

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

Bursa Malaysia Securities Berhad (“**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.

Bursa Securities has not perused the contents of this Circular in relation to the Part B of this Circular.

This Circular has been reviewed and approved by AmInvestment Bank Berhad, being the Principal Adviser to the Company for the Proposals (as defined herein).



SCH GROUP BERHAD
(Registration No. 201101044580 (972700-P))
(Incorporated in Malaysia)

**CIRCULAR TO SHAREHOLDERS IN RELATION TO THE
PART A**

- (I) PROPOSED SHARE CONSOLIDATION (AS DEFINED HEREIN);**
 - (II) PROPOSED RIGHTS ISSUE (AS DEFINED HEREIN); AND**
 - (III) PROPOSED EXEMPTION (AS DEFINED HEREIN),**
- (COLLECTIVELY REFERRED TO AS THE “PROPOSALS”).**

PART B

INDEPENDENT ADVICE LETTER FROM MALACCA SECURITIES SDN BHD TO THE NON-INTERESTED SHAREHOLDERS OF SCH GROUP BERHAD IN RELATION TO THE PROPOSED EXEMPTION

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser for Part A

Independent Adviser for Part B



AmInvestment Bank

AmInvestment Bank Berhad
(Registration No. 197501002220 (23742-V))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

MALACCA SECURITIES SDN BHD

Malacca Securities Sdn Bhd
(Registration No. 197301002760 (16121-H))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The notice of Extraordinary General Meeting (“**EGM**”) of the Company which will be conducted fully virtual vide live streaming and online remote voting using Remote Participation and Voting facilities from Lot 35, Jalan CJ 1/1, Kawasan Perusahaan Cheras Jaya, 43200 Cheras, Selangor Darul Ehsan on 26 February 2021 at 4.00 p.m. or immediately following the conclusion or adjournment of the 9th Annual General Meeting of the Company to be convened, whichever is the later or any adjournment thereof, together with the Form of Proxy are enclosed in this Circular.

If you are unable to participate in the EGM and wish to appoint a proxy instead, the appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof:

- (i) In hard copy form
The proxy form must be deposited at the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.
- (ii) By electronic means via TIIH Online (applicable to individual shareholders only)
The proxy form can be electronically lodged with the Share Registrar of the Company via TIIH Online at <https://tiih.online> (applicable to individual shareholders only). Kindly refer to the Administrative Guide on the procedures for electronic lodgement of proxy form via TIIH Online.

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

Last day and time for lodging the Form of Proxy : Wednesday, 24 February 2021 at 4.00 p.m.
Date and time of EGM : Friday, 26 February 2021 at 4.00 p.m.

This Circular is dated 4 February 2021

DEFINITIONS

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

5G	:	5 th generation
Act	:	Companies Act, 2016, as amended from time to time and any re-enactment thereof
Additional Undertaking	:	The undertaking by Hextar to apply for such additional number of Rights Shares not taken up by the other Entitled Shareholders and/or their renounee(s) and/or transferee(s), by way of excess Rights Shares applications
Additional Shares	:	The additional new SCH Shares to be issued arising from the exercise of the Additional Warrants
Additional Warrants	:	The additional number of Warrants to be issued as a result of the adjustments to the number of existing Warrants arising from the Proposed Rights Issue pursuant to the Deed Poll
AmInvestment Bank or Principal Adviser	:	AmInvestment Bank Berhad
Board	:	Board of Directors of the Company
Bursa Securities	:	Bursa Malaysia Securities Berhad
CAGR	:	Compound annual growth rate
Circular	:	This circular dated 4 February 2021 to SCH Shareholders in relation to the Proposals
Consolidated Share(s)	:	SCH Share(s) upon completion of the Proposed Share Consolidation
Consolidated Warrant(s)	:	Adjusted number of the existing Warrants in the Company upon completion of the Proposed Share Consolidation
CPO	:	Crude Palm Oil
Dato' Ong	:	Dato' Ong Choo Meng
Deed Poll	:	Deed poll dated 14 November 2016 governing the terms and conditions of the existing Warrants
ECRL	:	East Coast Rail Link
EGM	:	Extraordinary general meeting of the Company
Entitled Shareholders	:	SCH Shareholders whose names appear in the Record of Depositors of the Company at the close of business on the Rights Issue Entitlement Date

DEFINITIONS (CONT'D)

Entitlement Undertaking	:	The undertaking by Hextar to subscribe for its entitlement based on its shareholdings on the Rights Issue Entitlement Date
EPS	:	Earnings per Share
Floor Price	:	Minimum Issue Price of RM0.08 (after Proposed Share Consolidation) for each Rights Share
Full Subscription Basis	:	Full subscription by the Entitled Shareholders and/or their renouncee(s) and/or transferee(s) pursuant to the Proposed Rights Issue
FYE	:	Financial year ended or financial year ending, as the case may be
Foreign Addressed Shareholders	:	SCH Shareholders whose addresses in the Company's Record of Depositors are not in Malaysia
GDP	:	Gross domestic product
Hextar	:	Hextar Holdings Sdn Bhd
Hextar Group	:	Hextar's group of companies
HOC	:	Home Ownership Campaign
IAL	:	Independent Advise Letter
IMR Report	:	The independent market researcher report dated 2 February 2021 prepared by Smith Zander
Independent Adviser or Malacca Securities	:	Malacca Securities Sdn Bhd
Issue Price	:	Issue price of the Rights Shares
Listing Requirements	:	ACE Market Listing Requirements of Bursa Securities
LPD	:	25 January 2021, being the latest practicable date before the printing of this Circular
LPS	:	Loss per Share
LRT 3	:	Light Rail Transit Line 3
LSS @ MEnTARI	:	Large Scale Solar by Malaysian Electricity Industry to Attract Renewable Energy
Mandatory Offer	:	Mandatory take-over offer for all the remaining SCH Shares and outstanding Warrants not already held by Hextar and its PACs in accordance with Paragraph 4.01(a) of the Rules

DEFINITIONS (CONT'D)

Market Day	:	Any day between Monday to Friday (inclusive), excluding public holidays, on which Bursa Securities is open for trading of securities
MCO	:	Movement Control Order
MCO 2.0	:	The MCO 2.0 which commenced on 13 January 2021
Minimum Subscription Level	:	The minimum subscription level basis to raise minimum gross proceeds of RM23,500,000 pursuant to the Proposed Rights Issue
MRT 2	:	Mass Rapid Transit Line 2
Ms Ong	:	Ms Ong Tzu Chuen
MT	:	Metric tonne
MW	:	Megawatt
MyCEB	:	Malaysia Convention and Exhibition Bureau
NA	:	Net assets
New Processing Plant	:	Building of new processing plant in Kuching, Sarawak
PACs	:	Persons acting in concert with Hextar under Section 216(2) and (3) of the Capital Markets and Services Act 2007, namely Dato' Ong and Ms Ong
PENJANA	:	Pelan Jana Semula Ekonomi Negara
Proposals	:	Collectively, the Proposed Share Consolidation, Proposed Rights Issue and Proposed Exemption
Proposed Exemption	:	Proposed exemption to Hextar and PACs from the obligation to undertake the Mandatory Offer arising from the subscription by Hextar of the Rights Shares in accordance with the Undertakings, under Paragraph 4.08(1)(b) of the Rules
Proposed Rights Issue	:	Proposed rights issue of new SCH Shares in the Company to raise gross proceeds of up to RM155,000,000
Proposed Share Consolidation	:	Proposed consolidation of every three (3) existing Shares into one (1) Consolidated Share
Public Spread Requirement	:	Public shareholding spread requirement pursuant to Paragraphs 3.10(1) and 8.02(1) of the Listing Requirements
Reconstruction	:	Reconstruction of new compacting lines in Bintulu plant
RRPT	:	Recurrent Related Party Transactions

DEFINITIONS (CONT'D)

Rights Issue Entitlement Date	:	The date to be determined and announced by the Board at a later date for the purpose of determining the entitlement of the Entitled Shareholders to the Proposed Rights Issue
Rights Shares	:	New SCH Shares to be issued pursuant to the Proposed Rights Issue
Rules	:	Rules on Take-overs, Mergers and Compulsory Acquisitions
SC	:	Securities Commission Malaysia
SCH Group	:	SCH and its subsidiaries
SCH or Company	:	SCH Group Berhad
SCH Shareholders	:	Shareholders of the Company
SCH Share(s) or Share(s)	:	Ordinary share(s) in the Company
Share Consolidation Entitlement Date	:	The date to be determined and announced by the Board at a later date for the purpose of determining the entitlement of the SCH Shareholders to the Proposed Share Consolidation
Share Registrar	:	Tricor Investor and Issuing House Services Sdn Bhd
Smith Zander	:	Smith Zander International Sdn Bhd, an independent market researcher
SOPs	:	COVID-19 standard operating procedures
TERP	:	Theoretical ex-rights price
UPS	:	Uninterrupted power supply
Undertakings	:	The letter of undertaking by Hextar dated 11 November 2020 in respect of the Entitlement Undertaking and the Additional Undertaking, as detailed in Section 2.2.3 of Part A of this Circular
VWAMP	:	Volume weighted average market price
Warrant(s)	:	Warrants 2016/2021 issued by the Company

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

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

DEFINITIONS (CONT'D)

All references to “you” in this Circular are to the SCH Shareholders.

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

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by the Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that the SCH Group’s plans and objectives will be achieved.

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EXECUTIVE SUMMARY

The Executive Summary highlights only the salient information of the Proposals. You are advised to read this Circular in its entirety for further details and not to rely solely on this Executive Summary in arriving at a decision on the Proposals before voting at the forthcoming EGM.

Key information	Description
Details of the Proposals (Section 2, Part A of this Circular)	<p>1. <u>Proposed Share Consolidation</u></p> <p>Entails the proposed share consolidation of every 3 existing SCH Shares into 1 Consolidated Share.</p> <p>Following the completion of the Proposed Share Consolidation, the theoretical reference price of each SCH Share will be adjusted to increase by 3 times and the total number of existing Shares in issue will be reduced by the corresponding ratio.</p> <p>Save for the value of the fractional SCH Shares which are disregarded, there should be no change in the total value of the SCH Shares held by shareholders.</p> <p>2. <u>Proposed Rights Issue</u></p> <p>Entails the proposed rights issue of SCH Shares to raise gross proceeds of up to RM155.0 million. The Proposed Rights Issue is proposed to be undertaken on a minimum subscription basis to raise gross proceeds of RM23.5 million.</p> <p>On full subscription basis, the proceeds SCH intended to raise is up to approximately RM110.0 million. Nevertheless, shareholders' approval is sought to raise up to RM155.0 million, in the event new SCH Shares arising from the exercise of the Warrants are issued after the price-fixing date but before the Rights Issue Entitlement Date.</p> <p>The Proposed Rights Issue is intended to be implemented after the completion of the Proposed Share Consolidation, subject to all relevant approvals being obtained for the Proposed Share Consolidation.</p> <p>The entitlement basis for the Proposed Rights Issue and Issue Price will be determined and announced by the Board on a later date. It is the intention of the Board that the Issue Price shall be priced at a discount ranging from 10% to 30% to the TERP of the SCH Shares based on the 5 Market Day VWAMP of the SCH Shares preceding the price fixing date, subject to the Floor Price of RM0.08 (after the Proposed Share Consolidation).</p> <p>Hextar has given irrevocable undertakings dated 11 November 2020 to the Company to subscribe RM80 million worth of Rights Shares subject to the terms and conditions as set out in Section 2.2.3. The Company does not intend to procure any underwriting arrangement for the remaining Rights Shares not subscribed for by the other Entitled Shareholders and/or their renounee(s) and/or transferee(s).</p> <p>3. <u>Proposed Exemption</u></p> <p>As at the LPD, Hextar holds 171,733,900 SCH Shares, representing approximately 30.9% of the total issued share capital of SCH. Pursuant to Section 216 of the Capital Markets and Services Act, 2007, Dato' Ong and Ms Ong are PACs with Hextar for the Proposed Exemption.</p>

EXECUTIVE SUMMARY (CONT'D)

Key information **Description**

Depending on amongst others, the subscription level of the SCH's public shareholders and shareholdings of SCH's non-public shareholders, the maximum shareholdings that Hextar could hold in SCH is 75% as the subscription by Hextar pursuant to the Undertakings cannot result in SCH to not comply with the Public Spread Requirement.

Hextar and its PACs will accordingly be obliged to undertake the Mandatory Offer in view that Hextar's shareholdings could increase from existing 30.9% to above 33%. Hextar and its PACs intend to submit an application to the SC for an exemption from undertaking a Mandatory Offer.

Rationale
(Section 3, Part A
of this Circular)**1. Proposed Share Consolidation**

The higher share price resulting from the Proposed Share Consolidation should accord the Company greater flexibility in fixing the Issue Price of the Rights Shares.

2. Proposed Rights Issue

- To raise funds for the proposed utilisation as set out in Section 5 of Part A of the Circular
- To strengthen the SCH Group's financial position with enhanced shareholders' funds and reduced gearing level
- Does not incur additional interest expense, as otherwise required if raise funds via bank borrowings
- Opportunity for all SCH Shareholders to participate in the fundraising exercise of the Company on a pro-rata basis and ultimately, participate in the prospects and future growth of the SCH Group by subscribing for the Rights Shares.

3. Proposed Exemption

The Proposed Exemption will exempt Hextar and its PACs from the obligation to undertake a Mandatory Offer upon completion of the Proposed Rights Issue as a result of the Undertakings

**Utilisation of
proceeds**
(Section 5, Part A
of this Circular)

Based on the Minimum Subscription Level basis and Full Subscription Basis, SCH may raise the following proceeds from the Proposed Rights Issue which are intended to be utilised in the following manner:-

Details	Minimum Subscription Level Basis	Full Subscription Basis	
		Assuming no Warrants are exercised	Assuming all Warrants are exercised
	RM'000	RM'000	RM'000
Repayment of bank borrowings	12,000	33,500	33,500
Working capital	10,500	75,500	120,500
Estimated expenses	1,000	1,000	1,000
Total proceeds	23,500	110,000	155,000

EXECUTIVE SUMMARY (CONT'D)

Key information	Description
Approvals required and inter-conditionality (Section 8, Part A of this Circular)	<p>The Proposals are subject to the following approvals being obtained:-</p> <ul style="list-style-type: none">▪ Bursa Securities in relation to the Proposed Share Consolidation and Proposed Rights Issue, which was obtained on 12 January 2021;▪ SC for the Proposed Exemption;▪ SCH Shareholders at the forthcoming EGM for the Proposals; and▪ Any other relevant authorities and/or parties, if required. <p>The conditionality of the Proposals are as follows:-</p> <ul style="list-style-type: none">▪ The Proposed Rights Issue and Proposed Exemption are not conditional upon the Proposed Share Consolidation and vice versa. However, subject to obtaining all relevant approvals, the Proposed Rights Issue is expected to be implemented after the Proposed Share Consolidation;▪ The Proposed Rights Issue and Proposed Exemption are inter-conditional upon each other; and▪ The Proposals are not conditional upon any other corporate exercises undertaken or to be undertaken by SCH.
Interests of directors, major SCH Shareholders, chief executive and/or persons connected to them (Section 9, Part A of this Circular)	<p>1. <u>Proposed Share Consolidation</u></p> <p>None of the directors, chief executive, major SCH Shareholders and/or any persons connected with them have any interest, direct or indirect, in the Proposed Share Consolidation.</p> <p>2. <u>Proposed Rights Issue and Proposed Exemption</u></p> <p>Save for the following, none of the directors, chief executive, major SCH Shareholders and/or any persons connected with them have any interest, direct or indirect, in the Proposed Rights Issue and Proposed Exemption apart from their respective entitlements under the Proposed Rights Issue (including the right to apply for additional Rights Shares under excess Rights Shares application), to which all the SCH Shareholders are similarly entitled to:-</p> <ul style="list-style-type: none">▪ Hextar, the major SCH Shareholder, has given the Undertakings;▪ Dato' Ong, a Non-Independent Non-Executive Director of SCH and major shareholder of SCH, is also the substantial shareholder of Hextar;▪ Dato' Ong Soon Ho, a major shareholder of SCH, is also a substantial shareholder of Hextar; and▪ Ms Ong, a Non-Independent Non-Executive Director of SCH, is the sister to Dato' Ong.
Directors' statement/ recommendation (Section 12, Part A of this Circular)	<p>The Board recommends that you vote in favour of the special resolution pertaining to the Proposed Share Consolidation to be tabled at the forthcoming EGM.</p> <p>The Board (save for Dato' Ong and Ms Ong who are interested directors) recommends that you vote in favour of the ordinary resolutions pertaining to the Proposed Rights Issue and the Proposed Exemption to be tabled at the forthcoming EGM.</p>

PART A

LETTER TO THE SHAREHOLDERS OF SCH IN RELATION TO THE PROPOSALS



SCH GROUP BERHAD
(Registration No. 201101044580 (972700-P))
(Incorporated in Malaysia)

Registered Office

Level 5, Block B
Dataran PHB Saujana Resort
Section U2
41050 Shah Alam
Selangor

4 February 2021

Board of Directors:

Dato' Chan Choun Sien	(Independent Non-Executive Chairman)
Dato' Ong Choo Meng	(Non-Independent Non-Executive Director)
Wong Kin Seng	(Executive Director)
Ang Sui Aik	(Executive Group Managing Director)
Sim Yee Fuan	(Independent Non-Executive Director)
Gan Khong Aik	(Independent Non-Executive Director)
Ong Tzu Chuen	(Non-Independent Non-Executive Director)

To: The Shareholders of SCH

Dear Sir/Madam,

- (I) THE PROPOSED SHARE CONSOLIDATION;**
 - (II) THE PROPOSED RIGHTS ISSUE; AND**
 - (III) THE PROPOSED EXEMPTION.**
-

1. INTRODUCTION

On 6 November 2020, AmInvestment Bank on behalf of the Board announced that the Company proposes to undertake the following:-

- (i) proposed consolidation of every 3 existing SCH Shares into 1 Consolidated Share ("**Proposed Share Consolidation**");
- (ii) proposed rights issue of SCH Shares ("**Rights Shares**") to raise gross proceeds of up to RM155.0 million ("**Proposed Rights Issue**"); and

- (iii) proposed exemption to Hextar and PACs from the obligation to undertake the Mandatory Offer arising from the subscription by Hextar of the Rights Shares pursuant to the irrevocable undertakings detailed in Section 2.2.3 of Part A of this Circular (“**Proposed Exemption**”),

(collectively referred to as the “**Proposals**”).

On 12 January 2021, AmInvestment Bank on behalf of the Company announced that Bursa Securities had vide its letter dated 12 January 2021 approved the Proposed Share Consolidation and the listing of and quotation for such number of Consolidated Shares, Consolidated Warrants, Rights Shares, Additional Warrants and Additional Shares as set out in Section 8 of Part A of this Circular subject to the conditions as set out therein.

Malacca Securities Sdn Bhd (“**Malacca Securities**”) has been appointed as the Independent Adviser for the Proposed Exemption.

The purpose of this Circular is to provide SCH Shareholders with the relevant information on the Proposals and to seek SCH Shareholders’ approvals on the resolutions in relation to the Proposals to be tabled at the Company’s forthcoming EGM. The notice of EGM and the Form of Proxy are enclosed in this Circular.

SCH Shareholders are advised to read and carefully consider the contents of this Circular together with the appendix before voting on the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

2. DETAILS OF THE PROPOSALS

2.1. Proposed Share Consolidation

2.1.1. Details of the Proposed Share Consolidation

The Proposed Share Consolidation entails the consolidation of every three (3) existing Shares held by SCH Shareholders, whose names appear in the Company’s Record of Depositors at the close of business on the Share Consolidation Entitlement Date, into one (1) Consolidated Share, after the approvals from the relevant authorities and the SCH Shareholders have been obtained at the forthcoming EGM.

As at LPD, the issued share capital of the Company is RM75,917,971 comprising of 555,511,720 SCH Shares. As at LPD, SCH has 205,839,310 outstanding Warrants.

For illustration purposes, upon completion of the Proposed Share Consolidation (assuming none of the existing Warrants are exercised and converted into new Shares), the Company’s resultant issued share capital will be RM75,917,971 comprising of 185,170,573 Consolidated Shares. Assuming all the existing Warrants are exercised and converted into new Shares prior to the Share Consolidation Entitlement Date, the enlarged 761,351,030 SCH Shares will be consolidated into up to 253,783,676 Consolidated Shares.

It is the intention of the Company to implement the Proposed Share Consolidation prior to the implementation of the Proposed Rights Issue.

The Proposed Share Consolidation will result in a reduction in the number of SCH Shares available in the market. As such, the trading prices of SCH Shares will be adjusted accordingly in proportion to the basis of the Proposed Share Consolidation. You are strongly advised to trade cautiously to prevent overselling of your position in respect of your shares.

2.1.2. Theoretical adjusted reference price of the Consolidated Shares and Consolidated Warrants

The Proposed Share Consolidation will result in an adjustment to the reference price of SCH Shares listed and quoted on the ACE Market of Bursa Securities.

For illustration purposes, based on the last transacted market price of SCH Share as at LPD of RM0.10, the theoretical adjusted reference price of the Consolidated Shares will be as follows:

	No. of SCH Shares	Last transacted market price/Theoretical adjusted reference price per SCH Share (RM)	⁽ⁱ⁾ Total market value (RM)
As at LPD	555,511,720	0.10	55,551,172.00
After Proposed Share Consolidation	185,170,573	⁽ⁱⁱ⁾ 0.30	⁽ⁱⁱⁱ⁾ 55,551,171.90

Notes:-

(i) The total market value was arrived at by multiplying the number of SCH Shares with the market/theoretical adjusted reference price per SCH Share.

(ii) The theoretical adjusted reference price is arrived at based on the following formula:

$$\begin{aligned}
 \text{Theoretical adjusted reference share price} &= \text{Market price per SCH Share as at LPD (RM)} \times \frac{\text{Number of SCH Shares as at LPD}}{\text{Number of Consolidated Shares}} \\
 &= 0.10 \times \frac{555,511,720}{185,170,573} \\
 &= 0.30
 \end{aligned}$$

(iii) The value is lower by RM0.10 due to fractional SCH Shares being disregarded.

The Proposed Share Consolidation will also result in an adjustment to the reference price of the Warrants. For illustration purposes, based on the last transacted market price of the Warrants up to the LPD of RM0.03, the theoretical adjusted reference price of the Consolidated Warrants upon completion of the Proposed Share Consolidation is set out in the following table.

	No. of Warrants	Last transacted price /Theoretical adjusted reference price per Warrant (RM)	⁽ⁱ⁾ Total market value (RM)
As at LPD	205,839,310	0.03	6,175,179.30
After Proposed Share Consolidation	68,613,103	⁽ⁱⁱ⁾ 0.09	⁽ⁱⁱⁱ⁾ 6,175,179.27

Notes:-

- (i) The total market value was arrived at by multiplying the number of Warrants with the market/theoretical adjusted reference price per Warrant.
- (ii) The theoretical adjusted reference price is arrived at based on the following formula:

$$\begin{aligned}
 \text{Theoretical adjusted reference price} &= \text{Market price per Warrant as at LPD (RM)} \times \frac{\text{Number of Warrants as at LPD}}{\text{Number of Consolidated Warrants after the Proposed Share Consolidation}} \\
 &= 0.03 \times \frac{205,839,310}{68,613,103} \\
 &= 0.09
 \end{aligned}$$

- (iii) The value is lower by RM0.03 due to fractional Warrants being disregarded.

Fractional entitlements arising from the Proposed Share Consolidation in respect of the Consolidated Shares and Consolidated Warrants, if any, shall be disregarded and dealt with in such manner as the Board in its sole and absolute discretion deems fit and expedient and in the best interest of the Company.

2.1.3. Adjustments to the exercise price and number of Warrants

Pursuant to the deed poll dated 14 November 2016, which governs the terms and conditions of Warrants (“Deed Poll”), the Proposed Share Consolidation will give rise to adjustments to the exercise price and number of existing Warrants. The adjustments will be made in accordance with the provisions of the Deed Poll.

For illustrative purposes, assuming all of the outstanding 205,839,310 existing Warrants are not exercised prior to the Share Consolidation Entitlement Period, the number of Warrants will be adjusted downwards to 68,613,103 Consolidated Warrants in SCH and the existing exercise price of RM0.10 for each existing Warrant will be adjusted to RM0.30 per Consolidated Warrant.

2.1.4. Ranking

(i) Consolidated Shares

The Consolidated Shares shall, upon allotment and issuance, rank *pari passu* in all respects with each other.

(ii) Consolidated Warrants

The Consolidated Warrants shall, upon allotment and issuance, rank *pari passu* in all respects with each other.

2.1.5. Suspension of trading

The Proposed Share Consolidation is a specified consolidation pursuant to Rule 13.14 of the Listing Requirements. No suspension will be imposed on the trading of SCH Shares and Warrants on the ACE Market of Bursa Securities for the purpose of implementing the Proposed Share Consolidation.

2.1.6. Listing date and notices of allotment

The Consolidated Shares and Consolidated Warrants will be listed and quoted on the ACE Market of Bursa Securities on the next Market Day following the Share Consolidation Entitlement Date.

The notices of allotment of the Consolidated Shares and Consolidated Warrants will be issued and despatched to the entitled shareholders within 4 Market Day of the Share Consolidation Entitlement Date, or such other period as may be determined by Bursa Securities.

2.1.7. Crediting of the Consolidated Shares and Consolidated Warrants

As the Consolidated Shares and Consolidated Warrants are prescribed securities, the Consolidated Shares and Consolidated Warrants will be credited directly into the respective central depository system accounts of the entitled shareholders whose names appear in the Company's Record of Depositors on the Share Consolidation Entitlement Date and no physical share certificates will be issued.

2.2. Proposed Rights Issue

2.2.1. Details of the Proposed Rights Issue

The Proposed Rights Issue entails the issuance of Rights Shares to the Entitled Shareholders. The Proposed Rights Issue is intended to be implemented after the completion of the Proposed Share Consolidation, subject to all relevant approvals being obtained for the Proposed Share Consolidation.

The Proposed Rights Issue is proposed to be undertaken on a minimum subscription basis to raise gross proceeds of RM23.5 million (“**Minimum Subscription Level**”). In the event of full subscription by the Entitled Shareholders and/or their renounee(s) and/or transferee(s), where applicable (“**Full Subscription Basis**”), the proceeds SCH intended to raise is up to approximately RM110.0 million (assuming no Warrants are exercised between the price-fixing date and the Rights Issue Entitlement Date) for the proposed utilisation of proceeds as set out in Section 5 of Part A of this Circular.

For clarification, when the Board price-fix for the Proposed Rights Issue, the Board will be looking at the issue price and entitlement basis to raise up to approximately RM110.0 million. As the amount to be raised will be dependent on the number of shares in issue, there could be circumstances where the proceed raised could be higher than approximately RM110.0 million if new SCH Shares arising from the exercise of the Warrants are issued after the price-fixing date but before the Rights Issue Entitlement Date.

Therefore, shareholders’ approval is sought to raise up to RM155.0 million assuming all Warrants are exercised between the price-fixing date and the Rights Issue Entitlement Date.

The quantum of gross proceeds has been determined upfront while the entitlement basis for the Proposed Rights Issue and Issue Price have not been determined at this juncture in order to provide flexibility to the Board in respect of the pricing of the Rights Shares. Due to potential share price movements, pricing of the Rights Shares closer to the implementation of the Proposed Rights Issue will enable the Issue Price to be more reflective of the prevailing market price of SCH Shares at that point in time. The entitlement basis for the Proposed Rights Issue and Issue Price will be determined and announced by the Board on a later date.

It is the intention of the Board that the Issue Price shall be priced at a discount ranging from 10% to 30% to the theoretical ex-rights price (“**TERP**”) of the SCH Shares based on the 5 Market Day VWAMP of the SCH Shares preceding the price fixing date, subject to the Floor Price of RM0.08 (after the Proposed Share Consolidation). The basis of the Floor Price is as detailed in Section 2.2.2 of Part A of this Circular.

The capital outlay required to subscribe for shareholders’ rights entitlements under the Proposed Rights Issue can be approximated by multiplying the indicative proceeds of RM110.0 million with their respective percentage shareholdings in SCH on the assumption that no Warrants will be exercised between the price-fixing date and the Rights Issue Entitlement Date.

The Rights Shares will be provisionally allotted to the Entitled Shareholders on the Rights Issue Entitlement Date after obtaining all the relevant approvals in respect of the Proposed Rights Issue. In determining the shareholders’ entitlements to the Rights Share, fractional entitlements, if any, will be disregarded and dealt with in such manner as the Board in its sole and absolute discretion deems fit and expedient and in the best interest of the Company.

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

The full details of the Proposed Rights Issue will be set out in the abridged prospectus to be issued by the Company. The abridged prospectus together with the accompanying documents in relation to the Proposed Rights Issue will not be sent to SCH Shareholders whose addresses in the Company's Record of Depositors are not in Malaysia ("Foreign Addressed Shareholders") to avoid any violation on the part of the Company of any securities laws applicable outside Malaysia.

2.2.2. Basis of determining the Issue Price of the Rights Shares

It is the intention of the Board that the Issue Price shall be priced at a discount ranging from 10% to 30% to the TERP based on 5 Market Day VWAMP of the SCH Shares up to and including the date prior to the price fixing date, subject to the RM0.08 Floor Price. In the event the TERP is less than RM0.0889 (after the Proposed Share Consolidation), the Issue Price will be at the discount of less than 10% in view of the Floor Price.

The Floor Price of RM0.08 (after the Proposed Share Consolidation) has been determined after taking into consideration, amongst others, the proforma net asset per SCH Share of RM0.12 (after the Proposed Rights Issue) based on the Maximum Scenario as illustrated in Section 6.3 of Part A of this Circular. The Floor Price of RM0.08 represents approximately 0.67 times of the proforma net assets.

The Issue Price will be determined and announced by the Board on the price-fixing date, after taking into consideration, inter alia, the following:-

- (i) the TERP of the SCH Shares based on the 5 Market Day VWAMP of SCH Shares immediately preceding the price fixing date; and
- (ii) the prevailing market conditions and current and historical share price of the SCH Shares.

For illustration purposes, assuming the 5 Market Day VWAMP of the SCH Shares up to and including the LPD (i.e. RM0.0999) and adjusted for the Proposed Share Consolidation of RM0.2997, no Warrants are exercised and entitlement basis of 5 Rights Shares for every 1 SCH Share held, the illustrative issue price for each Rights Share is RM0.12 (representing 17.2% discount to the TERP to raise gross proceeds of approximately RM110 million).

$$\begin{aligned} \text{TERP} &= \frac{(1 \text{ SCH Share} \times \text{RM}0.2997) + (5 \text{ Rights Shares} \times \text{RM}0.12)}{1 \text{ SCH Share} + 5 \text{ Rights Shares}} \\ &= \text{RM}0.145 \text{ (rounded down to the nearest 0.5 sen)} \end{aligned}$$

2.2.3. Major Shareholder's Undertakings

The Company intends to undertake the Proposed Rights Issue on the Minimum Subscription Level basis to raise gross proceeds of RM23.5 million. The Minimum Subscription Level has been determined by the Board after taking into consideration the minimum level of funds that the Company requires to raise from the Proposed Rights Issue for the proposed utilisation of proceeds as set out in Section 5 of Part A of this Circular as well as to ensure compliance with the Public Spread Requirement assuming only Hextar subscribes for the Rights Shares based on the shareholdings as at LPD.

Nevertheless, Hextar has given irrevocable undertakings dated 11 November 2020 to the Company to subscribe RM80 million worth of Rights Shares subject to the terms and conditions as set out below which include compliance with the Public Spread Requirement.

Hextar's irrevocable undertakings may be summarised as follows:-

- (i) to subscribe for its entitlement based on its shareholdings on the Entitlement Date ("**Entitlement Undertaking**"). Hextar further undertakes that the shareholding of Hextar as at the Rights Issue Entitlement Date shall not be less than its current shareholdings of 171,333,900 SCH Shares (i.e. as at 11 November 2020);
- (ii) to apply such additional number of Rights Shares not taken up by the other Entitled Shareholders and/or their renounee(s) and/or transferee(s), by way of excess Rights Shares applications ("**Additional Undertaking**"), subject always that the total amount subscribed by Hextar under the Entitlement Undertaking and Additional Undertaking shall be RM80.0 million; and

the subscription obligations under Undertakings are subject to the following:-

- (i) SCH being able to comply with the Public Spread Requirement. For clarification, in the event the rights subscription by Hextar pursuant to its Entitlement Undertaking and/or Additional Undertaking will result in SCH breaching the Public Spread Requirement, Hextar will subscribe for the maximum possible number of Rights Shares that enables SCH to meet the Public Spread Requirement upon completion of the Proposed Rights Issue; and
- (ii) the approval of the SC for the Proposed Exemption being obtained.

The Entitlement Undertaking and Additional Undertaking shall collectively be referred to as ("**Undertakings**").

As at LPD, Hextar holds 171,733,900 SCH Shares, representing approximately 30.9% of the total issued share capital of SCH. Pursuant thereto, Hextar's entitlement to subscribe the Rights Shares is up to its shareholdings in SCH of approximately 30.9%. The actual number of Rights Shares for which Hextar will be entitled to can only be known at the price-fixing date once the entitlement basis is fixed. In addition, Hextar's subscription level pursuant to the Undertakings is dependent on the public shareholding spread upon issuance of the Rights Shares. Please refer to Section 2.3 of Part A of this Circular, for the illustration of Hextar's subscription of the Rights Shares pursuant to the Undertakings.

Hextar has confirmed that it has adequate financial means and resources for the Entitlement Undertaking and Additional Undertaking and it will make full payment for the Rights Shares upon subscription/application pursuant to the Undertakings.

AmInvestment Bank has verified the sufficiency of Hextar's financial resources for the purpose of subscribing for the Rights Shares pursuant to the Undertakings.

In view that the Company has obtained the undertakings from Hextar which is sufficient to fulfil the Minimum Subscription Level, SCH does not intend to procure any underwriting arrangement for the remaining Rights Shares not subscribed for by the other Entitled Shareholders and/or their renouncee(s) and/or transferee(s).

In the event the Minimum Subscription level is not achieved for whatsoever reason, the Proposed Rights Issue will be terminated and all the subscription monies received will be returned to the subscribers of the Rights Shares in accordance with the relevant laws and regulations.

2.2.4. Ranking of the Rights Shares

The Rights Share shall, upon allotment and issuance, rank *pari passu* in all respect with the then SCH Shares, save and except that the Rights Shares will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid to the SCH Shareholders, the entitlement date of which is prior to the date of allotment of the Rights Shares, as the case may be.

2.2.5. Listing of and quotation for the Rights Shares

The Rights Shares will be listed on the ACE Market of Bursa Securities.

On 12 January 2021, AmInvestment Bank on behalf of the Company announced that Bursa Securities had vide its letter dated 12 January 2021 approved the Proposed Share Consolidation and the listing of and quotation for such number of Consolidated Shares, Consolidated Warrants, Rights Shares, Additional Warrants and Additional Shares as set out in Section 8 of Part A of this Circular subject to the conditions as set out therein.

2.2.6. Foreign Addressed Shareholders

An abridged prospectus together with the accompanying documents which will be issued in connection with the Proposed Rights Issue are not and will not be made to comply with the laws of any countries or jurisdictions other than Malaysia, and have not and will not be registered under any applicable securities legislation of any countries or jurisdictions other than Malaysia as the Proposed Rights Issue will not be offered for purchase or subscription in any countries or jurisdictions other than Malaysia.

Accordingly, the abridged prospectus together with the accompanying documents will only be sent to the Entitled Shareholders who have a registered address or an address for service in Malaysia as registered in SCH's Record of Depositors as at the Rights Issue Entitlement Date. Foreign Addressed Shareholders who wish to provide Malaysian addresses should inform their respective stockbrokers to effect the change of address prior to the Rights Issue Entitlement Date. Alternatively, such Foreign Addressed Shareholders may collect the abridged prospectus from SCH's Share Registrar who shall be entitled to request for such evidence as they deem necessary to satisfy themselves as to the identity and authority of the person collecting the abridged prospectus.

SCH will not make or be bound to make any enquiry as to whether the Entitled Shareholders have a registered address other than as stated in SCH's Record of Depositors as at the Rights Issue Entitlement Date and will not accept or be deemed to accept any liability whether or not any enquiry or investigation is made in connection therewith.

Foreign Addressed Shareholders may only exercise their rights in respect of the Proposed Rights Issue to the extent that it would be lawful to do so and SCH and/or AmInvestment Bank would not, in connection with the Proposed Rights Issue, be in breach of the laws of any country or jurisdiction which the Foreign Addressed Shareholders and/or their renouncee(s) and/or transferee(s) might be subject to.

Foreign Addressed Shareholders will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such foreign country or jurisdiction and SCH shall be entitled to be fully indemnified and held harmless by such foreign applicants for any issue, transfer or any other taxes or duties as such person may be required to pay. They will have no claims whatsoever against SCH, SCH's Registrar and/or AmInvestment Bank in respect of their rights or entitlements under the Proposed Rights Issue. Such applicants should also consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to exercise their rights in respect of the Proposed Rights Issue.

Foreign Addressed Shareholders shall be solely responsible to seek advice as to the laws of any jurisdiction to which they may be subject and participation by the Foreign Addressed Shareholders in the Proposed Rights Issue shall be on the basis of a warranty by them that they may lawfully so participate without SCH and/or AmInvestment Bank being in breach of the laws of any jurisdiction.

Foreign Addressed Shareholders who do not provide an address in Malaysia or who are not entitled to subscribe for the Rights Shares under the laws and jurisdiction to which they are subject to, will have no claims whatsoever against SCH and/or any of its advisers in respect of their rights entitlements or any net proceeds arising from the Proposed Rights Issue.

Neither SCH, AmInvestment Bank nor any other advisers to the Proposed Rights Issue shall accept any responsibility or liability in the event that any acceptance of a Foreign Addressed Shareholder of his rights in respect of the Proposed Rights Issue is or shall become illegal, unenforceable, voidable or void in any country or jurisdiction.

SCH reserves the right in its absolute discretion to treat any acceptances as being invalid if it believes or has reason to believe that such acceptance may violate applicable legal or regulatory requirements.

2.3. Details of the Proposed Exemption

As at the LPD, Hextar holds 171,733,900 SCH Shares, representing approximately 30.9% of the total issued share capital of SCH. Pursuant to Section 216 of the Capital Markets and Services Act, 2007, Dato' Ong and Ms Ong are PACs with Hextar for the Proposed Exemption.

Hextar's subscription level pursuant to the Undertakings is dependent on the public shareholding spread upon subscription of the Rights Shares. The Minimum Subscription Level has been determined by the Board after taking into consideration the minimum level of funds that the Company requires to raise from the Proposed Rights Issue for the proposed utilisation of proceeds as set out in Section 5 of Part A of this Circular as well as to ensure compliance with the Public Spread Requirement assuming only Hextar subscribes for the Rights Shares based on the shareholdings as at LPD.

For illustration purposes only, the amount of Undertakings to be fulfilled by Hextar and effects on Hextar's shareholdings pursuant to the Undertakings based on the issue price and entitlement basis under the Minimum Scenario, Base Case Scenario, Maximum Scenario and No Consolidation Maximum Scenario (as described in Section 6 of Part A of this Circular are as follows:-

Minimum Scenario

(assuming Hextar subscribed up to the Minimum Subscription level, issue price of RM0.08 and entitlement basis of 15 Rights Shares for every 2 Consolidated Shares and no Warrants are exercised prior to the Proposed Rights Issue Entitlement Date)

No.	Scenario	Amount of Undertaking to be fulfilled by Hextar RM'million	No. of Rights Shares Subscribed by Hextar 'million	Total Proceeds Raised RM'million	Hextar's Shareholdings After Proposed Rights Issue %
1.	Assuming only Hextar subscribed up to the Minimum Subscription Level	23.5	293.8	23.5	73.3

Base Case Scenario

(assuming issue price of RM0.12 and entitlement basis of 5 Rights Shares for every 1 Consolidated Share and no Warrants are exercised prior to the Proposed Rights Issue Entitlement Date)

No.	Scenario	Amount of Undertaking to be fulfilled by Hextar	No. of Rights Shares Subscribed by Hextar	Total Proceeds Raised	Hextar's Shareholdings After Proposed Rights Issue
		RM'million	'million	RM'million	%
1.	Assuming only Hextar subscribed for the Rights Shares	35.7 ⁽ⁱ⁾	297.5	35.7	73.5
2.	Assuming only Hextar and 13.3% (123 million Rights Shares) of the Rights Shares are subscribed by the public shareholders	80.0 ⁽ⁱⁱ⁾	666.7	94.8	74.3
3.	Assuming all Entitled Shareholders subscribed for the Rights Shares	34.3	286.2	111.1	30.9

Dato' Ong and Ms Ong do not have any shareholdings in SCH. However, as Dato' Ong is a substantial shareholder of Hextar, his indirect shareholdings in SCH will be the same as Hextar.

Maximum Scenario

(assuming issue price of RM0.08 and entitlement basis of 15 Rights Shares for every 2 Consolidated Shares and the Warrants are exercised prior to the Proposed Rights Issue Entitlement Date)

No.	Scenario	Amount of Undertaking to be fulfilled by Hextar	No. of Rights Shares Subscribed by Hextar	Total Proceeds Raised	Hextar's Shareholdings After Proposed Rights Issue
		RM'million	'million	RM'million	%
1.	Assuming only Hextar subscribed to the Rights Shares	40.0 ⁽ⁱ⁾	500.0	40.0	73.9
2.	Assuming only Hextar and 8.7% (166 million Rights Shares) of the Rights Shares are subscribed by the public shareholders	80.0 ⁽ⁱⁱ⁾	1,000.0	93.3	74.5
3.	Assuming all Entitled Shareholders subscribed for the Rights Shares	34.3	429.3	152.2	22.6

Dato' Ong and Ms Ong do not have any shareholdings in SCH. However, as Dato' Ong is a substantial shareholder of Hextar, his indirect shareholdings in SCH will be the same as Hextar.

No Consolidation Maximum Scenario

(assuming issue price of RM0.03 and entitlement basis of 135 Rights Shares for every 20 SCH Shares and the Warrants are exercised prior to the Proposed Rights Issue Entitlement Date)

No.	Scenario	Amount of Undertaking to be fulfilled by Hextar	No. of Rights Shares Subscribed by Hextar	Total Proceeds Raised	Hextar's Shareholdings After Proposed Rights Issue
		RM'million	'million	RM'million	%
1.	Assuming only Hextar subscribed to the Rights Shares	45.0 ⁽ⁱ⁾	1,500.0	45.0	73.9
2.	Assuming only Hextar and 7.5% (390 million Rights Shares) of the Rights Shares are subscribed by the public shareholders	80.0 ⁽ⁱⁱ⁾	2,666.7	91.7	74.3
3.	Assuming all Entitled Shareholders subscribed for the Rights Shares	34.8	1,159.2	154.2	22.6

Notes:-

- (i) *The amount to be subscribed by Hextar pursuant to the Undertakings will be less than RM80.0 million as it is limited by the Public Spread Requirement.*
- (ii) *Under this scenario, Hextar will be required to fulfill its entire Undertakings of RM80.0 million in view that the Public Spread Requirement will be met.*
- (iii) *The Minimum, Base Case and Maximum Scenario assume the Propose Rights Issue will be implemented after the completion of the Proposed Share Consolidation.*
- (iv) *The No Consolidation Maximum Scenario assumes that the Proposed Share Consolidation is not implemented.*

The above are for illustration purposes only. Depending on amongst others, the subscription level of the SCH's public shareholders and shareholdings of SCH's non-public shareholders, the maximum shareholdings that Hextar could hold in SCH is 75% as the subscription by Hextar pursuant to the Undertakings cannot result in SCH to not comply with the Public Spread Requirement.

Hextar and its PACs will accordingly be obliged to undertake the Mandatory Offer in view that Hextar's shareholdings could increase from existing 30.9% to above 33%.

Hextar and its PACs intend to submit an application to the SC for an exemption from undertaking a Mandatory Offer under Paragraph 4.08(1)(b) of the Rules, after obtaining the approval of the non-interested shareholders of the Company for the Proposed Exemption pursuant to Paragraph 4.08(2)(b) of the Rules to waive their rights to receive the Mandatory Offer at the forthcoming EGM.

In the event that the non-interested shareholders of the Company and/or the SC do not approve the Proposed Exemption, the Proposed Rights Issue will not be implemented as the Proposed Rights Issue and Proposed Exemption are inter-conditional. For avoidance of doubt, the Proposed Rights Issue and Proposed Exemption are not conditional upon the Proposed Share Consolidation and vice versa.

3. RATIONALE AND JUSTIFICATION FOR THE PROPOSALS

3.1. The Proposed Share Consolidation

As at LPD, the last transacted market price of SCH Shares is RM0.10 and the Company has 555,511,720 Shares in issue. Following the completion of the Proposed Share Consolidation, the theoretical reference price of each SCH Share will be adjusted to increase by three (3) times and the total number of existing Shares in issue will be reduced by the corresponding ratio. Save for the value of the fractional SCH Shares which are disregarded, there should be no change in the total value of the SCH Shares held by shareholders.

The higher share price resulting from the Proposed Share Consolidation should accord the Company greater flexibility in fixing the Issue Price of the Rights Shares.

3.2. The Proposed Rights Issue

The Proposed Rights Issue will enable the Company to raise funds for the proposed utilisation as set out in Section 5 below, which include for working capital requirements and reduce bank borrowings, both of which are expected to contribute positively to the SCH Group.

The fertilisers segment is the main revenue contributor to SCH Group. Based on the audited FYE 31 August 2020 results, RM81.6 million (approx. 67.3%) of SCH Group's revenue was contributed by the fertilisers segment. The Board believes that future demand for fertilisers in the oil palm industry should be positive. Smith Zander also forecasts the demand for fertiliser to have increased by 5.69% from RM4.92 billion in 2020 to RM5.20 billion in 2021 as set out in Section 4.2 below. SCH Group believes that it is an appropriate time to expand its fertiliser business.

The Company intends to use a major portion of the rights proceeds allocated for working capital for the fertilisers segment as it is planning to expand to other parts of Malaysia, i.e. Sabah and Peninsular Malaysia in addition to expanding its existing primary market in Sarawak.

In addition, the unprecedented COVID-19 has affected the operations of SCH Group's equipment rental business. With the constraint on the movement of people amid COVID-19, many organisers had postponed or cancelled events. To address the aforementioned loss in income, SCH Group is proposing to use the rights proceeds to expand the trading of its range of industrial products in particular batteries and related products/peripherals. Smith Zander notes that despite the imposition of the nationwide movement restriction due to the COVID-19, the industrial battery industry in Malaysia is not expected to be materially affected as industrial batteries are necessities in many of its applications. Smith Zander estimates the manufacturing sales value of batteries, including industrial batteries in Malaysia, to have increased by 16.44% from RM4.50 billion in 2019 to RM5.24 billion in 2020; and forecasts it to increase further by 8.97% to RM5.71 billion in 2021. Smith Zander also notes that from 2017 to 2019, the total generation capacity contributed from renewable energy sources in Southeast Asia increased from 61,167 MW to 72,361 MW at a CAGR of 8.77%. Smith Zander believes the increasing adoption of renewable energy will spur the demand for industrial batteries.

The proceeds will also be used to purchase heavy equipment and parts as SCH Group has observed that construction and quarry related activities have progressively resumed after the relaxation of the MCO in May 2020. The impact of the MCO which commenced on 13 January 2021 (“MCO 2.0”) is still uncertain. It would depend on the duration of the MCO 2.0.

After due consideration of the various methods of fundraising, the Board is of the opinion that the Proposed Rights Issue is the most appropriate avenue of raising funds for the SCH Group in view that the Proposed Rights Issue will strengthen the SCH Group’s financial position with enhanced shareholders’ funds and reduced gearing level.

SCH has considered to raise funds via bank borrowings. However, SCH believes that its capacity to borrow an amount equivalent to RM110.0 million (Base Case Scenario) is challenging in view of its existing financial position with bank borrowings of RM62.9 million as at LPD. SCH Group also recorded a loss of RM7.9 million for FYE 31 August 2020. For additional bank borrowings, SCH Group would have to incur interest expense, resulting in a higher annual cash outflow and reduction in the Group’s earnings.

The Proposed Rights Issue will also provide the opportunity for all SCH Shareholders to participate in the fundraising exercise of the Company on a pro-rata basis and ultimately, participate in the prospects and future growth of the SCH Group as opposed to fundraising via private placement where only selected investors can participate. For information, SCH did not undertake any fundraising exercise in the past 12 months prior to the date of the announcement of the Proposals.

3.3. The Proposed Exemption

The Proposed Exemption will exempt Hextar and its PACs from the obligation to undertake a Mandatory Offer upon completion of the Proposed Rights Issue as a result of the Undertakings.

The Proposed Exemption will ensure that the Proposed Rights Issue can be successfully undertaken without a need on the part of the Company to arrange for the underwriting of Rights Shares not taken up by the Entitled Shareholders and/or their renounee(s) and/or transferee(s), in view of the Undertakings to be provided by Hextar.

4. INDUSTRY OVERVIEW AND PROSPECTS

As at LPD, SCH Group is mainly involved in the fertiliser, heavy equipment, and equipment rental and industrial products businesses.

4.1. Overview and outlook of the Malaysian economy

The Malaysian economy expanded by 4.3% in 2019, supported by resilient private sector spending.

(Source: Economic and Monetary Review 2019, BNM)

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

(Source: Quarterly Bulletin, Third Quarter 2020, www.bnm.gov.my)

The economy is expected to contract at a slower pace in the second half of 2020, aided by the speedy implementation of various stimulus packages to support the people and revitalise the economy. In 2020, the economy is expected to contract by 4.5%. The impact of the packages is anticipated to have spill-over effects and provide an additional boost to the economy in 2021. With the anticipated improvement in global growth and international trade, the Malaysian economy is projected to rebound between 6.5% and 7.5% in 2021. Growth will continue to be supported by strong economic fundamentals and a well-diversified economy. However, the favourable outlook hinges on two major factors – the successful containment of the pandemic and sustained recovery in external demand.

(Source: Economic Outlook 2021, Ministry of Finance)

4.2. Fertiliser

Under the fertilisers segment, SCH Group is mainly involved in the manufacturing and trading of fertilisers primarily focusing on the oil palm industry.

Overview of the Fertiliser Industry in Malaysia

The fertiliser industry in Malaysia, represented by the demand for fertiliser, increased from RM5.81 billion in 2017 to RM6.24 billion in 2019, at a compound annual growth rate (“CAGR”) of 3.63%. Smith Zander estimates the demand for fertiliser to have declined by 21.15% from RM6.24 billion in 2019 to RM4.92 billion in 2020. The decline in the fertiliser industry in 2020 is in view of the COVID-19 pandemic which has resulted in the temporary disruptions to the demand for fertiliser from the agriculture industry during the nationwide movement restriction periods.

In view of the anticipated recovery of the agriculture sector in 2021, Smith Zander forecasts the demand for fertiliser to increase by 5.69% from RM4.92 billion in 2020 to RM5.20 billion in 2021. The demand for fertiliser in Malaysia is mainly driven by the growth of the agriculture industry, in particular oil palm plantations, rubber plantations and paddy fields, due to the widespread use of fertiliser in these agricultural lands. Notwithstanding the temporary disruptions caused by the COVID-19 pandemic and imposition of the nationwide movement restrictions, the recovery of the fertiliser industry will be driven by the following:-

- (i) Ongoing agricultural activities for industrial crops, especially oil palm, will continue to create demand for fertiliser

Palm oil is used as raw materials in the production of a wide range of food and non-food products including cooking oil, margarine, bakery shortening, confectionary fats, soaps, detergents, toiletries and cosmetics. Hence, despite the temporary disruptions in oil palm

plantation activities as a result of the imposition of the nationwide movement restrictions, oil palm plantation activities in Malaysia are expected to continue to be driven by the global demand for palm oil due to its wide spread application in many end-user industries.

To boost growth and to enhance the competitiveness of Malaysia's palm oil and related products, under Budget 2021, the Government has proposed to allocate RM20 million to encourage and assist the industry players, especially smallholders for the certification of Malaysian Sustainable Palm Oil standard which was made mandatory at the end of December 2019. Further, the B20 biodiesel programme for the transportation sector has been recommenced, whereby B20 biodiesel will be available nationwide in early 2022. B20 biodiesel is a blend of 20% palm methyl ester and 80% diesel petroleum used in vehicles, and the programme is expected to increase the local consumption of palm oil and reduce greenhouse gas emissions for a cleaner environment. As at 25 January 2021, B20 biodiesel is available in Langkawi and Labuan. Hence, the increasing availability and the promotion of the usage of B20 biodiesel for the transportation sector is expected to drive oil palm plantation activities in Malaysia.

Premised on the necessity of fertiliser applications in agricultural activities, the ongoing agricultural activities for industrial crops led by the oil palm plantations will continue to create demand for fertiliser, thus driving the recovery and growth of the fertiliser industry.

- (ii) Government initiatives in promoting domestic food production will support the demand for fertiliser

The Government has been promoting domestic food production through several initiatives such as Idle Land Development Project and several subsidy schemes provided to food crop producers (i.e. paddy farmers) including Federal Paddy Fertiliser Scheme, Paddy Production Incentive Scheme and Hill/ Huma Padi Fertiliser and Pesticides Scheme.

Further, in efforts to provide financial relief for agriculture- and food-related industry players affected by the COVID-19 pandemic, the Government has introduced several initiatives through the Pelan Jana Semula Ekonomi Negara (“PENJANA”) Short-Term Economic Recovery Plan (June-December 2020) which include providing agropreneurs with micro credit financing totalling RM350 million. These initiatives are expected to provide temporary relief to the industry and once the impact of COVID-19 subsides, the recovery of the fertiliser industry is expected to continue to be driven by the continuing initiatives introduced by the Government in promoting domestic food production.

(Source: IMR Report by Smith Zander)

4.3. Heavy Equipment

Under the Heavy Equipment segment, SCH Group is mainly involved in the manufacturing, trading and distribution of heavy equipment, spare parts and industrial products primarily for the use in quarry industry.

Overview of the Heavy Equipment Industry in Malaysia

As heavy equipment used in Malaysia are mainly imported from overseas, the size of the heavy equipment industry in Malaysia is represented by the imports of heavy equipment. During the period from 2017 to 2019, the imports of heavy equipment decreased at a CAGR of 9.99% from RM5.69 billion to RM4.61 billion, mainly due to a decline in capital investments in heavy equipment from the end-user industries, resulted from the Government's fiscal consolidation efforts, which have negatively affected business sentiments and investment decisions. As part of the Government's fiscal consolidation efforts, several mega construction projects such as Bandar Malaysia mixed development project, Mass Rapid Transit Line 3, Light Rail Transit Line 3 ("LRT 3"), East Coast Rail Link ("ECRL") as well as Kuala Lumpur-Singapore High-Speed Rail were placed on hold or under revision by the Government between 2017 and 2018.

Smith Zander estimates the imports of heavy equipment to have declined by 19.74% from RM4.61 billion in 2019 to RM3.70 billion in 2020. The decline in the imports of heavy equipment in 2020 is in view of the COVID-19 pandemic which has negatively impacted the country's economy. The imposition of the nationwide movement restrictions has caused economic slowdown in 2020. According to Bank Negara Malaysia, the economic growth in Malaysia, measured by GDP growth, is projected to be between -3.50% to -5.50% in 2020, indicating potential adverse economic conditions which pose financial and operational challenges to many businesses, including businesses in end-user industries of heavy equipment. This has led to the temporary halt of existing projects or operations, and/or delays or cancellation of new projects or business expansions, which has consequently negatively impacted the imports for heavy equipment.

Further, the adverse economic conditions have also caused businesses in end-user industries of heavy equipment to be more prudent with capital investments in heavy equipment. As a result, these businesses may increasingly shift from purchasing heavy equipment to leasing or renting the heavy equipment required for their continuous operations, which may result in a temporary decline in the imports of heavy equipment. Therefore, Smith Zander forecasts the imports of heavy equipment to continue to decline by 1.89% from RM3.70 billion in 2020 to RM3.63 billion in 2021.

Nevertheless, despite the shift from purchasing to leasing/renting heavy equipment which may have caused the decline in imports of heavy equipment, the demand for heavy equipment, including the deployment of heavy equipment through leasing/renting, is likely to be supported by the following demand drivers:-

- (i) Resumption of mining and quarrying activities driven by infrastructure development will drive the demand for heavy equipment

Heavy equipment are widely used to support the operations of mining and quarrying activities in Malaysia. As products from quarries and mines are commonly used as building materials in the construction industry, the availability and growth in infrastructure development in Malaysia will drive the growth of mining and quarrying activities.

As the construction works for, amongst others, LRT 3, Bandar Malaysia mixed development project, Mass Rapid Transit Line 2 (“**MRT 2**”) and ECRL, Pan Borneo Highway, Gemas-Johor Bahru Electrified Double Tracking Project and Klang Valley Double Tracking projects progress, it may drive the growth of mining and quarrying activities, which in turn, may drive the demand for heavy equipment.

(ii) Overall growth in the construction sector will drive demand for heavy equipment

Apart from infrastructure development, the demand for heavy equipment is also driven by construction activities undertaken to construct residential, commercial and industrial properties. The performance of the construction industry in Malaysia as measured by the value of construction work done, recorded a CAGR of 2.82% from RM138.45 billion in 2017 to RM146.37 billion in 2019, demonstrating growing demand for construction works for residential homes and to support business activities.

However, in view of the COVID-19 pandemic, the Bank Negara Malaysia has revised the GDP forecast growth in 2020, which was initially targeted at 4.80%, to the range of -3.50% to -5.50%, indicating potential adverse economic conditions for the year. Smith Zander estimates Malaysia’s value of construction work done to have decreased by 18.38% to RM119.47 billion in 2020. Following this, the demand for heavy equipment required for the construction activities may have declined as well.

Nevertheless, in view of the anticipated rebound of the construction sector in 2021, Smith Zander forecasts Malaysia’s value of construction work done to increase by 7.25% from RM119.47 billion in 2020 to RM128.13 billion in 2021. To stimulate the property market and provide financial relief to home buyers, the Government has introduced several initiatives through the PENJANA Short-Term Economic Recovery Plan (June-December 2020). Among the initiatives include the reintroduction of the Home Ownership Campaign (“**HOC**”) involving exemption of stamp duties for certain residential properties and upliftment of the 70% margin of financing limit applicable for the third housing loan onwards for certain properties during the period of the HOC. Under Budget 2021, the Government has proposed to further extend the full stamp duty exemption on the instruments of transfer and loan agreement for the first residential property purchased by each home buyer to 31 December 2025, with the property price limit increased from RM300,000 to RM500,000. Moving forward, with these initiatives in place, consumers will be encouraged to purchase residential properties which may thus drive the demand for residential properties. This may in turn support the demand for construction activities, and subsequently, drive the demand for heavy equipment.

(iii) Resumption of manufacturing activities will continue to support the demand for heavy equipment

The manufacturing industry is also one of the important end-user industries of heavy equipment in Malaysia. The manufacturing industry in Malaysia, as measured by the GDP from the manufacturing sector, grew from RM290.46 billion in 2017 to RM316.32 billion in 2019 at a CAGR of 4.36%.

Once the impact of COVID-19 subsides or when economic conditions recover, the resumption of manufacturing activities supported by the government initiatives, including tax incentive for new capital investments in the manufacturing industry in Malaysia by companies which relocate their overseas manufacturing facilities into the country and special reinvestment allowance given to manufacturing companies from year of assessment 2020 to year of assessment 2021, is expected to continue to support the demand for heavy equipment.

(Source: IMR Report by Smith Zander)

4.4. Equipment Rental and Industrial Product

Under the Equipment Rental and Industrial Products segment, SCH Group is mainly involved in the provision of temporary cooling solution for the event and non-event sector and trading of industrial products include forklift, industrial battery and/or its related products/peripherals.

As this segment is diversified, the industry overview below concentrates on the industrial battery industry as part of the proceeds from the Proposed Rights Issue will be used for this purpose and the event industry which was the main revenue driver for this segment. The trading of forklift is part of the heavy equipment industry as described above.

4.4.1 Overview of the Industrial Battery Industry

Malaysia

The industrial battery industry in Malaysia, represented by the manufacturing sales value of batteries including industrial batteries, increased at a CAGR of 3.63% from RM4.19 billion in 2017 to RM4.50 billion in 2019. Smith Zander estimates the manufacturing sales value of batteries, including industrial batteries, to have increased by 16.44% from RM4.50 billion in 2019 to RM5.24 billion in 2020; and forecasts it to increase further by 8.97% to RM5.71 billion in 2021.

In view of the outbreak of the COVID-19 virus since early 2020, the Government has imposed nationwide movement restrictions to curb the spread of the virus. Despite the imposition of the nationwide movement restrictions which has negatively impacted many businesses and industries, the industrial battery industry is not expected to be materially affected by the imposition of these nationwide movement restrictions, as industrial batteries are necessities in many of its applications.

The demand for batteries in Malaysia is mainly driven by the growth of its end-user industries, amongst others, the consumer electronic industry, automotive industry, data centre industry, telecommunications industry and utilities industry. As SCH Group is involved in supplying industrial batteries to be used in data centres, telecommunications infrastructure and solar power plants, this section will thus focus on industrial batteries used in the data centre industry, telecommunications industry and the renewable solar energy segment within the utilities industry.

The demand for industrial batteries from these industries and segment is expected to be driven by the following:-

- (i) Technology advancements of lithium-ion batteries will stimulate demand for industrial batteries

In recognition of the benefits of lithium-ion batteries, they have been increasingly used by data centres, telecommunications infrastructure and solar power plants as they can significantly reduce space usage. This is attributed to the high energy density feature of lithium-ion batteries that allows higher power to be produced than an equivalent size and weight of other secondary batteries. This may reduce operating costs of data centres, telecommunications infrastructure and solar power plants, and free up space for other value-added equipment in the facilities for additional revenue generation.

In light of the benefits of lithium-ion batteries and along with technology advancement which will continue to improve the capability and drive lower prices of lithium-ion batteries, industry players in the data centre industry, telecommunications industry and utilities industry, including renewable solar energy segment, may increasingly replace their existing batteries to lithium-ion batteries, or use lithium-ion batteries in new facilities, which may consequently stimulate greater demand for industrial batteries.

- (ii) Growth and development of the end-user industries will continue to drive demand for industrial batteries

Industrial batteries are commonly used in various end-user industries, including the data centre industry and telecommunications industry to provide emergency or standby power to these applications in the event of power outages. In addition, industrial batteries are also used in solar power plants for energy storage. Industrial batteries are used to store excess and unutilised energy generated by solar panels for usage during the night or at times when sunlight is blocked or when the demand for electricity is unusually high, thus overcoming the limitations of intermittent power generation by solar power plants. This following addresses the details of the growth and development in each of the end-user industries and segment:

- (a) Data centre industry

Along with the advancement of technology and increasing popularity of big data technology, the increasing collection and digitisation of data has resulted in large amounts of data being generated, processed and stored by businesses, leading to an increasing need for data centres from various industries including the telecommunications industry to effectively deliver mobile and cloud services to its customers. As cloud computing technology advances, it also allows businesses to collect, process and store these large amounts of data on the internet at an affordable cost. Further, as sensitive information such as healthcare records, government files, defence documents and banking transactions are generally forbidden from being stored at data centres outside the country's physical borders, it may further drive the need for data centres within the country. All of these factors drive increasing demand for data centres in Malaysia, which may consequently lead to an increase in demand for industrial batteries.

(b) Telecommunications industry

As the availability of many digital media applications are augmenting the usage of data, it has propelled data traffic and created demand for faster data download and upload speeds, which has caused the telecommunications industry to increasingly transform its fourth generation (4G) or third generation (3G) mobile network infrastructure to fifth generation (“5G”) mobile network infrastructure along with the adoption of 5G technology. The installation of new infrastructure to facilitate the adoption of 5G technology will require industrial batteries to be installed in the new infrastructure, which may lead to an increase in demand for industrial batteries in the telecommunications industry.

(c) Renewable solar energy segment

Malaysia is increasingly promoting the growth and development of solar power generation in the country. Under the 2020 Economic Stimulus Package introduced on 27 February 2020, the Government announced to open for bids quota of 1,400 megawatt (“MW”) for solar power generation. The Ministry of Energy and Natural Resources, via the Energy Commission Malaysia, had on 31 May 2020, opened a competitive bidding process for Large Scale Solar by Malaysian Electricity Industry to Attract Renewable Energy (“LSS @ MEnTARI”) programme. A solar quota of 1,000 MW will be offered through the bidding process, and is opened to fully-owned local companies or companies listed on Bursa Malaysia with at least 75% local shareholding. The LSS @ MEnTARI programme is expected to attract investments amounting to RM4 billion and create 12,000 job opportunities. The solar power plants under the programme are expected to start operating latest by 31 December 2023, which may further drive demand for industrial batteries utilised in these solar power plants.

As industrial batteries are an important element in ensuring continuous power supply in the event of power outages for data centres and telecommunication infrastructure, as well as providing energy storage for solar power plants, the increasing demand for data centres, development of new telecommunications infrastructure along with the adoption of 5G technology, and the growth and development of solar power generation, may therefore drive the demand for industrial batteries.

Southeast Asia

In Southeast Asia, the key factors driving the usage of industrial batteries are for the prevention of power interruptions in certain industries and infrastructure, and the increasing utilisation of renewable energy sources in the region.

Industrial batteries play a vital role in ensuring uninterrupted electricity supply to certain industries and infrastructure including hospitals, telecommunications and data centres, during critical circumstances that could potentially cause power outages such as the occurrence of natural disasters. Emergency and standby power provided by industrial batteries is particularly important to prevent or shorten downtime of, amongst others, medical and telecommunications equipment as well as data centres caused by any unexpected power outages, ensuring availability of electricity supply to support the continuous operations of these infrastructure.

Further, to improve energy security and lower the risk of environmental pollution, the governments of many countries in Southeast Asia have put in plans and initiatives to promote the usage of renewable energy that are generated from natural resources such as sunlight and wind. In Thailand, the Ministry of Energy has released Thailand Integrated Energy Blueprint 2015 - 2036 that underpins various energy plans focusing on promoting energy stability, prosperity and sustainability in the country. Amongst the targets of the blueprint is to increase the installed capacity generated from renewable energy sources for power sector by 147.22% from 7,962 MW in 2015 to 19,684 MW in 2036.

In Indonesia, under the New Energy Policy, it is aimed to achieve a minimum of 23.00% renewables in the energy mix by 2025. To achieve this, the Ministry of Energy and Mineral Resources has announced several policies and initiatives such as installation of smart grids that enable better utilisation of renewable energy sources, development of rooftop solar photovoltaic systems to be installed by consumers for electricity generation which can be sold to the local utilities companies, and encouragement of the usage of gas or renewables-based generators at tourist attractions. Further, in Vietnam, under the Revised National Power Development Master Plan for the 2011 to 2020 Period with the Vision to 2030, the government of Vietnam aims to increase the share of electricity produced and imported from renewable energy sources to 10.70% in 2030, from 6.50% in 2020.

From 2017 to 2019, the total generation capacity contributed from renewable energy sources in Southeast Asia increased from 61,167 MW to 72,361 MW^(a) at a CAGR of 8.77%. The increasing adoption of renewable energy will spur the demand for industrial batteries which are used as energy storage systems to store electricity generated from the renewable energy sources.

As industrial batteries are an important element in ensuring continuous power supply in the event of power outages and in supporting the increasing utilisation of renewable energy, it is expected that the demand for industrial batteries in Southeast Asia will continue to grow in tandem with the growth and development of the industries and infrastructure which rely on industrial batteries for uninterrupted electricity supply, as well as the development of the renewable energy segment in the region.

Note:-

(a) *Source: International Renewable Energy Agency*

4.4.2 Overview of the Event Industry in Malaysia

The event industry in Malaysia, represented by revenue generated from entertainment events^(a) grew from RM23.30 billion in 2017 to RM27.12 billion in 2019, at a CAGR of 7.89%.

Smith Zander estimates the event industry in Malaysia to have decreased by 50.04% from RM27.12 billion in 2019 to RM13.55 billion in 2020. The decline in the event industry in 2020 is in view of the COVID-19 pandemic which resulted in the closure of event venues as well as prohibitions of large-scale events during the nationwide movement restriction periods, which has led to a decline in revenue recorded by the industry.

Nevertheless, there have been positive news on the development of several COVID-19 vaccines achieving high efficacy rates during phase 3 clinical trials. The Government is currently targeting to procure vaccine supply for about 80.00% of the population. Once the vaccines are tested and passed for usage, the Government plans to begin mass vaccination in the first quarter of 2021. Further, several companies in the private sector have also entered into agreements with vaccine suppliers for the commercialisation and distribution of vaccines in Malaysia. Premised on the above which is expected to lead to a recovery of the event industry, Smith Zander forecasts that the event industry in Malaysia will register a 6.79% growth from RM13.55 billion in 2020 to RM14.47 billion in 2021.

As the impact of the COVID-19 pandemic subsides and economic conditions recover, the event industry is expected to gradually recover driven by the following:-

- (i) Revival and resumption of events which were previously halted due to the COVID-19 pandemic will boost the event industry

As the impact of the COVID-19 pandemic subsides, the event industry is expected to gradually recover, and eventually grow in the longer term as more events may be held in order for industry players to generate income as well as to cater to the demand from the participants in anticipation of events which have been put on hold during the pandemic; as the environment allows more events and activities to be held; and as more people become comfortable to attend these events and more international speakers, performers and artistes are able to travel to Malaysia.

- (ii) Economic growth will stimulate the recovery and growth of the event industry

The economic conditions of Malaysia are expected to gradually recover as the uncertainties caused by the impact of the COVID-19 pandemic subsides. Bank Negara Malaysia projects Malaysia's GDP growth to be between 6.50% and 7.50% in 2021. The expected economic recovery will contribute to increasing wealth and disposable income of the population, which may thus lead to recovery and growth of the event industry.

- (ii) Government initiatives in promoting the organisation of events will continue to support the event industry

In efforts to develop the event industry, the Government has established a national convention bureau, namely Malaysia Convention and Exhibition Bureau (“**MyCEB**”) under the Ministry of Tourism, Arts and Culture Malaysia to support and actively promote events in Malaysia, including music festivals, sports championships, touring events, lifestyle showcases and business forums, with the aim to strengthen Malaysia’s global appeal as an international venue for major events.

The government initiatives which include the RM100 million in soft loans with interest rate of 3.50% and RM30 million in grants for the creative, events and exhibitions industries under MyCreative Ventures and RM10 million for the Cultural Economy Development Agency are expected to provide a temporary relief to the industry and once travel restrictions lifted, the impact of COVID-19 subsidies, the recovery of the event industry is expected to be driven by the continuing financial and marketing initiatives introduced by MyCEB.

Note:-

- (a) Revenue generated from business events is not publicly available.

(Source: IMR Report by Smith Zander)

4.5. Prospects of SCH Group

SCH had in 2018 diversified into the fertilisers segment by the acquisition of PKF Sarawak Sdn Bhd in August 2018. The fertilisers segment is the main revenue contributor to SCH Group. Based on the audited FYE 31 August 2020 results, RM81.6 million (approx. 67.3%) of SCH Group’s revenue was contributed by the fertilisers segment.

SCH Group mainly supplies fertiliser to the oil palm industry in Sarawak. For the FYE 31 August 2020, the oil palm industry contributed 99% of SCH Group’s revenue for its fertilisers segment and the balance was contributed by sales to the retail market.

Smith Zander forecasts the demand for fertiliser to increase by 5.69% from RM4.92 billion in 2020 to RM5.20 billion in 2021. The Board believes that future demand for fertilisers in the oil palm industry should be positive after taking consideration the following:-

- (i) resumption of B20 biodiesel programme where 20% palm oil blend will be used as fuel. The B20 biodiesel was launched in February 2020, and has been made available in stages in Langkawi and Labuan. It has been reported that the B20 biodiesel will be made available nationwide in early 2022; and
- (ii) Global demand for palm oil due to its wide spread application in many end-user industries.

SCH Group plans to expand its fertilisers business in Sarawak and venture into Peninsular Malaysia market as first phase followed by the market in Sabah.

For its existing market in Sarawak, SCH Group plans to hire additional sales personnel to expand the sales and marketing coverage for this region. Currently, SCH Group's supply of its compacting, mixing and straight fertilisers for the Sarawak market are mainly manufactured and produced at its Bintulu plant. SCH Group is reconstructing its compacting lines to improve the capacity, productivity and efficiency of the manufacturing lines ("**Reconstruction**"). Upon the completion of the said Reconstruction, the compacting capacity per annum is expected to increase to approximately 75,000 metric tonne ("**MT**") from the existing approximately 65,000MT).

For the proposed expansion to Peninsular Malaysia and Sabah, instead of constructing a new processing plant, SCH Group plans to trade the fertilisers by purchasing from its suppliers. SCH Group believes that this will be more cost effective as Peninsular Malaysia and Sabah are new markets for SCH Group. SCH Group also plans to set up a new sales team and sales office in Peninsular Malaysia.

In addition to the above, to create awareness for its products, SCH organises farmer's gathering from time to time as well as provide agriculture advisory services to small and medium size plantations, in order to establish good relationship with its customers. SCH Group will also strive to maintain good relationships with its suppliers to further strengthen its supply chain.

The main financial resources required for the expansion plan is for the purchase of direct materials and fertilisers, the funding of which is to be from the proceeds of the Proposed Rights Issue as detailed in Section 5 of Part A of this Circular and the Reconstruction which is estimated to be RM0.24 million. The Reconstruction is expected to be funded from internally-generated funds. Depending on the proceeds to be raised from the Proposed Rights Issue, SCH Group envisages that its fertilisers segment expansion plan above would take approximately 2 years from the completion of the Proposed Rights Issue.

Subject to there being a certain level of the demand for its fertilisers, SCH Group plans to acquire land in Kuching, Sarawak to build another processing plant with 20,000 MT annual capacity ("**New Processing Plant**"). It is intended that the New Processing Plant will increase production capacity of the Group and reduce logistic and transportation costs in Sarawak market. The financial resources required for the New Processing Plant is estimated to be RM8.0 million, which is expected to be funded from internally generated funds or borrowings.

For the heavy equipment distribution business, whilst SCH Group's operations were affected by the introduction of the MCO in March 2020, SCH has observed that construction and quarry related activities have progressively resumed after the relaxation of the MCO in May 2020. The impact of the MCO 2.0 which commenced on 13 January 2021 is still uncertain. It would depend on the duration of the MCO 2.0.

The unprecedented COVID-19 had also affected the operations of SCH Group's equipment rental business. With the constraint on the movement of people amid COVID-19, many organisers had postponed or cancelled the respective events. To mitigate the impact of COVID-19 on SCH Group's equipment rental business, SCH Group has ventured into the trading of industrial batteries and its related products/peripherals in mid-2020. SCH Group plans to expand this business to, amongst others, telecommunication and power supply companies in Malaysia and Southeast Asia.

Currently, SCH Group is supplying industrial batteries to Sarawak, Indonesia and Thailand primarily to the telecommunication and power supply companies. SCH Group will continue to focus on these markets in the initial phase of its expansion plan. In order to penetrate into new markets, SCH Group plans to collaborate with local distributors where SCH Group would be able to provide better credit terms to the customers (which are primarily the Engineering, Procurement and Construction (EPC) services provider) as compared to the local distributors. The local distributors would provide the networks and contacts whereas SCH Group will purchase the products from the local distributors and onward supply it to the customers.

In addition, SCH Group also plans to supply lithium-ion batteries as SCH Group noted the usage of lithium-ion batteries as upcoming trend. SCH Group is currently trading lead acid batteries. Furthermore, SCH Group is also looking to expand the range of related products/peripherals they offer to include amongst others inverters, rectifiers, uninterruptible power supply (“UPS”) system, and load banks in addition to solar panel.

The main financial resources required for the expansion plan is for the purchase of industrial batteries and its related products/peripherals, the funding of which is to be from the proceeds of the Proposed Rights Issue as detailed in Section 5, Part A of this Circular. This is envisaged to represent 70% of the rights proceeds allocated for the purchase of industrial products and heavy equipment and spare parts. Depending on the proceeds to be raised from the Proposed Rights Issue, SCH Group envisages that the expansion plan for its industrial products business would take approximately 2 years from the completion of the Proposed Rights Issue.

The Board believes that barring any unforeseen circumstances, SCH Group’s strategy to focus on its core fertiliser business and expanding its industrial products trading business as above should augur well for the prospects of SCH group in the long term.

(Source: Management of SCH)

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5. USE OF PROCEEDS

SCH proposes to undertake the Proposed Rights Issue on a Minimum Subscription Level basis to raise gross proceeds of RM23.5 million. On a Full Subscription Basis, assuming all the Warrants are exercised between the price-fixing date and the Rights Issue Entitlement Date, the proceeds raised shall be up to RM155.0 million. Assuming no Warrants are exercised between the price-fixing date and the Rights Issue Entitlement Date, the proceeds SCH proposes to raise is up to approximately RM110.0 million.

The gross proceeds to be raised from the Proposed Rights Issue are intended to be used in the manner as set out in the table below:-

Details	Note	Timeframe for utilisation*	Minimum Subscription Level Basis	Full Subscription Basis	
			RM'000	Assuming no Warrants are exercised RM'000	Assuming all Warrants are exercised RM'000
Repayment of bank borrowings	(i)	Within 6 months	12,000	33,500	33,500
Working capital	(ii)	Within 24 months	10,500	75,500	120,500
Estimated expenses	(iii)	Within 1 month	1,000	1,000	1,000
Total proceeds			23,500	110,000	155,000

Notes:-

* From the date of listing of the Rights Shares on the ACE Market of Bursa Securities.

(i) Repayment of bank borrowings

As at LPD, SCH Group has total borrowings of approximately RM62.9 million. The repayment of the bank borrowings under the Minimum Subscription Level basis is expected to result in interest savings of approximately RM0.5 million per annum based on the interest rate of approximately 4.50%.

The repayment of the bank borrowings under the Full Subscription Basis (RM33.5 million) is expected to result in interest savings of approximately RM1.5 million per annum based on the weighted average interest rate of approximately 4.38%.

The details for the repayment of bank borrowings as at LPD are as follows:-

Facilities	Maturity date	Amount outstanding as at LPD RM'000	Amount to be repaid		Interest rate %
			Minimum Subscription Level Basis RM'000	Full Subscription Basis RM'000	
Term loan 1	1 September 2025	32,880	12,000	29,841	4.50
Term loan 2	15 February 2032	1,652	-	1,614	3.19
Term loan 3	1 September 2032	1,143	-	1,129	3.60
Term loan 4	1 August 2038	918	-	916	3.60
Total		36,593	12,000	33,500	

SCH Group intends to repay its bank borrowings to reduce its interest expense as well as its gearing level of the Group.

Any deviation in actual repayment of bank borrowings will be adjusted to/from amount allocated for working capital.

(ii) Working capital

As at LPD, SCH Group has cash and bank balances of RM14.4 million. Nonetheless, SCH Group will require additional funds for working capital mainly for the Group's expansion plans as set out in Section 4.5 of Part A of this Circular.

SCH Group intends to allocate up to RM120.5 million for its working capital purposes in the following manner:-

Description	Note	Minimum Subscription Level Basis	Full Subscription Basis	
		RM'000	Assuming no Warrants are exercised RM'000	Assuming all Warrants are exercised RM'000
Purchase of direct materials and fertilisers	(a)	6,222	52,265	83,265
Purchase of industrial products and heavy equipment and spare parts	(b)	2,000	16,500	30,500
Other operating expenses	(c)	2,278	6,735	6,735
		10,500	75,500	120,500

(a) Purchase of direct materials and fertilisers

SCH Group's fertilisers segment is operated via its 83.33% owned subsidiary, PK Fertilizers (Sarawak) Sdn Bhd, which was acquired in August 2018. For the FYE 31 August 2020, fertilisers segment contributed RM81.6 million (approx. 67.3%) to SCH Group's revenue.

SCH Group's fertiliser products are generally split into the following types:-

- (a) straight fertilisers – a fertiliser that will provide one or two nutrients to the crop;
- (b) mixtures fertilisers – granulated fertiliser containing most of the important nutrients for the crop; and
- (c) compacted compounds – a fertiliser that have all the primary nutrients readily mixed to ensure balanced fertilization.

The fertilisers produced and distributed by SCH Group, include but not limited to Kal-Mag, Granular blend fertiliser, Micronutrient fertiliser, imported compound fertiliser, control release fertiliser, organic compound fertiliser and household fertiliser.

For the FYE 31 August 2020, 99% of SCH Group's revenue for its fertilisers segment was contributed from the oil palm industry and the balance was contributed by sales to the retail market.

SCH Group is looking to expand the fertilisers segment. In addition to expanding its primary market in Sarawak, SCH Group is also planning to expand to other parts of Malaysia, i.e. Sabah and Peninsular Malaysia.

SCH Group expects that its processing plant in Bintulu Sarawak to continue to manufacture and produce fertilisers for its Sarawak market. For other parts of Malaysia (i.e. Sabah and Peninsular Malaysia), SCH Group plans to purchase fertilisers from other suppliers after taking into consideration the transportation costs, cost of the fertiliser as well as the capacity of its existing plant.

The proceeds from the Proposed Rights Issue for the fertilisers segment are expected to be used as follows:-

Description	Note	Minimum	Full Subscription Basis	
		Subscription	Assuming no	Assuming all
		Level Basis	Warrants are	Warrants are
			exercised	exercised
		RM'000	RM'000	RM'000
Purchase of direct materials	(aa)	6,222	15,680	24,980
Purchase of fertilisers	(bb)	-	36,585	58,285
		6,222	52,265	83,265

The proportion above could change depending on, amongst others, whether would it be more economically for SCH Group to manufacture its own fertilisers as compared to purchasing. This would depend on, amongst others, the transportation costs, cost of direct materials and fertilisers as well as the capacity of its plant.

Notes:-

- (aa) The proceeds from the Proposed Rights Issue will be allocated for the purchase of direct materials for its fertilisers business, including but not limited to, ammonium chloride, ammonium sulphate, urea, egyptian rock phosphate and muriate of potash kieserite. It is envisaged that the materials will be sourced primarily from suppliers based in Malaysia including Hextar's group of companies ("**Hextar Group**"), China, Japan, Russia, Australia, Middle East and Indonesia. These direct materials can also be used as fertilisers i.e. as straight fertilisers. All purchases from Hextar Group shall be in accordance with the Recurrent Related Party Transactions ("**RRPT**") mandate to be sought from SCH Shareholders.
- (bb) SCH Group proposes to utilise part of the proceeds from the Proposed Rights Issue to purchase fertilisers for trading in Peninsular Malaysia and Sabah. It is envisaged that the fertilisers will be sourced primarily from suppliers based in Malaysia including Hextar Group. All purchases from Hextar Group shall be in accordance with the RRPT mandate to be sought from SCH Shareholders.

(b) Purchase of industrial products and heavy equipment and spare parts

Industrial products

SCH Group proposes to expand its trading of industrial products especially the industrial batteries and its related products/peripherals in Malaysia and to Southeast Asia market.

The industrial batteries will be sourced primarily from China include but not limited to the following:-

- (i) Battery to store solar power. The battery can be used off-grid or on-grid. These batteries are mainly used in the rural areas.
- (ii) Battery to ensure uninterrupted power supply in case of malfunctions or failures for the operation of emergency power. These batteries are mainly used for, amongst others, data centres and telecommunication infrastructures to avoid power disruption.

The related products/peripherals which will be sourced primarily from China, include but not limited to, inverters (converts the variable direct current (DC) output of a photovoltaic solar panel into a utility frequency alternating current (AC) that can be fed into a commercial electrical grid or used by a local, off-grid electrical network) and solar panel, rectifiers, UPS system, and load banks.

Heavy equipment and spare parts

The heavy equipment and spare parts, include but not limited to vertical-shaft impact rusher, mobile crusher, crawler drill, breaker and ripper. SCH Group intends to continue to source most of the heavy equipment and spare parts from suppliers in Korea and Japan to supply primarily to the Malaysian quarry industry.

Any excess of the amount allocated for the purchase of industrial products and heavy equipment and spare parts above will be adjusted to the working capital for the purchase of direct materials and fertilisers.

(c) Other operating expenses

Other operating expenses include, amongst others, payment of overhead expenses, sales and distribution expenses and administrative expenses such as salaries and utilities.

The actual breakdown of these expenses cannot be determined at this juncture as it will vary according to the actual operating and administration requirements of the Group at the relevant time.

Any excess of the amount allocated for the other operating expenses above will be adjusted to the working capital for the purchase of direct materials and fertilisers.

(iii) Estimated expenses for the Proposals

The breakdown of the estimated expenses for the Proposals is illustrated below:-

Estimated expenses	Amount RM'000
Professional fees ⁽ⁱ⁾	845
Fees to relevant authorities	70
Printing, despatch, meeting expenses and miscellaneous expenses	85
Total	1,000

Note:-

- (i) *Comprise estimated professional fees payable to the Principal Adviser, Company Secretary, Share Registrar, Solicitors, Reporting Accountants, Independent Adviser and Independent Market Researcher for the Proposals.*

The actual gross proceeds to be raised will depend on the prevailing SCH Share price, Issue Price and the total number of SCH Shares to be issued.

The proceeds in excess of the RM23.5 million under the Minimum Subscription Level are expected to be utilised up to its respective maximum allocations in the following order:-

- (a) repayment of bank borrowings; and
- (b) working capital.

Any excess or shortfall from the amount allocated under the Full Subscription Basis shall be adjusted as follows:-

- (a) Assuming no warrants are exercised: any excess/ shortfall from the RM110.0 million will be adjusted to/from amount allocated for working capital.
- (b) Assuming all warrants are exercised: any shortfall from the RM155.0 million will be adjusted from amount allocated for working capital.

Pending utilisation of the proceeds from the Proposed Rights Issue, the proceeds will be placed in interest-bearing deposits with financial institutions.

6. EFFECTS OF THE PROPOSED SHARE CONSOLIDATION AND PROPOSED RIGHTS ISSUE

The proforma effects herein are presented purely for illustration purposes and should not be regarded as an indication of or reference to the final Issue Price or the entitlement basis of the Proposed Rights Issue.

For illustration purposes, the proforma effects of the Proposed Share Consolidation and Proposed Rights Issue are presented based on the following scenarios:

- Minimum Scenario** : Assuming that none of the existing Warrants are exercised into new SCH Shares prior to the Rights Issue Entitlement Date and the Proposed Rights Issue is undertaken on the Minimum Subscription Level at illustrative Issue Price of RM0.08⁽ⁱⁱ⁾ per Rights Share on the basis of 15 Rights Shares for every 2 Consolidated Shares.
- Base Case Scenario** : Assuming that none of the existing Warrants are exercised into new SCH Shares prior to the Rights Issue Entitlement Date and all the Entitled Shareholders and/or their renounee(s) and/or transferee(s) fully subscribe for their respective entitlements under the Proposed Rights Issue at illustrative Issue Price of RM0.12⁽ⁱ⁾ per Rights Share on the basis of 5 Rights Shares for every 1 Consolidated Share.
- Maximum Scenario** : Assuming that all of the existing Warrants are exercised into new SCH Shares prior to the Share Consolidation Entitlement Date and all the Entitled Shareholders and/or their renounee(s) and/or transferee(s) fully subscribe for their respective entitlements under the Proposed Rights Issue at the illustrative Issue Price of RM0.08⁽ⁱⁱ⁾ (Floor Price) per Rights Share on the basis of 15 Rights Shares for every 2 Consolidated Shares.

For clarification, the Maximum Scenario's entitlement basis differ from the Minimum and Base Case Scenario as the assumed issue price is different for both scenarios. The Maximum Scenario has assumed the Issue Price of RM0.08 (i.e. Floor Price) whereas the Minimum and Base Case Scenario has assumed the Issue Price of RM0.12.

No Consolidation Maximum Scenario : Assuming that the Proposed Share Consolidation is not implemented and all of the existing Warrants are exercised into new SCH Shares prior to the Rights Issue Entitlement Date and all the Entitled Shareholders and/or renouncee(s) and/or transferee(s) fully subscribe for their respective entitlements under the Proposed Rights Issue at illustrative Issue Price of RM0.03⁽ⁱⁱⁱ⁾ (Floor Price prior to the Proposed Share Consolidation) per Rights Share on the basis of 135 Rights Shares for every 20 existing SCH Shares.

Notes:

- (i) *The illustrative Issue Price of RM0.12 per Rights Share representing a discount of 17.2% to the TERP of the SCH Shares of RM0.145 (rounded down to the nearest 0.5 sen), calculated based on the 5 Market Day VWAMP of the SCH Shares up to and including the LPD of RM0.2997 (after adjusting for the effects of the Proposed Share Consolidation).*
- (ii) *The illustrative Issue Price of RM0.08 per Rights Share representing a discount of 23.8% to the TERP of the SCH Shares of RM0.105 (rounded down to the nearest 0.5 sen), calculated based on the 5 Market Day VWAMP of the SCH Shares up to and including the LPD of RM0.2997 (after adjusting for the effects of the Proposed Share Consolidation).*
- (iii) *The illustrative Issue Price of RM0.03 per Rights Share representing a discount of 14.3% to the TERP of the SCH Shares of RM0.035 (rounded down to the nearest 0.5 sen), calculated based on the 5 Market Day VWAMP of the SCH Shares up to and including the LPD of RM0.0999.*

The illustrative Issue Price of RM0.03 per Rights Share is the floor price assuming the Proposed Share Consolidation is not implemented. As such, dividing the Floor Price of RM0.08 with the Proposed Share Consolidation ratio of 3, the floor price (prior to the Proposed Share Consolidation) is RM0.03 (rounded up to nearest 1 sen).

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6.1. Share Capital

The proforma effects of the Proposed Rights Issue on the issued share capital of the Company are as follows:

	Minimum Scenario		Base Case Scenario		Maximum Scenario		No Consolidation Maximum Scenario	
	No. of Shares	RM	No. of Shares	RM	No. of Shares	RM	No. of Shares	RM
Share capital as at LPD	555,511,720	75,917,971	555,511,720	75,917,971	555,511,720	75,917,971	555,511,720	75,917,971
New SCH Shares issued pursuant to exercise of existing Warrants	-	-	-	-	205,839,310	20,583,931	205,839,310	20,583,931
	555,511,720	75,917,971	555,511,720	75,917,971	761,351,030	96,501,902	761,351,030	96,501,902
After Proposed Share Consolidation	185,170,573	75,917,971	185,170,573	75,917,971	253,783,676	96,501,902	761,351,030	96,501,902
To be issued pursuant to Proposed Rights Issue	293,750,002 ⁽ⁱⁱⁱ⁾	22,500,000 ⁽ⁱ⁾	925,852,865	110,102,344 ⁽ⁱ⁾	1,903,377,570	151,270,206 ⁽ⁱ⁾	5,139,119,452	153,173,584 ⁽ⁱ⁾
	478,920,575	98,417,971	1,111,023,438	186,020,315	2,157,161,246	247,772,108	5,900,470,482	249,675,486
After exercise of Warrants ⁽ⁱⁱ⁾	184,842,949	22,181,154	130,477,376	20,876,380	-	-	-	-
Enlarged share capital	663,763,524	120,599,125	1,241,500,814	206,896,695	2,157,161,246	247,772,108	5,900,470,482	249,675,486

Notes:

- (i) After deducting RMI.0 million estimated expenses for the Proposals.
- (ii) After the adjustment to number of unexercised Warrants in accordance with the provisions of the Deed Poll.
- (iii) Calculated based on 39.17 million Consolidated Shares at the entitlement basis of 15 Rights Shares for every 2 Consolidated Shares to achieve the Minimum Subscription Level.

6.2. Substantial SCH Shareholders' Shareholdings

The proforma effects of the Proposed Share Consolidation and Proposed Rights Issue on the substantial SCH Shareholders are set out below.

The percentage shareholdings of the substantial SCH Shareholders will remain the same should the Entitled Shareholders subscribe for their respective rights entitlements in full.

Minimum Scenario

Substantial SCH Shareholder	As at LPD			(I) After Proposed Share Consolidation			(II) After (I) and Proposed Rights Issue			(III) After (II) and Exercise of Warrants		
	Direct Interest	Indirect Interest	%	Direct Interest	No. of Shares	%	Direct Interest	No. of Shares	%	Direct Interest	No. of Shares	%
	No. of Shares	No. of Shares	%	No. of Shares	No. of Shares	%	No. of Shares	No. of Shares	%	No. of Shares	No. of Shares	%
Dato' Ong	-	171,733,900	30.9 ⁽ⁱ⁾	-	57,244,633	30.9 ⁽ⁱ⁾	-	350,994,635	73.3 ⁽ⁱ⁾	-	350,994,635	52.9 ⁽ⁱ⁾
Dato' Ong	-	171,733,900	30.9 ⁽ⁱ⁾	-	57,244,633	30.9 ⁽ⁱ⁾	-	350,994,635	73.3 ⁽ⁱ⁾	-	350,994,635	52.9 ⁽ⁱ⁾
Soon Ho	-	-	-	-	-	-	-	-	-	-	-	-
Hextar	171,733,900	-	30.9	57,244,633	-	30.9	350,994,635	-	73.3	350,994,635	-	52.9

Note:

(i) Deemed interested for the shares held by Hextar pursuant to Section 8 of the Act.

Base Case Scenario

Substantial SCH Shareholder	As at LPD			(I) After Proposed Share Consolidation			(II) After (I) and Proposed Rights Issue			(III) After (II) and Exercise of Warrants		
	Direct Interest	Indirect Interest	%	Direct Interest	No. of Shares	%	Direct Interest	No. of Shares	%	Direct Interest	No. of Shares	%
	No. of Shares	No. of Shares	%	No. of Shares	No. of Shares	%	No. of Shares	No. of Shares	%	No. of Shares	No. of Shares	%
Dato' Ong	-	171,733,900	30.9 ⁽ⁱ⁾	-	57,244,633	30.9 ⁽ⁱ⁾	-	343,467,798	30.9 ⁽ⁱ⁾	-	343,467,798	27.7 ⁽ⁱ⁾
Dato' Ong	-	171,733,900	30.9 ⁽ⁱ⁾	-	57,244,633	30.9 ⁽ⁱ⁾	-	343,467,798	30.9 ⁽ⁱ⁾	-	343,467,798	27.7 ⁽ⁱ⁾
Soon Ho	-	-	-	-	-	-	-	-	-	-	-	-
Hextar	171,733,900	-	30.9	57,244,633	-	30.9	343,467,798	-	27.7	343,467,798	-	27.7

Note:

(i) Deemed interested for the shares held by Hextar pursuant to Section 8 of the Act.

Assuming only Hextar subscribed for the Rights Shares, Hextar has to subscribe approximately RM35.7 million worth of the Rights Shares pursuant to the Undertakings which would result in its shareholdings to be approximately 73.5%. As a result, Dato' Ong and Dato' Ong Soon Ho's indirect shareholdings will also be 73.5%. Hextar is unable to subscribe up to the full RM80.0 million pursuant to the Undertakings as it is limited by the Public Spread Requirement.

Maximum Scenario

Substantial SCH Shareholder	As at LPD			(I) After Exercise of Warrants			(II) After (I) and Proposed Share Consolidation			(III) After (II) and Proposed Rights Issue		
	Direct Interest	Indirect Interest		Direct Interest	Indirect Interest		Direct Interest	Indirect Interest		Direct Interest	Indirect Interest	
	No. of Shares	No. of Shares	%	No. of Shares	No. of Shares	%	No. of Shares	No. of Shares	%	No. of Shares	No. of Shares	%
Dato' Ong Soon Ho	-	171,733,900	30.9 ⁽ⁱ⁾	-	171,733,900	22.6 ⁽ⁱ⁾	-	57,244,633	22.6 ⁽ⁱ⁾	-	486,579,380	22.6 ⁽ⁱ⁾
Hextar	171,733,900	30.9	-	171,733,900	22.6	-	57,244,633	22.6	-	486,579,380	22.6	-

Note:

(i) *Deemed interested for the shares held by Hextar pursuant to Section 8 of the Act.*

Assuming only Hextar subscribed for the Rights Shares, Hextar has to subscribe approximately RM40.0 million worth of the Rights Shares pursuant to the Undertakings which would result in its shareholdings to be approximately 73.9%. As a result, Dato' Ong and Dato' Ong Soon Ho's indirect shareholdings will also be 73.9%. Hextar is unable to subscribe up to the full RM80.0 million pursuant to the Undertakings as it is limited by the Public Spread Requirement.

No Consolidation Maximum Scenario

Substantial SCH Shareholder	As at LPD			(I) After Exercise of Warrants			(II) After (I) and Proposed Rights Issue		
	Direct Interest	Indirect Interest		Direct Interest	Indirect Interest		Direct Interest	Indirect Interest	
	No. of Shares	No. of Shares	%	No. of Shares	No. of Shares	%	No. of Shares	No. of Shares	%
Dato' Ong Soon Ho	-	171,733,900	30.9 ⁽ⁱ⁾	-	171,733,900	22.6 ⁽ⁱ⁾	-	1,330,937,725	22.6 ⁽ⁱ⁾
Hextar	171,733,900	30.9	-	171,733,900	22.6	-	1,330,937,725	22.6	-

Note:

(i) *Deemed interested for the shares held by Hextar pursuant to Section 8 of the Act.*

Assuming only Hextar subscribed for the Rights Shares, Hextar has to subscribe approximately RM45 million worth of the Rights Shares pursuant to the Undertakings which would result in its shareholdings to be approximately 73.9%. As a result, Dato' Ong and Dato' Ong Soon Ho's indirect shareholdings will also be 73.9%. Hextar is unable to subscribe up to the full RM80.0 million pursuant to the Undertakings as it is limited by the Public Spread Requirement.

6.3. NA per share and gearing

Based on SCH's consolidated audited statement of financial position as at 31 August 2020 and on the assumption that the Proposals had been effected on that date, the proforma effects of the Proposed Rights Issue on the consolidated NA per share and gearing of SCH are as follows:

Minimum Scenario

	(I)	(II)	(III)	
Audited as at 31 August 2020	After Proposed Share Consolidation	After (I) and Proposed Rights Issue	After (II) and exercise of Warrants ⁽ⁱⁱⁱ⁾	
RM'000	RM'000	RM'000	RM'000	
Share capital	75,918	75,918	98,418 ⁽ⁱ⁾	120,599
Merger deficit	(23,859)	(23,859)	(23,859)	(23,859)
Foreign currency translation reserve	(11)	(11)	(11)	(11)
Retained earnings	25,932	25,932	25,932	25,932
Total equity attributable to owners of SCH / NA	77,980	77,980	100,480	122,661
Non-controlling interests	3,746	3,746	3,746	3,746
TOTAL EQUITY	81,726	81,726	104,226	126,407
Number of SCH Shares ('000)	555,512	185,171	478,921	663,764
NA per SCH Share (RM)	0.14	0.42	0.21	0.18
Total borrowings ^(iv)	58,432	58,432	46,432 ⁽ⁱⁱ⁾	46,432
Gearing ratio (times)	0.75	0.75	0.46	0.38

Notes:

- (i) Assuming 293.8 million Rights Shares are issued under the Minimum Subscription Level at the Issue Price of RM0.08 each and after deducting the estimated expenses for the Proposals of RM1.0 million.
- (ii) After the repayment of bank borrowings of RM12.0 million from the utilisation of proceeds.
- (iii) After the adjustment to number of unexercised Warrants. Please refer to Section 6.5, Part A of this Circular below for further details.
- (iv) Inclusive of hire purchase.

Base Case Scenario

	(I)	(II)	(III)	
Audited as at 31 August 2020	After Proposed Share Consolidation	After (I) and Proposed Rights Issue	After (II) and exercise of Warrants ⁽ⁱⁱⁱ⁾	
RM'000	RM'000	RM'000	RM'000	
Share capital	75,918	75,918	186,020 ⁽ⁱ⁾	206,897
Merger deficit	(23,859)	(23,859)	(23,859)	(23,859)
Foreign currency translation reserve	(11)	(11)	(11)	(11)
Retained earnings	25,932	25,932	25,932	25,932
Total equity attributable to owners of SCH / NA	77,980	77,980	188,082	208,959
Non-controlling interests	3,746	3,746	3,746	3,746
TOTAL EQUITY	81,726	81,726	191,828	212,705
Number of SCH Shares (‘000)	555,512	185,171	1,111,023	1,241,501
NA per SCH Share (RM)	0.14	0.42	0.17	0.17
Total borrowings ^(iv)	58,432	58,432	24,932 ⁽ⁱⁱ⁾	24,932
Gearing ratio (times)	0.75	0.75	0.13	0.12

Notes:

- (i) Assuming 925.8 million Rights Shares are issued at the issue price of RM0.12 each and after deducting the estimated expenses for the Proposals of RM1.0 million.
- (ii) After the repayment of bank borrowings of RM33.5 million from the utilisation of proceeds.
- (iii) After the adjustment to number of unexercised Warrants. Please refer to Section 6.5, Part A of this Circular below for further details.
- (iv) Inclusive of hire purchase.

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Maximum Scenario

	(I)	(II)	(III)	
	Audited as at 31 August 2020	After exercise of Warrants ⁽ⁱ⁾	After (I) and Proposed Share Consolidation	After (II) and Proposed Rights Issue
	RM'000	RM'000	RM'000	RM'000
Share capital	75,918	96,502	96,502	247,772 ⁽ⁱⁱ⁾
Merger deficit	(23,859)	(23,859)	(23,859)	(23,859)
Foreign currency translation reserve	(11)	(11)	(11)	(11)
Retained earnings	25,932	25,932	25,932	25,932
Total equity attributable to owners of SCH / NA	77,980	98,564	98,564	249,834
Non-controlling interests	3,746	3,746	3,746	3,746
TOTAL EQUITY	81,726	102,310	102,310	253,580
Number of SCH Shares (‘000)	555,512	761,351	253,784	2,157,161
NA per SCH Share (RM)	0.14	0.13	0.39	0.12
Total borrowings ^(iv)	58,432	58,432	58,432	24,932 ⁽ⁱⁱⁱ⁾
Gearing ratio (times)	0.75	0.59	0.59	0.10

Notes:

- (i) Assuming the exercise of the balance outstanding 205.8 million Warrants prior to the Share Consolidation Entitlement Date at the exercise price of RM0.10 each.
- (ii) Assuming 1,903.4 million Rights Shares are issued at the issue price of RM0.08 each and after deducting the estimated expenses for the Proposals of RM1.0 million.
- (iii) After the repayment of bank borrowings of RM33.5 million from the utilisation of proceeds.
- (iv) Inclusive of hire purchase.

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No Consolidation Maximum Scenario

	(I)	(II)	
	Audited as at 31 August 2020	After exercise of Warrants ⁽ⁱ⁾	After (I) and Proposed Rights Issue
	RM'000	RM'000	RM'000
Share capital	75,918	96,502	249,676 ⁽ⁱⁱ⁾
Merger deficit	(23,859)	(23,859)	(23,859)
Foreign currency translation reserve	(11)	(11)	(11)
Retained earnings	25,932	25,932	25,932
Total equity attributable to owners of SCH / NA	77,980	98,564	251,738
Non-controlling interests	3,746	3,746	3,746
TOTAL EQUITY	81,726	102,310	255,484
Number of SCH Shares ('000)	555,512	761,351	5,900,470
NA per SCH Share (RM)	0.14	0.13	0.04
Total borrowings ^(iv)	58,432	58,432	24,932 ⁽ⁱⁱⁱ⁾
Gearing ratio (times)	0.75	0.59	0.10

Notes:

- (i) *Assuming the exercise of the balance outstanding 205.8 million Warrants prior to the Rights Issue Entitlement Date at the exercise price of RM0.10 each.*
- (ii) *Assuming 5,139.1 million Rights Shares are issued at the issue price of RM0.03 each and after deducting the estimated expenses for the Proposals of RM1.0 million.*
- (iii) *After the repayment of bank borrowings of RM33.5 million from the utilisation of proceeds.*
- (iv) *Inclusive of hire purchase.*

6.4. Earnings and EPS

Upon completion of the Proposed Share Consolidation, the lower number of Shares in issue will result in a corresponding increase in the EPS of the Company.

The Proposed Rights Issue will result in an immediate dilution in SCH's EPS as a result of the increase in the number of SCH Shares in issue upon completion of the Proposed Rights Issue. The impact of the Proposed Rights Issue on the earnings and EPS of SCH will depend on, amongst others, the actual number of the Rights Shares issued and the level of returns to be generated from the utilisation of the proceeds raised pursuant to the Proposed Rights Issue.

The financial results of SCH Group for the FYE 31 August 2020 had recorded losses of RM7.995 million. For illustration purpose only, the proforma effects of the Proposed Rights Issue on the losses and LPS of SCH Group assuming that the Proposals had been effected at the beginning of FYE 31 August 2020 are as follows:-

	Minimum Scenario	Base Case Scenario	Maximum Scenario	No Consolidation Maximum Scenario
Loss after tax attributable to the owners of SCH for the FYE 31 August 2020 (RM'000)	(7,995)	(7,995)	(7,995)	(7,995)
Add: Interest savings ⁽ⁱ⁾	540	1,468	1,468	1,468
Adjusted loss after tax	(7,455)	(6,527)	(6,527)	(6,527)
Weighted average number of SCH Shares ('000)				
i. Existing	555,512	555,512	555,512	555,512
ii. After Proposed Share Consolidation	185,171	185,171	253,754 ⁽ⁱⁱ⁾	-
iii. After Proposed Rights Issue	478,921	1,111,023	2,157,161	5,900,470 ⁽ⁱⁱ⁾
Basic / Dilutive ⁽ⁱⁱⁱ⁾ LPS (sen)				
i. Existing	(1.44)	(1.44)	(1.44)	(1.44)
ii. After Proposed Share Consolidation	(4.32)	(4.32)	(3.15)	-
iii. After Proposed Rights Issue	(1.56)	(0.59)	(0.30)	(0.11)

Notes:

- (i) Interest savings arising from the repayment of bank borrowings pursuant to the utilisation of proceeds detailed in Section 5 of Part A of this Circular.
- (ii) After the exercise of the balance outstanding 205.8 million Warrants at the exercise price of RM0.10 each.
- (iii) The dilutive LPS is the same as the basic LPS. For the diluted LPS, the effect of potential ordinary shares ongoing from the exercise of warrants was anti-dilutive and accordingly was excluded from the diluted earnings per share computation as per the audited financial statements for FYE 31 August 2020, as follows:-

	'000
Weighted average number of SCH Shares	555,512
Effects of dilution on conversion of Warrants	-
Adjusted weighted average number of SCH Shares	555,512

The above proforma effects on earnings have not taken into consideration the potential earnings from the use of proceeds. SCH believes that the Proposed Rights Issue should contribute positively to SCH's consolidated earnings for the ensuing financial years, when the benefits of the utilisation of proceeds raised are realised.

6.5. Convertible Securities

Save for the outstanding Warrants, the Company does not have any other convertible securities in issue as at the LPD. As at LPD, there are 205,839,310 outstanding Warrants in the Company.

The Proposed Share Consolidation and Proposed Rights Issue may give rise to adjustments to the exercise price of and/or number of unexercised Warrants in accordance with the provisions of the Deed Poll. A notice will be despatched to the respective holders of the Warrants in the event of any such adjustments.

(i) Adjustment pursuant to the Proposed Share Consolidation

Consequential to the Proposed Share Consolidation, the exercise price and/or number of Warrants which are not exercised prior to the Share Consolidation Entitlement Date may be adjusted in accordance with the provisions of the Deed Poll.

For illustration purposes, the adjustments arising from the Proposed Share Consolidation based on the following:-

- (a) the assumption that the Share Consolidation Entitlement Date is on the LPD; and
- (b) the following formula as adopted by the Board :-

$$\begin{aligned} \text{Adjusted exercise price of Warrants} &= \text{Existing exercise price of Warrants} \times \frac{\text{Aggregate number of issued SCH Shares immediately before Proposed Share Consolidation}}{\text{Aggregate number of issued SCH Shares after Proposed Share Consolidation}} \\ \text{Adjusted number of Warrants} &= \text{Existing number of Warrants} \times \frac{\text{Aggregate number of issued SCH Shares after Proposed Share Consolidation}}{\text{Aggregate number of issued SCH Shares immediately before Proposed Share Consolidation}} \end{aligned}$$

For illustration purposes, as per the Deed Poll, the Proposed Share Consolidation shall give rise to the following adjustments:-

$$\begin{aligned} \text{Adjusted exercise price of Warrants} &= \text{RM0.10} \times \frac{555,511,720}{185,170,573} \\ &= \text{RM0.30} \\ \text{Adjusted number of Warrants} &= 205,839,310 \times \frac{185,170,573}{555,511,720} \\ &= 68,613,103 \end{aligned}$$

(ii) Adjustment pursuant to the Proposed Rights Issue

Consequential to the Proposed Rights Issue, the exercise price and/or number of Warrants which are not exercised prior to the Rights Issue Entitlement Date may be adjusted in accordance with the provisions of Deed Poll.

For illustration purposes, the adjustments arising from the Proposed Rights Issue are based on the following parameter:-

- (a) the assumption that the Proposed Share Consolidation has been completed and the Rights Issue Entitlement Date is on the LPD;
- (b) illustrative exercise price of RM0.30 per Warrant (i.e. after the adjustment pursuant to the Proposed Share Consolidation);
- (c) the following formula adopted by the Board:-

$$\text{Adjusted exercise price of Warrants} = \text{Existing exercise price of Warrants} \times \frac{[C - (\frac{C-E}{F+1})]}{C}$$

$$\text{Additional number of Warrants} = \frac{\text{Existing number of Warrants} * x C}{[C - (\frac{C-E}{F+1})]} - \text{Existing number of Warrants}^*$$

where:-

C = the Average Price (as defined herein) of one (1) share as shall be determined in accordance with any guideline or rule issued by the relevant authorities from time to time (if any), or if there is none, the Average Price of one (1) share on the Market Day immediately preceding the date on which the Capital Distribution or, as the case may be, any offer or invitation referred to in Conditions 5.2(iv) and 5.2(v) of the Deed Poll and is publicly announced to Bursa Securities or (failing any such announcement), immediately preceding the date of the announcement of the Capital Distribution or, as the case may be, of the offer or invitation and after taking into consideration the Proposed Share Consolidation;

E = the exercise consideration for one (1) additional Share under the terms of such offer or invitation to acquire or subscribe for Shares, the conversion value paid to convert one (1) additional Share, or the exercise price paid in connection with rights to acquire or subscribe for one (1) additional Share under the offer or invitation, as the case may be

F = the number of Shares which it is necessary to hold in order to be offered or invited by way of rights to acquire or subscribe for one (1) additional Share or security convertible into (1) additional Share or security with rights to acquire or subscribe for one (1) additional Share under the offer or invitation, as the case may be

* = Existing number of Warrants held post completion of the Proposed Share Consolidation

Hence, the adjustments to the exercise price and the number of Warrants pursuant to the Proposed Rights Issue under the Minimum Scenario and Base Case Scenario are as follows:-

Minimum Scenario

$$\begin{aligned} \text{Adjusted exercise price of Warrants} &= \text{RM0.30} \times \frac{[\text{RM0.2784} - (\frac{\text{RM0.2784} - \text{RM0.08}}{(2/15)+1})]}{\text{RM0.2784}} \\ &= \text{RM0.12} \quad (\text{rounded up to nearest 1 sen}) \end{aligned}$$

$$\begin{aligned} \text{Additional number of Warrants} &= \frac{68,613,103 \times \text{RM0.2784}}{[\text{RM0.2784} - (\frac{\text{RM0.2784} - \text{RM0.08}}{(2/15)+1})]} - 68,613,103 \\ &= 116,229,846 \end{aligned}$$

$$\begin{aligned} \text{Adjusted number of Warrants} &= 68,613,103 + 119,229,846 \\ &= 184,842,949 \end{aligned}$$

Base Case Scenario

$$\begin{aligned} \text{Adjusted exercise price of Warrants} &= \text{RM0.30} \times \frac{[\text{RM0.2784} - (\frac{\text{RM0.2784} - \text{RM0.12}}{(1/5)+1})]}{\text{RM0.2784}} \\ &= \text{RM0.16} \quad (\text{rounded up to nearest 1 sen}) \end{aligned}$$

$$\begin{aligned} \text{Additional number of Warrants} &= \frac{68,613,103 \times \text{RM0.2784}}{[\text{RM0.2784} - (\frac{\text{RM0.2784} - \text{RM0.12}}{(1/5)+1})]} - 68,613,103 \\ &= 61,864,273 \end{aligned}$$

$$\begin{aligned} \text{Adjusted number of Warrants} &= 68,613,103 + 61,864,273 \\ &= 130,477,376 \end{aligned}$$

Notwithstanding the above which are shown for illustration purposes only based on the stated assumptions, the necessary adjustments will only be finalised on the Rights Issue Entitlement Date, and the relevant notifications to the respective holders will be issued by the Company at a later date.

7. HISTORICAL SHARE PRICES

The monthly highest and lowest prices of SCH Shares traded on the ACE Market of Bursa Securities for the past 12 months from February 2020 to January 2021 up to LPD are as follows:-

	High RM	Low RM
<u>2020</u>		
February	0.105	0.085
March	0.105	0.035
April	0.090	0.050
May	0.110	0.070
June	0.090	0.075
July	0.105	0.075
August	0.135	0.095
September	0.135	0.090
October	0.120	0.090
November	0.105	0.090
December	0.115	0.090
<u>2021</u>		
January up to LPD	0.115	0.090
Last transacted market price of SCH Shares on 5 November 2020 (being the date prior to the announcement of the Proposals)		0.095
Last transacted market price of SCH Shares on the LPD		0.100

(Source: Bloomberg)

8. APPROVALS REQUIRED AND INTER-CONDITIONALITY

The Proposals are subject to the following approvals being obtained:-

- (i) Bursa Securities for the following:-
 - (a) Proposed Share Consolidation;
 - (b) listing and quotation of up to 253,783,676 Consolidated Shares (assuming all of the 205,839,310 outstanding Warrants are exercised into new SCH Shares prior to the implementation of the Proposed Share Consolidation);
 - (c) listing and quotation of up to 68,613, 103 Consolidated Warrants (assuming none of the outstanding Warrants are exercised prior to the implementation of the Proposed Share Consolidation);

- (d) listing and quotation of up to 5,139,119,452 Rights Shares (for information the basis of which as disclosed under the No Consolidation Maximum Scenario in Section 6) to be issued pursuant to the Proposed Rights Issue (assuming that the Proposed Rights Issue is implemented prior to the implementation of the Proposed Share Consolidation);
- (e) listing and quotation of up to 403,036,511 Additional Warrants to be issued arising from the adjustments pursuant to the Proposed Rights Issue (assuming that the Proposed Rights Issue is implemented prior to the implementation of the Proposed Share Consolidation);
- (f) listing and quotation of up to 403,036,511 new SCH Shares to be issued arising from the exercise of the Additional Warrants (assuming that the Proposed Rights Issue is implemented prior to the implementation of the Proposed Share Consolidation);
- (g) listing and quotation of up to 1,903,377,570 Rights Shares to be issued pursuant to the Proposed Rights Issue (assuming that the Proposed Rights Issue is implemented after the completion of the Proposed Share Consolidation);
- (h) listing and quotation of up to 150,091,163 Additional Warrants to be issued arising from the adjustments pursuant to the Proposed Rights Issue (assuming that the Proposed Rights Issue is implemented after the completion of the Proposed Share Consolidation); and
- (i) listing and quotation of up to 150,091,163 new SCH Shares to be issued arising from the exercise of the Additional Warrants (assuming that the Proposed Rights Issue is implemented after the completion of the Proposed Share Consolidation).

which was obtained vide its letter dated 12 January 2020 and is subject to the following conditions:-

No.	Conditions imposed by Bursa Securities	Status of compliance
1.	SCH and AmlInvestment Bank must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Rights Issue.	To be complied
2.	SCH and AmlInvestment Bank to inform Bursa Securities upon the completion of the Proposed Rights Issue.	To be complied
3.	SCH to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Rights Issue is completed.	To be complied

- (ii) SC for the Proposed Exemption;
- (iii) SCH Shareholders at the forthcoming EGM; and
- (iv) other relevant authorities and/or parties, if required.

The Proposed Rights Issue and Proposed Exemption are not conditional upon the Proposed Share Consolidation and vice versa. However, subject to obtaining all relevant approvals, the Proposed Rights Issue is expected to be implemented after the Proposed Share Consolidation.

The Proposed Rights Issue and Proposed Exemption are inter-conditional upon each other.

The Proposals are not conditional upon any other corporate exercises undertaken or to be undertaken by SCH.

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

None of the directors, chief executive, major SCH Shareholders and/or any persons connected with them have any interest, direct or indirect, in the Proposed Share Consolidation.

Save for the following, none of the directors, chief executive, major SCH Shareholders and/or any persons connected with them have any interest, direct or indirect, in the Proposed Rights Issue and Proposed Exemption apart from their respective entitlements under the Proposed Rights Issue (including the right to apply for additional Rights Shares under excess Rights Shares application), to which all the SCH Shareholders are similarly entitled to:-

- (i) Hextar, the major SCH Shareholder, has given the Undertakings;
- (ii) Dato' Ong, a Non-Independent Non-Executive Director of SCH and major shareholder of SCH (by virtue of his interest in Hextar pursuant to the Act), is also the substantial shareholder of Hextar;
- (iii) Dato' Ong Soon Ho, a major shareholder of SCH (by virtue of his interest in Hextar pursuant to the Act), is also a substantial shareholder of Hextar; and
- (iv) Ms Ong, a Non-Independent Non-Executive Director of SCH, is the sister to Dato' Ong,

(collectively, referred to as “**Interested Parties**”).

The shareholdings of the Interested Parties in SCH as at LPD are as follows:-

	As at LPD			
	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Dato' Ong	-	-	171,733,900 ⁽ⁱ⁾	30.91
Dato' Ong Soon Ho	-	-	171,733,900 ⁽ⁱ⁾	30.91
Ms Ong	-	-	-	-
Hextar	171,733,900	30.91	-	-

Note:-

- (i) Deemed interested by virtue of the interest in Hextar pursuant to Section 8 of the Act.

Dato' Ong and Ms Ong have abstained and will continue to abstain from deliberation and voting on the Proposed Rights Issue and Proposed Exemption at all Board meetings. In addition, the Interested Parties will also abstain from voting and undertake to ensure that persons connected with them, if any, will abstain from voting in respect of their direct and/or indirect shareholdings in SCH, if any, on the resolutions pertaining to the Proposed Rights Issue and Proposed Exemption to be tabled at the EGM to be convened.

As at LPD, save as disclosed below, the other non-interested Directors of SCH do not have any direct or indirect shareholdings in SCH:-

	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Dato' Chan Choun Sien	400,000	0.07	-	-
Wong Kin Seng	20,450,083	3.68	-	-
Gan Khong Aik	420,000	0.08	-	-
Sim Yee Fuan	50,000	0.01	-	-

The aforesaid Directors have confirmed that they will vote in favour of the Proposed Rights Issue and Proposed Exemption in respect of their respective beneficial holdings in SCH Shares at the forthcoming EGM.

10. TENTATIVE TIMELINE FOR THE PROPOSALS

Barring any unforeseen circumstances and subject to all the approvals/consents of the relevant authorities being obtained, the Proposals are expected to be completed in the second (2nd) quarter of 2021. The tentative timeline for the Proposals is as follows:-

Key Milestones	Tentative Timeline
• EGM for the Proposals	26 February 2021
• Announcement of the Share Consolidation Entitlement Date	End February 2021
• Share Consolidation Entitlement Date	Mid March 2021
• Listing and quotation of the Consolidated Shares and Consolidated Warrants; and completion of the Proposed Share Consolidation	
• Approval from SC for the Proposed Exemption	
• Announcement of the Rights Issue Entitlement Date	
• Despatch of the abridged prospectus, notice of provisional allotment and rights subscription forms	Early April 2021
• Closing date of the application for the Rights Shares	Mid April 2021
• Listing and quotation of the Rights Shares and completion of the Proposed Rights Issue	End April 2021

11. CORPORATE EXERCISE ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals (which are the subject matter of this Circular), there are no other corporate exercise that have been announced by the Company but have yet to be completed as at the LPD.

SCH did not undertake any fundraising exercise in the past 12 months prior to the date of the announcement of the Proposals.

For information, SCH will be seeking its shareholders approval at the forthcoming Annual General Meeting to change the name of the Company from "SCH Group Berhad" to "Hextar Industries Berhad".

12. DIRECTORS' STATEMENT/RECOMMENDATION

12.1. Proposed Share Consolidation

Having considered all aspects of the Proposed Share Consolidation (including but not limited to the rationale and proforma effects of the Proposed Share Consolidation) and after careful deliberation, the Board is of the opinion that the Proposed Share Consolidation is in the best interests of the Company.

Accordingly, the Board recommends that you vote in favour of the special resolution pertaining to the Proposed Share Consolidation to be tabled at the forthcoming EGM.

12.2. Proposed Rights Issue and Proposed Exemption

Having considered all aspects of the Proposed Rights Issue and Proposed Exemption (including but not limited to the rationale and proforma effects of the Proposed Rights Issue and Proposed Exemption) and after careful deliberation, the Board (save for Dato' Ong and Ms Ong) is of the opinion that the Proposed Rights Issue and Proposed Exemption are in the best interests of the Company.

Accordingly, the Board (save for Dato' Ong and Ms Ong who are interested directors) recommends that you vote in favour of the ordinary resolutions pertaining to the Proposed Rights Issue and the Proposed Exemption to be tabled at the forthcoming EGM.

13. EGM

The EGM, the Notice of which is enclosed with this Circular, will be conducted fully virtual live streaming and online remote voting using Remote Participation and Voting facilities from Lot 35, Jalan CJ 1/1, Kawasan Perusahaan Cheras Jaya, 43200 Cheras, Selangor Darul Ehsan on 26 February 2021 at 4.00 p.m. or immediately following the conclusion or adjournment of the 9th Annual General Meeting of the Company to be convened, whichever is the later; or at any adjournment thereof, for the purpose of considering the Proposals contained herein and, if thought fit, passing the resolutions, with or without any modifications to give effect to the Proposals.

If you are unable to attend and vote in person at the EGM, you may complete, sign and return the enclosed Form of Proxy in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time fixed for holding the EGM or at any adjournment thereof. Alternatively, individual shareholders can lodge the proxy appointment electronically via TIIH Online at <https://tiih.online> before the proxy form lodgement cut-off time as mentioned above. Kindly refer to the Administrative Guide on the procedures for electronic lodgement of proxy form via TIIH Online.

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

14. FURTHER INFORMATION

SCH Shareholders are advised to refer to the enclosed Appendix I of this Circular for further information.

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

Dato' Chan Choun Sien
Independent Non-Executive Chairman