registration as stated above, the Company intends to set up a production facility for the F&B Business in the unutilised warehouse and cookware products gallery in its existing factory/office located at Seri Kembangan, Selangor, to carry out the F&B Business. As the F&B Business will be utilising the unutilised space in the existing factory/office, the operations of the Group's existing businesses shall remain unaffected.

The estimated total cost to set up the production facility for the F&B Business is approximately RM6.55 million, detailed as follows:

Details	Amount RM'000
Production lines	4,950
Laboratory equipment	150
Racking system	250
Construction of showroom and management office	950
Motor vehicles	250
	6,550

The Company intends to utilise up to RM5.60 million of the proceeds to be raised from the Proposed Rights Issue of RCPS for the above, detailed as follows:

Minimum Scenario

Description	Function/ usage	No. of units	Amount RM'000
Production lines (Mixing machines)	Mixing of beverage powder	2	150
Production lines (Filling machines)	Filling and sealing of beverage powders in containers	2	550
Production lines (Clean room and cold room)	Control of production environment by limiting the presence of submicron particles and modifying inadequate environmental conditions	-	800
Production lines (Air filtration system)	To remove air contaminants and improve the indoor air quality	-	250
Racking system	For storage of inventories	-	250
			2,000

Maximum Scenario

Description	Function/ usage	No. of units	Amount RM'000
Production lines (Mixing machines)	Mixing of beverage powder	5	375
Production lines (Filling machines)	Filling and sealing of beverage powders in containers	5	1,375
Production lines (Fully automated filling machine)	Automated filling and sealing of beverage powders in containers	2	1,200
Production lines (Clean room and cold room)	Control of production environment by limiting the presence of submicron particles and modifying inadequate environmental conditions	1	800
Production lines (Air filtration system)	To remove air contaminants and improve the indoor air quality	-	250
Racking system	For storage of inventories	-	250
Laboratory equipment	Analysis of raw materials and finished products for quality control and assurance and R&D for new products	-	150
Construction of showroom and management office	Sales and marketing and administration activities	-	950

Description	Function/ usage	No. of units	Amount RM'000
Motor vehicle	Cargo van for logistics	2	250
			5,600

Up to RM0.98 million of the total funds required to set up the production facility and the working capital requirement of the F&B Business will be funded via internally generated funds of the Company. The Company expects the production facility to commence operation by the first half of 2021. The tentative timeline for setting up the new production facility is targeted to be as follow:

Tentative timeline	Milestone
End October 2020	Approvals obtained from relevant authorities for the F&B Business
Early November 2020	Submission of renovation plan
End December 2020	Approval obtained for renovation plan
Mid-January 2021 until Mid-April 2021	Commencement of renovation
Mid-April 2021	Installation of production lines
End April 2021	Test run
Mid May 2021	Commencement of production

- (ii) The Company intends to utilise up to RM3.50 million of the proceeds for the working capital requirements of the F&B Business. The breakdown of the which are as follows:

Details	Amount RM'000
Purchase of trading inventories	2,200
Advertisement and promotional expenses	1,000
Staff costs	200
Other miscellaneous expenses	101
	3,501

- (iii) The estimated expenses comprise of professional fees, fees to be paid to the relevant authorities, printing and advertising charges and miscellaneous charges which are estimated at RM0.50 million for the Proposals. If the actual expenses incurred pursuant to the Proposals are higher than the amount budgeted, the deficit will be funded out of the portion allocated for working capital of the Group. Conversely, if the actual expenses are lower than the amount budgeted, the excess will be utilised for working capital of Ni Hsin Group.

Pending utilisation of the proceeds from the Proposed Rights Issue of RCPS for the above purpose, the proceeds will be placed in deposits with financial institutions or short-term money market instruments. The interest derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used as additional working capital of Ni Hsin Group.

The actual gross proceeds to be raised from the conversion of the RCPS cannot be determined at this juncture as it is dependent on final conversion price of the RCPS, which will be determined and announced by the Board at a later date after obtaining all relevant approvals but before the announcement of the Entitlement Date. Nevertheless, any proceeds arising from the conversion of the RCPS in the future shall be utilised for working capital of Ni Hsin Group.

In the event the Collaboration Agreement is terminated or fails to materialise, the Group will seek to collaborate with other strategic partners for the development of food & beverage products. As such, the proceeds earmarked for the F&B Business shall remain unchanged.

2.1.7 Indicative salient terms of the RCPS

The indicative salient terms of the RCPS are set out as follows:

Terms	Details
Issuer	: Ni Hsin Resources Berhad
Issue Size	: Up to 960,100,350 RCPS
Issue Price	: RM0.01 per RCPS
Tenure	: 5 years commencing from and inclusive of the date of issuance (" Issue Date ")
Dividends	: A fixed preference dividend rate per annum of 3% of the RCPS Issue Price (during the tenure of RCPS and up to the date of conversion), shall be payable out of post cumulative taxation profits. Dividends are to be paid annually in arrears. For the avoidance of doubt, the Company is not obliged to pay any dividends in the event that it has insufficient distributable profits.
Redemption	: The RCPS can be redeemed during the beginning of the 5 th year after issuance until maturity at the RCPS Issue Price plus any accumulated undeclared dividends up to the date of redemption. The redemption shall be at the option of the holders. All remaining RCPS that are not converted or redeemed during the Tenure shall be mandatorily redeemed by the Company at the RCPS Issue Price plus any accumulated undeclared dividends up to the date of redemption, subject to requirement of Section 72(6) of the Act, currently in force and as may be amended from time to time and any re-enactment thereof. Pursuant to Section 72(6) of the Act, the redemption out of the capital of the company shall require (i) a solvency statement made by all the directors; and (ii) lodgement of such statement with the CCM. On the maturity date, in the event that the remaining RCPS that are not converted or are not mandatorily redeemed by the Company due to the restrictions pursuant to Section 72(6) of the Act, the said remaining RCPS shall be mandatorily converted into new Shares by surrendering for cancellation the requisite number of RCPS with an aggregate issue price equivalent to the Conversion Price of the RCPS surrendered.

Terms	Details
	Any fractional entitlements shall be disregarded and no refund or credit, whether in the form of the RCPS, cash or otherwise, shall be given in respect of the disregarded fractional entitlement.
Conversion Rights	: Each RCPS carries the entitlement to convert into new Shares based on the Conversion Mode
Conversion Period	: The RCPS may be converted into new Shares on any market day during the Tenure at the option of the RCPS holders.
Conversion Price	: The conversion price of the RCPS will be determined later by the Board.
Conversion Mode	: The RCPS may be converted into new Ni Hsin Shares in the following manner: <ul style="list-style-type: none"> (i) by surrendering for cancellation the requisite number of RCPS with an aggregate issue price equivalent to the Conversion Price of the RCPS surrendered; or (ii) by paying the difference between the aggregate RCPS Issue Price surrendered and the Conversion Price, if any, in cash, for every 1 new Share.
Conversion Mechanism	: (i) The conversion of the RCPS into new Shares shall be exercised by the RCPS holders by delivering a duly completed and signed Conversion Notice to the company secretary of the Company at the registered office of the Company during its business hours on any market day during the Conversion Period. The Conversion Notice is irrevocable upon receipt by the Company at its registered office. A holder of the RCPS who has issued a Conversion Notice ("Converting RCPS Holder") shall further furnish to the Company such supporting documents or information as may be prescribed by the Company or as may be required under any applicable laws or regulations from time to time. The conversion shall be carried out in accordance with such procedures as may be prescribed by any applicable laws and regulations. <ul style="list-style-type: none"> (ii) Subject to all applicable laws, rules and regulations, within 8 market days from the date of receipt by the Company of a Conversion Notice or such other period as may be prescribed or allowed by Bursa Securities or under any applicable laws and regulations, the Company shall: <ul style="list-style-type: none"> (a) issue and/or allot to the relevant Converting RCPS Holders, such number of new Shares to which such holders are entitled to receive by virtue of the exercise of the Conversion Rights (as defined below), credited as fully paid-up ("Conversion Shares"), and shall cause the securities account of the said holders to be credited with such number of Conversion Shares; and (b) despatch a notice of allotment to the relevant Converting RCPS Holders in respect of the Conversion Shares.

Terms	Details
Adjustments to Conversion Price and Conversion Mode	<p>(iii) Once converted, the RCPS shall not be capable of reissuance.</p> <p>: The Conversion Price and Conversion Mode may from time to time be adjusted by the Board as and when it deems necessary and expedient on or before the maturity date, in all or any of the following events:</p> <ul style="list-style-type: none"> (i) a bonus issue of Ordinary Shares by the Company; or (ii) a capital distribution to the shareholders of Ni Hsin made by the Company whether on a reduction of capital or otherwise, but excluding any cancellation of capital which is lost or unrepresented by assets; or (iii) a rights issue of Ordinary Shares or convertible securities by the Company; or (iv) a consolidation of shares, subdivision of shares or reduction of capital; or (v) any other circumstances deemed necessary by the Board, provided that any adjustment to the Conversion Mode will be rounded down to the nearest 1 whole new Share. <p>The adjustments shall be made, calculated or determined by the Board in consultation with and certified by an approved adviser or external auditor appointed by the Company, as the case may be. Any adjustment to the Conversion Price and Conversion Mode which may give rise to fractional entitlements of new Shares arising from the conversion of the RCPS shall be disregarded.</p>
Ranking of the RCPS	<p>: The RCPS shall rank equally amongst themselves, and will rank ahead in point of priority to the shareholders of Ni Hsin and all other classes of shares (if any) in the Company, in respect of any payment of dividend or any payment out of the assets of the Company upon any liquidation, dissolution or winding up of the Company provided always that the Board approves such payments on this basis and further affirms the priority of payment to the RCPS holders.</p>
Ranking of new Shares to be issued pursuant to the conversion of the RCPS	<p>: The Conversion Shares shall, upon allotment and issuance, rank pari passu in all respects with the existing Ni Hsin Shares, save and except that they will not be entitled to any dividends, rights, allotments and/ or any other distributions that may be declared, made or paid to shareholders, the entitlement date of which is prior to the date of allotment of the Conversion Shares, as the case may be.</p>
Rights of the RCPS holders	<p>: The RCPS holders shall not have the right to vote at any general meeting of the Company except:</p> <ul style="list-style-type: none"> (i) on a proposal considering the reduction of the share capital of the Company (excluding any cancellation of capital which is lost or unrepresented by assets); (ii) on a proposal for the sale of the whole of the Company's property, business and undertaking; (iii) on a proposal that directly affects the rights and privileges attached to the RCPS; (iv) on a proposal to wind-up the Company; and (v) during the winding-up of the Company,

Terms	Details
	<p>in which case, the RCPS holders shall be entitled to vote at any general meeting whereby every RCPS shall on a poll, carry 1 vote for each ordinary share into which the RCPS may be converted into, based on the conversion ratio of 1 RCPS for every 1 new Share.</p> <p>The RCPS holders shall be entitled to receive notice of meetings, report and accounts, and attend meetings and vote at any class meeting of the holders of the RCPS in relation to any proposal by the Company to vary or abrogate the rights of the RCPS as stated in the Constitution.</p>
Listing	<p>: The RCPS shall be listed and quoted on the Main Market of Bursa Securities.</p> <p>The new Shares to be issued upon the conversion of the RCPS shall be listed and quoted on the Main Market of Bursa Securities.</p>
Governing Law	: Malaysian Law

2.2 Proposed Diversification

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

- (i) Cookware Business;
- (ii) Convex Mirrors Business; and
- (iii) Clad Metals Business.

The segmental financial performance of the Group for the past 2 FYEs 2018 and 2019 are set out as follows:

Business segment	Audited			
	FYE 2018		FYE 2019	
	Revenue	*Segmental results	Revenue	*Segmental results
	RM'000	RM'000	RM'000	RM'000
Cookware Business	18,202	(2,700)	14,077	(3,880)
Convex Mirrors Business	11,341	1,546	11,723	2,012
Clad Metals Business	10,706	(1,751)	11,817	(1,853)

Note:

- * Segmental results represent the operating profit/(loss) before interest and tax of each business segment

For the FYE 2018 and FYE 2019, the Group has been incurring operating losses in its Cookware Business and Clad Metals Business due to competition from overseas competitors, ongoing turbulent global market conditions coupled with the trade war between United States of America and China, which has impacted the global business sentiments.

Thus, the Group has been exploring various business opportunities with growth potential to reduce its reliance on existing businesses for a diversified income stream.

After taking into consideration the Group's business networks and expertise in the manufacturing segment and Khoo Chee Kong's (major shareholder of Ni Hsin and key management personnel of Ni Hsin Group) experience in the food and beverage industry, the Group has decided to venture into the F&B Business specifically in portion beverage with bioenergy and nutrition variants (i.e. energy coffee and nutrition coffee). Further, the Board is also of the view that there would be a shift in consumer preference to health and wellness food and beverage products due to the COVID-19 pandemic. This presents a good opportunity for the Group to venture into the food and beverage business in order to capitalise on the envisaged shift in such consumer preferences.

As part of its diversification plan, Ni Hsin had on 12 August 2020 announced that Ni Hsin F&B has entered into the Collaboration Agreement. Further details of the Collaboration Agreement are set out below:

Collaboration Agreement

Fiatec was incorporated in Malaysia on 22 October 2004 as a private limited company and has commenced operation on the same date.

Since its inception, Fiatec was mainly engaged in the supply of functional ingredients and provision of research and development (R&D) support as well as consultation to its customers in the food & beverage industry. In 2004, Fiatec set up its own manufacturing facility to serve as an Original Equipment Manufacturer (OEM) facility. Fiatec has since expanded its business activities to ASEAN markets and other neighbouring countries i.e. Hong Kong and China.

Fiatec with its principal place of business at 5 Jalan TPP 1/7, Taman Perindustrian Puchong, 47100 Puchong, Selangor Darul Ehsan, is a company principally engaged in innovating and developing health food and technology and providing customised health food solution. The services provided by Fiatec are as follows:

- (i) To assist and support customers in the developments of innovative products for nutraceutical and food & beverage industries;
- (ii) Supply raw materials to nutraceutical, traditional medicine, pharmaceutical, cosmeceutical and food & beverage industries;
- (iii) Provide contract manufacturing services to its customers from food & beverage industry;
- (iv) Provide technical support and consultancy in the R&D of food and beverage; and
- (v) Design, build and provide turnkey consultancy for the manufacturing of food and beverage production facilities, food safety and quality assurance system.

As at the LPD, the issued share capital of Fiatec is RM100,000 comprising 100,000 ordinary shares. The directors and shareholders are Loh Kai Kwong (58.0%) and Low Peng Kong (42.0%).

A summary of the audited financial information of Fiatic for the FYE 2017, 2018, 2019 is set out below:

	Audited		
	FYE 2017	FYE 2018	FYE 2019
	RM	RM	RM
Revenue	3,812,691	4,790,759	3,984,939
Gross profit	1,452,252	1,011,839	711,485
Profit before taxation	976,149	559,578	(459,745)
Profit after taxation	761,049	463,307	(460,213)

The salient terms of the Collaboration Agreement are as follows:-

- (i) Ni Hsin F&B appoints Fiatic to provide its services to develop and formulate the Products subject to and upon the terms and conditions of the Collaboration Agreement;
- (ii) Fiatic shall not formulate and develop products for itself or for any other of its clients products that are identical to the Products which Fiatic is developing for Ni Hsin F&B which will potentially compete with the Products of Ni Hsin F&B in the market;
- (iii) Fiatic will perform the research and development responsibilities and will perform all obligations and exercise its respective right under the Collaboration Agreement in compliance with all applicable laws and regulations;
- (iv) All right title and interest to all documents, studies, work papers, work products, third party contracts, or other assets related to the application or submission filed with the regulatory authorities to obtain marketing approval for the Products, shall belong to Ni Hsin F&B provided that Ni Hsin F&B has made full payment for the services of Fiatic to develop and formulate the Products ("**Product Development Fees**") in accordance to provisions in Collaboration Agreement; and

Note: The Product Development Fees shall be determined based on product basis and at a price to be mutually agreed by Ni Hsin F&B and Fiatic. As such, the Product Development Fees to be paid to Fiatic has yet to be determined at this juncture.

Save for the Product Development Fees, there is no additional financial commitment required by Ni Hsin for the Collaboration Agreement.

- (v) The Collaboration Agreement shall be valid for a period of 2 years from the date of the Collaboration Agreement, unless terminated in accordance with the provisions of the Collaboration Agreement, and is subject to an extension by mutual agreement in writing by the parties.
- (vi) Roles and responsibilities of Fiatic:

Fiatic shall use commercially reasonable efforts, to conduct the development research in respect of the Products as follows:

- (a) undertake an experimental program for the each product that constitutes Proof of Concept. The Proof of Concept shall be submitted to Ni Hsin F&B for approval, such approval not to be unreasonably withheld, and when approved shall constitute a successful Proof of Concept;

- (b) In approving the Proof of Concept, Ni Hsin F&B shall take into consideration the following factors:
 - (aa) Cost - the cost of production of the Product must be reasonable so as to be commercially viable;
 - (bb) Quality, Safety and compliance - the Product must comply with all food quality and safety regulations currently in force;
 - (cc) Nutritional information - all nutritional information must be clearly indicated, especially where allergens are present, and benefits identified to facilitate the marketing and promotional efforts;
 - (c) collaborate with NHFB to establish a product specification that will become the target product upon achievement of successful Proof of Concept; and
 - (d) compile, file and obtain approval of the relevant authorities for the commercialization of the Product.
- (vii) Roles and responsibilities of Ni Hsin F&B:
- (a) Ni Hsin F&B agrees that it will use commercially reasonable efforts to assist in the filing of documents for approval from the relevant authorities for the commercialisation of the Products; and
 - (b) Fiatic may subcontract any of its obligations under the Collaboration Agreement to its affiliates or to a third party to undertake analytical testing, provide formulation development, scientific and regulatory consultation services and perform bio-equivalence and bio-availability studies, in each case as required in its provision of the development and research of the Products, without the prior written consent of Ni Hsin F&B; provided, however, that in such a case Fiatic shall not be released from any of its obligations herein and shall be responsible for the performance of its subcontractors.

The Board endeavours to take reasonable and necessary steps (such as regular review on the services performed by Fiatic and monitoring market development) to ensure that the salient terms of the Collaboration Agreement are met to facilitate the F&B Business.

The Board anticipates that the Proposed Diversification would contribute positively to the future financial performance of the Group upon commencement of the F&B Business. Further, the Group also expect the F&B Business to be one of the major contributors of the Group's revenue in the future due to the favourable outlook of the food and beverage industry.

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

- (i) the diversion of 25% or more of the NA of the Group to an operation which differs widely from its existing businesses; or
- (ii) the contribution from such an operation of 25% or more of the Group's net profits.

As such, the Board wishes to seek the prior approval from the shareholders of Ni Hsin for the Proposed Diversification at the forthcoming EGM to be convened.

Notwithstanding the Proposed Diversification, the Group remains committed with its existing business activities. The Group intends to improve the performance of the existing business by expanding its range of product offerings. For instances, the Group is currently collaborating with its existing customers to develop new cookware products by leveraging of the customers' product design expertise and the Group's in-house manufacturing expertise. Further, it is also the intention of the Group to intensify its marketing efforts to grow its market shares of its existing businesses both locally and globally.

The new F&B Business will be spearheaded by Mr. Khoo Chee Kong, the major shareholder of Ni Hsin and key management personnel of the Group, who possess years of relevant experience in the F&B Business. The brief profile of Mr. Khoo Chee Kong is as follows:

Mr. Khoo Chee Kong, aged 58. He is the Managing Director of the subsidiary companies of the Group namely, Ni Hsin Corporation Sdn Bhd, Ever-Grow Advanced Materials Sdn Bhd, Pentoli Sdn Bhd, Ni Hsin Marketing Sdn Bhd and Ni Hsin F&B.

Mr. Khoo Chee Kong is an Accountant by training. He began his career with Messrs BDO Binder in 1979 as an Audit Assistant and was subsequently promoted as an Audit Senior in 1980. He left Messrs BDO Binder and subsequently joined United Industries group of companies as an Internal Auditor in 1981. While he was with United Industries group of companies, he was seconded to its subsidiaries holding various finance related positions. He joined Kopenda Holdings Sdn. Bhd. as a Financial Accountant in 1984, Innovest Hart Engineering Sdn. Bhd. as the Finance Manager in 1988 and Lyman Group of Indonesia as the Head of Corporate Finance and Business Development Department in 1990.

Mr Khoo gained wide business and financial experience in both the domestic and international market place from his previous employments, he started the Kyeros Kebab business in 1997 which soon grew into an international fast food chain and subsequently merged with CAB Cakaran Corporation Berhad ("**CAB**") for listing on Kuala Lumpur Stock Exchange in 2003. He was an Executive Director of CAB from 2003 to 2006.

Additionally, the Group also intends to recruit additional personnel with the relevant experience, qualification and skillset in the food and beverage industry to support and oversee the day-to-day operation of the F&B Business. As at the LPD, the Group has recruited a general manager of marketing and product development manager (food nutrition). The Group will continue to identify and recruit other suitable candidates and expect to formalise the recruitment of such personnel by 4th quarter of 2020. Any additional cost arising from the recruitment of additional key personnel shall be funded via internally generated funds of the Group.

2.3 PROPOSED AMENDMENTS

The Proposed Amendments entails the consequential amendments to the Constitution of the Company to facilitate the creation and issuance of the RCPS pursuant to Proposed Rights Issue of RCPS and to enhance administrative efficiency.

3. RATIONALE FOR THE PROPOSALS

3.1 PROPOSED RIGHTS ISSUE OF RCPS

After due consideration of the financial position of the Group, the Board is of the opinion that the Proposed Rights Issue of RCPS is the most suitable means of fund raising for the Company for the following reasons:

- (i) it will enable the Company to raise proceeds which are to be used in the manner as set out in Section 2.1.6 above;
- (ii) it will allow the Group to raise funds in a cost-effective manner as compared to bank borrowings. The RCPS is subject to a fixed dividend rate of 3% which is lower than the interest rate for bank borrowings;
- (iii) it will serve to increase the size and strength of Ni Hsin's balance sheet as well as to potentially increase the market capitalisation of Ni Hsin, thus strengthening its financial position;
- (iv) it will not dilute the shareholdings of the Entitled Shareholders, assuming all the Entitled Shareholders subscribe to their entitlements and fully convert their RCPS; and
- (v) it allows the Entitled Shareholders to increase their equity participation in the Company through the conversion of the RCPS into new Shares during the Conversion Period provided such Entitled Shareholders fully subscribe for their respective entitlements for the RCPS.

During the preceding 12 months before the announcement of the Proposals, there are no other fund-raising exercises undertaken by Ni Hsin.

3.2 PROPOSED DIVERSIFICATION

The Proposed Diversification enables the Company to venture into other revenue-generating business as a way to mitigate the risk of overdependence on its existing core businesses. The Group's Cookware Business and Clad Metals Business has been incurring operating losses for FYE 31 December 2018 and FYE 31 December 2019, as a result of competition from overseas competitors, turbulent global market condition and on-going trade war between United States of America and China, which has impacted global business sentiments.

The Board believe the Proposed Diversification will contribute positively to the Group's future earnings and improve its financial position upon commencement of the F&B Business. The additional revenue contribution from the Proposed Diversification is expected to enhance the future profitability of Ni Hsin and returns on its shareholders' funds.

3.3 PROPOSED AMENDMENTS

The Proposed Amendments are necessary to facilitate the issuance of RCPS pursuant to the Proposed Rights Issue of RCPS and to enhance administrative efficiency.

4. INDUSTRY OUTLOOK AND PROSPECTS

4.1 Overview and prospects of the Malaysian Economy

Malaysia's Gross Domestic Product ("GDP") is projected to decline by 3.1 percent this year, mainly reflecting a sharp slowdown in economic activity in H1 2020. The near-term outlook for Malaysia's economy is unusually uncertain at present. The baseline projection envisions a pronounced output contraction of around 10 percent in Q2 2020, reflecting the significant impact of economic disruptions from the Movement Control Order ("MCO") imposed during the quarter, followed by a partial recovery in the second half of the year as the outbreak eases and mobility restrictions are gradually lifted. It also assumes that the spread of pandemic is broadly contained at the global level, and the sizable fiscal and monetary policy support measures implemented by major economies limit potential structural damage to global economic activity.

While household expenditure and business investment spending are expected to improve gradually, they are likely to remain subdued throughout the year due to the high levels of uncertainty. Private consumption and aggregate investment growth are projected to fall to 1.2 and -4.9% respectively in 2020 (2019: 7.6 and -2.1%). Despite large-scale support through the Prihatin Rakyat and Penjana stimulus packages, private sector activity is likely to recover modestly as restrictions on social interactions are gradually scaled back, and will remain below its pre-crisis level over the foreseeable future.

The recovery of the external sector is likely to be relatively slow, consistent with the projected path of recovery in global trade. This year, Malaysia's exports and imports are projected to contract sharply, by 12.9 and 9.2 percent respectively (2019: -1.1 and -2.3%) in the context of the dramatic collapse in global trade activity. A gradual recovery in Malaysia's external sector is expected to begin in H2 2020 as the impact of the pandemic fades, and gain momentum next year as global trade activity begins to normalize.

Consumer price inflation will likely be muted over the near term due to the marked decline in global oil prices and overall demand since March. Inflation is expected to be close to 0 percent on average this year (2019: 0.7%), primarily reflecting the steep fall in oil prices and the broad-based weaknesses in demand. On the external front, the global pandemic has amplified existing downside risks. A further weakening of global growth would pose downside risks to Malaysia's external demand. Furthermore, with ongoing uncertainty and increased risk aversion, this could lead to heightened volatility in the domestic financial markets and to higher portfolio outflows.

With the outcome of the pandemic remaining uncertain, there is a risk that it will lead to an increase in the number of vulnerable households. While necessary to curb the virus outbreak, the implementation of the MCO has weighed heavily on domestic demand, jeopardizing the sustainability of many businesses and leading to higher unemployment.

Particularly with existing statutory limits, any further narrowing of fiscal policy space could constrain the government's ability to provide adequate economic support, especially in the near term. The marked reduction in fiscal space presents a potential risk should the economic impact of the initial MCO be greater than anticipated, thus requiring additional fiscal injections, particularly to provide support to vulnerable households and businesses. These risks would be amplified by the occurrence of a second wave of the pandemic that could require the re-imposition of the MCO.

The collapse of the Pakatan Harapan government in February 2020 and its replacement with a new coalition, known as Perikatan Nasional, has also contributed to uncertainty surrounding Malaysia's economic policy. In the near term, this includes the ability to table the necessary legislative amendments and emergency bills in parliament, and subsequently to gain sufficient support from the Dewan Rakyat (lower house) to pass them.

On the upside, the containment of the spread of Coronavirus Disease 2019 (“**COVID-19**”) and the various government support measures could be more effective than anticipated. This would lead to higher pent-up consumer demand, greater investor confidence, and consequently a more robust recovery in domestic economic activity in H2 2020. A breakthrough in the development of effective treatments and vaccines against the new disease is also possible, which would bring an earlier-than-expected end to the global pandemic and contribute to a more sustained resumption in global economic activity, with considerable positive spillovers to Malaysia’s economy.

The COVID-19 pandemic is an unprecedented situation that requires the government to implement large-scale and unconventional policy responses. While the outcome of the pandemic remains uncertain, and until more effective means to manage it emerge, the economy can be expected to operate under a set of new norms, characterized by social distancing, temporary movement restrictions to contain local outbreaks, and limited international travel. With the crisis severely affecting both private demand and supply, it falls upon the government to do most of the heavy lifting to support the economy in the near term. The quantum of the financial assistance in the Prihatin package and Penjana plan may need to be increased. While the measures included in the Prihatin package could help lessen the near-term disruptions on vulnerable households and businesses, the package implicitly assumes that the crisis will pass within a few months. Given that it could take at least another 1-2 years for the economy to return to pre-COVID-19 conditions, additional financial assistance may be needed to protect the welfare of vulnerable households and to ensure the sustainability of SMEs.

In the near term, fiscal strategy should be re-prioritized to create additional policy space through legislative amendments. This would entail placing fiscal consolidation efforts temporarily on hold and increasing the government’s fiscal space to enable it to better manage larger-than-expected impacts from the pandemic. Without legislative changes, the government’s immediate options are limited to either reallocating some expenditure items or increasing its reliance on government linked corporations (GLCs) such as Petronas. However, these options may not provide sufficient resources to adequately respond to the crisis if a deeper stimulus is required. Thus, the government could also consider pursuing legislative amendments to existing laws through an emergency bill, as other countries have done.

Over the medium term, policies should aim to prepare the economy for post-COVID-19 recovery, in the context of a “new normal” environment. While the COVID-19 crisis has to some extent resulted in the temporary suspension of measures mandated by Malaysia’s medium and long-term economic plans, it also presents opportunities to accelerate a number of structural reforms. Looking ahead, policies in the medium term should have four broad areas of focus. They should facilitate the intensive rebuilding of fiscal buffers and ensure spending efficiency; the re-invigoration of foreign and domestic private investment; the upskilling and redeployment of human capital; and the promotion of the digitalization agenda. The reform agenda on strengthening institutions, governance, and the capacity of the administration remains an important complement to these efforts and should be maintained. Finally, the COVID-19 crisis has emphasized the importance of having an enhanced social protection system that provides minimum protection to all those in need. Enhancing Malaysia’s existing social protection system will entail the implementation of both short- and long-term policies. In the near term, the focus would necessarily be on support to the COVID-19 recovery efforts through continued cash transfers to the B40. There are also short and medium-term opportunities for deepening social assistance, improving the delivery of social protection programs, and promoting a jobs recovery. Over the long term, policies on both the revenue and the expenditure side would be needed to support the combined achievement of a guaranteed minimum of protection for all those in need and a broader and more progressive tax framework.

(Source: World Bank (2020) "Surviving the Storm" Malaysia Economic Monitor (June), World Bank, Washington, DC)

4.2 Overview and prospects of the cookware industry in Malaysia

Cookware falls under the broader category of houseware, which consists of cookware, kitchenware, bakeware and tableware. The main consumer of cookware products are the commercial sector and households.

The emergence of e-commerce and online shopping have led to a lower footfall and negatively impacted retail trade in shopping complexes. As a result, shopping complexes have begun allocating a higher percentage of their tenant mix to other retailers such as food and beverage establishments as a way to attract consumers to their premises. Food and beverage establishments can create an experience for consumers and could be a way to boost footfall in shopping complexes. In 1Q 2020, there was a total of 1,037 shopping complexes in Malaysia and an incoming supply of 37 complexes. The increasing number of shopping complexes and the continuous shift towards establishing more food and beverage outlets in such complexes is likely to create more space for F&B brands and retailers. Hence, it is expected to support a sustained demand for cookware products for commercial sector.

In terms of household segment, the demand of cookware products is underpinned by the sustained consumer spending as a result of stable economic growth for the country. The per capita income in Malaysia rose by 4.9% from RM43,089 in 2018 to RM45,186 in 2019. The sustained purchasing power and growing private consumption amongst consumers will ensure steady growth in demand for cookware products; be it through new purchases made by new households or the continuous replacement purchases which are done from time to time.

In 2019, mean monthly household consumption expenditure rose by 12.4% for the period 2016 to 2019, factored by the moderate growth of mean monthly household income (2016:RM6,958; 2019:RM7,901). Meanwhile, the mean monthly household expenditure in Malaysia for cooking appliances in 2019 was RM6.67, an increase of RM1.52 from RM5.15 in 2016.

In addition, given that cookware products are generally used by households, its demand is indirectly correlated to the size of the national population. The demand and usage of cookware products increase along with the population growth of the country. According to the Population and Housing Census Malaysia 2010, the total population of Malaysia was 28.6 million in 2010. This figure is projected to grow steadily to reach 41.5 million in 2040. In tandem with this trend, the usage and demand for cookware products is expected to increase accordingly. Malaysia's gradual transformation from a developing economy into a developed nation is accelerating societal urbanisation and modernisation. While individuals who live in rural areas generally see cookware products as simply utilitarian purchases, urban dwellers increasingly view cookware as lifestyle accessories that express their personality. Accordingly, as the urban population increases, the expenditure per household on cookware also increases.

In 2019, the Malaysian residential property segment continued to dominate market activity in terms of volume, accounting for 63.7% of total transactions in 2019. Consumers often replace or upgrade their cooking appliances when they move into a new home. This is expected to continue supporting demand for cookware products in Malaysia.

In terms of product innovation, cookware manufacturers are constantly evolving new technologies such as cookware materials in the production of high quality, safer and durable cookware products. The evolution of cookware continues to this day, from basic tools to modern cooking with the introduction of a variety of materials including stoneware, copper, cast iron, stainless steel, glass, aluminium, carbon steel, ceramic, porcelain, silicon and polytetrafluoroethylene coating. Additionally, the manufacturers are mindful of the need to supply eco-friendly and health conscious cookware products to reduce energy consumption and without the use of harmful materials and/or chemicals. There will likely be an increase in the supply of advanced greener cookware products in the market.

Nonetheless, the on-going COVID-19 pandemic which began in December 2019 has caused a significant economic slowdown in many countries including Malaysia. One of the most significant economic impacts due to COVID-19 is the loss of employment and this has resulted in changes in consumer behaviour and sentiment as consumers grapple with loss of income and a decrease in their disposable income. Consumers are likely to reduce their spending and limit their purchases to necessities only. This will inevitably affect spending made on cookware products at least in the immediate term. To uplift domestic economic recovery, the Malaysian Government has announced the National Economic Revival Recovery Plan ("**PENJANA**") worth RM35 billion, among measures introduced including but not limited to hiring subsidies for businesses and RM2 billion financing facilities for SMEs, as well as RM10 billion cash assistance to qualified rakyat that can help to stimulate consumer spending.

The Malaysian economy is expected to register a positive recovery in 2021, in line with the projected improvement in global growth. The outlook for the cookware market in Malaysia is projected to remain stable in tandem with positive recovery in economy and stands to benefit from various economic stimulus package introduced by the Government that aimed to empower businesses particularly the SMEs and increase domestic consumption.

(Source: IMR Report by Protégé Associates)

4.3 Overview and prospects of the food and beverages industry in Malaysia

The food and beverages industry in Malaysia entered 2020 on a stronger footing with good performance registered in 2019. GDP at constant 2015 prices contribution from food processing and beverages manufacturing activities increased 6.0% from RM21.28 billion in 2018 to RM22.56 billion in 2019. Food and beverage services activities also registered an increase in GDP contribution in 2019 with RM40.04 billion recorded as compared to RM36.26 billion registered in 2018. The good results were achieved against the backdrop of firm private consumption particularly household spending which was supported by government measures as well as continued income and employment growth.

Food and beverages manufacturing activities in Malaysia have remained vibrant. Malaysia has been registering more than RM50 billion annually in sales value of own manufactured products (ex-factory) for food and beverages since 2017. Malaysia's sales value of own manufactured products (ex-factory) for food and beverages increased 7.9% from RM52.35 billion in 2018 to RM56.51 billion in 2019.

There is also a rising trend in the distributive trade for food, beverages and tobacco. The wholesale of food, beverages and tobacco in Malaysia increased 6.1% from RM109.77 billion in 2018 to RM116.49 billion in 2019. The retail sale of food, beverages and tobacco in specialised stores in Malaysia increased 9.0% from RM28.55 billion in 2018 to RM31.11 billion in 2019.

However, the local food and beverages industry is expected to face a challenging period in 2020 due to the COVID-19 pandemic. Local food and beverages manufacturers including manufacturers of canned food and drinks have been navigating various challenges stemming from the COVID-19 pandemic and lockdown measures including, but are not limited, to dampened consumer sentiments, disruption in supply chain, postponement of orders, maintaining operations at below full capacity with the reduced production hours and workforce and/or additional cost incurred in executing strict health and safety regulations and enhanced sanitisation at the workplace.

Meanwhile, the use of e-commerce platforms has been gaining traction during this challenging period. This trend is beneficial to the local food and beverages industry as e-commerce platform is a distribution channel that can facilitate the online viewing and purchasing of food and beverage products at any time with no or minimal physical contact involved. The Malaysian Government has also announced various economic stimulus and assistance packages including the recently announced PENJANA Plan that preserve the rakyat's welfare, support businesses and strengthen the economy. The local food and

beverages industry stands to benefit from various measures announced including, but not limited to, the RM10 billion cash assistance to qualified rakyat that can help to stimulate demand, discounts on electricity bill for commercial and industrial sectors in Peninsular Malaysia for 6 months beginning with bills charged for the month of April 2020, the RM1 billion Food Security Fund to ensure sufficient food supply, the Wage Subsidy Programme that can assist employers in retaining their workers as well as various funds that can help small- and medium-sized enterprises such as the Special Relief Facility for small- and medium-sized enterprises, All Economic Sectors Facility fund and Micro Credit Scheme.

The local food and beverage industry is expected to continue relying heavily on imports to fulfil local demand in the near future. As a result, there are growing calls for a push for self-sufficiency to minimise vulnerability to external supply shortage and higher prices stemming from unfavourable foreign exchange rates. Although food and beverages services are deemed as essential services, dine-in services were not allowed during the MCO period (13 March 2020 to 3 May 2020) and conditional MCO period (4 May 2020 to 9 June 2020), thus many eateries choose to only do takeaways.

Meanwhile, local manufacturers of food and beverages including manufacturers of canned food and drinks are similarly expected to face a challenging year for the remainder of 2020. Production hours and number of workforce allowed to return to the pre-COVID-19 level with stringent standard operating procedures such as enhanced sanitisation measures, social distancing among co-workers and temperature screening being put in-place. These are likely to be a new norm post COVID-19 pandemic leading to increased cost of operations. On the demand side, consumer sentiment is only expected to recover at a pace in tandem with the recovery in the local economy. As such, the local food and beverages industry is expected to make its gradual recovery in 2021. Further, the on-going COVID-19 pandemic is likely to prompt continued heightened health awareness among Malaysian. Functional food and beverages that impart health benefits to address a more healthful life is gaining popularity and market demand, in line with the increasing consumer awareness in nutritional benefits and food fortification. Hence, it is expected to further drive growth in the food and beverage industry.

Overview of coffee market in Malaysia

The coffee market in Malaysia ranges from coffee bean, ground coffee, premix coffee to coffee pods and capsules. Malaysia has a strong coffee drinking culture whether from local kopitiam stalls, artisanal café, or coffee chain like Starbucks and the Coffee Bean and Tea Leaf. Malaysian consumed an average of 2.5 cups of coffee a day. Coffee has become a daily pleasant routine that's indulged by Malaysians with monthly household expenditure in Malaysia for non-alcoholic beverages including coffee rising 11.6% from RM43.00 in 2016 to RM48.00 in 2019.

In terms of retail trade, Malaysia's sale value of goods and services for beverages (i.e. tea, coffee, soft drinks, mineral water and other beverages) registered at RM2.54 billion for year 2018. Drinking coffee has also shown to reduce heart diseases and liver diseases, and this is expected to continue driving the demand for coffee consumption. This has also given rise to the demand for barista-brewed coffee at home or at their workplace. Hence, the demand for coffee machines that brings premium-like cafe coffees to homes and offices is likely to grow owing to the expansion of coffee culture.

Coffee machines market are segmented by product type such as drip coffee machine, steam coffee machine and capsule coffee machine. The demand for capsule coffee machines is expected to be the fast-growing due to benefits such as convenience, cost effectiveness and consistent brewing results. Some of the well-known capsule coffee machine brands in the market include Nestlé Nespresso, NESCAFÉ Dolce Gusto, ARISSTO and the Coffee Bean & Tea Leaf.

(Source: IMR Report by Protégé Associates)

4.4 Prospects of Ni Hsin

The outbreak of COVID-19 has severely disrupted macro-economic conditions around the world. Outlook for the near future remains challenging and uncertain as the full impact of the COVID-19 pandemic has not been ascertained. Despite the uncertainties, the Directors of Ni Hsin are cautiously optimistic of our performance going forward in view of the Group's product quality, service and innovative capabilities to meet customers' requirements. Given the circumstances, the Group is actively seeking opportunities to diversify our business.

The Group's recent foray into the business of protective mask and personal protective equipment has also shown progress due to the higher demand from such products. The Group had supplied over 30,000 pieces of protective mask and personal protective equipment since the beginning of its venture. Other than the local market, the Group also began exporting its protective mask and personal protective equipment to overseas markets such as Australia and Indonesia since August 2020. Based on the current progress achieved, the Board believes the business of protective mask and personal protective equipment will contribute positively to the performance of the Group.

Further, the global health and wellness food market is poised for an encouraging growth as the new normal has made people realise the importance of adopting healthier social habits and diets. Following this change in consumer preference, the Board sees opportunity in the food and beverage industry and has decided to diversify into this sector. The Group is currently working with Fiatec, an established company with experience in the food and beverage manufacturing industry. Fiatec will assist Ni Hsin's team to design a series of functional foods and beverages that promote health and wellness. The Group has also engaged Fiatec to provide design and build services for the construction of our food and beverage production facility. The Board expects the F&B Business to provide positive contribution to the business of the Group from 2021 onwards.

(Source: Management of Ni Hsin)

5. RISK FACTORS

5.1 Business diversification risk

The Proposed Diversification is subject to certain risks inherent in the food and beverage industry. These include, inter-alia, fluctuations in the cost of raw materials, availability of labour, changes in general economic and business conditions which may affect the demand and supply for food and beverage products.

The Company seeks to mitigate these risks through, inter-alia, prudent financial policies, continuous review of operations, marketing strategies to improve efficiency and to ensure proper due diligence during the period between planning and execution. However, no assurance can be given that any change to the said risk factors will not have a material adverse effect on the F&B Business.

5.2 No prior experience in food and beverage industry

The Company has no prior experience in the F&B Business. Hence, the Company may be subjected to challenges and initial risks arising from venturing into the F&B Business in which the Company has no direct experience in ensuring the success of this business venture.

Notwithstanding the above, the Company seeks to mitigate this risk by leveraging on the business acumen and relevant experience in F&B Business of Mr. Khoo Chee Kong, the major shareholder and key management of Ni-Hsin Group. The Group has recruited a marketing general manager and a product development manager (food nutrition) to oversee the day-to-day operation of the F&B business. In addition to Fiatec, the Company is also in negotiation with several strategic partners involved in F&B Business for potential collaboration, which may reasonably entail knowledge transfer.

5.3 Reliance on Fiatic for the development and formulation of Products

Pursuant to the Proposed Diversification, the F&B Business will be dependent on Fiatic to develop and formulate the Products. Ni Hsin's reliance on Fiatic could potentially lead to a disruption in its business (i.e. delays or cancellation of launching of the new products) if Fiatic fails to develop the target formulation. As such, the Group's F&B Business operations and financial performance may be adversely affected.

In mitigating such risk, the Group will identify other strategic partners involved in F&B Business from time to time for potential collaboration with the intention to develop new products.

5.4 Competition risk

The Company will face competition from both new entrants and established players (i.e. Nestlé, ARISSTO and the Coffee Bean & Tea Leaf) in the food and beverage industry. The Group may also face some disadvantage being a new entrant in the industry as it lacks the track record and experience compared to the existing players which enjoy the privilege on their established brand name and reputation.

The Group's competitiveness depends on, amongst other, its product pricing and marketing strategy. As such, the Group will emphasise on constantly review of its pricing and marketing strategy to respond to the changes of economic conditions and market demands in the food and beverage industry. Nonetheless, no assurance can be given that any change to these factors would not have any material adverse impact on the Group.

5.5 Licensing risk

To carry out the F&B Business, the Group must obtain the following licenses and registration:

- Hazard Analysis Critical Control Point (HACCP);
- Good Manufacturing Practice (GMP) certificate;
- Safe Food-Responsibility Industry/Makanan Selamat Tanggungjawab Industri (MeSTI) certificate;
- Halal certificate;
- International Organisation for Standardisation (ISO) 9001 & ISO 22000;
- Product Classification Letter; and
- Product Labelling Screening Approval

Further, the Group must comply with all the regulations applicable to the operation of the business in order to retain the licenses and registration obtained. If the Group fails to retain or renew any of these licenses in a timely manner or at all, or that in event of any non-compliance of terms and conditions resulting in the revocation of such licences, the operations and financial result of the Group's F&B Business segment may be adversely affected.

Notwithstanding that, the Group intends to constantly keep abreast with developments pertaining to the licenses required for the F&B Business and also to implement strict compliance procedures to adhere to the regulations and requirements of such licenses. However, there can be no assurance that such licenses may be retained or renewed in a timely manner especially due to unforeseen circumstances such as unfavorable revision/amendments to the relevant rules and regulations.

6. EFFECTS OF THE PROPOSALS

The Proposed Diversification and Proposed Amendments will not have any immediate effect on the share capital, NA and gearing, earnings and EPS as well as the substantial shareholders' shareholdings of Ni Hsin. However, the Proposed Diversification is expected to contribute positively to the NA and gearing, earnings and EPS of the Group in the future.

The pro forma effects of the Proposed Rights Issue of RCPS are set out below.

6.1 Issued share capital

The pro forma effects of the Proposed Rights Issue of RCPS on the issued share capital of Ni Hsin are set out below:

	Minimum Scenario			Maximum Scenario				
	No. of Shares	RM'000	No. of RCPS	RM'000	No. of Shares	RM'000	No. of RCPS	RM'000
Issued share capital as at the LPD (excluding treasury shares) ⁽¹⁾	313,958,115	66,405	-	-	313,958,115	66,405	-	-
Assuming resale of treasury shares and Shares to be issued pursuant to full exercise of the outstanding Warrants	-	-	-	-	166,092,060	21,649	-	-
Shares to be issued pursuant to the Proposed Rights Issue of RCPS	313,958,115	66,405	-	-	480,050,175	88,054	-	-
	-	-	300,000,000	3,000	-	-	960,100,350	9,601
After the Proposed Rights Issue of RCPS	313,958,115	66,405	300,000,000	3,000	480,050,175	88,054	960,100,350	9,601
Shares to be issued assuming full conversion of the RCPS	⁽²⁾ 20,000,000	3,000	(300,000,000)	(3,000)	⁽³⁾ 960,100,350	144,015	(960,100,350)	(9,601)
Enlarged share capital	333,958,115	69,405	-	-	1,440,150,525	232,069	-	-

Notes:

- (1) Excludes 9,216,536 treasury shares held by the Company as at the LPD.
- (2) Assuming all 300,000,000 RCPS under the Minimum Scenario are fully converted into 20,000,000 new Shares based on the indicative conversion mode of surrendering 15 RCPS for 1 new Share.
- (3) Assuming all 960,100,350 RCPS under the Maximum Scenario are fully converted into 960,100,350 new Shares based on the indicative conversion mode of surrendering 1 RCPS (which are issued RM0.01 each) with additional cash payment of RM0.14 for 1 new Share.

6.2 Earnings and EPS

The consolidated EPS of Ni Hsin shall correspondingly be diluted as a result of the increase in the number of Ni Hsin Shares as and when the RCPS are converted. Nevertheless, the Proposed Rights Issue of RCPS and Proposed Diversification are expected to contribute positively to the earnings of Ni Hsin Group as and when benefits from the utilisation of proceeds materialise.

6.3 NA and gearing

Based on the audited consolidated statement of financial position of Ni Hsin as at 31 December 2019, the pro forma effects of the Proposed Rights Issue of RCPS on the net assets and gearing of the Company are set out below:

Minimum Scenario

	I	II	III
	Audited as at 31 December 2019	(1) Adjusted for subsequent events	After Proposed Rights Issue of RCPS
	RM'000	RM'000	RM'000
Share capital	66,123	(a)(b)66,405	66,405
RCPS	-	-	(2)3,000
Reserves	20,385	(b)20,102	(3)19,602
Shareholders' equity	86,508	86,507	89,007
No. of Shares (excluding treasury shares)	317,071,374	313,958,115	313,958,115
Net assets per Share (RM)	0.27	0.28	0.28
			(4)69,405
			-
			19,152
			88,557

	I	II	III
Audited as at 31 December 2019	(1) Adjusted for subsequent events	After Proposed Rights Issue of RCPS	After II and assuming full conversion of RCPS
RM'000	RM'000	RM'000	RM'000
Bank borrowings (RM'000)	1,646	1,646	1,646
Gearing (times)	0.02	0.02	0.02

Notes:

(1) After adjustments made for the following:

- (a) conversion of 1,659,741 Warrants subsequent to 31 December 2019 and up to LPD, at the exercise price RM0.138 per Warrant; and
- (b) purchase and sale of treasury shares since 31 December 2019 up to the LPD.

(2) Based on the issuance 300,000,000 RCPS at the issue price of RM0.01 per RCPS.

(3) After deducting estimated expenses of RM500,000 incurred in relation to the Proposals.

(4) Assuming all 300,000,000 RCPS under the Minimum Scenario are fully converted into 20,000,000 new Shares based on the indicative conversion mode of surrendering 15 RCPS for 1 new Share.

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Maximum Scenario

	I	II	III	IV
		Assuming all outstanding Warrants are exercised and resale of treasury shares	After II and Proposed Rights Issue of RCPS	After III and assuming full conversion of RCPS
Audited as at 31 December 2019	(1) Adjusted for subsequent events			
RM'000	RM'000	RM'000	RM'000	RM'000
Share capital	(a) 66,405	88,054	88,054	(5) 232,069
RCPS	-	-	(2) 9,601	-
Reserves	(b) 20,102	(3) 21,630	(4) 21,130	19,690
Shareholders' equity	86,507	109,684	118,785	251,759
No. of Shares (excluding treasury shares)	317,071,374	480,050,175	480,050,175	1,440,150,525
Net assets per share (RM)	0.27	0.23	0.25	0.17
Bank borrowings (RM'000)	1,646	1,646	1,646	1,646
Gearing (times)	0.02	0.02	0.01	0.01

Notes:

- (1) After adjustments made for the following:
 - (a) conversion of 1,659,741 Warrants subsequent to 31 December 2019 and up to LPD, at the exercise price RM0.138 per Warrant; and
 - (b) purchase and sale of treasury shares since 31 December 2019 up to the LPD.
- (2) Based on the issuance 960,100,350 RCPS at an issue price of RM0.01 per RCPS.
- (3) Assuming all 9,216,536 treasury shares retained by the Company as at the LPD have been resold at its respective cost.
- (4) After deducting estimated expenses of RM500,000 incurred in relation to the Proposals.

(5) Assuming all 960,100,350 RCPS under the Maximum Scenario are fully converted into 960,100,350 new Shares based on the indicative conversion mode of surrendering 1 RCPS (which are issued RM0.01 each) with additional cash payment of RM0.14 for 1 new Share.

6.4 Convertible securities

As at the LPD, save for the 156,875,524 existing Warrants, the Company does not have any other convertible securities.

Pursuant to the Deed Poll, which governs the terms and conditions of the Warrants, the Proposed Rights Issue of RCPS may give rise to adjustments of outstanding Warrants. The adjustments will be made in accordance with the provisions of the Deed Poll. Any necessary adjustments arising from the Proposed Rights Issue of RCPS in relation to the Warrants will only be finalised on the Entitlement Date.

6.5 Substantial shareholders' shareholdings

The pro forma effects of the Proposed Rights Issue of RCPS on the substantial shareholders' shareholdings in Ni Hsin as at the LPD are as follows:

Minimum Scenario

	I			II					
	As at the LPD			After I and assuming full conversion of RCPS					
	Direct	Indirect		Direct	Indirect				
No. of Shares	(1)%	No. of Shares	(1)%	No. of Shares	(2)%	No. of Shares			
Khoo Chee Kong	89,556,000	28.5	-	89,556,000	28.5	-	109,556,000	32.8	-

Notes:

- (1) Based on the existing total number of issued shares of the Company as at the LPD of 313,958,115 Shares (excluding 9,216,536 treasury shares held by the Company).
- (2) Based on the enlarged total number of issued shares of the Company of 333,958,115 Shares after the Proposed Rights Issue of RCPS and after assuming full conversion of the RCPS based on the conversion mode of surrendering 15 RCPS for 1 new Share.

Maximum Scenario

	I				II			
	As at the LPD		Assuming all outstanding Warrants are exercised and resale of treasury shares		After Proposed Rights Issue of RCPS			
	Direct	Indirect	Direct	Indirect	Direct	Indirect	No. of Shares	%
	No. of Shares	(¹)%	No. of Shares	(²)%	No. of Shares	(²)%	No. of Shares	%
Khoo Chee Kong	89,556,000	28.5	-	-	104,701,000	21.8	-	-

III

After II and assuming full conversion of RCPS			
Direct	Indirect	No. of Shares	%
No. of Shares	(³)%	No. of Shares	%
Khoo Chee Kong	314,103,000	21.8	-

Notes:

- (1) Based on the existing total number of issued shares of the Company as at the LPD of 313,958,115 Shares (excluding 9,216,536 treasury shares held by the Company).
- (2) Based on the enlarged total number of issued shares of the Company of 480,050,175 Shares after assuming full conversion of the outstanding Warrants and resale of treasury shares.
- (3) Based on the enlarged total number of issued shares of the Company of 1,440,150,525 Shares after the Proposed Rights Issue of RCPS and after assuming full conversion of the RCPS based on the conversion mode of surrendering 1 RCPS (which are issued at the issue price of RM0.01 each) with additional cash payment of RM0.14 for 1 new Share.

7. APPROVALS REQUIRED

The Proposals are conditional upon the following approvals being obtained:

- (i) approval of the shareholders of Ni Hsin at the forthcoming EGM of the Company to be convened;
- (ii) approval of Bursa Securities for the following:
 - (a) admission of the RCPS to the Official List of Bursa Securities;
 - (b) listing of and quotation for the RCPS to be issued under the Proposed Rights Issue of RCPS, on the Main Market of Bursa Securities;
 - (c) listing of and quotation for the new Conversion Shares to be issued arising from the conversion of the RCPS on the Main Market of Bursa Securities;
 - (d) listing of and quotation for the Additional Warrants pursuant to the Rights Adjustments; and
 - (e) listing of and quotation of the new Ni Hsin Shares to be issued pursuant to the exercise of the Additional Warrants.

subject to the following conditions:

Condition	Status of compliance
Ni Hsin and M&A Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Rights Issue of RCPS;	Noted
M&A Securities to inform Bursa Securities upon the completion of the Proposals;	To be complied
M&A Securities to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposals are completed; and	To be complied
Ni Hsin to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the conversion of RCPS as at the end of each quarter together with a detail computation of listing fees payable.	To be complied

and

- (iii) other relevant authorities or parties, if any.

The Proposals are inter-conditional upon each other and are not conditional upon any other corporate exercise undertaken or to be undertaken by the Company.

8. HISTORICAL SHARE PRICE PERFORMANCE

The monthly highest and lowest prices of Ni Hsin Shares as traded on Bursa Securities for the past 12 months are as follows:

	<u>High</u>	<u>Low</u>
	<u>RM</u>	<u>RM</u>
<u>2019</u>		
October	0.190	0.155
November	0.165	0.145
December	0.185	0.150
<u>2020</u>		
January	0.165	0.140
February	0.150	0.125
March	0.130	0.055
April	0.115	0.070
May	0.185	0.095
June	0.265	0.105
July	0.260	0.185
August	0.330	0.205
September	0.275	0.185

(Source: Bloomberg)

The last transacted price of Ni Hsin Shares on 15 July 2020, being the market day immediately preceding the date of the announcement of the Proposals was RM0.23 per Share.

The last transacted price of Ni Hsin Shares as at the LPD was RM0.22 per Share.

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

None of the Directors, major shareholders, chief executive of the Company and/or persons connected with them have any interest, direct and/or indirect, in the Proposals, other than their respective entitlements as shareholders of the Company under the Proposals, the rights of which are also available to all other existing shareholders of the Company as at the Entitlement Date.

10. DIRECTORS' RECOMMENDATION

The Board, after having considered all aspects of the Proposals, including but not limited to the rationale and financial effects, is of the opinion that the Proposals are in the best interest of the Company, and accordingly recommends that the shareholders vote in favour of the resolutions pertaining the Proposals to be tabled at the forthcoming EGM of the Company.

11. ESTIMATED TIMEFRAME FOR COMPLETION

The tentative timetable in relation to the Proposals is as follows:

Dates	Events
18 November 2020	EGM to approve the Proposals
End November 2020	Announcement of the Entitlement Date and the price-fixing date
Mid December 2020	Despatch of the Abridged Prospectus
Early January 2021	Last day for receipt of acceptances and applications for the RCPS
Mid January 2021	Listing of and quotation for the RCPS and additional Warrants

Barring any unforeseen circumstances and subject to receipt of all relevant regulatory approvals, the Proposals are expected to be completed by the first half of 2021.

12. OUTSTANDING PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals, as at the LPD, there is no other corporate exercise which has been announced but not yet completed.

13. EGM

The EGM, the notice of which is enclosed together with this Circular, will be held at Tioman Room, Bukit Jalil Golf & Country Resort, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur, Malaysia on Wednesday, 18 November 2020 at 9.30 a.m. or any adjournment thereof for the purpose of considering and, if thought fit, passing the resolution so as to give effect to the Proposals.

If you are unable to attend and vote in person at the EGM, you may complete and return the relevant Proxy Form in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the Company's Share Registrar Office, Bina Management (M) Sdn Bhd at Lot 10, The Highway Centre, Jalan 51/205, 46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not later than forty-eight (48) hours before the time appointed for holding the EGM or at any adjournment thereof. The lodging of the Proxy Form will not, however, preclude you from attending and voting in person at the EGM should you subsequently decide to do so.

14. FURTHER INFORMATION

Please refer to the attached appendix for further information.

Ours faithfully,
For and on behalf of the Board of Directors of
NI HSIN RESOURCES BERHAD

SOFIYAN BIN YAHYA
INDEPENDENT NON-EXECUTIVE CHAIRMAN

DETAILS OF PROPOSED AMENDMENTS

The Constitution of the Company shall be amended in the following manner:-

1. By inserting the following new definition in the existing Clause 7 of the Constitution of the Company:-

Existing Provisions	Proposed Amendments
New	<p>Conversion Mode Shall have the meaning given in Clause 11A(5)(c)</p> <p>Conversion Notice Shall have the meaning given in Clause 11A(5)(e)(i)</p> <p>Conversion Period Shall have the meaning given in Clause 11A(5)(b)</p> <p>Conversion Ratio Shall have the meaning given in Clause 11A(5)(a)(i)</p> <p>Conversion Rights Shall have the meaning given in Clause 11A(5)(d)</p> <p>Conversion Shares Shall have the meaning given in Clause 11A(5)(e)(iii)(A)</p> <p>Converting RCPS Holder Shall have the meaning given in Clause 11A(5)(e)(i)</p> <p>Issue Date Shall have the meaning given in Clause 11A(1)(a)</p> <p>Maturity Date Shall have the meaning given in Clause 11A(1)(b)</p> <p>Ni Hsin Shares Shall have the meaning given in Clause 11A(3)(a)</p> <p>RCPS Redeemable Convertible Preference Shares of the Company which is subject to the terms and conditions set out in Clause 11A of this Constitution</p>

DETAILS OF PROPOSED AMENDMENTS (CONT'D)

Existing Provisions	Proposed Amendments
	<p>RCPS Issue Price RM0.01 per RCPS</p> <p>Tenure Shall have the meaning given in Clause 11A(1)(a)</p>

2. By amending Clause 11 of the Constitution of the Company as follows:-

Existing Provisions	Proposed Amendments
<p>11. Subject to the Act, any preference shares may with the sanction of an ordinary resolution, be issued on the terms that they are, or at the option of the Company are liable, to be redeemed. The Company shall have the power to issue preference capital ranking equally with, or in priority to, preference shares already issued. Preference shareholders shall have the same rights as ordinary shareholders as regards to receiving notices, reports and audited financial statements and attending meetings of the Company. <u>Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the share capital or winding up or during the winding up of the Company, or on a proposal for the disposal of the whole of the Company's property, business and undertaking, or where any resolution to be submitted to the meeting directly affects their rights and / or privileges attached to the shares, or when the dividend or part of the dividend on the preference shares is in arrears for more than six (6) months.</u></p>	<p>11. Subject to the Act, any preference shares may with the sanction of an ordinary resolution, be issued on the terms that they are, or at the option of the Company are liable, to be redeemed. The Company shall have the power to issue preference capital ranking equally with, or in priority to, preference shares already issued. Preference shareholders shall have the same rights as ordinary shareholders as regards to receiving notices, reports and audited financial statements and attending meetings of the Company. <i>(deleted)</i></p>

3. By inserting the following new Clause 11A after the existing Clause 11:-

Existing Provisions	Proposed Amendments
<i>New</i>	<p>11A. The RCPS shall confer on the holders thereof the following rights and privileges and be subject to the following conditions:-</p> <p>(1) <u>Tenure, Listing and Transferability</u></p> <p>(a) The tenure of the RCPS shall be 5 years commencing from and inclusive of the date of issuance</p>

DETAILS OF PROPOSED AMENDMENTS (CONT'D)

Existing Provisions	Proposed Amendments
	<p>of the RCPS ("Issue Date") ("Tenure").</p> <p>(b) The maturity date of the RCPS shall be the Market Day immediately preceding the 5th anniversary from the Issue Date ("Maturity Date").</p> <p>(c) The RCPS will be listed and quoted on the Main Market of the Exchange. All new Ni Hsin Shares to be issued upon conversion of the RCPS will be listed and quoted on the Main Market of the Exchange.</p> <p>(d) As the RCPS will be listed and quoted on the Main Market of the Exchange, they will be deposited with the CDS of the Exchange and will be subject to the Rules of Bursa Depository. The RCPS shall be transferable in the manner provided under the Central Depositories Act and the Rules of Bursa Depository.</p> <p>The registration of transfer may be suspended at such times and for such periods as the Directors may from time to time determine, provided that it shall not be suspended for more than 30 days in any year.</p> <p>(2) <u>Dividend</u></p> <p>(a) The Company shall pay out preferential dividends to the RCPS holders out of distributable profits if the Directors are satisfied that the Company will be solvent immediately after the distribution made and subject to the availability of distributable profits. The preferential dividends, if declared, shall be payable at a fixed rate per annum of 3% in each financial year calculated on the issue price of the RCPS during the Tenure and up to the date of redemption or conversion of the RCPS, whichever is earlier.</p>

DETAILS OF PROPOSED AMENDMENTS (CONT'D)

Existing Provisions	Proposed Amendments
	<p>(b) Any preferential dividends, if declared, shall be payable annually in arrears and be in priority over the ordinary shares of the Company. Although annual payments are anticipated as disclosed above, the Company may defer, in part or in whole, such payments depending on availability of distributable profits ("Deferred Dividends"). For avoidance of doubt, the Company is not obliged to pay any dividends or Deferred Dividends, as the case may be, in the event that it has insufficient distributable profits.</p> <p>(3) <u>Ranking of RCPS and Conversion Shares</u></p> <p>(a) The RCPS shall rank equally amongst themselves and will rank ahead in point of priority to the ordinary shares in the Company ("Ni Hsin Shares"), in respect of any payment of dividend or any payment out of the assets of the Company upon any liquidation, dissolution or winding up of the Company provided always that the Board approves such payments on this basis and further affirms the priority of payment to the RCPS holders.</p> <p>(b) The Conversion Shares shall, upon allotment and issuance, rank pari passu in all respects with the existing Ni Hsin Shares, save and except that they will not be entitled to any dividends, rights, allotments and/ or any other distributions that may be declared, made or paid to shareholders, the entitlement date of which is prior to the date of allotment of the Conversion Shares, as the case may be.</p> <p>(4) <u>Voting Rights of the RCPS Holder</u></p>

DETAILS OF PROPOSED AMENDMENTS (CONT'D)

Existing Provisions	Proposed Amendments
	<p>The RCPS holders shall not have the right to vote at any general meeting of the Company except:-</p> <ul style="list-style-type: none"> (a) on a proposal considering the reduction of the share capital of the Company (excluding any cancellation of capital which is lost or unrepresented by assets); (b) on a proposal for the sale of the whole of the Company's property, business and undertaking; (c) on a proposal that directly affects the rights and privileges attached to the RCPS; (d) on a proposal to wind-up the Company; and (e) during the winding-up of the Company <p>in which case, the RCPS holders shall be entitled to vote at any general meeting whereby every RCPS shall on a poll, carry 1 vote for each ordinary share into which the RCPS may be converted into, based on the conversion ratio of 1 RCPS for every 1 new Ni Hsin Share.</p> <p>(5) <u>Conversion</u></p> <ul style="list-style-type: none"> (a) Conversion ratio and price <ul style="list-style-type: none"> (i) The conversion ratio shall be (i) by surrendering for cancellation the requisite number of RCPS with an aggregate issue price equivalent to the Conversion Price of the RCPS surrendered; or (ii) by paying the difference between the aggregate RCPS Issue Price surrendered and the Conversion Price, if any, in cash, for every 1 new Share ("Conversion Ratio").

DETAILS OF PROPOSED AMENDMENTS (CONT'D)

Existing Provisions	Proposed Amendments
	<p>(ii) The final conversion price and final conversion ratio of the RCPS will be determined by the Board, and announced by the Company on the price-fixing date after the receipt of all required approvals for the Proposed Rights Issue of RCPS but before the announcement of the Entitlement Date, at the date that is deemed appropriate after taking into consideration of the 5 days volume weighted average market price of Ni Hsin Shares immediately preceding the price fixing date.</p> <p>(b) Conversion Period</p> <p>The RCPS may be converted into new Ni Hsin Shares on any market day during the Tenure at the option of the RCPS holders.</p> <p>(c) Conversion Mode</p> <p>The RCPS may be converted into new Ni Hsin Shares in the following manner:-</p> <p>(i) by surrendering for cancellation the requisite number of RCPS with an aggregate RCPS Issue Price equivalent to the Conversion Price of the RCPS surrendered; or</p> <p>(ii) by paying the difference between the aggregate RCPS Issue Price surrendered and the Conversion Price, if any, in cash, for every 1 new Ni Hsin Share.</p>

DETAILS OF PROPOSED AMENDMENTS (CONT'D)

Existing Provisions	Proposed Amendments
	<p>(d) Conversion Rights</p> <p>The RCPS holders shall have conversion rights to convert the RCPS, within the Conversion Period, into such number of fully-paid new Ni Hsin Shares based on the Conversion Mode.</p> <p>(e) Conversion Mechanism</p> <p>(i) The conversion of the RCPS into new Ni Hsin Shares shall be exercised by the RCPS holders by delivering a duly completed and signed conversion notice ("Conversion Notice") to the company secretary of the Company at the registered office of the Company during its business hours on any market day during the Conversion Period. The Conversion Notice is irrevocable upon receipt by the Company at its registered office. A RCPS holder who has issued a Conversion Notice ("Converting RCPS Holder") shall further furnish to the Company such supporting documents or information as may be prescribed by the Company or as may be required under any applicable laws or regulations from time to time. The conversion shall be carried out in accordance with such procedures as may be prescribed by any applicable laws and regulations.</p> <p>(ii) Subject to all applicable laws, rules and regulations, within 8 market days from the date of receipt by the Company</p>

DETAILS OF PROPOSED AMENDMENTS (CONT'D)

Existing Provisions	Proposed Amendments
	<p>of a Conversion Notice or such other period as may be prescribed or allowed by Bursa Securities or under any applicable laws and regulations, the Company shall:-</p> <p>(A) issue and/or allot to the relevant Converting RCPS Holders, such number of new Ni Hsin Shares to which such holders are entitled to receive by virtue of the exercise of the Conversion Rights, credited as fully paid-up ("Conversion Shares"), and shall cause the securities account of the said holders to be credited with such number of Conversion Shares; and</p> <p>(B) despatch a notice of allotment to the relevant Converting RCPS Holders in respect of the Conversion Shares.</p> <p>(iii) Once converted, the RCPS shall not be capable of reissuance.</p> <p>(f) Adjustments to Conversion Mode</p> <p>The Conversion Mode may from time to time be adjusted by the Board as and when it deems necessary and expedient on or before the Maturity Date, in all or any of the following events:-</p> <p>(i) a bonus issue of ordinary shares by the Company; or</p>

DETAILS OF PROPOSED AMENDMENTS (CONT'D)

Existing Provisions	Proposed Amendments
	<p>(ii) a capital distribution to the shareholders made by the Company whether on a reduction of capital or otherwise, but excluding any cancellation of capital which is lost or unrepresented by assets; or</p> <p>(iii) a rights issue of ordinary shares or convertible securities by the Company; or</p> <p>(iv) a consolidation of shares, subdivision of shares or reduction of capital; or</p> <p>(v) any other circumstances deemed necessary by the Board, provided that any adjustment to the Conversion Mode will be rounded down to the nearest 1 new Ni Hsin Share.</p> <p>The adjustments shall be made, calculated or determined by the Board in consultation with and certified by an approved adviser or external auditor appointed by the Company, as the case may be.</p> <p>Any adjustment to the Conversion Mode which may give rise to fractional entitlements of new Ni Hsin Shares arising from the conversion of the RCPS shall be disregarded.</p> <p>(6) <u>Redemption</u></p> <p>(a) The RCPS can be redeemed during the beginning of the 5th year after issuance until the Maturity Date at the RCPS Issue Price plus any accumulated undeclared dividends up to the date of redemption.</p> <p>(b) The redemption shall be at the option of the RCPS holders.</p>

DETAILS OF PROPOSED AMENDMENTS (CONT'D)

Existing Provisions	Proposed Amendments
	<p>(c) All remaining RCPS that are not converted or redeemed during the Tenure shall be mandatorily redeemed by the Company at the RCPS Issue Price plus any accumulated undeclared dividends up to the date of redemption.</p> <p>(d) The Company shall, at any time on or after the 5th year of the Issue date until the Maturity Date, redeem all remaining outstanding RCPS that are not converted or redeemed by the RCPS holder out of the capital of the Company by giving a notice in writing of not less than 30 days to the RCPS holders of its intention to do so and subject to all Directors of the Company having made a solvency statement in relation to such redemption in accordance with the provisions of the Act.</p> <p>(e) The redemption of RCPS by the Company shall take effect on the 30th day from the date of the notice or such other date as may be specified in the notice ("RCPS Redemption Date").</p> <p>(f) The RCPS Redemption Date and book closure date to be used to determine the RCPS holders who are entitled to receive the redemption payment shall be stated in the notice.</p> <p>(g) During such notice period but not later than 9 market days prior to the RCPS Redemption Date, the RCPS holders shall be entitled to exercise their Conversion Rights</p> <p>(7) <u>Undertaking of the Company</u></p> <p>So long as any RCPS remains in issue:-</p> <p>(a) the Company will send to each holder of the RCPS holder, by way of information, one copy of</p>

DETAILS OF PROPOSED AMENDMENTS (CONT'D)

Existing Provisions	Proposed Amendments
	<p>every circular, notice or other documents sent to any other shareholders in the Company, at the same time as it sends to such other shareholders; and</p> <p>(b) the Company shall keep available during the Conversion Period, free from pre-emptive or other rights, out of its authorised or unissued share capital such number of Ni Hsin Shares as would be required to be issued upon the exercise of the Conversion Rights from time to time by the RCPS holders during the Conversion Period, and to satisfy in full all other rights of conversion into or exchange or subscription for Ni Hsin Shares and shall ensure that all Ni Hsin Shares delivered upon conversion will be duly and validly issued and fully paid-up.</p> <p>(8) <u>Rights of RCPS holders on liquidation or winding-up of the Company</u></p> <p>(a) In the event of the liquidation or winding-up of the Company, the redemption value of the RCPS not previously redeemed and all arrears of preferential dividend declared and accrued up to the date of commencement of the winding-up shall be paid in priority to any payment to RCPS holders, provided that there shall be no further right for the RCPS holders to participate in any surplus capital or surplus profits of the Company; and</p> <p>(a) In the event that the Company has insufficient assets to permit payment of redemption value of the RCPS not previously redeemed and all arrears of preferential dividend declared and accrued up to the date of commencement of the winding-up, the assets of the Company shall be distributed on pro-rata basis on an equal priority to the RCPS holders in proportion to the</p>

DETAILS OF PROPOSED AMENDMENTS (CONT'D)

Existing Provisions	Proposed Amendments
	<p style="text-align: right;">amount that each RCPS holder would otherwise be entitled to receive.</p> <p>(9) <u>Rights of RCPS holders to receive notices, reports and attend meetings</u></p> <p>The RCPS holders shall be entitled to receive notice of meetings, report and accounts, and attend meetings and vote at any class meeting of the RCPS holders in relation to any proposal by the Company to vary or abrogate the rights of the RCPS as stated in the Constitution.</p> <p>(10) <u>Modification of rights of RCPS holders</u></p> <p>The Company may from time to time with the consent or sanction of the RCPS holders make modifications to the rights and privileges attached to the RCPS.</p> <p>Any variation, modification or abrogation of the rights and privileges attached to the RCPS in any way whether directly or indirectly shall require sanction of a special resolution passed at a separate class meeting of RCPS holders representing not less than 75% of the outstanding RCPS.</p> <p>(11) <u>Governing Law</u></p> <p>The RCPS shall be governed by the Malaysian Law.</p>

4. By amending Clause 64 of the Constitution of the Company as follows:-

Existing Provisions	Proposed Amendments
<p>64. An annual general meeting of the Company shall be held in accordance with the provisions of the Act. All general meetings other than the annual general meeting shall be called extraordinary general meetings. All general meetings shall be held at such time, date and place as the Directors shall determine. Every notice of an annual general meeting shall specify the meeting as such and every meeting convened for passing a special resolution shall state the intention to</p>	<p>64. An annual general meeting of the Company shall be held in accordance with the provisions of the Act. All general meetings other than the annual general meeting shall be called extraordinary general meetings. All general meetings shall be held at such time, date and place as the Directors shall determine. Every notice of an annual general meeting shall specify the meeting as such and every meeting convened for passing a special resolution shall state the intention to</p>

DETAILS OF PROPOSED AMENDMENTS (CONT'D)

<p>propose such resolution as a special resolution.</p> <p>Such meeting of its members may be held at more than one venue using any technology or method that allows all members of the Company to participate and to exercise the members' rights to speak and vote at the meeting, and using any available technology to provide notice, conduct and record or facilitate voting at that meeting or any adjournment of that meeting of members subject to rules, regulations and laws prevailing. The main venue of the meeting shall be in Malaysia and the Chairman shall be present at the main venue of the meeting.</p>	<p>propose such resolution as a special resolution.</p> <p>Such meeting of its members may be held at more than one venue using any technology or method that allows all members of the Company to participate and to exercise the members' rights to speak and vote at the meeting, and using any available technology to provide notice, conduct and record or facilitate voting at that meeting or any adjournment of that meeting of members subject to rules, regulations and laws prevailing. The main venue of the meeting shall be in Malaysia and the Chairman shall be present at the main venue or broadcast venue (the only venue involved in the conduct of a virtual general meeting) of the meeting held in Malaysia, whichever is applicable.</p>
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5. By inserting the following new Clauses 64A and 64B after the existing Clause 64:-

Existing Provisions	Proposed Amendments
<p><i>New</i></p>	<p>64A. (a) If authorised by the Board in its sole discretion, and subject to such guidelines and procedures as the Board may adopt, the members not physically present at a general meeting where the Chairman of the general meeting is physically present, may, by means of remote communication:-</p> <ul style="list-style-type: none"> (i) participate in such general meeting; and (ii) be deemed present in person at such general meeting, be counted in the quorum and be entitled to vote at such general meeting. <p>(b) That the general meeting shall be duly constituted and its proceedings shall be valid if the Chairman of the general meeting is satisfied that adequate facilities are available throughout the general meeting to ensure that members</p>

DETAILS OF PROPOSED AMENDMENTS (CONT'D)

Existing Provisions	Proposed Amendments
	<p>participating in the general meeting through remote communication are able:-</p> <ul style="list-style-type: none"> (i) to participate in the matters for which such general meeting has been convened; (ii) to speak (whether by use of microphones, loudspeakers, audio-visual communication equipment or any form of electronic means which allows the members to raise any questions and/or express their views on the matters); and (iii) to vote on matters submitted to the members. <p>(c) The Chairman of the general meeting shall be physically be present at the sole or main venue of the general meeting which shall be designated in Malaysia.</p> <p>64B. If it appears to the Chairman of the general meeting that:-</p> <ul style="list-style-type: none"> (a) the facilities at the main venue or broadcast venue; or (b) the means used for the remote communication, <p>have become inadequate for the purposes referred to in Clause 64A, then the Chairman of the general meeting shall, without the consent of the members at the general meeting, interrupt or adjourn the general meeting. All businesses as conducted at that general meeting up to the adjournment shall be valid. The provisions of Clause 74 shall apply to that adjournment. No interruption or termination of any remote communication or the ability of a member to participate in a</p>

DETAILS OF PROPOSED AMENDMENTS (CONT'D)

Existing Provisions	Proposed Amendments
	<p>general meeting by way of remote communication shall invalidate any general meeting held using such remote communications or any such resolution decided upon at such general meeting.</p> <p>The Board may request the members, proxies or representatives wanting to attend a general meeting to comply with security procedures which the Board deemed appropriate. The Board may, at their discretion, refuse entry to, or remove from, a general meeting, a member, proxy or representative who does not comply with the security procedures. Security procedures may include member, proxy or representative not being allowed into a general meeting with recording or broadcasting devices or an article which the Chairman of the general meeting considers as to be dangerous, offensive, or liable to cause disruption.</p>

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2019 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON

PKF
(AF 0911)

PKF
Accountants &
business advisers

Date: 12 October 2020

The Board of Directors
Ni Hsin Resources Berhad
45, Jalan Taming Dua
Taman Taming Jaya
43300 Seri Kembangan
Selangor Darul Ehsan
Malaysia

Dear Sir/Madam,

Ni Hsin Resources Berhad ("Ni Hsin" or the "Company")

Report on the Compilation of Pro Forma Statement of Financial Position as at 31 December 2019

We have completed our assurance engagement to report on the compilation of the pro forma statement of financial position of Ni Hsin and its subsidiaries (collectively, the "Group") prepared by the management of the Company. The pro forma statement of financial position of the Group as at 31 December 2019 ("Pro Forma Statement of Financial Position") and the related notes as set out in accompanying statements have been stamped by us for identification purposes. The applicable criteria on the basis of which the Directors have compiled the Pro Forma Statement of Financial Position are described in the notes to the Pro Forma Statement of Financial Position ("Applicable Criteria").

The Pro Forma Statement of Financial Position have been compiled by the Directors to illustrate the impact of the renounceable rights issue of up to 960,100,350 redeemable convertible preference shares ("RCPS") at an issue price of RM0.01 per RCPS on the basis of two (2) RCPS for every one (1) existing ordinary share in Ni Hsin ("Ni Hsin Shares" or "Shares") held by the entitled shareholders of Ni Hsin on an entitlement date to be determined ("Rights Issue of RCPS").

Directors' Responsibility on the Pro Forma Statement of Financial Position

The Directors are responsible for compiling the Pro Forma Statement of Financial Position on the basis of the Applicable Criteria as described in the notes thereto.

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2019 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)



Accountants &
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Reporting Accountants' Independence and Quality Control

We are independent in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our ethical responsibilities in accordance with the By-Laws and the IESBA Code.

The firm applies International Standard on Quality Control 1 ("ISQC 1") Quality Control for Firms that Perform Audit and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and, accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and statutory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, whether the Pro Forma Statement of Financial Position have been compiled, in all material aspects, by the Directors on the basis of the Applicable Criteria as described in the notes thereto.

We conducted our engagement in accordance with International Standard on Assurance Engagements ("ISAE") 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Directors has compiled, in all material respects, the Pro Forma Statement of Financial Position on the basis of the Applicable Criteria as described in the notes thereto.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Statement of Financial Position, nor have we, in the course of this engagement, performed an audit or review of financial information used in compiling the Pro Forma Statement of Financial Position.

For the purpose of Pro Forma Statement of Financial Position included in the Abridged Prospectus of Ni Hsin is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for the purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2019 would have been presented.

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS
AT 31 DECEMBER 2019 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER
THEREON (CONT'D)**



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business advisers

Reporting Accountants' Responsibilities (continued)

A reasonable assurance engagement to report on whether the Pro Forma Statement of Financial Position have been compiled, in all material respects, on the basis of the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Directors in the compilation of the Pro Forma Statement of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Statement of Financial Position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the Pro Forma Statement of Financial Position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of Pro Forma Statement of Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Pro Forma Statement of Financial Position has been compiled, in all material respects, on the basis stated in the notes to the Pro Forma Statement of Financial Position in Appendix 1.

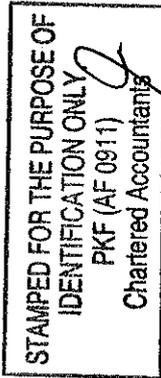
Other Matter

Our report on the Pro Forma Statement of Financial Position has been prepared for inclusion in the Company's Abridged Prospectus of Ni Hsin in connection with the Rights Issue of RCPS and should not be relied upon for any other purposes.

PKF
PKF
AF 0911
Chartered Accountants


NG CHEW PEI
03373/06/2022J
Chartered Accountant

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2019 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

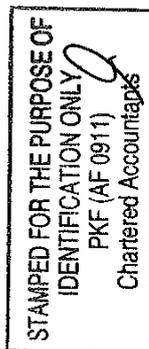


Appendix 1

NI HSIN RESOURCES BERHAD
 PRO FORMA STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019
 MINIMUM SCENARIO

	Audited as at 31 December 2019 RM'000	(I) After subsequent events RM'000	(II) After (I) and Proposed Rights Issue of RCPS RM'000	(III) After (II) and assuming full conversion of RCPS RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	44,030	44,030	44,030	44,030
Investment properties	1,225	1,225	1,225	1,225
Goodwill	5,105	5,105	5,105	5,105
Deferred tax assets	4	4	4	4
	50,364	50,364	50,364	50,364
Current assets				
Inventories	20,437	20,437	20,437	20,437
Other investments	9,946	9,946	9,946	9,946
Receivables, deposits and prepayments	2,835	2,835	2,835	2,835
Right-of-use assets	102	102	102	102
Current tax assets	365	365	365	365
Cash and cash equivalents	11,148	11,147	13,647	13,647
	44,833	44,832	47,332	47,332
TOTAL ASSETS	95,197	95,196	97,696	97,696

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2019 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)



Appendix 1

**NI HSIN RESOURCES BERHAD
PRO FORMA STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019
MINIMUM SCENARIO (CONTINUED)**

	Audited as at 31 December 2019 RM'000	(I) After subsequent events RM'000	(II) After (I) and Proposed Rights Issue of RCPS RM'000	(III) After (II) and assuming full conversion of RCPS RM'000
EQUITY AND LIABILITIES				
Equity attributable to the owners of the parent				
Share capital	66,123	66,405 ⁽³⁾	66,405	69,405 ⁽¹⁾
RCPS	-	-	3,000	- ⁽¹⁾
Reserves	20,385	20,102	19,602	19,152
	86,508	86,507	89,007	88,557
Non-current liabilities				
Deferred tax liabilities	2,989	2,989	2,989	2,989
Borrowings	73	73	73	73
	3,062	3,062	3,062	3,062
Current liabilities				
Payables and accruals	3,948	3,948	3,948	3,948
Borrowings	1,573	1,573	1,573	1,573
Lease liabilities	106	106	106	106
Dividend payables	-	-	-	450 ⁽²⁾
	5,627	5,627	5,627	6,077
Total liabilities	8,689	8,689	8,689	9,139
TOTAL EQUITY AND LIABILITIES	95,197	95,196	97,696	97,696

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2019 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

STAMPED FOR THE PURPOSE OF IDENTIFICATION ONLY.
PKF (AF 0911)
Chartered Accountants

Appendix 1

**NI HSIN RESOURCES BERHAD
PRO FORMA STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019
MINIMUM SCENARIO (CONTINUED)**

	(I) Audited as at 31 December 2019 RM'000	(II) After subsequent events RM'000	(II) After (I) and Proposed Rights Issue of RCPS RM'000	(III) After (II) and assuming full conversion of RCPS RM'000
Number of shares	317,071,374	313,958,115	313,958,115	333,958,115
Net assets per share (RM)	0.27	0.28	0.28	0.27
Total borrowings (RM'000)	1,646	1,646	1,646	1,646
Gearing (times)	0.02	0.02	0.02	0.02

Notes:

- (1) Assuming all 300,000,000 RCPS under the Minimum Scenario are fully converted into 20,000,000 new Shares based on the indicative conversion mode of surrendering 15 RCPS for 1 New Share.
- (2) Assuming cumulative dividend payables of 3% based on issued price of RCPS at the end of 5 years.
- (3) Including RM53,199 paid up capital for treasury shares.

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2019 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

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Chartered Accountants

Appendix 1

	Audited as at 31 December 2019 RM'000	(I) After subsequent events RM'000	(II) After (I) and assuming all Warrants are exercised and resale of treasury shares RM'000	(III) After (II) and Proposed Rights Issue of RCPS RM'000	(IV) After (III) and assuming full conversion of RCPS RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	44,030	44,030	44,030	44,030	44,030
Investment properties	1,225	1,225	1,225	1,225	1,225
Goodwill	5,105	5,105	5,105	5,105	5,105
Deferred tax assets	4	4	4	4	4
	50,364	50,364	50,364	50,364	50,364
Current assets					
Inventories	20,437	20,437	20,437	20,437	20,437
Other investments	9,946	9,946	9,946	9,946	9,946
Receivables, deposits and prepayments	2,835	2,835	2,835	2,835	2,835
Right-of-use assets	102	102	102	102	102
Current tax assets	365	365	365	365	365
Cash and cash equivalents	11,148	11,147	34,324	43,425	177,839 ⁽¹⁾
	44,833	44,832	68,009	77,110	211,524
TOTAL ASSETS	95,197	95,196	118,373	127,474	261,888

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2019 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

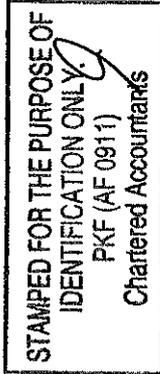
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Appendix 1

NI HSIN RESOURCES BERHAD
PRO FORMA STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019
MAXIMUM SCENARIO (CONTINUED)

	(I) Audited as at 31 December 2019 RM'000	(II) After subsequent events RM'000	(III) After (I) and assuming all Warrants are exercised and resale of treasury shares RM'000	(IV) After (II) and Proposed Rights Issue of RCPS RM'000	(V) After (III) and assuming full conversion of RCPS RM'000
EQUITY AND LIABILITIES					
Equity attributable to the owners of the parent					
Share capital	66,123	66,405 ⁽³⁾	88,054	88,054	232,069 ⁽¹⁾
RCPS	-	-	-	9,601	-
Reserves	20,385	20,102	21,630	21,130	19,690 ⁽¹⁾
	86,508	86,507	109,684	118,785	251,759
Non-current liabilities					
Deferred tax liabilities	2,989	2,989	2,989	2,989	2,989
Borrowings	73	73	73	73	73
	3,062	3,062	3,062	3,062	3,062
Current liabilities					
Payables and accruals	3,948	3,948	3,948	3,948	3,948
Borrowings	1,573	1,573	1,573	1,573	1,573
Lease liabilities	106	106	106	106	106
Dividend payables	-	-	-	-	1,440 ⁽²⁾
	5,627	5,627	5,627	5,627	7,067
Total liabilities	8,689	8,689	8,689	8,689	10,129
TOTAL EQUITY AND LIABILITIES	95,197	95,196	118,373	127,474	261,888

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2019 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)



Appendix 1

NI HSIN RESOURCES BERHAD
 PRO FORMA STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019
 MAXIMUM SCENARIO (CONTINUED)

	(I)	(II) After (I) and assuming all Warrants are exercised and resale of treasury shares	(III) After (II) and Proposed Rights Issue of RCPS	(IV) After (III) and assuming full conversion of RCPS
Audited as at 31 December 2019	After subsequent events			
RM'000	RM'000	RM'000	RM'000	RM'000
317,071,374	313,958,115	480,050,175	480,050,175	1,440,150,525
0.27	0.28	0.23	0.25	0.18
1,646	1,646	1,646	1,646	1,646
0.02	0.02	0.02	0.01	0.01
Number of shares				
Net assets per share (RM)				
Total borrowings (RM'000)				
Gearing (times)				

Notes:

- (1) Assuming all 960,100,350 RCPS under the Maximum Scenario are fully converted into 960,100,350 New Shares based on the indicative conversion mode of surrendering 1 RCPS (which are issued at RM0.01 each) with additional cash payment of RM0.14 for 1 New Share.
- (2) Assuming cumulative dividend payables of 3% based on issued price of RCPS at the end of 5 years.
- (3) Including RM53,199 paid up capital for treasury shares.

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2019 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

Appendix 1

**NI HSIN RESOURCES BERHAD
PRO FORMA STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019**

1. Basis of preparation

The Pro Forma Statement of Financial Position have been prepared in accordance with Malaysian Financial Reporting Standards in Malaysia and based on the audited Statement of Financial Position of Ni Hsin and its subsidiaries ("Group") as at 31 December 2019. The Pro Forma Statement of Financial Position have been prepared solely for illustrative purposes, to show the effects of the renounceable rights issue of up to 960,100,350 RCPS at an issue price of RM0.01 per RCPS on the basis of 2 RCPS for every 1 existing ordinary shares in Ni Hsin held by the entitled shareholders of Ni Hsin on an entitlement date to be determined.

The Pro Forma Statement of Financial Position have been prepared based on the accounting policies and bases consistent with those normally adopted by Ni Hsin in the preparation of its audited financial statements.

The Pro Forma Statement of Financial Position are presented in Ringgit Malaysia ("RM") and has been rounded to the nearest thousand, unless otherwise stated.

The details of the Minimum and Maximum Scenarios are set out as follows:

(i) *Minimum Scenario*

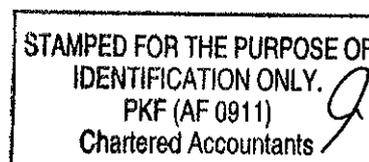
Minimum Scenario representing the scenario on the following assumptions:

- (a) None of the Warrants are exercised prior to the Entitlement Date;
- (b) None of the Entitled Shareholders subscribe for their entitlements; and
- (c) Subscription of 300,000,000 RCPS by Mr. Khoo Chee Kong pursuant to the Undertaking.

(ii) *Maximum Scenario*

Maximum Scenario representing the scenario on the following assumptions:

- (a) All 9,216,536 treasury shares held by Ni Hsin as at the LPD have been resold prior to the Entitlement Date;
- (b) All 156,875,524 outstanding Warrants are exercised into new Ni Hsin Shares prior to the Entitlement Date; and
- (c) All Entitled Shareholders subscribe in full for their entitlement pursuant to the Proposed Right Issue of RCPS.



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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2019 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

Appendix 1

**NI HSIN RESOURCES BERHAD
PRO FORMA STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019
(CONTINUED)**

2. Adjustment to statement of financial position

The adjustments incorporated the effects of:

- (i) Conversion of 189,900 Warrants, 50,000 Warrants, 279,800 Warrants, 359,800 Warrants, 179,800 Warrants and 600,541 Warrants on 7 July 2020, 15 July 2020, 21 July 2020, 5 August 2020, 18 August 2020 and 25 August 2020 respectively, at the exercise price of RM0.138 per Warrant;
- (ii) Purchase of treasury shares since 31 December 2019 up to the LPD; and
- (iii) Resale of treasury shares since 31 December 2019 up to the LPD.

The Subsequent Events have the following financial impact on the Pro Forma Statement of Financial Position of the Group:

	Increase/(Decrease) Effect on Total Assets RM'000	Effect on Total Equity RM'000
Cash and bank balances	(1)	-
Share capital	-	282
Reserves	-	(283)
	(1)	(1)

3. Minimum Scenario

Pro Forma II

Pro Forma II incorporates the effects of the Subsequent Events and Rights Issue of RCPS.

The following is the utilisation of proceeds from the Rights Issue of RCPS:

Capital expenditure for the F&B business	RM'000 2,000
Working capital	500
Estimated expenses for the Proposals	500
	3,000

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2019 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

Appendix 1

**NI HSIN RESOURCES BERHAD
PRO FORMA STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019
(CONTINUED)**

3. Minimum Scenario (continued)

Pro Forma II

The Rights Issue of RCPS has the following impact on the Pro Forma Statement of Financial Position.

	Increase/(Decrease) Effect on Total Assets RM'000	Effect on Total Equity RM'000
Cash and bank balances	2,500	-
RCPS	-	3,000
Reserves	-	(500)
	2,500	2,500

Pro Forma III

Pro Forma III incorporates the effects of the Pro Forma II and assuming full conversion of RCPS.

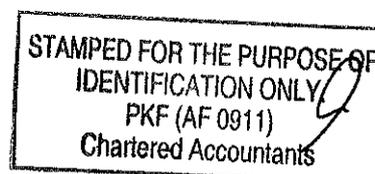
The full conversion of RCPS has the following financial impact:

	(Increase)/ Decrease Effect on Total Liabilities RM'000	Increase/ (Decrease) Effect on Total Equity RM'000
Dividend payables	(450)	-
Share capital	-	3,000
RCPS	-	(3,000)
Resrves	-	(450)
	(450)	(450)

4. Maximum Scenario

Pro Forma II

Pro Forma II incorporates the effects of Subsequent Events and assuming all Warrants are exercised and resale of treasury shares.



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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2019 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

Appendix 1

**NI HSIN RESOURCES BERHAD
PRO FORMA STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019
(CONTINUED)**

4. Maximum Scenario (continued)

Pro Forma II (continued)

The assumption of all Warrants exercised and resale of treasury shares at cost has the following financial impact:

	Increase	
	Effect on Total Assets RM'000	Effect on Total Equity RM'000
Cash and bank balances	23,177	-
Share capital	-	21,649
Reserves	-	1,528
	23,177	23,177

Pro Forma III

Pro Forma III incorporates the effects of the Pro Forma II and Rights Issue of RCPS.

The following is the utilisation of proceeds from the Rights Issue of RCPS:

Capital expenditure for the F&B business	5,500
Working capital	3,601
Estimated expenses for the Proposals	500
	9,601

The Rights Issue of RCPS has the following impact on the Pro Forma Statement of Financial Position.

	Increase/(Decrease)	
	Effect on Total Assets RM'000	Effect on Total Equity RM'000
Cash and bank balances	9,101	-
RCPS	-	9,601
Reserves	-	(500)
	9,101	9,101

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2019 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

Appendix 1

**NI HSIN RESOURCES BERHAD
PRO FORMA STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019
(CONTINUED)**

4. Maximum Scenario (continued)

Pro Forma IV

Pro Forma IV incorporates the effects of the Pro Forma III and assuming full conversion of RCPS.

The full conversion of RCPS has the following financial impact:

	Increase/ (Decrease) Effect on Total Assets/(Liabilities) RM'000	Increase/ (Decrease) Effect on Total Equity RM'000
Cash and bank balances	134,414	-
Dividend payables	(1440)	-
Share capital	-	144,015
RCPS	-	(9,601)
Reserves	-	(1,440)
	132,974	132,974

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FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

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

2. CONSENT AND DECLARATION

M&A Securities, being the Principal Adviser for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references in the form and context in which they appear in this Circular. M&A Securities has given its confirmation that no conflict of interest exists or is likely to exist in relation to its role as the Principal Adviser for the Proposals in the Circular.

Protégé, being the independent market researcher for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references in the form and context in which they appear in this Circular. Protégé has given its confirmation that no conflict of interest exists or is likely to exist in relation to its role as the independent market researcher for the Proposals in the Circular.

3. MATERIAL LITIGATION

The Ni Hsin Group is not involved in any material litigation, claims or arbitration, either as plaintiff or defendant, which may have a material adverse effect on the business and financial position of the Ni Hsin Group and the Board is not aware of any legal proceedings, pending or threatened against the Ni Hsin Group or of any fact which is likely to give rise to any proceeding which may materially and adversely affect the business or financial position of the Ni Hsin Group as at the LPD.

4. MATERIAL COMMITMENTS

As at the LPD, the Board is not aware of any material commitment, incurred or known to be incurred, which may have a material impact on the results or financial position of the Ni Hsin Group.

5. 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 results or financial position of the Ni Hsin Group.

FURTHER INFORMATION (CONT'D)

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at Ni Hsin's registered office at 12th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan during normal business hours from Mondays to Fridays (except public holidays), from the date of this Circular up to and including the date of the EGM:

- (a) the Constitution of Ni Hsin;
- (b) the audited consolidated financial statements of Ni Hsin for the past two (2) FYEs 2018 and 2019;
- (c) latest quarterly results of Ni Hsin for financial period ended 30 June 2020;
- (d) consent letter and declaration referred to in Section 2 above;
- (e) IMR Report by Protégé Associate;
- (f) undertaking letter from the Undertaking Shareholder; and
- (g) the pro forma consolidated statements of financial position of the Group as at 31 December 2019 together with the reporting accountants' letter thereon

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NI H SIN RESOURCES BERHAD
Registration No. 200401014850 (653353-W)
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting ("**EGM**") of Ni Hsin Resources Berhad ("**Ni Hsin**" or the "**Company**") will be convened and held at Tioman Room, Bukit Jalil Golf & Country Resort, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur, Malaysia on Wednesday, 18 November 2020 at 9.30 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, to pass the following resolutions with or without modifications:

ORDINARY RESOLUTION 1

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 960,100,350 REDEEMABLE CONVERTIBLE PREFERENCE SHARES ("RCPS") AT AN ISSUE PRICE OF RM0.01 PER RCPS ON THE BASIS OF 2 RCPS FOR EVERY 1 EXISTING ORDINARY SHARE IN NI H SIN ("NI H SIN SHARES") HELD BY THE ENTITLED SHAREHOLDERS OF NI H SIN ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("PROPOSED RIGHTS ISSUE OF RCPS")

"THAT subject to the passing of the Special Resolution, the approvals granted by Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the admission of the RCPS to the Official List of Bursa Securities and the listing of and quotation for the RCPS and new Ni Hsin Shares to be issued pursuant to conversion of the RCPS, and any other relevant authorities/parties (if required), approval be and is hereby given to the Board of Directors of Ni Hsin ("**Board**") for the following:-

- (i) to provisionally allot and issue by way of a renounceable rights issue of up to 960,100,350 new RCPS at an issue price to be determined later by the Board on the basis of 2 RCPS for every 1 existing Ni Hsin Share held by the shareholders whose names appear in the Record of Depositors of the Company as at the close of business on an entitlement date to be determined later by the Board; and
- (ii) to allot and issue such number of new Ni Hsin Shares credited as fully paid-up pursuant to any conversion of the RCPS and that such approval shall remain in full force and effect for the duration of the conversion period;

THAT the RCPS shall, upon allotment and issue, rank equally amongst themselves and that the new Ni Hsin Shares to be issued upon conversion of the RCPS shall rank equally in all respects with the then existing Ni Hsin Shares, except that the new Ni Hsin Shares shall not be entitled to participate in any dividends, rights, allotments and/or any other distributions that may be declared, made or paid, the entitlement date of which is prior to the date of conversion of the RCPS into new Ni Hsin Shares;

THAT any fractional entitlements under the Proposed Rights Issue of RCPS will be disregarded and will be dealt with in such manner as the Board shall in its absolute discretion deem fit and/or expedient and in the best interest of the Company;

AND THAT the Board be and is hereby authorised to do all acts, deeds and things and execute all necessary documents as they may consider necessary, expedient and/or appropriate, in the best interests of the Company, with full powers to assent to any conditions, modifications, variations and/or amendments as may be required by the relevant authorities and/or parties, and to take all steps and actions as the Board may deem fit or expedient in order to carry out, finalise and give full effect to the Proposed Rights Issue of RCPS."

ORDINARY RESOLUTION 2

PROPOSED DIVERSIFICATION OF THE EXISTING BUSINESSES OF NI HSIN AND ITS SUBSIDIARIES TO INCLUDE FOOD AND BEVERAGE BUSINESS ("PROPOSED DIVERSIFICATION")

"**THAT** subject to the provisions of the Constitution of the Company, the Main Market Listing Requirements ("**Listing Requirements**") of Bursa Securities and the approvals of all relevant authorities (if any), approval be and is hereby given to the Company to diversify its operations into food and beverage business, which might reasonably be expected to result in:

- (a) the diversion of 25% or more of the net assets 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, pursuant to Paragraph 10.13(1) of the Listing Requirements of Bursa Malaysia;

THAT the Board be and is hereby authorised and empowered to carry out, do all such acts, deeds and things and take all such steps it may consider necessary, and to execute, sign, deliver and cause to be delivered on behalf of the Company all such documents and/or agreements (including, without limitation, the affixing of the Company's common seal, where necessary) as the Board may consider necessary or required to give effect to the Proposed Diversification;

AND THAT the Directors of the Company be and are authorised to do all acts, deeds and things and execute all documents as they may deem fit or expedient in order to carry out, finalise and give effect to the Proposed Diversification with full powers to assent to any conditions, modifications, variations and/or amendments as may be required or permitted by any relevant authorities and to take all steps as they may consider necessary or expedient in the best interest of the Company in order to implement, finalise and give full effect to the Proposed Diversification."

SPECIAL RESOLUTION 1

PROPOSED AMENDMENTS TO THE CONSTITUTION OF NI HSIN TO FACILITATE THE CREATION OF THE RCPS PURSUANT TO THE PROPOSED RIGHTS ISSUE OF RCPS AND TO ENHANCE ADMINISTRATIVE EFFICIENCY ("PROPOSED AMENDMENTS")

"**THAT** subject to the passing of Ordinary Resolution 1, the Constitution of Ni Hsin be amended in the manner set out in Appendix I of this Circular;

THAT the Board be and hereby authorised to give effect to the amendments to the Constitution of Ni Hsin;

AND THAT the Board be and is hereby authorised to do all acts, deeds and things and execute all necessary documents as they may consider necessary, expedient and/or appropriate in the best interests of the Company, with full powers to assent to any conditions, modifications, variations and/or amendments as may be required by the relevant authorities and/or parties, and to take all steps and actions as the Board may deem fit or expedient in order to carry out, finalise and give full effect to the Proposed Amendments."

BY ORDER OF THE BOARD

TAI YIT CHAN (MAICSA 7009143)

TAN AI NING (MAICSA 7015852)

Company Secretaries

Selangor Darul Ehsan
13 October 2020

Notes:

- (1) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, participate, speak and vote instead of him. A proxy may but need not be a member of the Company.
- (2) A member of the Company may appoint up to two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
- (3) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- (4) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
- (5) 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 appointer is a corporation, the instrument appointing a proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorised.
- (6) The instrument appointing a proxy or proxies and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority shall be deposited at the Company's Share Registrar Office, Bina Management (M) Sdn Bhd at Lot 10, The Highway Centre, Jalan 51/205, 46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof. Any notice of termination of person's authority to act as a proxy must be forwarded to the Company prior to the commencement of the EGM or Adjourned EGM.
- (7) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolutions set out in the Notice of the general meeting will be put to vote by way of poll. Poll Administrator and Independent Scrutineer will be appointed to conduct the polling process and verify the results of the poll respectively.
- (8) For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 11 November 2020 and only a Depositor whose name appears on such Record of Depositors shall be entitled to attend, speak and vote at this meeting and entitled to appoint proxy or proxies.
- (9) The EGM of the Company will be conducted in compliance with the General Standard Operating Procedures to Government and Private Sector ("SOP") issued by Malaysian National Security Council. The attendance of members/proxies and invited guests may be denied if failure to fulfill the requirements of participants in accordance with the SOP.
- (10) The Board wishes to highlight that the EGM may be re-scheduled and/or postponed in view of the current COVID-19 Outbreak and the Malaysian Government's announcements or guidelines made from time to time. Rest assured, all members/proxies including attendees shall be kept informed of any unexpected changes.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.



NI HSIN RESOURCES BERHAD
Registration No. 200401014850 (653353-W)
(Incorporated in Malaysia)

No. of shares held	
CDS Account No.	

PROXY FORM

I/We*, _____ (name of shareholder as per NRIC,
in capital letters) IC No./ID No./Company No.* _____
(new) _____ (old)of _____ (full
address) being a member/ members* of NI HSIN RESOURCES BERHAD, hereby appoint(s):-

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			
Email Address			
Telephone No.			

and/or*

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			
Email Address			
Telephone No.			

or failing him/her*, the Chairman of the Meeting as my/our* proxy to vote for me/us* on my/our* behalf at Extraordinary General Meeting ("EGM") of the Company to be held at Tioman Room, Bukit Jalil Golf & Country Resort, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur, Malaysia on Wednesday, 18 November 2020 at 9.30 a.m., or at any adjournment thereof in respect of my/our shareholding in the manner indicated below:

No.	Resolutions	For	Against
Ordinary Resolution 1	Proposed Rights Issue of RCPS		
Ordinary Resolution 2	Proposed Diversification		
Special Resolution	Proposed Amendments		

* Strike out whichever is not desired.

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

Signature/Common Seal of Member/(s) _____

Number of shares held: _____

Date: _____

Notes:

- (1) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, participate, speak and vote instead of him. A proxy may but need not be a member of the Company.
- (2) A member of the Company may appoint up to two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
- (3) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- (4) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
- (5) 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 appointer is a corporation, the instrument appointing a proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorised.
- (6) The instrument appointing a proxy or proxies and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority shall be deposited at the Company's Share Registrar Office, Bina Management (M) Sdn Bhd at Lot 10, The Highway Centre, Jalan 51/205, 46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof. Any notice of termination of person's authority to act as a proxy must be forwarded to the Company prior to the commencement of the EGM or Adjourned EGM.



- (7) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolution set out in the Notice of the general meeting will be put to vote by way of poll. Poll Administrator and Independent Scrutineer will be appointed to conduct the polling process and verify the results of the poll respectively.
- (8) For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 11 November 2020 and only a Depositor whose name appears on such Record of Depositors shall be entitled to attend, speak and vote at this meeting and entitled to appoint proxy or proxies.
- (9) The EGM of the Company will be conducted in compliance with the General Standard Operating Procedures to Government and Private Sector ("SOP") issued by Malaysian National Security Council. The attendance of members/proxies and invited guests may be denied if failure to fulfill the requirements of participants in accordance with the SOP.
- (10) The Board wishes to highlight that the EGM may be re-scheduled and/or postponed in view of the current COVID-19 Outbreak and the Malaysian Government's announcements or guidelines made from time to time. Rest assured, all members/proxies including attendees shall be kept informed of any unexpected changes.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty

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AFFIX
STAMP

The Share Registrar
NI HSIN RESOURCES BERHAD (200401014850(653353-W))
Lot 10, The Highway Centre
Jalan 51/205
46050 Petaling Jaya
Selangor Darul Ehsan
Malaysia

2nd Fold Here

Fold This Flap For Sealing



NI HSIN RESOURCES BERHAD

(Registration No. 200401014850 (653353-W))

(Incorporated in Malaysia)

ADMINISTRATIVE GUIDE OF EXTRAORDINARY GENERAL MEETING ("EGM") FOR THE SHAREHOLDERS OF NI HSIN RESOURCES BERHAD

Dear Valued Shareholders,

In view of the COVID-19 outbreak, your safety remains our utmost priority. The EGM of the Company will be conducted in accordance with the General Standard Operating Procedures to Government and Private Sector ("General SOP") issued by Malaysian National Security Council and Guidance Note and FAQs on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission of Malaysia ("SC Guidance Note & FAQs").

This Administrative Guide is necessary to introduce safety measures and controls to be undertaken by the Company to safeguard the well-being of our shareholders/proxies during the EGM as well as to comply with the Government and/or authorities' directives and guidelines on public gatherings and events which may be issued from time to time.

The Company wishes to highlight that the EGM may be re-scheduled and/or postponed in view of the current COVID-19 Outbreak and the Malaysian Government's announcements or guidelines made from time to time. Rest assured, all members/proxies including attendees shall be kept informed of any unexpected changes.

Public Health Precautions and Preventive Measures

- In light of the COVID-19 outbreak, we appreciate if all shareholders, proxies and invited guests could take all the necessary precautions and preventive measures as issued by the Ministry of Health when attending the EGM.
- If you are unwell with **sore throat, flu, fever, cough, aches and pains, nasal congestion, runny nose, diarrhoea or shortness of breath**, your attendance in person at the EGM will be denied. You are hereby strongly advised and encouraged to submit your Form of Proxy prior to the EGM.
- To safeguard the health and safety of shareholders, proxies and invited guests who may be attending the EGM in person, the Company will also implement the following precautionary measures for the EGM:-
 - (a) The Company will limit the number of attendees including invited guests to be physically present at the venue of the EGM to **50** based on the size of the venue. Hence, the total **shareholders present in person or by proxy or attorney or authorised representative shall preferably be limited to 35 only or lesser** after taking into consideration of the attendance of the Directors, Group Head of Finance, Principal Adviser, Reporting Accountants, Company Secretary, Poll Administrator and Scrutineers. The registration for the EGM shall on **first-come-first-serve basis**.

NI HSIN RESOURCES BERHAD (Registration No. 200401014850 (653353-W))

Administrative Guide of the EGM

- (b) Shareholders, proxyholders and corporate representatives ("Participants") will have to go through a compulsory body temperature screening and will be required to provide his/her health declaration via MySejahtera application during the registration process, specifically to facilitate the Company in preventing any potential spread of COVID-19. Any person with a body temperature of above 37.5°C or is experiencing any symptoms of being unwell above, you will **NOT** be allowed to enter the venue of the EGM.
- (c) It is mandatory to wear a face mask in advance and throughout the EGM proceedings. Please be informed that the Company will not be providing face masks.
- (d) We strongly advise you to frequently wash your hands and use the hand sanitiser before and after the EGM. Hand sanitiser will be provided by the Company.
- (e) Please be mindful of social physical distancing of at least one (1) metre.

No Refreshment

To ensure social distancing as well as a measure to reduce the size of crowd or number of attendees at the EGM, there will be no foods and drinks served to shareholders, proxies and invited guests during the EGM.

Voting by Proxy

For the health and safety of shareholders, the Company would like to encourage shareholders to exercise their right to vote at the EGM by appointing the Chairman of the EGM as their proxy and indicate the voting instructions in the Form of Proxy instead of attending the EGM in person.

If a shareholder is unable to attend the EGM on **Wednesday, 18 November 2020**, he/she can appoint the Chairman of the meeting as his/her proxy to attend, speak and vote in his/her stead. Please submit your Form of Proxy to the office of the Company's Share Registrar, Bina Management (M) Sdn. Bhd. at Lot 10, The Highway Centre, Jalan 51/205, 46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia not later than **Monday, 16 November 2020 at 9.30 a.m..**

Enquiry

If you have any enquiries prior to the EGM, please contact the following during the office hours from Mondays to Fridays, 9.00 a.m. to 5.30 p.m. (except on public holidays):-

(a) Ni Hsin Resources Berhad

General Line : 603-8961 6815
Fax Number : 603-8961 3941
Email : info@ni-hsin.com

(b) Bina Management (M) Sdn. Bhd. (Share Registrar)

General Line : 603-7784 3922
Fax Number : 603-7784 1988