

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

Bursa Malaysia Securities Berhad (“Bursa Securities”) has perused this Circular in respect of the Proposed Shareholders’ Mandate for recurrent related party transactions of a revenue or trading nature on a limited review basis pursuant to the provisions of Guidance Note 22 of Bursa Securities Ace Market Listing Requirements.

Bursa Securities takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



SCH GROUP BERHAD

[Registration No. 201101044580 (972700-P)]
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

**PROPOSED NEW AND RENEWAL OF SHAREHOLDERS’ MANDATE FOR RECURRENT
RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE
 (“PROPOSED SHAREHOLDERS’ MANDATE”)**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

The resolution in respect of the above proposal will be tabled at the Extraordinary General Meeting (“EGM”) of SCH Group Berhad to be held at Lot 35, Jalan CJ 1/1, Kawasan Perusahaan Cheras Jaya, 43200 Cheras, Selangor Darul Ehsan on Friday, 14 February 2020 at 11.00 a.m. or any adjournment thereof. Notice of the EGM of the Company and the Form of Proxy are enclosed in this Circular.

The Form of Proxy should be completed and returned in accordance with the instructions therein as soon as possible and should be deposited at Tricor Investor & Issuing House Services Sdn Bhd, Share Registrar office of the Company at Unit 32-01, Level 32 Tower A, Vertical Business Suite Avenue 3, Bangsar South No. 8, Jalan Kerinchi 59200 Kuala Lumpur, Malaysia, not less than forty-eight (48) hours before the time stipulated for holding the meeting. The completion and return of the Form of Proxy will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

Last day and time for lodging the Form of Proxy : Wednesday, 12 February 2020 at 11.00 a.m.

Date and time of EGM : Friday, 14 February 2020 at 11.00 a.m.

This Circular is dated 31 December 2019

DEFINITIONS

For the purposes of this Circular, except where the context otherwise requires, the following definitions shall apply:

“Act”	: The Companies Act 2016 as amended from time to time, and includes every statutory modification or any re-enactment thereof for the time being in force
“AGM”	: Annual General Meeting
“Audit Committee”	: The Audit Committee of SCH
“Board”	: The Board of Directors of SCH
“Bursa Securities”	: Bursa Malaysia Securities Berhad [Registration No. 200301033577 (635998-W)]
“CDS”	: Central Depository System
“Circular”	: Circular to Shareholders in relation to the Proposed Shareholders’ Mandate
“Director”	: The directors of SCH and shall have the meaning given in Section 2(1) of the the Capital Markets and Services Act 2007 and includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a director or a chief executive of SCH or any other company which is a subsidiary of SCH or a holding company of SCH
“EGM”	: Extraordinary General Meeting
“EPS”	: Earnings per Share
“HHSB”	: Hextar Holdings Sdn Bhd [Registration No. 200601002945 (722692-V)]
“LPD”	: 2 December 2019, being the latest practicable date prior to the printing of this Circular and the cut-off date for the information disclosed in this Circular unless otherwise indicated
“Listing Requirements”	: Ace Market Listing Requirements of Bursa Securities, including any amendments made in respect thereof from time to time

DEFINITIONS (CONT'D)

- “Major Shareholder(s)” : A person who has an interest or interests in one or more voting shares in a company and the number or the aggregate number of those shares is:
- (a) 10% or more of the total number of voting shares in the Company; or
 - (b) 5% or more of the total number of voting shares in the Company where such person is the largest shareholder of the Company.

For the purpose of this definition, “interest in shares” has the meaning given in Section 8 of the Act and for the purpose of the Proposed Shareholders’ Mandate, includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder of SCH or its subsidiaries or holding company.

- “NA” : Net assets attributable to ordinary equity holders of SCH

- “Person Connected” : Pursuant to Rule 1.01 of the Listing Requirements, a person connected in relation to a Director or Major Shareholder is a person who falls under any one of the following categories:

- (a) a family member of the Director or Major Shareholder which shall include the spouse, parent, child (including adopted child and stepchild), brother, sister, and the spouse of the child (including adopted child and stepchild), brother or sister;
- (b) a trustee of a trust (other than a trustee for a share scheme for employees or pension scheme) under which the Director, Major Shareholder or a family member of the Director or Major Shareholder, is the sole beneficiary;
- (c) a partner of the Director, Major Shareholder;
- (d) a person, or where the person is a body corporate, the body corporate or its directors, who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the Director or Major Shareholder;
- (e) a person, or where the person is a body corporate, the body corporate or its directors, in accordance with whose directions, instructions or wishes the Director or Major Shareholder is accustomed or is under an obligation, whether formal or informal, to act;

DEFINITIONS (CONT'D)

- (f) a body corporate in which the Director, Major Shareholder or persons connected with him are entitled to exercise, or control the exercise of, not less than 20% of the votes attached to voting shares in the body corporate; or
- (g) a body corporate which is a related corporation.
- “SCH” or “the Company” : SCH Group Berhad
- “SCH Group” or “the Group” : SCH and its subsidiaries
- “Proposed Shareholders’ Mandate” : Proposed New and Renewal of Shareholders’ Mandate for SCH Group to enter into RRPT(s) of a revenue or trading nature
- “Related Party(ies)” : Director(s), major shareholder(s) or person(s) connected with such director(s) or major shareholder(s) of SCH
- “RRPT(s)” : A transaction entered into by the Company or its subsidiaries which involves the interest, direct or indirect, of a Related Party, which is recurrent, of a revenue or trading nature and which is necessary for day to day operations of the Company or its subsidiaries
- “RM” and “sen” : Ringgit Malaysia and sen, respectively
- “Shareholders” : Shareholders of SCH
- “Substantial Shareholder(s)” : A person who has interest or interests in one or more voting Shares in the Company and the number of that Share, or aggregate of the number of those shares, is not less than 5% of the aggregate of the number of all the voting Shares in the Company
- “SCH Share(s)” or “Share(s)” : Ordinary Shares in SCH
- “2019 Annual Report” : Annual Report of SCH issued for the financial year ended 31 August 2019

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

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

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SCH GROUP BERHAD

[Registration No. 201101044580 (972700-P)]
(Incorporated in Malaysia)

Registered Office:

Suite 10.02, Level 10
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

31 December 2019

Board of Directors:

Dato' Chan Choun Sien	<i>(Independent Non-Executive Chairman)</i>
Dato' Ong Choo Meng	<i>(Non-Independent Non-Executive Director)</i>
Khoo Chee Siang	<i>(Non-Independent Non-Executive Director)</i>
Wong Kin Seng	<i>(Executive Director)</i>
De Souza Michael Lawrence	<i>(Executive Director)</i>
Sim Yee Fuan	<i>(Independent Non-Executive Director)</i>
Gan Khong Aik	<i>(Independent Non-Executive Director)</i>

To: The Shareholders of SCH Group Berhad

Dear Sir/Madam,

PROPOSED SHAREHOLDERS' MANDATE

1. INTRODUCTION

At the AGM of the Company held on 22 January 2019, the Company sought and obtained from its shareholders the general mandate for SCH Group to enter into RRPT(s) of a revenue or trading nature in the ordinary course of business based on commercial terms which are not more favourable to the Related Parties than those generally available to the public and which are necessary for SCH Group's day to day operations. The aforesaid mandate shall, in accordance with the Listing Requirements, lapse at the conclusion of the forthcoming Eighth (8th) AGM of the Company unless authority for its renewal is obtained from the Shareholders.

On 20 December 2019, the Board of Directors of SCH had announced that the Company has proposed to seek its shareholders' approval in respect of the Proposed New and Renewal of Shareholders' Mandate for RRPT(s) at the forthcoming EGM of the Company.

The purpose of this Circular is to provide you with the relevant information of the Proposed Shareholders' Mandate and to seek your approval for the ordinary resolution relating to Proposed Shareholders' Mandate which will be tabled at the forthcoming EGM of the Company, to be held at Lot 35, Jalan CJ 1/1, Kawasan Perusahaan Cheras Jaya, 43200 Cheras, Selangor Darul Ehsan on Friday, 14 February 2020 at 11.00 a.m. The Notice of the EGM and the Form of Proxy are enclosed in this Circular.

SHAREHOLDERS OF SCH ARE ADVISED TO READ AND CONSIDER THE CONTENTS OF THIS CIRCULAR CAREFULLY BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSED SHAREHOLDERS' MANDATE AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED SHAREHOLDERS' MANDATE

Pursuant to Rule 10.09(2) and Guidance Note 8 of the Listing Requirements, a listed issuer may seek a mandate from its shareholders in respect of RRPT(s) subject to the following:

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the Related Party(ies) than those generally available to the public;
- (b) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of the transactions conducted pursuant to the shareholders' mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed in Rule 10.09(1) of the Listing Requirements;
- (c) the listed issuers' Circular for the shareholder mandate includes the information as may be prescribed by Bursa Securities. The draft circular must be submitted to Bursa Securities together with a checklist showing compliance with such information;
- (d) in a meeting to obtain shareholders' mandate, the interested directors, interested major shareholders or interested person connected with a director or major shareholder; and where it involves the interest of an interested person connected with a director or major shareholder, such directors or major shareholder, must not vote on the resolution to approve the RRPT(s). An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the RRPT(s); and
- (e) the listed issuer immediately announces to Bursa Securities when the actual value of a RRPT(s) entered into by the listed issuer, exceeds the estimated value of the RRPT(s) disclosed in the Circular by 10% or more and must include the information as may be prescribed by Bursa Securities in its announcement.

2.1 Principal Activities of SCH Group

The principal activity of SCH is investment holding while the principal activities of its subsidiary companies as at the LPD are set out in the table below:

Name of company	Effective equity interest (%)	Principal Activities
SCH Corporation Sdn. Bhd.	100	Investment holding.
SCH Wire-Mesh Manufacturing Sdn. Bhd.	100	Manufacturing, distributing and supplying of quarry grill.
SCH Machinery & Equipment Sdn. Bhd.	100	Supplying and distributing quarry machinery, quarry equipment and reconditioned quarry machinery as well as spare parts for quarry machinery, quarry equipment and reconditioned quarry machinery to the quarry industry.

Name of company	Effective equity interest (%)	Principal Activities
Sin Chee Heng (Cambodia) Co., Ltd	100	Supplying and distributing quarry machinery, quarry equipment and reconditioned quarry machinery as well as spare parts for quarry machinery, quarry equipment and reconditioned quarry machinery to the quarry industry.
TK Rentals Sdn. Bhd. (formerly known as TK Tent & Air-Conditioning Rental Sdn. Bhd.)	100	Renting and trading of mobile air conditioner, tent and event related equipment and tools.
PK Fertilizers (Sarawak) Sdn. Bhd.	83.33	Manufacturing, merchandising, trading and distribution of fertilizers.
Indirect interest held through SCH Corporation Sdn. Bhd.		
Sin Chee Heng Sdn. Bhd.	100	Supplying and distributing all kinds of quarry industrial products and quarry machinery.
Sin Chee Heng (Butterworth) Sdn. Bhd.	100	Distributing all kinds of quarry products to the quarry industry.
Sin Chee Heng (Kuantan) Sdn. Bhd.	100	Distributing all kinds of quarry products to the quarry industry.
Sin Chee Heng (Johore) Sdn. Bhd.	50	Distributing all kinds of quarry products to the quarry industry.
Indirect interest held through Sin Chee Heng Sdn. Bhd.		
Sin Chee Heng (Johore) Sdn. Bhd.	50	Distributing all kinds of quarry products to the quarry industry.
Sin Chee Heng (Sabah) Sdn. Bhd.	100	Distributing all kinds of quarry products to the quarry industry.
Sin Chee Heng (Sarawak) Sdn. Bhd.	100	Distributing all kinds of quarry products to the quarry industry.

It is anticipated that SCH Group would, in the normal course of business, continue to enter into transactions with the Related Parties, which are necessary for its day to day operations. The details of the transactions are set out in Section 2.3 below. It is likely that such transactions will occur with some degree of frequency and could arise at any time.

The Board proposes to seek the shareholders' approval for the Proposed Shareholders' Mandate for the SCH Group to enter into transactions in the normal course of business within the classes of Related Parties set out in Section 2.3 below, provided such transactions are entered into at arm's length and on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not detrimental to the minority shareholders. Such mandate will enable the Group to enter into the RRPT(s) without the necessity, in most instances, to make the otherwise announcement or to convene meetings in order to procure specific prior approval of its shareholders. The RRPT(s) will also be subject to the review procedures set out in Section 2.4 below.

2.2 Validity Period of the Proposed Shareholders' Mandate

The Proposed Shareholders' Mandate, if approved by the shareholders of SCH at the forthcoming EGM, is subject to annual review and will continue to be in force until:

- (a) the conclusion of the next AGM of the Company, following the forthcoming EGM at which the Proposed Shareholders' Mandate is passed, at which time it will lapse, unless the authority is renewed by a resolution passed at the next AGM;
- (b) the expiration of the period within which the next AGM of the Company after the date is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is earlier.

Thereafter, approval from shareholders will be sought for the renewal of the Proposed Shareholders' Mandate.

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2.3

Classes of Related Parties and Nature of RRPT(s)

The Proposed Shareholders' Mandate will apply to the transactions with the following Companies:

(a) Existing RRPT

Related Party	Transacting Company within SCH Group	Nature of Transaction	Estimated aggregate value as disclosed in the Circular to shareholders dated 24 December 2018 (RM)	Actual Value transacted (from the date of the last AGM on 22 January 2019 up to the LPD) (RM)	Estimated value of transaction from the date of the 8 th AGM to the date of next AGM* (RM)	Interested Director/ Interested Major Shareholder/ Persons connected to them	Nature of relationship
Hextar Agriculture Sdn. Bhd. - Seller	PK Fertilizers (Sarawak) Sdn. Bhd. - Buyer	Purchases of fertiliser	30,000,000	9,045,535	30,000,000	Dato' Ong Choo Meng	<ul style="list-style-type: none"> Dato' Ong Choo Meng is Director and shareholder of HHSB. Hextar Agriculture Sdn Bhd is wholly owned subsidiary of Hextar Fertilizers Group Sdn Bhd, and the ultimate holding company is HHSB. Dato' Ong Choo Meng is the Non-Independent Non-Executive Director of SCH. He is also a major shareholder of SCH via his indirect shareholding held under HHSB in SCH.
Hextar Agriculture Sdn. Bhd. - Buyer	PK Fertilizers (Sarawak) Sdn. Bhd. - Seller	Sales of fertiliser	30,000,000	3,752,282	30,000,000		
Hextar Agriculture Sdn. Bhd. - Buyer	SCH Group - Seller	Sales of spare parts/ equipment/ services (e.g. hydraulic oil, gear oil, engine oil, motor, rubber conveyor belt and labour for joining conveyor belt)	3,000,000	NIL	3,000,000		
Hextar Fert Sdn. Bhd. (Formerly known as Yinpolin Agriculture Sdn Bhd) - Buyer	SCH Group - Seller	Sales of spare parts/ equipment/ services (e.g. hydraulic oil, gear oil, engine oil, motor, rubber conveyor belt and labour for joining conveyor belt)	3,000,000	17,920	3,000,000	Dato' Ong Choo Meng	<ul style="list-style-type: none"> Hextar Fert Sdn Bhd (formerly known as Yinpolin Agriculture Sdn Bhd) is a subsidiary of HHSB. Dato' Ong Choo Meng is Director of Hextar Fert Sdn Bhd (Formerly known as Yinpolin Agriculture Sdn Bhd). Dato' Ong Choo Meng is Director and shareholder of HHSB. Dato' Ong Choo Meng is the Non-Independent Non-Executive Director of SCH. He is also a major shareholder of SCH via his indirect shareholding held under HHSB in SCH.

2.3

Classes of Related Parties and Nature of RRPT(s) (Cont'd)

The Proposed Shareholders' Mandate will apply to the transactions with the following Companies:

(a) Existing RRPT (cont'd)

Related Party	Transacting Company within SCH Group	Nature of Transaction	Estimated aggregate value as disclosed in the Circular to shareholders dated 24 December 2018 (RM)	Actual Value transacted (from the date of the last AGM on 22 January 2019 up to the LPD) (RM)	Estimated value of transaction from the date of the forthcoming 8 th AGM to the date of next AGM* (RM)	Interested Director/ Interested Major Shareholder/ Persons connected to them	Nature of relationship
Hexstar Solutions Sdn. Bhd. – Buyer	SCH Group – Seller	Sales of spare parts/ equipment/ services (e.g. hydraulic oil, gear oil, engine oil, motor, rubber conveyor belt and labour for joining conveyor belt)	3,000,000	NIL	3,000,000	Dato' Ong Choo Meng	<ul style="list-style-type: none"> Hexstar Solutions Sdn Bhd is a wholly-owned subsidiary of Hexstar Fertilizers Group Sdn Bhd, and the ultimate holding company is HHSB. Dato' Ong Choo Meng is Director and shareholder of HHSB. Dato' Ong Choo Meng is the Non-Independent Non-Executive Director of SCH. He is also a major shareholder of SCH via his indirect shareholding held under HHSB in SCH.
Hexstar Asset Management Sdn. Bhd. - Seller	SCH Group - Buyer	Provision of insurance agency & corporate services (e.g. sharing of human resources training and development facilities)	3,000,000	NIL	3,000,000	Dato' Ong Choo Meng	<ul style="list-style-type: none"> Hexstar Asset Management Sdn Bhd is a subsidiary of Hexstar Asset Limited., and the ultimate holding company is HHSB. Dato' Ong Choo Meng is Director of Hexstar Asset Management Sdn Bhd. Dato' Ong Choo Meng is Director and shareholder of HHSB. Dato' Ong Choo Meng is the Non-Independent Non-Executive Director of SCH. He is also a major shareholder of SCH via his indirect shareholding held under HHSB in SCH.

2.3 Classes of Related Parties and Nature of RRPT(s) (Cont'd)

The Proposed Shareholders' Mandate will apply to the transactions with the following Companies:

(a) Existing RRPT (cont'd)

Related Party	Transacting Company within SCH Group	Nature of Transaction	Estimated aggregate value as disclosed in the Circular to shareholders dated 24 December 2018 (RM)	Actual Value transacted (from the date of the last AGM on 22 January 2019 up to the LPD) (RM)	Estimated value of transaction from the date of the forthcoming 8 th AGM to the date of next AGM* (RM)	Interested Director/ Interested Major Shareholder/ Persons connected to them	Nature of relationship
Hextar Mitai Sdn. Bhd. - Buyer	TK Rentals Sdn. Bhd. (Formerly known as TK Tent & Air-Conditioning Rental Sdn. Bhd.) - Seller	Rental and Sales of spare parts/ equipment/ services (include but not limited to air conditioning, tent compressor or equipment as and when requested in projects)	3,000,000	115,550	3,000,000	Dato' Ong Choo Meng	<ul style="list-style-type: none"> Hextar Mitai Sdn Bhd is a subsidiary company of HHSB. Dato' Ong Choo Meng is Director of Hextar Mitai Sdn Bhd. Dato' Ong Choo Meng is Director and shareholder of HHSB. Dato' Ong Choo Meng is the Non-Independent Non-Executive Director of SCH. He is also a major shareholder of SCH via his indirect shareholding held under HHSB in SCH.
Hextar Premier Sdn. Bhd. - Seller	TK Rentals Sdn. Bhd. (Formerly known as TK Tent & Air-Conditioning Rental Sdn. Bhd.) - Buyer	Renting of office space (bearing postal address as No. 22, Jalan Industri Taming Mas, Pusat Industri Taming Mas, 43300 Seri Kembangan, Selangor, with built-up area of 4141 square metre, rental is payable on monthly basis)	1,000,000	620,400	1,000,000	Dato' Ong Choo Meng	<ul style="list-style-type: none"> Dato' Ong Choo Meng is Director and major shareholder of Hextar Premier Sdn Bhd and HHSB. Dato' Ong Choo Meng is the Non-Independent Non-Executive Director of SCH. He is also a major shareholder of SCH via his indirect shareholding held under HHSB in SCH.

2.3 Classes of Related Parties and Nature of RRPT(s) (Cont'd)

The Proposed Shareholders' Mandate will apply to the transactions with the following Companies:

(a) Existing RRPT (cont'd)

Related Party	Transacting Company within SCH Group	Nature of Transaction	Estimated aggregate value as disclosed in the Circular to shareholders dated 24 December 2018 (RM)	Actual Value transacted (from the date of the last AGM on 22 January 2019 up to the LPD) (RM)	Estimated value of transaction from the date of the forthcoming 8 th AGM to the date of next AGM* (RM)	Interested Director/ Interested Major Shareholder/ Persons connected to them	Nature of relationship
Teju Logistics Sdn. Bhd. - Seller	TK Rentals Sdn. Bhd. (Formerly known as TK Tent & Air-Conditioning Rental Sdn. Bhd.) – Buyer	Renting of lorries for transportation of equipment for rental	500,000	178,860	500,000	Dato' Ong Choo Meng	<ul style="list-style-type: none"> Dato' Ong Choo Meng is a Director and major shareholder of Teju Logistics Sdn Bhd. Dato' Ong Choo Meng is the Non-Independent Non-Executive Director of SCH. He is also a major shareholder of SCH via his indirect shareholding held under HHSB in SCH.

Notes on Nature of Transaction:

- * The estimated values are calculated based on the historical data and best estimates by the management. Accordingly, the actual value of the transaction may vary from the estimated value disclosed above and subject to changes.

2.3 Classes of Related Parties and Nature of RRPT(s) (Cont'd)

The Proposed Shareholders' Mandate will apply to the transactions with the following Companies:

(b) New RRPT

Related Party	Transacting Company within SCH Group	Nature of Transaction	Actual Value transacted (from the date of the last AGM on 22 January 2019 up to the LPD) ^ (RM)	Estimated value of transaction from the LPD up to the date of the forthcoming 8 th AGM ^* (RM)	Estimated value per monthly transaction* (RM)	Estimated value of transaction from the date of the forthcoming 8 th AGM to the date of next AGM* (RM)	Interested Director/ Interested Major Shareholder/ Persons connected to them	Nature of relationship
PK Fertilizers Sdn. Bhd. – Seller	PK Fertilizers (Sarawak) Sdn. Bhd. – Buyer	Purchases of fertiliser	142,582	-	2,500,000	30,000,000	Dato' Ong Choo Meng	<ul style="list-style-type: none"> Dato' Ong Choo Meng is a Director of PK Fertilizer Sdn. Bhd. PK Fertilizer Sdn. Bhd. is a subsidiary of HHSB. Dato' Ong Choo Meng is Director and shareholder of HHSB. Dato' Ong Choo Meng is the Non-Independent Non-Executive Director of SCH. He is also a major shareholder of SCH via his indirect shareholding held under HHSB in SCH.
PK Fertilizers Sdn. Bhd. – Buyer	PK Fertilizers (Sarawak) Sdn. Bhd. – Seller	Sales of fertiliser	1,499,014	500,000	5,000,000	60,000,000	Dato' Ong Choo Meng	<ul style="list-style-type: none"> Dato' Ong Choo Meng is a Director of PK Fertilizer Sdn. Bhd. PK Fertilizer Sdn. Bhd. is a subsidiary of HHSB. Dato' Ong Choo Meng is Director and shareholder of HHSB. Dato' Ong Choo Meng is the Non-Independent Non-Executive Director of SCH. He is also a major shareholder of SCH via his indirect shareholding held under HHSB in SCH.

2.3 Classes of Related Parties and Nature of RRPT(s) (Cont'd)

The Proposed Shareholders' Mandate will apply to the transactions with the following Companies:

(b) New RRPT (cont'd)

Related Party	Transacting Company within SCH Group	Nature of Transaction	Actual Value transacted (from the date of the last AGM on 22 January 2019 up to the LPD) [^] (RM)	Estimated value of transaction from the LPD up to the date of the forthcoming 8 th AGM ^{^*} (RM)	Estimated value per monthly transaction* (RM)	Estimated value of transaction from the date of the forthcoming 8 th AGM to the date of next AGM* (RM)	Interested Director/ Interested Major Shareholder/ Persons connected to them	Nature of relationship
PK Fertilizers Sdn. Bhd. – Buyer	SCH Group – Seller	Sales of spare parts/ equipment/ services (e.g. hydraulic oil, gear oil, engine oil, motor, rubber conveyor belt and labour for joining conveyor belt)	80,364	-	250,000	3,000,000	Dato' Ong Choo Meng	<ul style="list-style-type: none"> Dato' Ong Choo Meng is a Director of PK Fertilizer Sdn. Bhd. PK Fertilizer Sdn. Bhd. is a subsidiary of HHSB. Dato' Ong Choo Meng is Director and shareholder of HHSB. Dato' Ong Choo Meng is the Non-Independent Non-Executive Director of SCH. He is also a major shareholder of SCH via his indirect shareholding held under HHSB in SCH.

Notes on Nature of Transaction:

[^] The percentage ratio for each transaction is less than 5% pursuant to Rule 10.02 of the Listing Requirements.

* The estimated values are calculated based on the historical data and best estimates by the management. Accordingly, the actual value of the transaction may vary from the estimated value disclosed above and subject to changes.

2.4 Review Methods or Procedures for the Recurrent Related Party Transactions

The SCH Group has established various methods and procedures to ensure the RRPT(s) are undertaken on arms' length at transaction prices and on normal commercial terms, which are consistent with SCH Group's usual business practices and policies, on terms which are not more favourable to the Related Parties than those extended to the public and are not detrimental to the minority shareholders.

The review and disclosure procedures are as follows:

- (i) the Related Parties, interested Directors and persons connected will be advised that they are subject to the shareholders' mandate and will also be advised of the review and disclosure procedures;
- (ii) the transaction prices, terms and conditions which are market driven are to be determined at arms' length on a customer/supplier relationship basis at mutually agreed rates after due consideration of benefits to be derived from the transaction, under similar commercial terms for transactions with unrelated third parties, which depend on demand and supply, quality, level of service and other related factors;
- (iii) some transactions may be on a cost recovery basis, being recovery of part of the costs for sharing or provision of some services or on a negotiated basis where both parties would contract on terms which are mutually acceptable and beneficial;
- (iv) the management of the SCH Group is cognizant that all RRPT(s) are required to be undertaken on an arm's length basis and on normal commercial terms. Where practicable and feasible, quotation and/or tenders will be obtained from at least two (2) other contemporaneous transactions with unrelated third parties for similar products/services and/or quantities will be used as comparison, wherever possible, to determine whether the price and terms offered to/by the Related Parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of products/services and/or quantities. Where it is impractical or impossible for quotes and/or tenders to be obtained from unrelated parties, or where there have not been any similar or substantially similar transactions between SCH Group and unrelated third parties, the terms of the transactions for the products or services will be in accordance to the usual business practices of the Group to ensure that the RRPTs is not detrimental to the SCH Group;
- (v)
 - (i) transactions below RM1,000,000 each in value, will be reviewed and approved by the senior executive(s) (not being a person connected to the Related Party) designated by the Audit Committee from time to time for such purpose and tabled for review by the Audit Committee on a quarterly basis; and
 - (ii) transactions equal to or exceeding RM1,000,000 each in value will be reviewed and approved by the Audit Committee and Executive Director (not being the Related Party or a person connected to Related Party);
- (vi) records will be maintained by the respective companies to capture all RRPT(s) which are entered pursuant to the shareholders' mandate;
- (vii) the annual internal audit plan shall incorporate a review of all RRPT(s) entered into pursuant to the shareholders' mandate to ensure that relevant approvals are obtained and the procedures in respect of such transactions are adhered to;

- (viii) the Board and Audit Committee shall review the internal audit reports to ascertain that the guidelines and procedures to monitor RRPT(s) have been complied with; and
- (ix) the Board shall have overall responsibility for the determination of the review procedures. If a member of the Board and Audit Committee has an interest in the transaction to be reviewed by the Board and Audit Committee, as the case may be, he will abstain from any decision making by the Board or Audit Committee in respect of the said transaction.

2.5 Disclosure in Annual Report

Disclosure will be made in the annual report of the Company in accordance with Rule 3.1.5 of Guidance Note 8 of the Listing Requirements, which requires a breakdown of the aggregate value of the RRPTs entered into during the financial year based on the following information:

- (a) the type of the RRPTs made; and
- (b) the names of the Related Parties involved in each of the RRPTs made and their relationship with SCH Group.

The above disclosure will be made in the Company's annual report for each subsequent financial year after the Proposed Shareholders' Mandate has been obtained.

2.6 Statement by Audit Committee

The Audit Committee has the overall responsibility of determining whether the procedures for reviewing all RRPT(s) are appropriate. The Audit Committee will review and ascertain at least once a year whether the procedures established to monitor RRPT(s) have been complied with. If it is determined that the procedures stated in Section 2.4 are inadequate to ensure that (i) the RRPT(s) will be conducted at arms' length and on normal commercial terms and (ii) such transactions are not prejudicial to the interest of the shareholders, the Company will obtain a fresh shareholders' mandate based on the new procedures.

The Audit Committee will also have the discretion to request for limits to be imposed or for additional procedures to be followed if it considers such requests to be appropriate. In that event, such limits or procedures may be implemented without the approval of shareholders, provided that they are more stringent than the existing limits or procedures.

The Audit Committee of the Company has seen and reviewed the procedures set out in Section 2.4 above and is of the view that SCH has in place adequate procedures and processes to monitor, track and identify RRPT(s) in a timely and orderly manner and is of the opinion that the procedures are sufficient to ensure that the RRPTs will be carried out at arms' length and in accordance with SCH Group's normal commercial terms, and hence, will not be prejudicial to the shareholders or disadvantageous to SCH and not more favourable to the Related Parties than those generally available to the public and not detrimental to minority shareholders of SCH. The review of these procedures and processes is carried out at least once a year or when deemed necessary by the Audit Committee.

3. RATIONALE OF THE PROPOSED SHAREHOLDERS' MANDATE

The Proposed Shareholders' Mandate will enable the SCH Group to carry out RRPT(s) necessary for the Group's day-to-day operations, which are time sensitive in nature, and will eliminate the need to announce and convene separate general meetings (if applicable) from time to time to seek shareholders' mandate for such transaction. This will substantially reduce the expenses, time and other resources associated with convening of general meetings on an ad hoc basis, improve administrative efficiency and allow financial and manpower resources to be channeled towards attaining other corporate objectives.

The RRPT(s) carried out within the SCH Group creates mutual benefits for the companies in the Group, such as expediency and increased efficiency necessary for day-to-day operations.

In addition, the RRPT(s) are intended to meet the business needs of the Group on the best possible terms. By transacting with the Related Parties, the Group would have an advantage of familiarity with the background and management of the Related Parties, thus enabling more informed commercial decisions to be made. In most dealings with the Related Parties, the Group and the Related Parties have close co-operation and a good understanding of each other's business needs thus providing a platform where all parties can benefit from conducting the RRPT(s).

4. EFFECTS OF THE PROPOSED SHAREHOLDERS' MANDATE

The Proposed Shareholders' Mandate will not have any material effect on the share capital of the Company as well as the consolidated NA, gearing, EPS, the shareholdings of the substantial shareholders of SCH.

5. INTEREST OF DIRECTOR AND/OR MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

As at LPD, the direct and indirect interests of the Directors and/or Major Shareholders and/or persons connected to the Directors and/or Major Shareholders of SCH who are interested and/or do not consider themselves independent in the RRPT(s) are as follows:

	Direct		Indirect	
	No. of SCH Shares	%	No. of SCH Shares	%
<u>Interested Director</u> Dato' Ong Choo Meng	-	-	171,733,900 ⁽¹⁾	30.91
<u>Interested Major Shareholder</u> HHSB	171,733,900	30.91	-	-

Notes:

⁽¹⁾ Deemed interest through Hextar Holdings Sdn Bhd pursuant to Section 8 of the Act.

Accordingly, Dato' Ong Choo Meng ("Interested Director") had and will continue to abstain from all deliberations and voting on matters relating to the Proposed Shareholders' Mandate at Board meetings. The Interested Director and HHSB ("the Interested Major Shareholder") will abstain from voting in respect of his direct and/or indirect shareholdings in SCH at the forthcoming EGM on the resolution pertaining to the Proposed Shareholders' Mandate.

The above Interested Director and Interested Major Shareholder has undertaken that they shall ensure that persons connected to them will abstain from voting in respect of their direct and/or indirect shareholdings on the resolution, deliberating or approving the Proposed Shareholders' Mandate at the forthcoming EGM.

Save as disclosed above, none of the other Directors and/or Major Shareholder and/or persons connected with a Director or Major Shareholder of SCH has any interest, directly or indirectly in the Proposed Shareholders' Mandate.

6. APPROVALS REQUIRED

The Proposed Shareholders' Mandate are conditional upon the approval of the shareholders of the Company being obtained at the forthcoming EGM to be convened.

7. DIRECTORS' RECOMMENDATION

The Directors of SCH (save for Dato' Ong Choo Meng) having considered all aspects of the Proposed Shareholders' Mandate and after careful deliberation, are of the opinion that the Proposed Shareholders' Mandate is in the best interest of the Company and accordingly, the Board (save for Dato' Ong Choo Meng) recommended that the shareholders of SCH vote in favour of the ordinary resolution pertaining to the Proposed Shareholders' Mandate to be tabled at the forthcoming EGM.

8. EGM

The Notice convening the EGM to vote on the resolution for the Proposed Shareholders' Mandate and the Proxy Form are set out in this Circular. The EGM of SCH will be held at Lot 35, Jalan CJ 1/1, Kawasan Perusahaan Cheras Jaya, 43200 Cheras, Selangor Darul Ehsan on Friday, 14 February 2020 at 11.00 a.m. or at any adjournment thereof for the purpose considering and, if thought fit, passing the resolution to give effect to the Proposed Shareholders' Mandate.

If you are unable to attend and vote in person at the EGM, you are requested to complete, sign and return the enclosed Form of Proxy in accordance with the instructions printed therein as soon as possible so as to arrive at Tricor Investor & Issuing House Services Sdn Bhd , Share Registrar office of the Company at Unit 32-01, Level 32 Tower A, Vertical Business Suite Avenue 3, Bangsar South No. 8, Jalan Kerinchi 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time set for the EGM.

The completion and return of the Form of Proxy will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

9. ADDITIONAL INFORMATION

Shareholders are requested to refer to the attached appendices contained in this Circular for further information.

Yours faithfully
For and on behalf of the Board
SCH GROUP BERHAD

Dato' Chan Choun Sien
Independent Non-Executive Chairman

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1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Directors of SCH who individually and collectively accept full responsibility for the accuracy of the information contained 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 or incorrect.

2. MATERIAL CONTRACTS

The Board has confirmed that as at LPD, SCH Group has not entered into other material contracts (not being contracts entered into in the ordinary course of business) within the two (2) years immediately preceding the date of this Circular.

3. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

The Board has confirmed that as at the LPD, neither SCH nor its subsidiaries is engaged in any material litigation, claims or arbitration either as plaintiff or defendant and the Board has no knowledge of any proceeding pending or threatened against SCH Group or of any facts likely to give rise to any proceeding which may materially and adversely affect the financial position or business of the SCH Group.

4. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection by the shareholders of SCH at the Registered Office of SCH at Suite 10.02, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur during normal office hours between Monday and Friday (except public holidays) from the date of this Circular up to and including the date of the forthcoming EGM:

- (i) The Constitution of SCH; and
- (ii) The Audited Financial Statements of SCH Group for the past two (2) financial years ended 31 August 2018 and 31 August 2019.



SCH GROUP BERHAD

[Registration No. 201101044580 (972700-P)]
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting (“EGM”) of SCH Group Berhad (“SCH” or “the Company”) will be held at Lot 35, Jalan CJ 1/1, Kawasan Perusahaan Cheras Jaya, 43200 Cheras, Selangor Darul Ehsan on Friday, 14 February 2020 at 11.00 a.m., for the purpose of considering and if thought fit, passing with or without modifications, the following resolution:

ORDINARY RESOLUTION

PROPOSED NEW AND RENEWAL OF SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (“PROPOSED SHAREHOLDERS’ MANDATE”)

THAT subject to the provisions of the ACE Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”), the Company and its subsidiaries (“the Group”) be and are hereby authorised to enter into and give effect to the recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 2.3 of Part B of the Circular to Shareholders dated 31 December 2019 provided that such transactions and/or arrangements are:-

- (a) necessary for the day-to-day operations;
- (b) are undertaken in the ordinary course of business at arm’s length basis and are on normal commercial terms which are not more favourable to the Related Party than those generally available to the public; and
- (c) are not detrimental to the minority shareholders of the Company.

(collectively known as “Shareholders’ Mandate”)

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

- (a) the conclusion of the next Annual General Meeting (“AGM”) of the Company following this EGM at which such Proposed Shareholders’ Mandate is passed, at which time it will lapse, unless by a resolution passed at next AGM, the authority is renewed; or
- (b) the expiration of the period within the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of Companies Act, 2016 (“the Act”) (but shall not extend to such extension as may be allowed pursuant to Section 340 (4) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders of the Company in general meeting,

whichever is earlier;

AND THAT the estimated aggregate value of the transactions conducted pursuant to the Shareholders’ Mandate during a financial year will be disclosed, in accordance with the Listing Requirements, in the Annual Report of the Company for the said financial year;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders' Mandate."

By order of the Board,

Tan Tong Lang (MAICSA 7045482)
Thien Lee Mee (LS0009760)
Company Secretaries

Kuala Lumpur
31 December 2019

Notes

1. A member/shareholder of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy may, but need not, be a member of the Company. Where a member/shareholder appoints more than one proxy to attend and vote at the Meeting, such appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.
3. Where a member of the Company is an authorised nominee defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. Where a member of the Company is an exempt authorised nominee defined under the SICDA which is exempted from compliance with the provision of subsection 25A(1) of SICDA 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.
5. The Form of Proxy must be deposited at the Registrar Office of the Company at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time set for holding the meeting or any adjournment thereof.
6. For the purpose of determining a member who shall be entitled to attend the EGM of the Company, the Company shall request the Record of Depositors as at 6 February 2020. Only members whose name appears on the Record of Depositors as at 6 February 2020 shall be entitled to attend, speak and vote at the said meeting or appoint proxies to attend, speak and vote and vote on his/her stead.



SCH GROUP BERHAD

[Registration No. 201101044580 (972700-P)]

NUMBER OF SHARES HELD	CDS ACCOUNT NO.

FORM OF PROXY

(Before completing this form please refer to the notes below)

I / We (Full Name in Block Letters) _____

NRIC No. / Passport No. / Company No. _____

of _____

being a member / members of **SCH GROUP BERHAD [Registration No. 201101044580 (972700-P)]**, hereby appoint__

_____ NRIC / Passport No. _____

of _____

and/or _____ NRIC / Passport No. _____

of _____

or failing him/her, the Chairman of the Meeting as *my/our proxy to attend and vote for *me/us and on my/our behalf at the Extraordinary General Meeting of the Company to be held at Lot 35, Jalan CJ 1/1, Kawasan Perusahaan Cheras Jaya, 43200 Cheras, Selangor Darul Ehsan on Friday, 14 February 2020 at 11.00 a.m. and at any adjournment thereof in the manner as indicate below:

NO.	Resolution	Resolution	FOR	AGAINST
1.	Proposed New and Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.	Ordinary		

(Please indicate with 'X' how you wish to cast your vote. In the absence of specific directions, the proxy may vote or abstain from voting on the resolutions as he/she may think fit.)

Signed this _____ day of _____, 2020.

Signature/Common Seal of Member

<p>The proportions of my/our holdings to be represented by my/our proxies are as follows:-</p> <p>First Proxy No. of Shares: Percentage: %</p> <p>Second Proxy No. of Shares: Percentage: %</p>

NOTES:

1. A member/shareholder of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy may, but need not, be a member of the Company. Where a member/shareholder appoints more than one proxy to attend and vote at the Meeting, such appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.
3. Where a member of the Company is an authorised nominee defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said securities account.
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AFFIX
STAMP

THE SHARE REGISTRAR OF
SCH GROUP BERHAD [Registration No. 201101044580 (972700-P)]
Unit 32-01, Level 32
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

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