

PART B

**INDEPENDENT ADVICE LETTER FROM MALACCA SECURITIES TO THE NON-
INTERESTED SHAREHOLDERS OF SCH IN RELATION TO THE PROPOSED
EXEMPTION**

EXECUTIVE SUMMARY

All definitions used in this Executive Summary shall have the same meanings as defined in the “Definitions” section of this Circular and as defined in the IAL herein, except where the context otherwise requires or is otherwise defined herein. All references to “you” are references made to the non-interested shareholders of SCH, whilst references to “we”, “us” or “our” are references to Malacca Securities, being the Independent Adviser for the Proposed Exemption.

THIS EXECUTIVE SUMMARY SUMMARISES THE IAL IN RELATION TO THE PROPOSED EXEMPTION DETAILED IN PART B OF THE CIRCULAR. YOU ARE ADVISED TO READ AND UNDERSTAND THE IAL AND ITS ATTACHMENTS IN ITS ENTIRETY, TOGETHER WITH THE LETTER TO THE SCH SHAREHOLDERS IN PART A OF THIS CIRCULAR AND THE ACCOMPANYING APPENDICES FOR OTHER RELEVANT INFORMATION AND NOT TO RELY SOLELY ON THIS EXECUTIVE SUMMARY BEFORE FORMING AN OPINION ON THE PROPOSED EXEMPTION.

YOU ARE ALSO ADVISED TO CAREFULLY CONSIDER THE RECOMMENDATIONS CONTAINED IN BOTH THE IAL AND THE LETTER TO THE SCH SHAREHOLDERS BEFORE VOTING ON THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED EXEMPTION TO BE TABLED AT SCH’S FORTHCOMING EGM.

IF YOU ARE IN DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

1. INTRODUCTION

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

- (a) Proposed Share Consolidation;
- (b) Proposed Rights Issue; and
- (c) Proposed Exemption,

whereby the Proposed Share Consolidation will be implemented prior to the Proposed Rights Issue and the Proposed Rights Issue will be undertaken on a Minimum Subscription Level basis.

The Company has obtained the Undertakings. Details of the Undertakings are set out in Section 2.2.3 of Part A of this Circular.

The amount of Undertakings to be fulfilled by Hextar and the 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, are set out in Section 1 of this IAL. Based on the Undertakings provided by Hextar, Hextar’s shareholding in SCH may potentially increase from 30.9% to approximately 75.0%.

Consequently, Hextar and its PACs will be obliged to undertake the Mandatory Offer pursuant to Paragraph 4.01(a) of the Rules in view that Hextar’s shareholdings could increase from 30.9% to above 33%. As it is not the intention of Hextar and its PACs to undertake the Mandatory Offer, approval for the Proposed Exemption, pursuant to Paragraph 4.08(2)(b) of the Rules, is being sought from the non-interested shareholders of SCH and the SC.

In this respect, on 6 November 2020, Malacca Securities was appointed as the Independent Adviser to advise you and the non-interested Directors on the Proposed Exemption. On 9 November 2020, in accordance with the Rules, we had declared our independence from conflict of interests to the SC, to act as the Independent Adviser for the Proposed Exemption.

EXECUTIVE SUMMARY (Cont'd)

The SC had vide its letter dated 22 January 2021 notified us that it has no further comments on the contents of this IAL. However, such notification shall not be taken to suggest that the SC agrees with our recommendation or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this IAL.

An application will be submitted to the SC by AmInvestment Bank after your approval for the Proposed Exemption has been obtained by SCH at the forthcoming EGM. In the event the Proposed Exemption is not approved by you or the SC, the Proposed Rights Issue will not be implemented as the Proposed Exemption and the Proposed Rights Issue are inter-conditional upon each other.

Please refer to Section 1 of the IAL for further details.

2. EVALUATION OF THE PROPOSED EXEMPTION

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposed Exemption on a holistic approach in accordance with Paragraphs 8 to 10 of Schedule 2: Part III of the Rules.

In our evaluation of the Proposed Exemption, we have considered the following (see Section 5 of the IAL for further details):

Section in the IAL	Area of evaluation	Malacca Securities' comments
Section 5.1.1	Rationale for the Proposed Rights Issue	<p>The Proposed Rights Issue will provide the Group with funds mainly to be used for the following:</p> <ul style="list-style-type: none">(a) purchase of direct materials and fertilisers to expand the Group's fertilisers business;(b) purchase of industrial products to expand the Group's trading of industrial products, especially industrial batteries and its related products/peripherals;(c) purchase heavy equipment and spare parts for the Group's heavy equipment business segment; and(d) partial repayment of bank borrowings. <p>The Proposed Rights Issue will enable the Group to strengthen its financial position and capital base due to the increase in the Group's NA and the improvement in gearing pursuant to the partial repayment of bank borrowings and the increase in shareholders' equity as a result of the issuance of the Rights Shares. This is expected to improve the credit rating and debt capacity of the Group, which in turn would provide the Group with financial flexibility in the event the Group intends to source for additional funds and/or gear up in the future to fund the purchase of direct materials for its businesses and/or any potential investment opportunities which may arise.</p>

EXECUTIVE SUMMARY (Cont'd)

Section in the IAL	Area of evaluation	Malacca Securities' comments
Section 5.1.1 (Cont'd)	Rationale for the Proposed Rights Issue (Cont'd)	<p>Additionally, SCH Shareholders will have an opportunity to participate in an equity offering in the Company at a discount ranging from 10.0% to 30.0% to the TERP of SCH Shares subject to the Floor Price of RM0.08 (after the implementation of the Proposed Share Consolidation) or RM0.03 (floor price if the Proposed Share Consolidation is not implemented) based on the 5-days VWAMP prior to the price fixing date on a pro-rata basis and ultimately, participate in the prospects and future growth of the SCH Group.</p> <p>The Proposed Rights Issue is the most appropriate means of fund raising after considering various methods of fund raising available as the Proposed Rights Issue will, amongst others, allow SCH to improve its weighted average cost of capital ("WACC"), gearing as well as result in interest savings for the Group.</p> <p>The Company does not expect to face any risks that it is not already facing in its existing businesses if the Proposed Rights Issue is not implemented. However, if the Proposed Rights Issue is not implemented, the potential benefits arising from the intended utilisation of the proceeds raised from the Proposed Rights Issue will not materialise.</p> <p>Please refer to Section 5.1.1 of the IAL for further details.</p>
Section 5.1.2	Rationale for the Proposed Exemption	<p>The Proposed Exemption will relieve Hextar and its PACs from the obligations to undertake the Mandatory Offer upon completion of the Proposed Rights Issue pursuant to the Undertakings as it is not their intention to undertake the Mandatory Offer.</p> <p>The entitlements to the Rights Shares are renounceable and will be provisionally allotted on a proportionate basis in accordance to the shareholdings of the Entitled Shareholders and are fair to all shareholders.</p> <p>Entitled Shareholders have the option to sell their rights entitlements in the open market when quoted on Bursa Securities, should Entitled Shareholders decide to take this course of action. Hextar would not gain any advantage over the other non-interested shareholders who are accorded the rights to subscribe for the Rights Shares at the same issue price and in proportion with their respective shareholdings in SCH at the Rights Issue Entitlement Date.</p> <p>The Proposed Exemption is not intended to dilute the shareholdings of the other Entitled Shareholders as the collective percentage shareholdings of Hextar and its PACs in SCH will only increase if the remaining Rights Shares are not subscribed for by the other Entitled Shareholders. Should all the remaining Rights Shares are subscribed for by the other Entitled Shareholders and/or their renounee(s) and/or transferee(s), the collective percentage shareholdings of Hextar and its PACs in SCH will remain unchanged.</p>

EXECUTIVE SUMMARY (Cont'd)

Section in the IAL	Area of evaluation	Malacca Securities' comments
Section 5.1.2 (Cont'd)	Rationale for the Proposed Exemption (Cont'd)	<p>Given that the Proposed Rights Issue and Proposed Exemption are inter-conditional upon each other, the approval for the Proposed Exemption is necessary to facilitate and ensure the successful implementation of the Proposed Rights Issue.</p> <p>Please refer to Section 5.1.2 of the IAL for further details.</p>
Section 5.2	Issue price of the Rights Shares	<p><u>Discount over the closing market price and VWAMP</u></p> <p>We note that the illustrative issue price of RM0.08 per Rights Share (Under the Minimum Scenario and Maximum Scenario) represents:</p> <ul style="list-style-type: none"> (a) discounts ranging from 22.56% to 27.60% to the TERP based on the closing market price as well as the 5-day, 1-month, 3-month, 6-month and 12-month VWAMP of SCH Shares up to and including 5 November 2020, being the last trading date prior to the announcement in relation to the Proposals (“LTD”); and (b) discounts of 24.46% and 24.39% to the TERP based on the closing market price and the 5-day VWAMP of SCH Shares up to and including the LPD respectively. <p>We note that the illustrative issue price of RM0.12 per Rights Share (Under the Base Case Scenario) represents:</p> <ul style="list-style-type: none"> (a) discounts ranging from 18.03% to 23.32% to the TERP based on the closing market price as well as the 5-day, 1-month, 3-month, 6-month and 12-month VWAMP of SCH Shares up to and including the LTD; and (b) discount of 20.00% to the TERP based on the closing market price and the 5-day VWAMP of SCH Shares up to and including the LPD respectively. <p>We note that the illustrative issue price of RM0.03 per Rights Share (Under the No Consolidation Maximum Scenario) represents:</p> <ul style="list-style-type: none"> (a) discounts ranging from 21.26% to 26.29% to the TERP based on the closing market price as well as the 5-day, 1-month, 3-month, 6-month and 12-month VWAMP of SCH Shares up to and including the LTD; and (b) discount of 23.08% to the TERP based on the closing market price and the 5-day VWAMP of SCH Shares up to and including the LPD respectively.

EXECUTIVE SUMMARY (Cont'd)

Section in the IAL	Area of evaluation	Malacca Securities' comments
Section 5.2 (Cont'd)	Issue price of the Rights Shares (Cont'd)	<p><u>Discount over the NA per SCH Share</u></p> <p>We note that the illustrative issue price of RM0.08 represents discounts of 55.56% and 33.33% to the proforma consolidated NA per Share of RM0.18 and RM0.12 as at 31 August 2020 under the Minimum Scenario and Maximum Scenario respectively. The illustrative issue price of RM0.12 represents a discount of 29.41% to the proforma consolidated NA per Share of RM0.17 as at 31 August 2020 under the Base Case Scenario. The illustrative issue price of RM0.03 represents a discount of 25.00% to the proforma consolidated NA per Share of RM0.04 as at 31 August 2020 under the No Consolidation Maximum Scenario.</p> <p>Although the Issue Price is at a deep discount to the consolidated NA per Share, the Issue Price is reasonable as there is no assurance that SCH will be able to realise the consolidated NA per Share at its full value, taking into consideration the illiquid nature of substantial amount of the Group's assets being capitalised in the form of property, plant and equipment as well as other non-current assets, which may not be readily realised and converted into cash or cash equivalents.</p> <p>Based on the analysis above, the Issue Price based on the illustrative issue prices is considered to be attractive for the subscription of the Rights Shares by the Entitled Shareholders and/or their renounee(s) and/or transferee(s) considering that it will be at a discount to the TERP of the SCH Shares as well as to the consolidated NA per SCH Share.</p> <p>All Entitled Shareholders should note that the Proposed Rights Issue provides all shareholders of SCH with an equal opportunity to increase their equity participation in the Company at the same issue price and in proportion with their shareholdings in SCH at the Rights Issue Entitlement Date. Correspondingly, all Entitled Shareholders will have the same opportunity as Hextar.</p> <p>Please refer to Section 5.2 of the IAL for further details.</p>
Section 5.3	Effects of the Proposed Rights Issue and the Proposed Exemption	<p>The Proposed Exemption, on a standalone basis, will not have any effect on the issued share capital, NA, NA per Share, gearing, substantial shareholders' shareholdings of the Company, earnings and EPS of the Group.</p> <p>Please refer to Section 5.3 of this IAL for the description of the Minimum Scenario, Base Case Scenario, Maximum Scenario and No Consolidation Maximum Scenario.</p>

EXECUTIVE SUMMARY (Cont'd)

		Malacca Securities' comments												
Section in the IAL	Area of evaluation	Issued share capital												
		Minimum Scenario		Base Case Scenario		Maximum Scenario		No Consolidation Scenario		Maximum Scenario				
		No. of SCH Shares ('000)	(RM'000)	No. of SCH Shares ('000)	(RM'000)	No. of SCH Shares ('000)	(RM'000)	No. of SCH Shares ('000)	(RM'000)	No. of SCH Shares ('000)	(RM'000)			
Section 5.3 (Cont'd)	Effects of the Proposed Rights Issue and the Proposed Exemption (Cont'd)	Share capital as at the 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	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	205,839,310	20,583,931		
		After Proposed Share Consolidation	555,511,720	75,917,971	555,511,720	75,917,971	761,351,030	96,501,902	761,351,030	96,501,902	761,351,030	96,501,902	96,501,902	
		To be issued pursuant to the Proposed Rights Issue	293,750,002	22,500,000 ⁽¹⁾	925,852,865	110,102,344 ⁽¹⁾	1,903,377,570	151,270,206 ⁽¹⁾	1,903,377,570	151,270,206 ⁽¹⁾	5,139,119,452	153,173,584 ⁽¹⁾	5,139,119,452	153,173,584 ⁽¹⁾
		After exercise of Warrants ⁽²⁾	478,920,575	98,417,971	1,111,023,438	186,020,315	2,157,161,246	247,772,108	2,157,161,246	247,772,108	5,900,470,482	249,675,486	5,900,470,482	249,675,486
			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	2,157,161,246	247,772,108	5,900,470,482	249,675,486	5,900,470,482	249,675,486
Notes:														
(1) After deducting RM1.0 million estimated expenses for the Proposed Rights Issue.														
(2) After the adjustment to the number of unexercised Warrants in accordance with the provisions of the Deed Poll.														

EXECUTIVE SUMMARY (Cont'd)

Section in the IAL	Area of evaluation	Malacca Securities' comments									
Section 5.3 (Cont'd)	Effects of the Proposed Rights Issue and the Proposed Exemption (Cont'd)	<p>The share capital of SCH will increase from approximately RM75.92 million to approximately RM120.60 million, approximately RM206.90 million, approximately RM247.77 million and RM249.68 million under the Minimum Scenario, Base Case Scenario, Maximum Scenario and No Consolidation Maximum Scenario respectively.</p> <p>NA, NA per Share and gearing</p>									
		Minimum Scenario		Base Case Scenario		Maximum Scenario		No Consolidation Maximum Scenario			
		NA (RM'000)	NA per SCH Share (RM)	NA (RM'000)	NA per SCH Share (RM)	NA (RM'000)	NA per SCH Share (RM)	NA (RM'000)	NA (RM'000)	NA per SCH Share (RM)	NA per SCH Share (RM)
As at 31 August 2020		77,980	0.14	77,980	0.14	77,980	0.14	77,980	77,980	0.14	0.14
After the exercise of existing Warrants		-	-	-	-	98,564	0.13	98,564	98,564	0.13	0.13
After the Proposed Share Consolidation		77,980	0.42	77,980	0.42	98,564	0.39	98,564	-	-	-
After the Proposed Rights Issue		100,480	0.21	188,082	0.17	249,834	0.12	249,834	251,738	0.04	0.04
After the exercise of Warrants ⁽¹⁾		122,661	0.18	208,959	0.17	-	-	-	-	-	-
Note:											
(1) After the adjustment to the number of unexercised Warrants in accordance with the provisions of the Deed Poll.											
Upon the completion of the Proposed Share Consolidation and the Proposed Rights Issue, the proforma NA will increase from RM77.98 million to RM122.66 million, RM208.96 million, RM249.83 million and RM251.74 million under the Minimum Scenario, Base Case Scenario, Maximum Scenario and No Consolidation Maximum Scenario respectively.											
The proforma NA per Share will increase from RM0.14 to RM0.18 and RM0.17 under the Minimum Scenario and Base Case Scenario respectively. The improvement of the NA per Share under the Minimum Scenario and Base Case Scenario is mainly due to the Proposed Share Consolidation that is to be effected before the Proposed Rights Issue. The NA per Share will decrease to RM0.12 and RM0.04 under the Maximum Scenario and No Consolidation Maximum Scenario respectively mainly due to the dilution effect arising from the issuance of the Rights Shares after the completion of the Proposed Share Consolidation (where applicable) and Proposed Rights Issue.											

EXECUTIVE SUMMARY (Cont'd)

		Malacca Securities' comments						
Section in the IAL	Area of evaluation	Minimum Scenario		Base Case Scenario	Maximum Scenario		No Consolidation Maximum Scenario	
		Gearing ratio (times)		Gearing ratio (times)	Gearing ratio (times)		Gearing ratio (times)	
Section 5.3 (Cont'd)	Effects of the Proposed Rights Issue and the Proposed Exemption (Cont'd)	As at 31 August 2020	0.75	0.75	0.75	0.75	0.75	0.75
		After the exercise of existing Warrants	-	-	-	-	-	0.59
		After the Proposed Rights Issue	0.46	0.13	0.10	0.10	0.10	0.10
		After the exercise of Warrants ⁽¹⁾	0.38	0.12	-	-	-	-
		<p>Note:</p> <p>(1) After the adjustment to the number of unexercised Warrants in accordance with the provisions of the Deed Poll.</p> <p>The proforma gearing ratio as at 31 August 2020 will decrease from 0.75 times to 0.38 times (under the Minimum Scenario), 0.12 times (under the Base Case Scenario) and 0.10 times (under the Maximum Scenario and No Consolidation Maximum Scenario) upon completion of the Proposed Rights Issue. The improvement in gearing ratio is mainly attributable to the increase in shareholders' equity as a result of the issuance of the Rights Shares and partial repayment of bank borrowings from proceeds raised pursuant to the Proposed Rights Issue.</p> <p>Earnings and EPS</p> <p>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 eventual impact of the Proposed Rights Issue on the earnings and EPS of SCH will depend on, amongst others, the actual number of Rights Shares issued and the level of returns to be generated from the utilisation of proceeds raised pursuant to the Proposed Rights Issue.</p> <p>The financial results of SCH Group for the FYE 31 August 2020 had recorded loss after tax ("LAT") of RM7.995 million. The proforma effects of the Proposed Rights Issue on the LAT and LPS of the Group based on the audited consolidated financial statements for the FYE 31 August 2020 assuming the Proposed Rights Issue had been completed on 1 September 2019 are set out below:</p>						

EXECUTIVE SUMMARY (Cont'd)

		Malacca Securities' comments											
Section in the IAL	Area of evaluation	Minimum Scenario	Base Case Scenario	Maximum Scenario	No Consolidation Maximum Scenario								
Section 5.3 (Cont'd)	Effects of the Proposed Rights Issue and the Proposed Exemption (Cont'd)	LAT attributable to the owners of SCH for the FYE 31 August 2020 (RM'000)	(7,995)	(7,995)	(7,995)	(7,995)							
		Basic LPS as at FYE 31 August 2020 (sen)	(1.44)	(1.44)	(1.44)	(1.44)							
		Adjusted LAT as at FYE 31 August 2020 (RM'000)	(7,455)	(6,527)	(6,527)	(6,527)							
		Basic/Dilutive LPS upon completion of the Proposed Share Consolidation and Proposed Rights Issue ⁽³⁾ (sen)	(1.56)	(0.59)	⁽¹⁾ (0.30)	⁽¹⁾ (2)(0.11)							
<p>Notes:</p> <p>(1) Assuming that all the existing Warrants are exercised prior to the Rights Issue Entitlement Date.</p> <p>(2) Assuming that the Proposed Share Consolidation is not implemented.</p> <p>(3) 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:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: right;">('000)</th> </tr> </thead> <tbody> <tr> <td>Weighted average number of SCH Shares</td> <td style="text-align: right;">555,512</td> </tr> <tr> <td>Effects of dilution on conversion of Warrants</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Adjusted weighted average number of SCH Shares</td> <td style="text-align: right;">555,512</td> </tr> </tbody> </table>							('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
	('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												
<p>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 proposed utilisation of proceeds are realised.</p>													

EXECUTIVE SUMMARY (Cont'd)

Section in the IAL	Area of evaluation	Malacca Securities' comments														
Section 5.3 (Cont'd)	Effects of the Proposed Rights Issue and the Proposed Exemption (Cont'd)	<p>Substantial shareholders' shareholdings</p> <p>The proforma effects of the Proposed Share Consolidation (only applicable for the Minimum Scenario, Base Case Scenario and Maximum Scenario) and Proposed Rights Issue on the substantial SCH Shareholders are set out below:</p> <p>Minimum Scenario</p>														
		Substantial SCH Shareholders					(I)					After Proposed Share Consolidation				
		Direct interest		As at LPD			Direct interest		Indirect interest			Indirect interest				
		No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%			
Dato' Ong		-	-	171,733,900	30.9 ⁽¹⁾	-	-	-	30.9 ⁽¹⁾	-	-	57,244,633	30.9 ⁽¹⁾			
Dato' Ong Soon Ho		-	-	171,733,900	30.9 ⁽¹⁾	-	-	-	30.9 ⁽¹⁾	-	-	57,244,633	30.9 ⁽¹⁾			
Hexstar		171,733,900	30.9	-	-	-	-	-	-	57,244,633	30.9	-	-			
		Substantial SCH Shareholders					(II)					After (II) and Exercise of Warrants				
		Direct interest		After (I) and Proposed Rights Issue			Direct interest		Indirect interest			Indirect interest				
		No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%			
Dato' Ong		-	-	-	-	-	-	-	-	-	-	350,994,635	52.9 ⁽¹⁾			
Dato' Ong Soon Ho		-	-	-	-	-	-	-	-	-	-	350,994,365	52.9 ⁽¹⁾			
Hexstar		350,994,635	73.3	-	-	-	-	-	-	350,994,635	52.9	-	-			

EXECUTIVE SUMMARY (Cont'd)

Section in the IAL		Area of evaluation		Malacca Securities' comments																	
Section 5.3 (Cont'd)	Effects of the Proposed Rights Issue and the Proposed Exemption (Cont'd)	Base Case Scenario																			
		Substantial SCH Shareholders						As at LPD						After Proposed Share Consolidation							
				Direct interest		Indirect interest		Direct interest		Indirect interest		Direct interest		Indirect interest							
				No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%						
Dato' Ong Soon				-	-	171,733,900	30.9 ⁽¹⁾	-	-	-	-	57,244,633	30.9 ⁽¹⁾	-	-						
Dato' Ong Soon Ho				-	-	171,733,900	30.9 ⁽¹⁾	-	-	-	-	57,244,633	30.9 ⁽¹⁾	-	-						
Hextar				171,733,900	30.9	-	-	57,244,633	30.9	-	-	-	-	-	-						
				Substantial SCH Shareholders						After (I) and Proposed Rights Issue						After (II) and Exercise of Warrants					
				Direct interest		Indirect interest		Direct interest		Indirect interest		Direct interest		Indirect interest							
				No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%						
Dato' Ong Soon				-	-	343,467,798	30.9	-	-	343,467,798	27.7	-	-	343,467,798	27.7						
Dato' Ong Soon Ho				-	-	343,467,798	30.9	-	-	343,467,798	27.7	-	-	343,467,798	27.7						
Hextar				343,467,798	30.9	-	-	343,467,798	27.7	-	-	343,467,798	27.7	-	-						
<p>In addition, for further illustration purposes, the potential maximum shareholdings of Hextar and its PACs in the event the Rights Shares are not fully subscribed by the Entitled Shareholders and/or their renouncee(s) and/or transferee(s) based on their respective entitlements under the Proposed Rights Issue are as follows:</p> <p>(a) Assuming only Hextar subscribes 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; or</p> <p>(b) Assuming only 13.3% (123 million Rights Shares) of the Rights Shares are subscribed by the public shareholders, Hextar will be obliged to subscribe approximately RM80.0 million worth of the Rights Shares pursuant to the Undertakings which would result in its shareholdings to be approximately 74.3%. As a result, Dato' Ong and Dato' Ong Soon Ho's indirect shareholdings will also be 74.3%. Under this assumed scenario, the Company will still be in compliance with the Public Spread Requirement.</p>																					

EXECUTIVE SUMMARY (Cont'd)

Section in the IAL	Area of evaluation	Malacca Securities' comments									
Section 5.3 (Cont'd)	Effects of the Proposed Rights Issue and the Proposed Exemption (Cont'd)	Maximum Scenario									
		As at LPD					After Exercise of Warrants (I)				
Substantial SCH Shareholders		Direct interest		Indirect interest			Direct interest		Indirect interest		
		No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%
Dato' Ong Soon		-	-	171,733,900	30.9 ⁽¹⁾	-	-	171,733,900	22.6 ⁽¹⁾	171,733,900	22.6 ⁽¹⁾
Dato' Ong Soon Ho		-	-	171,733,900	30.9 ⁽¹⁾	-	-	171,733,900	22.6 ⁽¹⁾	171,733,900	22.6 ⁽¹⁾
Hextar		171,733,900	30.9	-	-	171,733,900	22.6	-	-	-	-
		(II)					(III)				
Substantial SCH Shareholders		Direct interest		Indirect interest			Direct interest		Indirect interest		
		No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%
Dato' Ong Soon		-	-	57,244,633	22.6 ⁽¹⁾	-	-	486,579,380	22.6 ⁽¹⁾	486,579,380	22.6 ⁽¹⁾
Dato' Ong Soon Ho		-	-	57,244,633	22.6 ⁽¹⁾	-	-	486,579,380	22.6 ⁽¹⁾	486,579,380	22.6 ⁽¹⁾
Hextar		57,244,633	22.6	-	-	486,579,380	22.6	-	-	-	-
<p>In addition, for further illustration purposes, the potential maximum shareholdings of Hextar and its PACs in the event the Rights Shares are not fully subscribed by the Entitled Shareholders and/or their renouncee(s) and/or transferee(s) based on their respective entitlements under the Proposed Rights Issue are as follows:</p>											
<p>(a) Assuming only Hextar subscribes 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; or</p>											
<p>(b) Assuming only 8.7% (166 million Rights Shares) of the Rights Shares are subscribed by the public shareholders, Hextar will be obliged to subscribe approximately RM80.0 million worth of the Rights Shares pursuant to the Undertakings which would result in its shareholdings to be approximately 74.5%. As a result, Dato' Ong and Dato' Ong Soon Ho's indirect shareholdings will also be 74.5%. Under this assumed scenario, the Company will still be in compliance with the Public Spread Requirement.</p>											

EXECUTIVE SUMMARY (Cont'd)

Section in the IAL		Area of evaluation		Malacca Securities' comments											
Section 5.3 (Cont'd)		Effects of the Proposed Rights Issue and the Proposed Exemption (Cont'd)		No Consolidation Maximum Scenario											
				Substantial SCH Shareholder					(i)						
				As at LPD		After Exercise of Warrants									
				Direct Interest		Indirect Interest		Direct Interest		Indirect Interest					
				No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%
				-	-	171,733,900	30.9 ⁽¹⁾	-	-	171,733,900	22.6 ⁽¹⁾	-	-	171,733,900	22.6 ⁽¹⁾
				-	-	171,733,900	30.9 ⁽¹⁾	-	-	171,733,900	22.6 ⁽¹⁾	-	-	171,733,900	22.6 ⁽¹⁾
				171,733,900	30.9	-	-	171,733,900	22.6	-	-	171,733,900	22.6	-	-
				Substantial SCH Shareholders					(ii)						
				After (i) and Proposed Rights Issue		Indirect Interest									
				No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%
				-	-	1,330,937,725	22.6 ⁽¹⁾	-	-	1,330,937,725	22.6 ⁽¹⁾	-	-	1,330,937,725	22.6 ⁽¹⁾
				-	-	1,330,937,725	22.6	-	-	1,330,937,725	22.6	-	-	1,330,937,725	22.6
				1,330,937,725	22.6	-	-	1,330,937,725	22.6	-	-	1,330,937,725	22.6	-	-
				<p>In addition, for further illustration purposes, the potential maximum shareholdings of Hextar and its PACs in the event the Rights Shares are not fully subscribed by the Entitled Shareholders and/or their renouncee(s) and/or transferee(s) based on their respective entitlements under the Proposed Rights Issue are as follows:</p> <p>(a) Assuming only Hextar subscribes 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; or</p> <p>(b) Assuming only 7.5% (390 million Rights Shares) of the Rights Shares are subscribed by the public shareholders, Hextar will be obliged to subscribe approximately RM80.0 million worth of the Rights Shares pursuant to the Undertakings which would result in its shareholdings to be approximately 74.3%. As a result, Dato' Ong and Dato' Ong Soon Ho's indirect shareholdings will also be 74.3%. Under this assumed scenario, the Company will still be in compliance with the Public Spread Requirement.</p>											

EXECUTIVE SUMMARY (Cont'd)

Section in the IAL	Area of evaluation	Malacca Securities' comments
Section 5.3 (Cont'd)	Effects of the Proposed Rights Issue and the Proposed Exemption (Cont'd)	<p>In the event certain Entitled Shareholders do not subscribe for their respective entitlements under the Proposed Rights Issue, their shareholdings in the Company will be diluted accordingly pursuant to the Undertakings.</p> <p>The shareholdings of Hextar in such instance could increase up to approximately 75.0% depending on the subscription rate of the Rights Shares by the other Entitled Shareholders and/or their renouncee(s) and/or transferee(s) upon the completion of the Proposed Rights Issue and the SC approves the application in relation to the Proposed Exemption.</p> <p><u>Convertible securities</u></p> <p>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.</p> <p>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.</p> <p>Please refer to Section 6.5 of Part A of the Circular for illustrations of the adjustments to the exercise price and/or number of Warrants which are not exercised prior to the Share Consolidation Entitlement Date and/or the Rights Issue Entitlement Date</p> <p>Please refer to Section 5.3 of the IAL for further details.</p>
Section 5.4	Industry overview and prospects of the Group	<p>We noted that SCH had diversified into the fertilisers business in the year 2018 via its acquisition of PK Fertilisers (Sarawak) Sdn Bhd and the fertilisers segment had become the main contributor to SCH Group's revenue, contributing approximately 67.3% to SCH Group's total revenue for the FYE 31 August 2020. Smith Zander, the appointed IMR forecasts the demand for fertilisers to have increased by 5.69% from RM4.92 billion in 2020 to RM5.20 billion in 2021.</p> <p>In order to improve capacity, productivity and efficiency of the manufacturing lines at its Bintulu plant for its compacting, mixing and straight fertilisers for sales in Sarawak market, SCH is reconstructing its compacting lines. Upon the completion of the said Reconstruction, the compacting capacity per annum is expected to increase to approximately 75,000 MT (from the existing capacity of approximately 65,000 MT). The financial resources required for the Reconstruction estimated to be RM0.24 million is expected to be funded from internally generated funds.</p>

EXECUTIVE SUMMARY (Cont'd)

Section in the IAL	Area of evaluation	Malacca Securities' comments
Section 5.4 (Cont'd)	Industry overview and prospects of the Group (Cont'd)	<p>For the proposed expansion in Peninsular Malaysia and Sabah, we noted that SCH Group plans to engage in trading of fertilisers. SCH Group also plans to set up a new sales team and sales office in Peninsular Malaysia.</p> <p>SCH Group envisages that its fertilisers segment expansion plan would take approximately 2 years from the completion of the Proposed Rights Issue. The proceeds from the Proposed Rights Issue will be mainly used to purchase direct materials and fertilisers for trading purposes.</p> <p>In addition, 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. 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 estimated to be RM8.0 million is to be funded from internally generated funds or borrowings.</p> <p>For the heavy equipment business segment, despite the decline in imports of heavy equipment due to current circumstances, SCH Group expects demand for its heavy equipment and spare parts supplies for the construction and quarry industries to also improve as local infrastructure development progress as well as the reintroduction of the Home Ownership Campaign which may support demand for construction activities.</p> <p>We noted that the unprecedented COVID-19 pandemic has greatly affected SCH Group's equipment rental business as organisers had to postpone or cancel events due to the constraint on the movement of people and strict standards of operating procedure amid the COVID-19 pandemic. To mitigate the risks that are associated with the equipment rental business that has declined, we noted that SCH Group ventured into the trading of industrial batteries and its related products/peripherals that are used in data centres, telecommunications infrastructure and solar power plants.</p> <p>We noted that SCH Group is currently supplying industrial batteries to telecommunication and power supply companies in Sarawak, Indonesia and Thailand. SCH Group will continue to focus on these markets in the initial phase of its expansion plan. In addition, SCH Group plans to supply lithium-ion batteries as SCH Group has noted the increasing trend in the usage of lithium-ion batteries. Furthermore, SCH Group is also looking to expand the range of related products/peripherals they offer to include, amongst others, inverters, rectifiers, UPS system, and load banks in addition to solar panel.</p>

EXECUTIVE SUMMARY (Cont'd)

Section in the IAL	Area of evaluation	Malacca Securities' comments
Section 5.4 (Cont'd)	Industry overview and prospects of the Group (Cont'd)	<p>We noted that 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 main financial resources required for the expansion is for the purchase of industrial batteries and related products/peripherals, the funding of which is to be from the proceeds of the Proposed Rights Issue. It is envisaged to represent 70% of the rights proceeds allocated for the purchase of industrial products, heavy equipment and spare parts.</p> <p>We note that the Government of Malaysia has recently introduced the MCO 2.0 which had commenced on 13 January 2021, whereby the impact of MCO 2.0 on the financial performance of SCH is still uncertain and will be dependent on the duration of the MCO 2.0. However, it is envisaged that SCH's expansion plans, in particular for the fertilisers and industrial products business segments, will take approximately 2 years from the completion of the Proposed Rights Issue.</p> <p>Based on the foregoing, we concur with the Board's view that SCH Group's strategy to focus on its core fertilisers business, whilst at the same time to expand its trading of industrial products business, should augur well for the prospects of SCH Group in the long term.</p> <p>As such, we are of the view that the prospects of the Group are expected to be positive.</p> <p>Please refer to Section 5.4 of the IAL for further details.</p>
Section 5.5	Implications of the Proposed Exemption	<p><u>If you VOTE IN FAVOUR of the Proposed Exemption</u></p> <p>Should you vote in favour of the Proposed Exemption, and the Proposed Rights Issue and the Proposed Exemption are approved at the forthcoming EGM, the SC would be able to consider the application for the Proposed Exemption. The approval from the SC for the Proposed Exemption would then exempt Hextar and its PACs from the obligation to undertake the Mandatory Offer upon completion of the Proposed Rights Issue.</p> <p>Your approval of the Proposed Exemption will imply that you have agreed to waive your rights by exempting Hextar and its PACs from the obligation to undertake the Mandatory Offer (which shall not be lower than the highest price paid by Hextar and its PACs for SCH Shares in the past 6-month period before the incurrence of such obligation to undertake the Mandatory Offer).</p> <p>Voting in favour of the Proposed Exemption does not in any way impede your rights to participate in the Proposed Rights Issue. However, should you decide not to subscribe for your entitlement under the Proposed Rights Issue, your percentage shareholdings in SCH will be diluted accordingly.</p>

EXECUTIVE SUMMARY (Cont'd)

Section in the IAL	Area of evaluation	Malacca Securities' comments
Section 5.5 (Cont'd)	Implications of the Proposed Exemption (Cont'd)	<p>Should the exemption be granted and Hextar increases its shareholding in SCH from 30.9% to more than 50.0%, Hextar (individually and together with its PACs) will be able to increase its shareholdings in SCH without incurring an obligation to make a mandatory take-over offer after completion of the Proposed Rights Issue. However, the PACs of Hextar would still incur a mandatory take-over offer obligation pursuant to the Rules if either one of them increase their individual shareholdings in SCH to 33% or more, unless an exemption is granted by the SC.</p> <p>If the collective shareholding of Hextar and its PACs is more than 50% upon completion of the Proposed Rights Issue, Hextar and its PACs collectively will have statutory control over SCH and as such, will be able to determine the outcome of ordinary resolutions, which require a simple majority of 50% plus 1 share and significantly influence the outcome of special resolutions (unless Hextar and its PACs are required to abstain from voting).</p> <p>In view of the conditionality of the Proposed Rights Issue and the Proposed Exemption as set out in Section 8 of Part A of this Circular, without the Proposed Exemption, the Proposed Rights Issue will not be implemented. Therefore, voting in favour of the Proposed Exemption will enable the Company to potentially benefit from the Proposed Rights Issue (if the Proposed Rights Issue is approved by you as Hextar and its PACs will abstain from voting on the resolutions in relation to the Proposed Rights Issue and the Proposed Exemption).</p> <p><u>If you VOTE AGAINST the Proposed Exemption</u></p> <p>In the event that you vote against the Proposed Exemption and the Proposed Exemption is not approved at the forthcoming EGM, the SC would not be able to consider the application by Hextar and its PACs for the Proposed Exemption.</p> <p>The Proposed Rights Issue will not be implemented due to the inter-conditionality with the Proposed Exemption. Consequently, SCH would not be able to raise funds from the Proposed Rights Issue and also would not be able to realise the potential benefits arising therefrom. Hence, the Board will have to deliberate on other possible alternatives including new borrowings to raise funds to purchase direct materials and fertilisers for its fertilisers business, industrial products, heavy equipment and spare parts and payment for other operating expenses of the Group.</p> <p>Please refer to Section 5.5 of the IAL for further details.</p>

3. CONCLUSION AND RECOMMENDATION

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposed Exemption on a holistic approach in accordance with Paragraphs 8 to 10 of Schedule 2, Part III of the Rules and also taken the relevant factors into consideration as discussed in Section 5 of the IAL. Non-interested shareholders should carefully consider the merits and demerits of the Proposed Rights Issue and the Proposed Exemption based on all relevant factors and considerations as set out in the IAL and the letter to SCH Shareholders in Part A of this Circular, prior to making a decision on whether to vote in favour or against the Proposed Exemption.

We have taken into consideration various factors discussed in the IAL of which the advantages and disadvantages of the Proposed Exemption, if granted, are summarised as below:

Advantages	
(a)	<p>The Proposed Rights Issue will enable SCH to raise funds via equity capital and is expected to contribute positively to the Group's earnings by:</p> <ul style="list-style-type: none">(i) funding the purchase of direct materials and fertilisers for its fertilisers business, purchase of industrial products, heavy equipment and spare parts and payment for other operating expenses of the Group without sourcing funds through additional borrowings and incurring additional interest expense; and(ii) reducing the debt of the Group and thereby reduce interest expense by approximately RM0.5 million per annum (under the Minimum Scenario) and RM1.5 million per annum (under the Base Case Scenario and Maximum Scenario). <p>The funds used for the abovementioned purposes to expand its fertilisers, industrial products, and heavy equipment business segments and the partial repayment of bank borrowings is expected to contribute positively to the financial performance of the Group which will be pivotal to its potential recovery and growth.</p> <p>The Proposed Rights Issue represents an opportunity for all Entitled Shareholders to further increase their equity participation in the Group's future growth and prospects at a discount ranging from 10.0% to 30.0% to the TERP of SCH Shares subject to the Floor Price of RM0.08 (after the implementation of the Proposed Share Consolidation) or RM0.03 (floor price if the Proposed Share Consolidation is not implemented) based on the 5-days VWAMP prior to the price fixing date on a pro-rata basis and without diluting the shareholders' percentage shareholdings in SCH (provided that all Entitled Shareholders subscribe in full for their respective entitlements).</p>
(b)	<p>The WACC of the Group will be lower at 3.46% under the Equity Scenario compared against 3.65% under the Debt Scenario. The gearing of the Group will also be significantly lower at 0.11 times under the Equity Scenario as compared to 1.83 times under the Debt Scenario.</p>
(c)	<p>The Proposed Rights Issue will enable the Group to strengthen its financial position and capital base due to the increase in the Group's NA and the improvement in gearing pursuant to the partial repayment of bank borrowings and the increase in shareholders' equity as a result of the issuance of the Rights Shares. This is expected to improve the credit rating and debt capacity of the Group, which in turn would provide the Group with financial flexibility in the event the Group intends to source for additional funds and/or gear up in the future to fund the purchase of direct materials for its businesses and/or any potential investment opportunities which may arise.</p>

Advantages

- (d) Hextar and its PACs are currently the largest shareholder group of SCH with an equity interest of approximately 30.9% collectively. The support from Hextar via the Undertakings demonstrates its continued interest and commitment in SCH. Further, such support provides certainty to SCH in raising the necessary funding via the Proposed Rights Issue. Due to the inter-conditionality of the Proposed Rights Issue and the Proposed Exemption, the Proposed Exemption will ensure the implementation of the Proposed Rights Issue.

Disadvantages

- (a) Should you decide not to subscribe for your entitlements pursuant to the Proposed Rights Issue, your percentage shareholdings will be diluted accordingly. Depending on the eventual subscription rate of the Rights Shares by you, the collective shareholding of Hextar and its PACs in SCH could potentially increase from approximately 30.9% to approximately 75.0% and conversely, your collective shareholding could potentially be diluted from approximately 69.1% to approximately 25.0%. You should note that these maximum potential holdings of Hextar and its PACs as indicated above are purely illustrative and may not materialise.

If the collective shareholding of Hextar and its PACs is more than 50% upon completion of the Proposed Rights Issue, Hextar and its PACs collectively will have statutory control over SCH and as such, will be able to determine the outcome of ordinary resolutions, which require a simple majority of 50% plus 1 share and significantly influence the outcome of special resolutions (unless Hextar and its PACs are required to abstain from voting).

- (b) The Proposed Exemption could potentially allow Hextar and its PACs to increase control or obtain control in SCH without a premium being paid to you as the Issue Price will be issued at a discount ranging from 10.0% to 30.0% to the TERP of SCH Shares based on the 5-market day VWAMP of SCH Shares preceding the price fixing date, subject to the Floor Price of RM0.08 (after the implementation of the Proposed Share Consolidation) or RM0.03 (floor price if the Proposed Share Consolidation is not implemented).

- (c) The Proposed Rights Issue will result in the following:
- (i) a 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 Rights Shares issued and the level of returns to be generated from the utilisation of proceeds raised pursuant to the Proposed Rights Issue. SCH Group had recorded LAT of RM7.995 million for the FYE 31 August 2020 or a basic LPS of 1.44 sen. After the Proposals, the basic LPS of 1.44 sen will be diluted to a proforma LPS of 0.59 sen (under the Base Case Scenario), 0.30 sen (under the Maximum Scenario) and 0.11 sen (under the No Consolidation Maximum Scenario); and
 - (ii) assuming the issue price is RM0.08 per Rights Share (under the Maximum Scenario) and RM0.03 per Rights Share (under the No Consolidation Maximum Scenario), the proforma NA per Share will decrease from RM0.14 to RM0.12 and RM0.04 under the Maximum Scenario and No Consolidation Maximum Scenario respectively mainly, due to the dilution effect arising from the issuance of the Rights Shares.

EXECUTIVE SUMMARY (Cont'd)

Premised on the factors discussed above and our evaluation of the Proposed Exemption based on the information available to us, we are of the view that the Proposed Exemption is **fair and reasonable**.

Accordingly, we recommend you **VOTE IN FAVOUR** of the ordinary resolution pertaining to the Proposed Exemption to be tabled at the forthcoming EGM.

However, you should take note that should you decide not to subscribe for the Rights Shares, your percentage shareholdings in the Company will be diluted accordingly. The dilutive effect on your collective shareholding from approximately 69.1% to approximately 25.0% as stated in Section 5.5.1 of the IAL would cause a transfer of value in the form of Rights Shares as follows:

- (a) **discount ranging from 10.0% to 30.0% to the TERP of SCH Shares based on the 5-market day VWAMP of SCH Shares preceding the price fixing date, subject to the Floor Price of RM0.08 (after the implementation of the Proposed Share Consolidation) or RM0.03 (floor price if the Proposed Share Consolidation is not implemented). 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; and**
- (b) **based on the illustrative issue prices of RM0.08 (under the Minimum and Maximum Scenarios), RM0.12 (under the Base Case Scenario) and RM0.03 (under the No Consolidation Maximum Scenario) per Rights Share, the issue prices represent a discount of 55.56% to the proforma consolidated NA per Share of RM0.18 (under the Minimum Scenario), a discount of 29.41% to the proforma NA per Share of RM0.17 (under the Base Case Scenario), a discount of 33.33% to the proforma NA per Share of RM0.12 (under the Maximum Scenario) and a discount of 25.0% to the proforma NA per Share of RM0.04 (under the No Consolidation Maximum Scenario) at 31 August 2020,**

from the non-participating shareholders to the participating shareholders. This is detrimental to the interests of shareholders who do not subscribe for the Rights Shares. Entitled Shareholders who do not take up the Rights Shares will have the opportunity to sell the rights entitlements in the market. However, there is no assurance that the market price of the rights entitlements will trade at least at the intrinsic value of the rights.

The directors of SCH, namely Dato' Chan Choun Sien, Wong Kin Seng, Gan Khong Aik and Sim Yee Fuan 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.

We have not taken into consideration any specific investment objectives, financial situations, risk profile or particular need required by you. We recommend that if you require an advice in relation to the Proposed Exemption in the context of your investment objectives, financial situations, risk profile or particular needs, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

YOU ARE ADVISED TO READ BOTH THE IAL AND ITS ATTACHMENTS AND THE LETTER TO SCH SHAREHOLDERS IN PART A OF THIS CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES AND CAREFULLY CONSIDER THE RECOMMENDATIONS CONTAINED HEREIN BEFORE VOTING ON THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED EXEMPTION TO BE TABLED AT THE FORTHCOMING EGM.

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MALACCA SECURITIES SDN BHD

Registration No: 197301002760 (16121-H)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

Registered Office

No. 1, 3 & 5, Jalan PPM 9,
Plaza Pandan Malim,
(Business Park), Balai Panjang
75250 Melaka

4 February 2021

To: The non-interested shareholders of SCH Group Berhad

Dear Sir/Madam,

SCH GROUP BERHAD (“SCH” OR THE “COMPANY”)

**INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF SCH IN
RELATION TO THE PROPOSED EXEMPTION**

This IAL is prepared for inclusion as Part B in the Circular. Unless otherwise stated, the definitions used in this IAL shall have the same meanings as defined in the “Definitions” section of the Circular, except where the context otherwise requires or where otherwise defined herein.

1. INTRODUCTION

On 6 November 2020, AmlInvestment Bank, had on behalf of the Board, announced that the Company proposed to undertake the following:

- (a) Proposed Share Consolidation;
- (b) Proposed Rights Issue; and
- (c) Proposed Exemption,

whereby the Proposed Share Consolidation will be implemented prior to the Proposed Rights Issue and the Proposed Rights Issue will be undertaken on a Minimum Subscription Level basis.

The Company has obtained the Undertakings from Hextar. Pursuant to the Undertakings, Hextar has provided irrevocable and unconditional undertakings for the following:

- (a) to subscribe for its Entitlement Undertaking based on its shareholding on the Rights Issue Entitlement Date. Hextar has also undertaken to ensure that its shareholding in the Company on the Rights Issue Entitlement Date shall not be less than its shareholding of 171,333,900 SCH Shares;
- (b) to apply for Additional Undertaking, subject always that the total amount subscribed by Hextar under the Entitlement Undertaking and Additional Undertaking shall be RM80 million; and

- (c) the subscription obligations under the Entitlement Undertaking and Additional Undertaking are subject to:
- (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 shareholding 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.

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 for 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 subscribe 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 subscription level by other Entitled Shareholders and/or their renounee(s) and/or transferee(s) subject to complying with the public shareholding spread upon issuance of the Rights Shares.

The amount of Undertakings to be fulfilled by Hextar and the 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 are as follows:

Minimum Scenario

(Assuming Hextar subscribes 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 Rights Issue Entitlement Date)

No.	Minimum Scenario ⁽¹⁾	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 subscribes up to the Minimum Subscription Level	23.5	293.8	23.5	73.3

Note:

- (1) *The Minimum Scenario assumes the Proposed Rights Issue will be implemented after the completion of the Proposed Share Consolidation.*

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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 Rights Issue Entitlement Date)

No.	Base Case Scenario ⁽¹⁾	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 subscribes for the Rights Shares	35.7 ⁽²⁾	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 ⁽³⁾	666.7	94.8	74.3
3.	Assuming all Entitled Shareholders subscribe for the Rights Shares	34.3	286.2	111.1	30.9

Notes:

- (1) *The Base Case Scenario assumes the Proposed Rights Issue will be implemented after the completion of the Proposed Share Consolidation.*
- (2) *The amount to be subscribed by Hextar pursuant to the Undertakings will be approximately RM35.7 million as it is limited by the Public Spread Requirement.*
- (3) *Under this scenario, Hextar will be required to fulfil its entire Undertakings of RM80.0 million in view that the Public Spread Requirements will be met.*

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 Rights Issue Entitlement Date)

No.	Maximum Scenario ⁽¹⁾	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 subscribes to the Rights Shares	40.0 ⁽²⁾	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 ⁽³⁾	1,000.0	93.3	74.5
3.	Assuming all Entitled Shareholders subscribe for the Rights Shares	34.3	429.3	152.2	22.6

Notes:

- (1) *The Maximum Scenario assumes the Proposed Rights Issue will be implemented after the completion of the Proposed Share Consolidation.*
- (2) *The amount to be subscribed by Hextar pursuant to the Undertakings will be approximately RM40.0 million as it is limited by the Public Spread Requirement.*
- (3) *Under this scenario, Hextar will be required to fulfil its entire Undertakings of RM80.0 million in view that the Public Spread Requirements will be met.*

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 Rights Issue Entitlement Date)

No.	No Consolidation Maximum Scenario⁽¹⁾	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 subscribes to the Rights Shares	45.0 ⁽²⁾	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 ⁽³⁾	2,666.7	91.7	74.3
3.	Assuming all Entitled Shareholders subscribe for the Rights Shares	34.8	1,159.2	154.2	22.6

Notes:

- (1) *The No Consolidation Maximum Scenario assumes that the Proposed Share Consolidation is not implemented.*
- (2) *The amount to be subscribed by Hextar pursuant to the Undertakings will be approximately RM45.0 million as it is limited by the Public Spread Requirement.*
- (3) *Under this scenario, Hextar will be required to fulfil its entire Undertakings of RM80.0 million in view that the Public Spread Requirements will be met.*

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 for each of the above scenarios.

The details of the Undertakings are as set out in Section 2.2.3 of Part A of this Circular.

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.

Conversely, your collective shareholding could potentially be diluted from approximately 69.1% to approximately 25.0%. You should note that these maximum potential holdings of Hextar and its PACs as indicated above are purely illustrative and may not materialise.

In view of the Undertakings by Hextar, the shareholdings of Hextar in SCH can potentially increase from 30.9% to more than 50.0% pursuant to the Proposed Rights Issue. Consequently, Hextar and its PACs will be obliged to undertake the Mandatory Offer pursuant to Paragraph 4.01(a) of the Rules in view that Hextar's shareholdings could increase from 30.9% to above 33%. As it is not the intention of Hextar and its PACs to undertake the Mandatory Offer, approval for the Proposed Exemption, pursuant to Paragraph 4.08(2)(b) of the Rules, is being sought from you and the SC.

In this respect, on 6 November 2020, Malacca Securities was appointed as the Independent Adviser to advise you and the non-interested Directors on the Proposed Exemption. On 9 November 2020, in accordance with the Rules, we had declared our independence from conflict of interests to the SC, to act as the Independent Adviser for the Proposed Exemption.

The SC had vide its letter dated 22 January 2021 notified us that it has no further comments on the contents of this IAL. However, such notification shall not be taken to suggest that the SC agrees with our recommendation or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this IAL.

An application will be submitted to the SC by AmInvestment Bank after your approval for the Proposed Exemption has been obtained by SCH at the forthcoming EGM. In the event the Proposed Exemption is not approved by you or the SC, the Proposed Rights Issue will not be implemented as the Proposed Exemption and the Proposed Rights Issue are inter-conditional upon each other.

The purpose of this IAL is to provide you our independent evaluation of the Proposed Exemption together with our recommendation on whether to vote in favour of the Proposed Exemption, subject to the scope and limitations specified herein. Nevertheless, you should rely on your own evaluation of the merits and demerits of the Proposed Exemption before making a decision on the course of action to be taken at SCH's forthcoming EGM.

THIS IAL IS PREPARED SOLELY FOR YOU TO CONSIDER THE MERITS AND DEMERITS OF THE PROPOSED EXEMPTION AND SHOULD NOT BE USED OR RELIED UPON BY ANY OTHER PARTY OR FOR ANY OTHER PURPOSE WHATSOEVER.

YOU ARE ADVISED TO READ AND UNDERSTAND THIS IAL AND ITS ATTACHMENTS AND THE LETTER TO THE SCH SHAREHOLDERS AS SET OUT IN PART A OF THIS CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES, AND TO CONSIDER CAREFULLY THE RECOMMENDATIONS CONTAINED IN BOTH THIS IAL AND THE LETTER TO THE SCH SHAREHOLDERS BEFORE VOTING ON THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED EXEMPTION TO BE TABLED AT SCH'S FORTHCOMING EGM.

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 ADVISER IMMEDIATELY.

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2. SCOPE AND LIMITATIONS TO OUR EVALUATION

Malacca Securities was not involved in the formulation, deliberation and negotiation of the terms and conditions of the Proposed Rights Issue and the Proposed Exemption. Our scope as the Independent Adviser is limited to expressing an independent opinion on the terms of the Proposed Rights Issue and the Proposed Exemption based on information and documents provided or are available to us, including the following:

- (a) information contained in Part A of this Circular and the accompanying appendices;
- (b) other relevant information, documents, confirmations and/or representations provided to us by the Board and the management of SCH;
- (c) discussions and consultation with the Board and management of SCH; and
- (d) other publicly available information.

We have relied on the Company, its Board and its management to take due care to ensure that all information, documents, confirmations and representations provided to us by them and the advisers of SCH for the Proposed Rights Issue and the Proposed Exemption to facilitate our evaluation are accurate, valid and complete in all material aspects. Nonetheless, after making all reasonable enquiries, we are satisfied that sufficient information has been obtained and we have no reason to believe that the aforesaid information provided or are available to us is unreliable, incomplete, misleading and/or inaccurate as at the LPD.

In rendering our advice, we have taken into consideration pertinent factors which we believe are of relevance and of importance to you for an assessment of the Proposed Rights Issue and the Proposed Exemption and therefore, of general concern to you. We have not taken into consideration any individual or specific group's specific investment objectives, financial situations, risk profile or particular needs. We recommend that any of you who require specific advice in relation to the Proposed Rights Issue and the Proposed Exemption, in the context of your individual investment objectives, financial situations, risk profile or particular needs, to consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Our advice should be considered in the context of the entirety of this IAL. Our evaluation and opinion as set out in this IAL are based on, amongst others, the economic, equity capital market, industry, regulatory and other conditions prevailing on, and the information/documents available to us as at the LPD. Such conditions may change significantly over a period of time. Accordingly, our evaluation and opinion expressed herein do not take into account the information, events or conditions arising after the LPD.

We shall immediately notify the SC in writing and you by way of announcement if, after despatching this IAL, as guided by Paragraph 11.07(1) of the Rules, we become aware that this IAL:

- (a) contains a material statement which is false or misleading;
- (b) contains a statement from which there is a material omission; or
- (c) does not contain a statement relating to a material development.

If circumstances require, we shall send a supplementary IAL to you in accordance with Paragraph 11.07(2) of the Rules.

3. DETAILS OF THE PROPOSED RIGHTS ISSUE AND THE PROPOSED EXEMPTION

The details of the Proposed Rights Issue and the Proposed Exemption are set out in the following sections in Part A of this Circular and should be read in its entirety by you:

Letter to the SCH Shareholders		Section
(a)	Proposed Rights Issue	2.2
(b)	Proposed Exemption	2.3

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

The details of interests of the directors, major shareholders, chief executive and/or their persons acting in concert with them in relation to the Proposed Rights Issue and the Proposed Exemption are set out in Section 9 of Part A of this Circular.

Save as disclosed in Section 9 of Part A of this Circular, none of the directors, major shareholders of SCH, chief executives and/or any persons connected to them have any interest, whether direct or indirect, in the Proposed Rights Issue and the Proposed Exemption.

5. EVALUATION OF THE PROPOSED EXEMPTION

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposed Exemption on a holistic approach in accordance with Paragraphs 8 to 10 of Schedule 2: Part III of the Rules.

In our evaluation of the Proposed Exemption, we have considered the following:

Factors	Section
Rationale for the Proposed Rights Issue and the Proposed Exemption	5.1
Issue price of the Rights Shares	5.2
Effects of the Proposed Rights Issue and the Proposed Exemption	5.3
Industry overview and prospects of the Group	5.4
Implications of the Proposed Exemption	5.5

We note that the Company intends to undertake the Proposed Share Consolidation⁽¹⁾ prior to the Proposed Rights Issue. However, we note that the Proposed Share Consolidation may not be implemented in the event the shareholders of SCH do not approve the Proposed Share Consolidation. In view thereof, we have taken into consideration the Proposed Share Consolidation (where applicable) in our evaluation of the Proposed Exemption.

Note:

(1) Please refer to Section 2.1 of Part A of this Circular for the details of the Proposed Share Consolidation.

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5.1 Rationale for the Proposed Rights Issue and the Proposed Exemption

5.1.1 Rationale for the Proposed Rights Issue

As stated in Section 3.2 of Part A of this Circular, the Board is of the view that the Proposed Rights Issue is the most appropriate means of fund raising for the intended purposes as set out in Section 5 of Part A of this Circular, after considering various methods of fund raising available.

The Company intends to undertake the Proposed Rights Issue to raise gross proceeds of:

- (i) RM23.5 million based on the Minimum Subscription Level;
- (ii) up to approximately RM110 million on a full subscription basis, assuming no Warrants are exercised between the price-fixing date and the Rights Issue Entitlement Date; and
- (iii) up to RM155 million on a full subscription basis, assuming all the Warrants are exercised between the price-fixing date and the Rights Issue Entitlement Date.

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

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

Note:

- (1) From the date of listing of the Rights Shares on the ACE Market of Bursa Securities.

Our comments on the rationale for the Proposed Rights Issue are as follows:

(a) Gearing and interest savings

As at 31 August 2020, being the latest audited consolidated financial statements of SCH prior to the LPD, the total bank borrowings of the Group is approximately RM58.43 million and mainly comprise term loans of approximately RM52.81 million. As at the LPD, the total bank borrowings of the Group are approximately RM62.9 million.

Therefore, part of the proceeds from the Proposed Rights Issue is intended to repay the Group's existing bank borrowings, which will result in the Group having a lower gearing and ultimately, interest savings. The borrowings of the Group had increased from approximately RM8.42 million in the FYE 31 August 2016 to approximately RM58.43 million in the FYE 31 August 2020. The table below sets out the total borrowings of the Group, NA and gearing ratio for the past 5 financial years up to FYE 31 August 2020 as follows:

	FYE 31 August				
	2016 (RM'000)	2017 (RM'000)	2018 (RM'000)	2019 (RM'000)	2020 (RM'000)
Borrowings ⁽¹⁾	8,416	16,620	70,512	59,049	58,432
NA	62,579	64,473	79,121	85,978	77,980
Gearing (times)	0.13	0.26	0.89	0.69	0.75

Note:

- (1) Included finance lease payables/ hire purchase.

The significant increase in borrowings in the FYE 31 August 2018 to RM70.51 million was mainly attributable to the drawdown of a term loan amounting to RM43.0 million to finance the acquisition of TK Rentals Sdn Bhd and PK Fertilisers (Sarawak) Sdn Bhd. The reduction in bank borrowings for the FYE 31 August 2019 was mainly due to the repayment of term loans and foreign currency trade loan.

For the past 5 financial years, the Group had maintained its gearing below 0.9 times but its gearing has been increasing from 0.13 times in the FYE 31 August 2016 to a high of 0.89 times in FYE 31 August 2018. The gearing ratio decrease to 0.69 times in the FYE 31 August 2019 due to increase in NA arising from the Group reporting a PAT of RM5.5 million during the FYE 31 August 2019 mainly due to the gain on disposal of three properties of approximately RM7.7 million. However, the gearing ratio increased to 0.75 times for the FYE 31 August 2020 mainly due to the reduction in NA as the Group recorded LAT of RM7.995 million for the FYE 31 August 2020.

Considering that there will be changes to the capital structure of the Group pursuant to the fund raising exercise via the Proposed Rights Issue and the utilisation of proceeds, we have assessed the changes in the WACC and gearing of the Group for the following scenarios:

Existing Scenario	Based on the Group's existing capital structure as at 31 August 2020
Equity Scenario	Based on the Group's proforma capital structure as at 31 August 2020 and assuming the following: <ul style="list-style-type: none"> (a) all the existing Warrants are exercised prior to Rights Issue Entitlement Date; and (b) full subscription of RM155.0 million is raised via the Proposed Rights Issue.
Debt Scenario	Based on the Group's proforma capital structure as at 31 August 2020 and assuming the following: <ul style="list-style-type: none"> (a) all the existing Warrants are exercised prior to the Rights issue Entitlement Date; and (b) that the funds of up to RM120.5 million⁽¹⁾ is financed through the bank borrowings. <p><i>Note:</i></p> <p>(1) <i>RM120.5 million represents only the proceeds to be raised for working capital purposes under the full subscription basis of RM155.0 million.</i></p>

The WACC of the Group is derived as follows:

$$WACC = \frac{E}{D + E} (k_e) + \frac{D}{D + E} (k_d) (1 - t)$$

Where:

E - Market value of SCH's equity for the 3 scenarios are as follows:

	Existing Scenario (RM'million)	Equity Scenario (RM'million)	Debt Scenario (RM'million)
Market value of SCH's equity	⁽¹⁾ 55.50	⁽²⁾ 231.06	⁽³⁾ 76.06

Notes:

- (1) Based on SCH's market capitalisation as at the LPD, calculated based on the assumed 5-day VWAMP of SCH Shares after the Proposed Share Consolidation as at the LPD of RM0.2997 and the share capital of SCH as at the LPD of 185.17 million SCH Shares (after the Proposed Share Consolidation).
- (2) Based on SCH's proforma market capitalisation as at the LPD, calculated based on the assumed 5-day VWAMP of SCH Shares after the Proposed Share Consolidation as at the LPD of RM0.2997 and 253.78 million SCH Shares (assuming that all the Warrants are exercised prior to the Proposed Share Consolidation) and assuming the full subscription of RM155.0 million is raised via the Proposed Rights Issue.
- (3) Based on SCH's proforma market capitalisation as at the LPD, calculated based on the assumed 5-day VWAMP of SCH Shares after the Proposed Share Consolidation as at the LPD of RM0.2997 and 253.78 million SCH Shares (assuming that all the Warrants are exercised prior to the Proposed Share Consolidation).

D - The market value of SCH's debt for the 3 scenarios are as follows:

	Existing Scenario (RM'million)	Equity Scenario (RM'million)	Debt Scenario (RM'million)
Market value of SCH's debt	⁽¹⁾ 61.46	⁽²⁾ 27.96	⁽³⁾ 181.96

Notes:

- (1) Based on the Group's interest-bearing borrowings as at 30 November 2020 as disclosed in its unaudited quarterly report for the 3-months FPE 30 November 2020.
- (2) Based on the Group's interest-bearing borrowings as at 30 November 2020 as disclosed in its unaudited quarterly report for the 3-months FPE 30 November 2020 and the partial repayment of bank borrowings of RM33.5 million.
- (3) Based on the Group's interest-bearing borrowings as at 30 November 2020 as disclosed in its unaudited quarterly report for the 3-months FPE 30 November 2020 and assuming that the funds of up to RM120.5 million, being the proceeds to be raised under the full subscription basis, excluding the repayment of bank borrowings and estimated expenses for the Proposals, is financed through bank borrowings.

k_e - Cost of equity represents the rate of return required by an investor on the cash flow streams generated by the Group given, amongst others, the risks associated with the cash flows. This is derived using the Capital Asset Pricing Model below:

$$k_e = R_f + \beta(R_m - R_f)$$

Where

R_f : Risk-free rate of return, representing the expected rate of return from a risk-free investment and is derived based on the yield of the 10-year Malaysian Government Securities as at the LPD of 2.697% as extracted from Bank Negara Malaysia's Fully Automated System for Issuing/Tendering (FAST).

β : Beta, representing the sensitivity of an asset's returns to the changes in the market returns. It measures the correlation of systematic risk between the said asset and the market. A beta of more than 1 signifies that the asset is riskier than the market and vice versa. The re-levered beta of SCH as at the LPD was derived from the historical 5-year average unlevered beta of 0.5470 of selected comparable companies⁽¹⁾ listed on Bursa Securities with similar principal activities and re-levered based on the capital structure of SCH for the 3 scenarios as follows:

	Existing Scenario	Equity Scenario	Debt Scenario
Re-levered beta of SCH	0.8720	0.5927	1.3095

Note:

(1) *There is no company listed on Bursa Securities that may be considered identical to SCH in terms of, amongst others, composition of business activities, scale and size of operations, risk profile, track record and prospects. The selection criteria that we have applied in identifying comparable companies are as follows:*

- (a) *market capitalisation less than RM170 million (which only resulted in 2 comparable companies); and*
- (b) *involved in agricultural chemical business which includes fertilisers. The revenue contribution from the agricultural chemical segment represents at least 40% of the total revenue of the respective selected comparable companies.*

The selected comparable companies identified are as follows:

- (a) *Imaspro Corporation Berhad; and*
- (b) *Greenyield Berhad.*

Whilst we noted that the respective companies may have different business models and offer different products and services, we are of the view that the identified companies are adequately comparable to SCH's business and are reasonable to be adopted for the purpose of deriving the estimated beta of the industry.

R_m : Expected market rate of return, representing the expected rate of return for investing in a portfolio consisting of a weighted sum of assets representing the entire equity market. We have adopted the historical annual equity market return of Malaysia (i.e. FTSE Bursa Malaysia EMAS Index) for the past 10 years up to and including the LPD of 4.013% as extracted from Bloomberg.

As such, the cost of equity of SCH based on the Capital Asset Pricing Model and the capital structure of SCH for the 3 scenarios are as follows:

	Existing Scenario (%)	Equity Scenario (%)	Debt Scenario (%)
Cost of equity of SCH	3.84	3.48	4.42

k_d - Pre-tax cost of debt, based on the weighted average interest rate of approximately 4.38% as set out in note (i) of Section 5 of Part A of this Circular. The weighted average interest rate of approximately 4.38% is based on the rate charged by the financial institution where the proceeds from the Proposed Rights Issue will be used to repay the bank borrowings.

t - Corporate tax rate, which is based on the latest Malaysian statutory tax rate of 24%.

The WACC and gearing of the Group for the scenarios mentioned above are as follows:

	WACC (%)	Gearing (Times)
Existing Scenario	3.57	0.78
Equity Scenario	3.46	0.11
Debt Scenario	3.65	1.83

As illustrated above, the WACC of the Group will be lower at 3.46% under the Equity Scenario compared against 3.65% under the Debt Scenario. The gearing of the Group will also be significantly lower at 0.11 times under the Equity Scenario as compared to 1.83 times under the Debt Scenario.

The total interest expense incurred by the Group for the FYE 31 August 2020 was approximately RM3.38 million. The partial repayment of bank borrowings will result in interest savings for the Group. For illustration purpose, based on the Group's interest rate of approximately 4.5%, the partial repayment of the Group's borrowings is expected to result in interest savings of approximately RM0.5 million (under the Minimum Subscription Level) and approximately RM1.5 million (under the Full Subscription Basis) per annum.

In summary, the Proposed Rights Issue will allow SCH to improve its WACC, gearing as well as result in interest savings for the Group.

(b) General working capital

We noted that the Group has also earmarked approximately RM10.5 million (under the Minimum Subscription Level) and up to RM120.5 million (under the Full Subscription Basis) out of the proceeds from the Proposed Rights Issue for its working capital purposes.

SCH intends to utilise a major portion of the proceeds allocated for the Group's fertilisers business segment as it is planning to expand to other parts of Malaysia, i.e. Sabah and Peninsular Malaysia, in addition to expansion of its primary market in Sarawak. We note that the fertilisers segment is the main revenue contributor to SCH Group.

The revenue and profit before tax ("PBT") / loss before tax ("LBT") of the business segments of the Group for the past 3 years are as follows:

Revenue

Revenue	Audited FYE 31 August					
	⁽¹⁾ 2018 (Restated)		2019		2020	
	RM'000	%	RM'000	%	RM'000	%
Investment holding	-	-	-	-	-	-
Fertilisers ⁽²⁾	-	-	73,524	62.9	81,633	67.3
Heavy equipment ⁽³⁾	33,248	100.0	26,492	22.7	22,491	18.5
Equipment rental ⁽⁴⁾	-	-	16,878	14.4	17,162	14.2
Total	33,248	100.0	116,894	100.0	121,286	100.0

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PBT/ (LBT)

PBT/(LBT)	Audited FYE 31 August		
	2018 ⁽¹⁾ (Restated) (RM'000)	2019 (RM'000)	2020 (RM'000)
Investment holding	76	(2,856)	(877)
Fertilisers ⁽²⁾	-	(899)	769
Heavy equipment ⁽³⁾	(8,384)	7,612	(5,258)
Equipment rental ⁽⁴⁾	-	3,362	(2,254)
Total	(8,308)	7,219	(7,620)

(Source: Annual Reports for the FYE 31 August 2018, FYE 31 August 2019 and FYE 31 August 2020)

Notes:

- (1) Restated in the 2019 Annual Report of SCH.
- (2) Under the fertilisers business segment, the Group is mainly involved in the manufacturing and trading of fertilisers primarily for the oil palm industry.
- (3) Under the heavy equipment business segment, the 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. In the 2018 and 2019 Annual Report, the heavy equipment business segment was defined as the quarry industry business segment.
- (4) Under the equipment rental business segment, the Group is mainly involved in the provision of temporary cooling solution including, but not limited to, the events industry and trading of industrial products which include forklift, industrial battery and/or its related products/peripherals.

Based on the table above, the fertilisers segment is the main revenue contributor to SCH Group, contributing RM73.52 million (approximately 62.9%) and RM81.6 million (approximately 67.3%) to the Group's revenue for FYE 31 August 2019 and FYE 31 August 2020 respectively. We note that the Board believes that it is an appropriate time to expand the fertilisers segment after taking into consideration the future demand for fertilisers in the oil palm industry whereby it is expected to be positive after taking into consideration the Biodiesel B20 programme, export duty exemption and global demand for palm oil as well as the market research report by Smith Zander whereby it forecasted the demand for fertilisers to increase by 5.69% from RM4.92 billion in year 2020 to RM5.20 billion in year 2021.

We noted that with the recent outbreak of COVID-19 and the introduction of MCO in March 2020, the operations of SCH Group's equipment rental business were affected as many organisers had postponed or cancelled their events due to the constraint on the movement of people amid COVID-19. To mitigate the impact of COVID-19 on SCH Group's equipment rental business, SCH Group had ventured into the trading of industrial batteries and its related products/peripherals in mid-2020.

Smith Zander has noted 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 in households and businesses. 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. Furthermore, 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 industrial products include, amongst others, batteries, solar panels and inverters. The proceeds from the Proposed Rights Issue are also meant to help SCH Group expand this business to, amongst others, telecommunication and power supply companies in Malaysia and to the Southeast Asia market.

In addition to the above, SCH intends to utilise part of the proceeds from the Proposed Rights Issue to purchase heavy equipment and spare parts to expand the Group's heavy equipment business segment as the Group has noted that construction and quarry related activities have progressively resumed after the relaxation of the MCO in May 2020 and expects demand for its heavy equipment and spare parts for this industry to improve driven by the resumption of mining and quarrying activities and overall growth in the construction sector and manufacturing sector. However, the impact of the MCO 2.0 which commenced on 13 January 2021 is still uncertain and it would depend on the duration of the MCO 2.0.

The working capital used for the abovementioned purposes to expand its fertilisers, industrial products and heavy equipment business segments is expected to contribute positively to the financial performance of the Group which will be pivotal to its potential recovery and growth.

(c) Strengthen the Company's financial position and capital structure

We note that SCH has also considered raising funds via bank borrowings. However, SCH believes that its capacity to borrow the amount equivalent to RM110.0 million, being the Full Subscription Basis assuming no Warrants are exercised, is challenging in view of its existing financial position. As at 31 August 2020, the total bank borrowings of the Group are approximately RM58.43 million and mainly comprise term loans of approximately RM52.81 million. As at the LPD, the total bank borrowings of the Group are approximately RM62.9 million.

In addition, SCH Group has also recorded a LAT of RM7.995 million for FYE 31 August 2020. As such, assuming SCH Group raise funds via bank borrowing, SCH Group would also have to incur interest expense from additional bank borrowings, resulting in a higher annual cash outflow and a reduction in the Group's earnings.

The Proposed Rights Issue will enable the Group to strengthen its financial position and capital base due to the increase in the Group's NA and the improvement in gearing pursuant to the partial repayment of bank borrowings and the increase in shareholders' equity as a result of the issuance of the Rights Shares. This is expected to improve the credit rating and debt capacity of the Group, which in turn would provide the Group with financial flexibility in the event the Group intends to source for additional funds and/or gear up in the future to fund the purchase of direct materials for its businesses and/or any potential investment opportunities which may arise.

The proforma issued share capital and NA of SCH before and after the implementation of the Proposed Rights Issue is illustrated as follows:

	As at 31 August 2020 (RM'000)	After the Proposed Rights Issue ⁽¹⁾			
		Minimum Scenario (RM'000)	Base Case Scenario (RM'000)	Maximum Scenario (RM'000)	No Consolidation Maximum Scenario (RM'000)
Share capital	75,918	⁽²⁾ 120,599	⁽²⁾ 206,897	247,772	249,676
NA	77,980	⁽²⁾ 122,661	⁽²⁾ 208,959	249,834	251,738

Notes:

- (1) Please refer to Sections 5.3.1 and 5.3.2 of this IAL for the detailed calculations in arriving at the proforma issued share capital and NA under the respective scenarios.
- (2) After the exercise of the Warrants which include the adjustment to the number of unexercised Warrants in accordance with the provisions of the Deed Poll after completion of the Proposed Share Consolidation and the Proposed Rights Issue.

- (d) The Proposed Rights Issue will also provide SCH Shareholders with an opportunity to participate in an equity offering in the Company on a pro-rata basis and ultimately, participate in the prospects and future growth of the SCH Group.**

The Proposed Rights Issue represents an opportunity for all Entitled Shareholders to further increase their equity participation in the Group's future growth and prospects at a discount ranging from 10.0% to 30.0% to the TERP of SCH Shares subject to the Floor Price of RM0.08 (after the implementation of the Proposed Share Consolidation) or RM0.03 (floor price if the Proposed Share Consolidation is not implemented) based on the 5-days VWAMP prior to the price fixing date on a pro-rata basis and without diluting the shareholders' percentage shareholdings in SCH (provided that all Entitled Shareholders subscribe in full for their respective entitlements), as opposed to fundraising via a private placement exercise whereby only selected investors can participate. The discount to the issue price of the Rights Shares is reasonable as it represents an attractive discount for the shareholders of SCH to increase their equity participation in the Group after taking into consideration the financial performance of the Group.

Nevertheless, in deciding whether to further increase equity participation in the Group, the Entitled Shareholders should consider the financial position of the Group, of which is expected to gradually improve in view of the steady increase of revenue of the Group since the FYE 31 August 2018 as well as the industry overview and prospects of the SCH Group as detailed in Section 4 of Part A of this Circular. Please refer to our commentary on the industry overview and prospects of the SCH Group in Section 5.4 of this IAL.

The Company does not expect to face any risks that it is not already facing in its existing businesses if the Proposed Rights Issue is not implemented. However, if the Proposed Rights Issue is not implemented, the potential benefits arising from the intended utilisation of the proceeds raised from the Proposed Rights Issue will not materialise.

Premised on the above, we are of the view that the rationale for the Proposed Rights Issue is justifiable.

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5.1.2 Rationale for the Proposed Exemption

The rationale for the Proposed Exemption is set out in Section 3.3 of Part A of this Circular.

The Proposed Exemption will relieve Hextar and its PACs from the obligations to undertake the Mandatory Offer upon completion of the Proposed Rights Issue pursuant to the Undertakings as it is not their intention to undertake the Mandatory Offer.

The entitlements to the Rights Shares are renounceable and will be provisionally allotted on a proportionate basis in accordance to the shareholdings of the Entitled Shareholders and are fair to all shareholders. Moreover, Entitled Shareholders have the option to sell their rights entitlements in the open market when quoted on Bursa Securities, should Entitled Shareholders decide to take this course of action. Hextar would not gain any advantage over the other non-interested shareholders who are accorded the rights to subscribe for the Rights Shares at the same issue price and in proportion with their respective shareholdings in SCH at the Rights Issue Entitlement Date.

The Proposed Exemption is not intended to dilute the shareholdings of the other Entitled Shareholders as the collective percentage shareholdings of Hextar and its PACs in SCH will only increase if the remaining Rights Shares are not subscribed for by the other Entitled Shareholders. Should all the remaining Rights Shares be subscribed for by the other Entitled Shareholders and/or their renounee(s) and/or transferee(s), the collective percentage shareholdings of Hextar and its PACs in SCH will remain unchanged.

Should all the Entitled Shareholders and/or their renounee(s) and/or transferee(s) subscribe for their entitlements in full under the Proposed Rights Issue, there will not be any excess Rights Shares to be subscribed by Hextar pursuant to its Additional Undertaking. You should note that should you choose not to subscribe for your entitlement to the Rights Shares or choose to renounce your entitlement pursuant to the Proposed Rights Issue, your existing percentage shareholding in SCH would be diluted accordingly.

The Undertakings by Hextar to subscribe for its Entitlement Undertaking and Additional Undertaking, subject to complying with the Public Spread Requirement, is to ensure that SCH will be able to raise up to RM80.0 million from Hextar through the Proposed Rights Issue.

Given that the Proposed Rights Issue and Proposed Exemption are inter-conditional upon each other, the approval for the Proposed Exemption is necessary to facilitate and ensure the successful implementation of the Proposed Rights Issue.

Premised on the above, we are of the view that the rationale for the Proposed Exemption is justifiable.

5.2 Issue price of the Rights Shares

As set out in Section 2.2.1 of Part A of this Circular, the quantum of gross proceeds has been determined upfront while the Entitlement Basis and the Issue Price for the Proposed Rights Issue have not been determined at this juncture in order to provide flexibility to the Board in respect of the pricing of the Rights Shares.

The Proposed Rights Issue is proposed to be undertaken on a Minimum Subscription Level to raise the gross proceeds of RM23.5 million. However, the Board will be looking at the issue price and entitlement basis to raise approximately RM110.0 million, being the Full Subscription Basis (assuming no Warrants are exercised between the price-fixing date and the Rights Issue Entitlement Date). As the amount to be raised will be dependent on the number of shares in issue, there could be circumstances where the proceeds 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.

The basis of determining the Issue Price is set out in Section 2.2.2 of Part A of this Circular. It is the intention of the Board that the Issue Price shall be priced at a discount ranging from 10.0% to 30.0% to the TERP based on 5-market day VWAMP of SCH Shares up to and including the date prior to the price fixing date, subject to the Floor Price of RM0.08 (after the implementation of the Proposed Share Consolidation). 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 Issue Price will be determined and announced by the Board on the price-fixing date, after taking into consideration, among others, the following:

- (a) TERP of SCH Shares based on the 5-market day VWAMP of SCH Shares immediately preceding the price fixing date; and
- (b) the prevailing market conditions and current and historical share price of SCH Shares.

The Floor Price of RM0.08 (after the implementation of the Proposed Share Consolidation) has been determined by the Board after taking into consideration, amongst others, the proforma NA 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 NA under the Maximum Scenario.

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 million with their respective percentage shareholdings in SCH.

We note that the Company intends to undertake the Proposed Share Consolidation prior to the Proposed Rights Issue. However, we note that the Proposed Share Consolidation may not be implemented in the event the shareholders of SCH do not approve the Proposed Share Consolidation.

For illustration purposes, SCH has considered the following possible scenarios and the related effects under Section 6 of Part A of this Circular based on the following scenarios that have been assumed by SCH as follows:

	Minimum Scenario	Base Case Scenario	Maximum Scenario	No Consolidation Maximum Scenario
5-days VWMAP of SCH Shares as at LPD	RM0.0999	RM0.0999	RM0.0999	RM0.0999
Post consolidation share price ⁽¹⁾	RM0.2997	RM0.2997	RM0.2997	-
Indicative Issue Price	RM0.08	RM0.12	RM0.08	RM0.03 ⁽²⁾
Indicative Entitlement Basis	15 Rights Shares for every 2 Consolidated Shares	5 Rights Shares for every 1 Consolidated Share	15 Rights Shares for every 2 Consolidated Shares	135 Rights Shares for every 20 SCH Shares
TERP	RM0.1058	RM0.1500	RM0.1058	RM0.0390
Issue Price discount to TERP	24.39%	20.00%	24.39%	23.08%

Notes:

- (1) *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. Shareholders of SCH are strongly advised to trade cautiously to prevent overselling of your respective SCH Shares.*
- (2) *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 is RM0.03 (rounded to the nearest 1 sen).*

Malacca Securities' comments

We noted that the illustrative issue prices of RM0.08 (under the Minimum Scenario and Maximum Scenario) and RM0.12 (under the Base Case Scenario), have been adopted to illustrate the effects of the Proposed Share Consolidation and the Proposed Rights Issue in Section 6 of Part A of this Circular.

In addition, under Section 6 of Part A of this Circular, we have also noted the illustrative issue price of RM0.03 (under the No Consolidation Maximum Scenario) have been adopted to illustrate the implementation of the Proposed Rights Issue assuming all of the Warrants are exercised into the new SCH Shares but the Proposed Share Consolidation is not implemented.

Hence, we have evaluated the Issue Price based on the illustrative issue prices as mentioned in the table above for the respective scenarios.

In evaluating the Issue Price, we have considered the following:

(a) Discount over the closing market price and VWAMP

We note that the illustrative issue prices of RM0.03, RM0.08 and RM0.12 per Rights Share represents a discount to the TERP of SCH Shares based on the closing market price and VWAMP as at the LTD and the LPD as follows:

Minimum and Maximum Scenarios

	Closing price/ VWAMP ⁽¹⁾	TERP ⁽²⁾ based on the illustrative issue price of RM0.08 per Rights Share	Discount of the illustrative issue price of RM0.08 per Rights Share to the TERP	
	(RM)	(RM)	(RM)	(%)
<u>Up to and including the LTD:</u>				
Closing market price	0.2850	0.1041	0.0241	23.15
5-day VWAMP	0.2784	0.1033	0.0233	22.56
1-month VWAMP	0.3093	0.1070	0.0270	25.23
3-month VWAMP	0.3390	0.1105	0.0305	27.60
6-month VWAMP	0.3174	0.1079	0.0279	25.86
12-month VWAMP	0.3015	0.1061	0.0261	24.60
<u>Up to and including the LPD:</u>				
Closing market price	0.3000	0.1059	0.0259	24.46
5-day VWAMP	0.2997	0.1058	0.0258	24.39

(Source: Bloomberg)

Notes:

- (1) Assumed closing market price/respective VWAMP after adjusting for the Proposed Share Consolidation.
- (2) Assumed entitlement basis of 15 Rights Shares for every 2 existing SCH Shares.

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Based on the table above, we note that the illustrative issue price of RM0.08 per Rights Share represents:

- (i) discounts ranging from 22.56% to 27.60% to the TERP based on the closing market price as well as the 5-day, 1-month, 3-month, 6-month and 12-month VWAMP of SCH Shares up to and including the LTD; and
- (ii) discounts of 24.46% and 24.39% to the TERP based on the closing market price and the 5-day VWAMP of SCH Shares up to and including the LPD respectively.

Base Case Scenario

	Closing price/ VWAMP ⁽¹⁾	TERP ⁽²⁾ based on the illustrative issue price of RM0.12 per Rights Share	Discount of the issue price of RM0.12 per Rights Share to the TERP	
	(RM)	(RM)	(RM)	(%)
<u>Up to and including the LTD:</u>				
Closing market price	0.2850	0.1475	0.0275	18.64
5-day VWAMP	0.2784	0.1464	0.0264	18.03
1-month VWAMP	0.3093	0.1516	0.0316	20.84
3-month VWAMP	0.3390	0.1565	0.0365	23.32
6-month VWAMP	0.3174	0.1529	0.0329	21.52
12-month VWAMP	0.3015	0.1503	0.0303	20.16
<u>Up to and including the LPD:</u>				
Closing market price	0.3000	0.1500	0.0300	20.00
5-day VWAMP	0.2997	0.1500	0.0300	20.00

(Source: Bloomberg)

Notes:

- (1) Assumed closing market price/respective VWAMP after adjusting for the Proposed Share Consolidation.
- (2) Assumed entitlement basis of 5 Rights Shares for every 1 existing SCH Share.

Based on the table above, we note that the illustrative issue price of RM0.12 per Rights Share represents:

- (i) discounts ranging from 18.03% to 23.32% to the TERP based on the closing market price as well as the 5-day, 1-month, 3-month, 6-month and 12-month VWAMP of SCH Shares up to and including the LTD; and
- (ii) discount of 20.00% to the TERP based on the closing market price and the 5-day VWAMP of SCH Shares up to and including the LPD respectively.

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No Consolidation Maximum Scenario

	Closing price/ VWAMP (RM)	TERP ⁽¹⁾ based on the illustrative issue price of RM0.03 per Rights Share (RM)	Discount of the illustrative issue price of RM0.03 per Rights Share to the TERP	
			(RM)	(%)
<u>Up to and including the LTD:</u>				
Closing market price	0.0950	0.0384	0.0084	21.88
5-day VWAMP	0.0928	0.0381	0.0081	21.26
1-month VWAMP	0.1031	0.0394	0.0094	23.86
3-month VWAMP	0.1130	0.0407	0.0107	26.29
6-month VWAMP	0.1058	0.0398	0.0098	24.62
12-month VWAMP	0.1005	0.0391	0.0091	23.27
<u>Up to and including the LPD:</u>				
Closing market price	0.1000	0.0390	0.0090	23.08
5-day VWAMP	0.0999	0.0390	0.0090	23.08

(Source: Bloomberg)

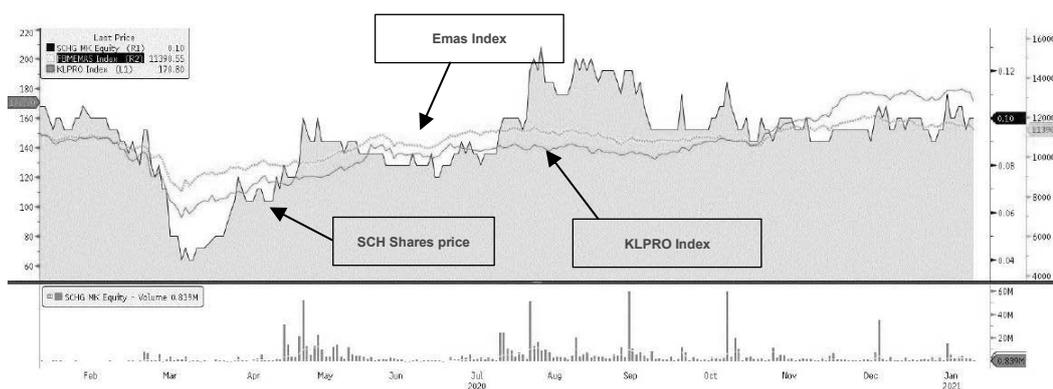
Note:

(1) Assumed entitlement basis of 135 Rights Shares for every 20 existing SCH Shares.

Based on the table above, we note that the illustrative issue price of RM0.03 per Rights Share represents:

- (i) discounts ranging from 21.26% to 26.29% to the TERP based on the closing market price as well as the 5-day, 1-month, 3-month, 6-month and 12-month VWAMP of SCH Shares up to and including the LTD; and
- (ii) discount of 23.08% to the TERP based on the closing market price and the 5-day VWAMP of SCH Shares up to and including the LPD respectively.

The movement in the historical closing prices and trading volume of SCH Shares vis-à-vis the Bursa Malaysia Industrial Production Index (“**KLPRO Index**”) and FTSE Bursa Malaysia Emas Index (“**Emas Index**”) for the past one (1) year up to LPD is shown in the diagram below:



(Source: Bloomberg)

Based on the diagram above, the highest closing price of SCH Shares for the past one (1) year up to the LPD was RM0.13 on 10 August 2020, whilst the lowest closing price was RM0.04 on 19 March 2020, 23 March 2020 and 24 March 2020.

The Company is not aware of any reasons for the significant decrease in share price in March 2020 as there were no corporate developments nor material announcements made by the Company during the month. Nevertheless, it is noted that the market prices of SCH Shares have declined and moved in tandem with the movement of the KLPRO Index and Emas Index over the past one (1) year up to the LPD.

(b) Discount over the NA per SCH Share

We also note that the illustrative issue prices of RM0.03, RM0.08 and RM0.12 per Rights Share represent the following discounts to the proforma NA per SCH Share as at 31 August 2020 after the Proposed Rights Issue:

	NA per SCH Share	Discounts of the illustrative issue prices to the NA per SCH Share	
	(RM)	(RM)	(%)
Minimum Scenario (issue price of RM0.08)	⁽¹⁾ 0.18	(0.10)	(55.56)
Base Case Scenario (issue price of RM0.12)	⁽¹⁾ 0.17	(0.05)	(29.41)
Maximum Scenario (issue price of RM0.08)	⁽²⁾ 0.12	(0.04)	(33.33)
No Consolidation Maximum Scenario (issue price of RM0.03)	⁽³⁾ 0.04	(0.01)	(25.00)

Notes:

- (1) *The proforma NA per SCH Share upon completion of the Proposed Share Consolidation, Proposed Rights Issue and the exercise of Warrants which include the adjustment to the number of unexercised Warrants in accordance with the provisions of the Deed Poll after completion of the Proposed Share Consolidation and the Proposed Rights Issue.*
- (2) *The proforma NA per SCH Share upon completion of the Proposed Share Consolidation and Proposed Rights Issue assuming the Warrants are exercised prior to the Rights Issue Entitlement Date.*
- (3) *The proforma NA per SCH Share upon completion of the Proposed Rights Issue assuming the Warrants are exercised prior to the Rights Issue Entitlement Date.*

Based on the table above, we note that the illustrative issue price of RM0.08 represent a discount of 55.56% to the proforma consolidated NA per Share of RM0.18 as at 31 August 2020 under the Minimum Scenario.

The illustrative issue price of RM0.12 represents a discount of 29.41% to the proforma consolidated NA per Share of RM0.17 as at 31 August 2020 under the Base Case Scenario.

The illustrative issue price of RM0.08 represents a discount of 33.33% to the proforma consolidated NA per Share of RM0.12 as at 31 August 2020 under the Maximum Scenario.

The illustrative issue price of RM0.03 represents a discount of 25.00% to the proforma consolidated NA per Share of RM0.04 as at 31 August 2020 under the No Consolidation Maximum Scenario

Although the Issue Price is at a deep discount to the consolidated NA per Share, the Issue Price is reasonable as there is no assurance that SCH will be able to realise the consolidated NA per Share at its full value, taking into consideration the illiquid nature of substantial amount of the Group's assets being capitalised in the form of property, plant and equipment as well as other non-current assets, which may not be readily realised and converted into cash or cash equivalents.

(c) Monthly closing prices of SCH Shares

The historical monthly closing prices of SCH Shares as traded on the ACE Market of Bursa Securities at the end of each of the calendar months from May to November, being the period commencing six (6) months before the date of the Announcement on 6 November 2020 and up to the LPD are set out as follows:

Month	Closing price at the end of each month (RM)
<u>2020</u>	
May	0.090
June	0.075
July	0.100
August	0.125
September	0.095
October	0.090
November	0.090
December	0.100
<u>2021</u>	
January (up to LPD)	0.100

Based on the analysis above, the Issue Price based on the illustrative issue prices is considered to be attractive for the subscription of the Rights Shares by the Entitled Shareholders and/or their renounee(s) and/or transferee(s) considering that it will be at a discount to the TERP of the SCH Shares as well as to the consolidated NA per SCH Share. The Entitled Shareholders and/or their renounee(s) and/or transferee(s) would need to incur cash outlay to subscribe for the Rights Shares, and thus are entitled for the discount stated above.

All Entitled Shareholders should note that the Proposed Rights Issue provides all shareholders of SCH with an equal opportunity to increase their equity participation in the Company at the same issue price and in proportion with their shareholdings in SCH at the Rights Issue Entitlement Date. Correspondingly, all Entitled Shareholders will have the same opportunity as Hextar.

Although Hextar will be able to increase its shareholding in SCH at a lower price compared to the closing market prices of SCH Shares for the past one (1) year up to the LTD, Hextar's shareholding in SCH will only increase in the event that there are remaining Rights Shares which are not fully subscribed for by the other Entitled Shareholders at their own discretion. Should all the remaining Rights Shares be subscribed for by the other Entitled Shareholders and/or their renounee(s) and/or transferee(s), the collective percentage shareholdings of Hextar and its PACs will remain unchanged.

Hence, the Proposed Exemption is only intended to ensure that the Proposed Rights Issue successfully raises the funding required by the Company for its intended utilisation as set out in Section 5 of Part A of this Circular and would not result in any dilution to shareholders unless they forego, renounce or sell their rights to their Proposed Rights Issue entitlements.

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Premised on the above, we are of the view that the issue price of the Rights Shares is justifiable in view of the following:

- (a) the entitlements to the Rights Shares are equitable and are fair and proportionate to all the Entitled Shareholders based on their shareholdings in SCH on the Rights Issue Entitlement Date;**
- (b) all the Entitled Shareholders have the right to subscribe for their respective entitlements to the Rights Shares at the same issue price;**
- (c) should the Entitled Shareholders choose not to subscribe for the Rights Shares, the Entitled Shareholders can trade their rights to the Rights Shares on the market, and as such, those that choose to renounce their entitlements to the Rights Shares can sell all or part of their rights to the Rights Shares in the market; and**
- (d) although the Proposed Exemption will allow Hextar to increase its shareholding in SCH via the subscription of the Rights Shares at a lower price compared to the closing market prices of SCH Shares for the past one (1) year up to the LTD, the collective percentage shareholdings of Hextar and its PACs will only increase if there are remaining Rights Shares which are not fully subscribed for by other Entitled Shareholders at their own discretion.**

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5.3 Effects of the Proposed Rights Issue and the Proposed Exemption

The Proposed Exemption, on a standalone basis, will not have any effect on the issued share capital, NA, NA per Share, gearing, substantial shareholders' shareholdings of the Company, earnings and EPS of the Group.

However, due to the inter-conditionality of the Proposed Rights Issue and the Proposed Exemption, we take note of the effects of the Proposed Rights Issue based on the Minimum Scenario, Base Case Scenario, Maximum Scenario and No Consolidation Maximum Scenario as set out in Section 6 of Part A of this Circular. The Proposed Exemption is essential to give certainty to achieve the Minimum Subscription Level for the Proposed Rights Issue, which will in turn affect SCH's issued share capital, substantial shareholders' shareholdings, NA, NA per Share, gearing, earnings and EPS of the Group.

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 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 renouncee(s) and/or transferee(s) fully subscribe for their respective entitlements under the Proposed Rights Issue at illustrative Issue Price of RM0.12 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 renouncee(s) and/or transferee(s) fully subscribe for their respective entitlements under the Proposed Rights Issue at the illustrative Issue Price of RM0.08 (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 differs from the 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 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 (floor price prior to the Proposed Share Consolidation) per Rights Share on the basis of 135 Rights Shares for every 20 existing SCH Shares.

5.3.1 Issued share capital

The increase in the share capital of SCH upon completion of the Proposed Rights Issue and the Proposed Exemption is as follows:

	Minimum Scenario		Base Case Scenario		Maximum Scenario		No Consolidation Maximum Scenario	
	No. of SCH Shares	RM	No. of SCH Shares	RM	No. of SCH Shares	RM	No. of SCH Shares	RM
Share capital as at the 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
After Proposed Share Consolidation	555,511,720	75,917,971	555,511,720	75,917,971	761,351,030	96,501,902	761,351,030	96,501,902
To be issued pursuant to the Proposed Rights Issue	185,170,573	75,917,971	185,170,573	75,917,971	253,783,676	96,501,902	761,351,030	96,501,902
After exercise of Warrants ⁽²⁾	293,750,002	22,500,000 ⁽¹⁾	925,852,865	110,102,344 ⁽¹⁾	1,903,377,570	151,270,206 ⁽¹⁾	5,139,119,452	153,173,584 ⁽¹⁾
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:

- (1) After deducting RM1.0 million estimated expenses for the Proposed Rights Issue.
- (2) After the adjustment to the number of unexercised Warrants in accordance with the provisions of the Deed Poll.

The share capital of SCH will increase from approximately RM75.92 million to approximately RM120.60, approximately RM206.90 million, approximately RM247.77 and approximately RM249.68 million under the Minimum Scenario, Base Case Scenario, Maximum Scenario and No Consolidation Maximum Scenario respectively.

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5.3.2 NA, NA per Share and gearing

We note from Section 6.3 of Part A of this Circular that the Proposed Rights Issue and the Proposed Exemption are expected to increase the Group's NA and reduce its gearing as follows:

NA and NA per SCH Share

(a) Minimum Scenario

	Audited as at 31 August 2020 (RM'000)	(I) After Proposed Share Consolidation (RM'000)	(II) After (I) and Proposed Rights Issue (RM'000)	(III) After (II) and exercise of Warrants ⁽³⁾ (RM'000)
Share capital	75,918	75,918	98,418 ⁽¹⁾	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 ⁽⁴⁾	58,432	58,432	46,432 ⁽²⁾	46,432
Gearing ratio (times)	0.75	0.75	0.46	0.38

Notes:

- (1) 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.
- (2) After the repayment of bank borrowings of RM12.0 million from the utilisation of proceeds.
- (3) After the adjustment to the number of unexercised Warrants. Please refer to Section 6.5, Part A of the Circular for further details.
- (4) Inclusive of hire purchase.

(b) Base Case Scenario

	(I)			(II)		(III)	
	Audited as at 31 August 2020 (RM'000)	After Proposed Share Consolidation (RM'000)	After (I) and Proposed Rights Issue (RM'000)	After (I) and Proposed Rights Issue (RM'000)	After (II) and exercise of Warrants ⁽³⁾ (RM'000)	After (II) and exercise of Warrants ⁽³⁾ (RM'000)	
Share capital	75,918	75,918	186,020 ⁽¹⁾	186,020 ⁽¹⁾	206,897		
Merger deficit	(23,859)	(23,859)	(23,859)	(23,859)	(23,859)		
Foreign currency translation reserve	(11)	(11)	(11)	(11)	(11)		
Retained earnings	25,932	25,932	25,932	25,932	25,932		
Total equity attributable to owners of SCH / NA	77,980	77,980	188,082	188,082	208,959		
Non-controlling interests	3,746	3,746	3,746	3,746	3,746		
TOTAL EQUITY	81,726	81,726	191,928	191,928	212,705		
Number of SCH Shares ('000)	555,512	185,171	1,111,024	1,111,024	1,241,501		
NA per SCH Share (RM)	0.14	0.42	0.17	0.17	0.17		
Total borrowings ⁽⁴⁾	58,432	58,432	24,932 ⁽²⁾	24,932 ⁽²⁾	24,932		
Gearing ratio (times)	0.75	0.75	0.13	0.13	0.12		

Notes:

- (1) 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.
- (2) After the repayment of bank borrowings of RM33.5 million from the utilisation of proceeds.
- (3) After the adjustment to the number of unexercised Warrants. Please refer to Section 6.5, Part A of the Circular for further details.
- (4) Inclusive of hire purchase.

(c) Maximum Scenario

	Audited as at	(I)	(II)	(III)
	31 August 2020 (RM'000)	After exercise of Warrants ⁽¹⁾ (RM'000)	After (I) and Proposed Share Consolidation (RM'000)	After (II) and Proposed Rights Issue (RM'000)
Share capital	75,918	96,502	96,502	247,772 ⁽²⁾
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 ⁽⁴⁾	58,432	58,432	58,432	24,932 ⁽³⁾
Gearing ratio (times)	0.75	0.59	0.59	0.10

Notes:

- (1) 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.
- (2) 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.
- (3) After the repayment of bank borrowings of RM33.5 million from the utilisation of proceeds.
- (4) Inclusive of hire purchase.

(d) No Consolidation Maximum Scenario

	Audited as at 31 August 2020 (RM'000)	(I) After exercise of Warrants ⁽¹⁾ (RM'000)	(III) After (II) and Proposed Rights Issue (RM'000)
Share capital	75,918	96,502	249,676 ⁽²⁾
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 ⁽⁴⁾	58,432	58,432	24,932 ⁽³⁾
Gearing ratio (times)	0.75	0.59	0.10

Notes:

- (1) 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.
- (2) 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.
- (3) After the repayment of bank borrowings of RM33.5 million from the utilisation of proceeds.
- (4) Inclusive of hire purchase.

The proforma NA will increase from RM77.98 million to RM122.66 million, RM208.96 million, RM249.83 million and RM251.74 million under the Minimum Scenario, Base Case Scenario, Maximum Scenario and No Consolidation Maximum Scenario respectively.

The proforma NA per Share will increase from RM0.14 to RM0.18 and RM0.17 under the Minimum Scenario and Base Case Scenario respectively. The improvement of the NA per Share under the Minimum Scenario and Base Case Scenario is mainly due to the Proposed Share Consolidation that is to be effected before the Proposed Rights Issue. The NA per Share will decrease to RM0.12 and RM0.04 under the Maximum Scenario and No Consolidation Maximum Scenario respectively mainly due to the dilution effect arising from the issuance of the Rights Shares after the completion of the Proposed Share Consolidation (where applicable) and Proposed Rights Issue.

The proforma gearing ratio as at 31 August 2020 will decrease from 0.75 times to 0.38 times (under the Minimum Scenario), 0.12 times (under the Base Case Scenario) and 0.10 times (under the Maximum Scenario and No Consolidation Maximum Scenario) upon completion of the Proposed Rights Issue. The improvement in gearing ratio is mainly attributable to the increase in shareholders' equity as a result of the issuance of the Rights Shares and partial repayment of bank borrowings from proceeds raised pursuant to the Proposed Rights Issue.

5.3.3 Earnings and EPS

The Proposed Rights Issue is expected to contribute positively to the Group's earnings by:

- (a) funding the purchase of direct materials and fertilisers for its fertilisers business, purchase of industrial products, heavy equipment and spare parts and payment for other operating expenses of the Group without sourcing funds through additional borrowings and incurring additional interest expense; and
- (b) reducing the debt of the Group and thereby reduce interest expense by approximately RM0.5 million per annum (under the Minimum Scenario) based on the interest rate of approximately 4.50% and RM1.5 million per annum (under the Base Case Scenario, Maximum Scenario and No Consolidation Maximum Scenario) based on the weighted average interest rate of approximately 4.38% as detailed in the Section 5 of Part A of this Circular.

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 Rights Shares issued and the level of returns to be generated from the utilisation of proceeds raised pursuant to the Proposed Rights Issue.

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The financial results of SCH Group for the FYE 31 August 2020 had recorded LAT of RM7.995 million. The proforma effects of the Proposed Rights Issue on the LAT and LPS of the Group based on the audited consolidated financial statements for the FYE 31 August 2020 assuming the Proposed Rights Issue had been completed on 1 September 2019 are set out below:

	Minimum Scenario	Base Case Scenario	Maximum Scenario	No Consolidation Maximum Scenario
LAT 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 ⁽¹⁾	540	1,468	1,468	1,468
Adjusted LAT	(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 ⁽²⁾	-
iii. After Proposed Rights Issue	478,921	1,111,023	2,157,161	5,900,470 ⁽²⁾
Basic/Dilutive LPS ⁽³⁾ (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:

- (1) 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.
- (2) After the exercise of the balance outstanding 205.8 million Warrants at the exercise price of RM0.10 each.
- (3) 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 proposed utilisation of proceeds are realised.

5.3.4 Substantial shareholders' shareholdings

The proforma effects of the Proposed Share Consolidation and the Proposed Rights Issue on the substantial shareholders' shareholdings are set out below:

Minimum Scenario

Substantial SCH Shareholders	As at LPD				(I) After Proposed Share Consolidation			
	Direct interest		Indirect interest		Direct interest		Indirect interest	
	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%
Dato' Ong	-	-	171,733,900	30.9 ⁽¹⁾	-	-	57,244,633	30.9 ⁽¹⁾
Dato' Ong Soon Ho	-	-	171,733,900	30.9 ⁽¹⁾	-	-	57,244,633	30.9 ⁽¹⁾
Hextar	171,733,900	30.9	-	-	57,244,633	30.9	-	-

Substantial SCH Shareholders	(II) After (I) and Proposed Rights Issue				(III) After (II) and Exercise of Warrants			
	Direct interest		Indirect interest		Direct interest		Indirect interest	
	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%
Dato' Ong	-	-	350,994,635	73.3 ⁽¹⁾	-	-	350,994,635	52.9 ⁽¹⁾
Dato' Ong Soon Ho	-	-	350,994,635	73.3 ⁽¹⁾	-	-	350,994,365	52.9 ⁽¹⁾
Hextar	350,994,635	73.3	-	-	350,994,635	52.9	-	-

Note:

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

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Base Case Scenario

Substantial SCH Shareholders	As at LPD				(I) After Proposed Share Consolidation			
	Direct interest		Indirect interest		Direct interest		Indirect interest	
	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%
Dato' Ong Soon Ho	-	-	171,733,900	30.9 ⁽¹⁾	-	-	57,244,633	30.9 ⁽¹⁾
Dato' Ong Soon Ho	-	-	171,733,900	30.9 ⁽¹⁾	-	-	57,244,633	30.9 ⁽¹⁾
Hexstar	171,733,900	30.9	-	-	57,244,633	30.9	-	-

Substantial SCH Shareholders	(II) After (I) and Proposed Rights Issue				(III) After (II) and Exercise of Warrants			
	Direct interest		Indirect interest		Direct interest		Indirect interest	
	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%
Dato' Ong Soon Ho	-	-	343,467,798	30.9	-	-	343,467,798	27.7
Dato' Ong Soon Ho	-	-	343,467,798	30.9	-	-	343,467,798	27.7
Hexstar	343,467,798	30.9	-	-	343,467,798	27.7	-	-

Note:

(1) Deemed interested for the Shares held by Hexstar pursuant to Section 8 of the Act.

In addition, for further illustration purposes, the potential maximum shareholdings of Hexstar and its PACs in the event the Rights Shares are not fully subscribed by the Entitled Shareholders and/or their renouncee(s) and/or transferee(s) based on their respective entitlements under the Proposed Rights Issue are as follows:

- (a) Assuming only Hexstar subscribes for the Rights Shares, Hexstar 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%. Hexstar is unable to subscribe up to the full RM80.0 million pursuant to the Undertakings as it is limited by the Public Spread Requirement; or
- (b) Assuming only 13.3% (123 million Rights Shares) of the Rights Shares are subscribed by the public shareholders, Hexstar will be obliged to subscribe approximately RM80.0 million worth of the Rights Shares pursuant to the Undertakings which would result in its shareholdings to be approximately 74.3%. As a result, Dato' Ong and Dato' Ong Soon Ho's indirect shareholdings will also be 74.3%. Under this assumed scenario, the Company will still be in compliance with the Public Spread Requirement.

Maximum Scenario

Substantial SCH Shareholders	As at LPD				(I) After Exercise of Warrants			
	Direct interest		Indirect interest		Direct interest		Indirect interest	
	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%
Dato' Ong Soon Ho	-	-	171,733,900	30.9 ⁽¹⁾	-	-	171,733,900	22.6 ⁽¹⁾
Dato' Ong Soon Ho	-	-	171,733,900	30.9 ⁽¹⁾	-	-	171,733,900	22.6 ⁽¹⁾
Hextar	171,733,900	30.9	-	-	171,733,900	22.6	-	-

Substantial SCH Shareholders	(II) After (I) and Proposed Share Consolidation				(III) After (II) and Proposed Rights Issue			
	Direct interest		Indirect interest		Direct interest		Indirect interest	
	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%
Dato' Ong Soon Ho	-	-	57,244,633	22.6 ⁽¹⁾	-	-	486,579,380	22.6 ⁽¹⁾
Dato' Ong Soon Ho	-	-	57,244,633	22.6 ⁽¹⁾	-	-	486,579,380	22.6 ⁽¹⁾
Hextar	57,244,633	22.6	-	-	486,579,380	22.6	-	-

Note:

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

In addition, for further illustration purposes, the potential maximum shareholdings of Hextar and its PACs in the event the Rights Shares are not fully subscribed by the Entitled Shareholders and/or their renouncee(s) and/or transferee(s) based on their respective entitlements under the Proposed Rights Issue are as follows:

- (a) Assuming only Hextar subscribes 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; or
- (b) Assuming only 8.7% (166 million Rights Shares) of the Rights Shares are subscribed by the public shareholders, Hextar will be obliged to subscribe approximately RM80.0 million worth of the Rights Shares pursuant to the Undertakings which would result in its shareholdings to be approximately 74.5%. As a result, Dato' Ong and Dato' Ong Soon Ho's indirect shareholdings will also be 74.5%. Under this assumed scenario, the Company will still be in compliance with the Public Spread Requirement.

No Consolidation Maximum Scenario

Substantial SCH Shareholder	As at LPD				(I) After Exercise of Warrants			
	Direct Interest		Indirect Interest		Direct Interest		Indirect Interest	
	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%
Dato' Ong Soon Ho	-	-	171,733,900	30.9 ⁽¹⁾	-	-	171,733,900	22.6 ⁽¹⁾
Dato' Ong Soon Ho	-	-	171,733,900	30.9 ⁽¹⁾	-	-	171,733,900	22.6 ⁽¹⁾
Hextar	171,733,900	30.9	-	-	171,733,900	22.6	-	-

Substantial SCH Shareholders	(II) After (I) and Proposed Rights Issue			
	Direct interest		Indirect interest	
	No. of Shares '000	%	No. of Shares '000	%
Dato' Ong Soon Ho	-	-	1,330,937,725	22.6 ⁽¹⁾
Dato' Ong Soon Ho	-	-	1,330,937,725	22.6 ⁽¹⁾
Hextar	1,330,937,725	22.6	-	-

Note:

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

In addition, for further illustration purposes, the potential maximum shareholdings of Hextar and its PACs in the event the Rights Shares are not fully subscribed by the Entitled Shareholders and/or their renouncee(s) and/or transferee(s) based on their respective entitlements under the Proposed Rights Issue are as follows:

- (a) Assuming only Hextar subscribes 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; or
- (b) Assuming only 7.5% (390 million Rights Shares) of the Rights Shares are subscribed by the public shareholders, Hextar will be obliged to subscribe approximately RM80.0 million worth of the Rights Shares pursuant to the Undertakings which would result in its shareholdings to be approximately 74.3%. As a result, Dato' Ong and Dato' Ong Soon Ho's indirect shareholdings will also be 74.3%. Under this assumed scenario, the Company will still be in compliance with the Public Spread Requirement.

If all Entitled Shareholders subscribe for their respective entitlements under the Proposed Rights Issue, the Proposed Rights Issue will not have any effect on the substantial shareholders' percentage shareholdings in SCH as the Rights Shares will be allotted on a pro-rata basis to all Entitled Shareholders. However, in the event certain Entitled Shareholders do not subscribe for their respective entitlements under the Proposed Rights Issue, their shareholdings in the Company will be diluted accordingly pursuant to the Undertakings

The shareholdings of Hextar in such instance could increase up to approximately 75.0% (as disclosed in Section 2.3 of Part A of this Circular) depending on the subscription rate of the Rights Shares by the other Entitled Shareholders and/or their renounee(s) and/or transferee(s) upon the completion of the Proposed Rights Issue and the SC approves the application in relation to the Proposed Exemption.

Should you decide not to subscribe for your entitlements pursuant to the Proposed Rights Issue, your existing percentage shareholdings will be diluted. Accordingly, your collective shareholding could potentially decrease from approximately 69.1% to 25.0% of the enlarged issued share capital upon completion of the Proposed Rights Issue.

Notwithstanding the dilution in the NA per Share and EPS pursuant to the Proposed Rights Issue, it is pertinent to note that the entitlements for the Proposed Rights Issue are allotted on a proportionate basis in accordance to the respective shareholdings of the Entitled Shareholders on the Rights Issue Entitlement Date.

5.3.5 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.

Please refer to Section 6.5 of Part A of this Circular for the illustration on the adjustments to the exercise price and/or number of Warrants which are not exercised prior to the Share Consolidation Entitlement Date and/or the Rights Issue Entitlement Date.

Malacca Securities' comments

In summary, the effects of the Proposed Rights Issue on the issued share capital, NA, NA per SCH Share, gearing, substantial shareholders' shareholdings of the Company, earnings and EPS of the Group are justifiable to the non-interested shareholders of SCH.

The adjustments to the exercise price and/or number of Warrants which are not exercised prior to the Share Consolidation Entitlement Date and/or the Rights Issue Entitlement Date are in accordance to the adjustment clauses as provided in the Deed Poll.

Nonetheless, non-interested shareholders of SCH should take note that should you choose not to subscribe for the Rights Shares, your existing shareholdings percentage would be diluted accordingly.

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5.4 Industry overview and prospects of the Group

We note the industry overview and prospects of the Group as set out in Section 4 of Part A of this Circular.

Malacca Securities' comments

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 of 2020. 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. For the year 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.

Our comments in relation to the respective business segments of SCH Group are as follows:

(a) Fertilisers business segment

We noted that SCH had diversified into the fertilisers business in the year 2018 via its acquisition of PK Fertilisers (Sarawak) Sdn Bhd and the fertilisers segment had become the main contributor to SCH Group's revenue, contributing approximately 67.3% to SCH Group's total revenue for the FYE 31 August 2020.

According to Bank Negara Malaysia's ("**BNM**") 3rd quarter bulletin report, the agriculture sector (where the fertilisers business is heavily dependent on) recorded a contraction of only 0.7% (2Q 2020: 1.0%), mainly due to the slower growth in the oil palm sub-sector amid labour shortages, which affected harvesting activities during the quarter. We noted that in view of the anticipated recovery of the agriculture sector in 2021, Smith Zander forecasts the demand for fertilisers to have increased by 5.69% from RM4.92 billion in 2020 to RM5.20 billion in 2021.

We noted that SCH Group plans to expand its fertilisers business in Sarawak and venture into Peninsular Malaysia as the first phase, followed by the market in Sabah. We note that SCH intends to undertake the following approaches to expand its fertilisers business as follows:

- (i) SCH Group plans to hire additional sales personnel to expand the sales and marketing coverage for its existing market in Sarawak;
- (ii) In order to improve productivity, capacity and efficiency of the manufacturing lines at its Bintulu plant for its compacting, mixing and straight fertilisers for sales in Sarawak market, SCH is reconstructing its compacting lines. Upon the completion of the said Reconstruction, the compacting capacity per annum is expected to increase to approximately 75,000 MT (from the existing capacity of approximately 65,000 MT). The financial resources required for the Reconstruction estimated at RM0.24 million is expected to be funded from internally generated funds;
- (iii) For the proposed expansion in Peninsular Malaysia and Sabah, SCH Group plans to engage in trading of fertilisers instead of constructing a new processing plant as this will be more cost effective in view of Peninsular Malaysia and Sabah are new markets for SCH Group. SCH Group plans to set up a new sales team and sales office in Peninsular Malaysia;

- (iv) SCH will create awareness for its products and establish good relationships with its customers by organising farmer's gatherings from time to time and provide agriculture advisory services to small and medium size plantations. SCH Group will also strive to maintain good relationships with its suppliers to further strengthen its supply chain;
- (v) Depending on the proceeds to be raised from the Proposed Rights Issue, SCH Group envisages that its fertilisers segment expansion plan would take approximately 2 years from the completion of the Proposed Rights Issue. The proceeds from the Proposed Rights Issue will be mainly used to purchase direct materials and fertilisers for trading purposes; and
- (vi) 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. 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 estimated to be RM8.0 million is expected to be funded from internally generated funds or borrowings.

(b) Heavy equipment business segment

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.

We note that 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.

In view thereof, Smith Zander notes that 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:

- (i) resumption of mining and quarrying activities driven by infrastructure development such as the construction of LRT 3, Bandar Malaysia mixed development project, Mass Rapid Transit Line 2 and ECRL, Pan Borneo Highway, Gemas-Johor Bahru Electrified Double Tracking Project and Klang Valley Double Tracking due to the products from quarries and mines are commonly used as building materials in the construction industry;

- (ii) overall growth in the construction sector driven by the anticipated recovery in construction activities whereby Smith Zander forecasts Malaysia's value of construction work done to increase by 7.25% from RM119.47 billion in year 2020 to RM128.13 billion in year 2021 supported by the various measures introduced by the Government through the PENJANA Short-Term Recovery Plan and Budget 2021; and
- (iii) the resumption of manufacturing activities once the impact of COVID-19 subsides or when economic conditions recover as the manufacturing industry is supported by 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.

Therefore, despite the decline in imports of heavy equipment due to current circumstances, SCH Group expects demand for its heavy equipment and spare parts supplies for the construction and quarry industries to also improve as local infrastructure development progress as well as the reintroduction of the Home Ownership Campaign which may support demand for construction activities.

(c) Trading of industrial products business segment

We noted that the unprecedented COVID-19 pandemic has greatly affected SCH Group's equipment rental business as organisers had to postpone or cancel events due to the constraint on the movement of people and strict standards of operating procedure amid the COVID-19 pandemic. Nevertheless, to mitigate the risks that are associated with the equipment rental business that has declined, we noted that SCH Group ventured into the trading of industrial batteries and its related products/peripherals that are used in data centres, telecommunications infrastructure and solar power plants.

We noted that 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. Smith Zander notes that the demand for industrial batteries from the data centre industry, telecommunications industry and renewable solar energy is expected to be driven by technology advancements of lithium-ion batteries and the growth and development of end-user industries. As such, SCH Group plans to expand its market reach, to amongst others, telecommunication and power supply companies in Malaysia and to the Southeast Asia market.

We noted that SCH Group is currently supplying industrial batteries to telecommunication and power supply companies in Sarawak, Indonesia and Thailand. 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 providers) 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 plans to supply lithium-ion batteries as SCH Group has noted the increasing trend in the usage of lithium-ion batteries. Currently, SCH Group is engaged in the trading of 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, UPS system, and load banks in addition to solar panel.

We noted that 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 main financial resources required for the expansion is for the purchase of industrial batteries and related products/peripherals, the funding of which is to be from the proceeds of the Proposed Rights Issue. It is envisaged to represent 70% of the rights proceeds allocated for the purchase of industrial products, heavy equipment and spare parts.

We note that the Government of Malaysia has recently introduced the MCO2.0 which had commenced on 13 January 2021, whereby the impact of MCO 2.0 on the financial performance of SCH is still uncertain and will be dependent on the duration of the MCO 2.0. However, SCH's expansion plan in particular for the fertilisers and industrial products business segments will take approximately 2 years from the completion of the Proposed Rights Issue. Based on the foregoing, we concur with the Board's view that SCH Group's strategy to focus on its core fertilisers business, whilst at the same time expanding its trading of industrial products business, should augur well for the prospects of SCH Group in the long term.

As such, we are of the view that the prospects of the Group are expected to be positive.

5.5 Implications of the Proposed Exemption

You should note that the SC will only consider the application for the Proposed Exemption if Hextar and its PACs have satisfied amongst others, the following conditions pursuant to Paragraph 4.08(2) of the Rules:

- (a) there has been no acquisition of shares or instruments convertible into shares and options in respect of shares (other than subscriptions for new shares or new instruments convertible into or options in respect of new shares which have been disclosed in the whitewash circular) by Hextar and its PACs during the 6-month period prior to 6 November 2020, being the date of the Announcement ("**Disqualifying Transaction**") but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors of the Company in relation to the Proposed Rights Issue until completion of the subscription; and
- (b) approval has been obtained from independent holders of voting shares or voting rights of SCH at a meeting of the holders of the relevant class of voting shares or voting rights to waive their rights to receive the Mandatory Offer from Hextar and its PACs. The voting at the meeting shall be conducted by way of a poll.

Any exemption granted will be invalidated if Hextar and its PACs have engaged or engage in a Disqualifying Transaction.

The implications of your voting outcome on the ordinary resolution to give effect to the Proposed Exemption to be tabled at the forthcoming EGM are set out in the ensuing sections.

5.5.1 If you VOTE IN FAVOUR of the Proposed Exemption

Should you vote in favour of the Proposed Exemption and the Proposed Rights Issue and the Proposed Exemption are approved at the forthcoming EGM, the SC would be able to consider the application for the Proposed Exemption. The approval from the SC for the Proposed Exemption would then exempt Hextar and its PACs from the obligation to undertake the Mandatory Offer upon completion of the Proposed Rights Issue.

The Company has obtained the Undertakings from Hextar. Pursuant to the Undertakings, Hextar has provided irrevocable and unconditional undertakings for the following:

- (a) to subscribe for its Entitlement Undertaking based on its shareholding on the Rights Issue Entitlement Date. Hextar has also undertaken to ensure that its shareholding in the Company on the Rights Issue Entitlement Date shall not be less than its shareholding of 171,333,900 SCH Shares;

- (b) to apply for Additional Undertaking, subject always that the total amount subscribed by Hextar under the Entitlement Undertaking and Additional Undertaking shall be RM80 million; and
- (c) the subscription obligations under the Entitlement Undertaking and Additional Undertaking are subject to:
 - (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 shareholding 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 amount of Undertakings to be fulfilled by Hextar and the 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 are as illustrated in Section 1 of this IAL.

Hextar's subscription level pursuant to the Undertakings is dependent on the public shareholding spread upon subscription of the Rights Shares. Therefore, 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 approximately 75.0 % as the subscription by Hextar pursuant to the Undertakings cannot result in SCH not in compliance with the Public Spread Requirement.

Conversely, your collective shareholding could potentially be diluted from approximately 69.1% to approximately 25.0%. You should note that these maximum potential holdings of Hextar and its PACs as indicated above are purely illustrative and may not materialise.

Your approval of the Proposed Exemption will imply that you have agreed to waive your rights by exempting Hextar and its PACs from the obligation to undertake the Mandatory Offer (which shall not be lower than the highest price paid by Hextar and its PACs for SCH Shares in the past 6-month period before the incurrance of such obligation to undertake the Mandatory Offer).

Voting in favour of the Proposed Exemption does not in any way impede your rights to participate in the Proposed Rights Issue. However, should you decide not to subscribe for your entitlement under the Proposed Rights Issue, your percentage shareholdings in SCH will be diluted accordingly.

Should the exemption be granted and Hextar increases its shareholding in SCH from 30.9% to more than 50.0%, Hextar (individually and together with its PACs) will be able to increase its shareholdings in SCH without incurring an obligation to make a mandatory take-over offer after completion of the Proposed Rights Issue. However, the PACs of Hextar would still incur a mandatory take-over offer obligation pursuant to the Rules if either one of them increase their individual shareholdings in SCH to 33% or more, unless an exemption is granted by the SC.

The Issue Price to be determined by the Board will represent the discount ranging from 10.0% to 30.0% to the TERP of SCH Shares based on the 5-market day VWAMP of SCH Shares preceding the price fixing date, subject to the Floor Price of RM0.08 (after the implementation of the Proposed Share Consolidation) or RM0.03 (floor price if the Proposed Share Consolidation is not implemented).

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In relation to the discount over the NA per SCH Share, the table below sets out the discounts to the proforma NA per SCH Share as at 31 August 2020 after the Proposed Rights Issue:

	NA per SCH Share (RM)	Discounts of the illustrative issue prices to the NA per SCH Share	
		(RM)	(%)
Minimum Scenario (issue price of RM0.08)	⁽¹⁾ 0.18	(0.10)	(55.56)
Base Case Scenario (issue price of RM0.12)	⁽¹⁾ 0.17	(0.05)	(29.41)
Maximum Scenario (issue price of RM0.08)	⁽²⁾ 0.12	(0.04)	(33.33)
No Consolidation Maximum Scenario (issue price of RM0.03)	⁽³⁾ 0.04	(0.01)	(25.00)

Notes:

- (1) *The proforma NA per SCH Share upon completion of the Proposed Share Consolidation, Proposed Rights Issue and the exercise of Warrants which include the adjustment to the number of unexercised Warrants in accordance with the provisions of the Deed Poll after completion of the Proposed Share Consolidation and the Proposed Rights Issue.*
- (2) *The proforma NA per SCH Share upon completion of the Proposed Share Consolidation and Proposed Rights Issue assuming the Warrants are exercised prior to the Rights Issue Entitlement Date.*
- (3) *The proforma NA per SCH Share upon completion of the Proposed Rights Issue assuming the Warrants are exercised prior to the Rights Issue Entitlement Date.*

This would mean that Hextar and its PACs may increase control or obtain control over the Company at a discount to:

- (a) the TERP of SCH Shares based on 5-market day VWAMP of SCH Shares preceding the price-fixing date, subject to the Floor Price of RM0.08 (after the implementation of the Proposed Share Consolidation) or RM0.03 (floor price if the Proposed Share Consolidation is not implemented); and
- (b) the proforma NA per SCH Share ranging from 25.00% to 55.56% based on the scenarios as set out in the table above.

If the collective shareholding of Hextar and its PACs is more than 50% upon completion of the Proposed Rights Issue, Hextar and its PACs collectively will have statutory control over SCH and as such, will be able to determine the outcome of ordinary resolutions, which require a simple majority of 50% plus 1 share and significantly influence the outcome of special resolutions (unless Hextar and its PACs are required to abstain from voting).

In view of the conditionality of the Proposed Rights Issue and the Proposed Exemption as set out in Section 8 of Part A of this Circular, without the Proposed Exemption, the Proposed Rights Issue will not be implemented. Therefore, voting in favour of the Proposed Exemption will enable the Company to potentially benefit from the Proposed Rights Issue (if the Proposed Rights Issue is approved by you as Hextar and its PACs will abstain from voting on the resolutions of the Proposed Rights Issue and the Proposed Exemption).

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5.5.2 If you VOTE AGAINST the Proposed Exemption

In the event that you vote against the Proposed Exemption and the Proposed Exemption is not approved at the forthcoming EGM, the SC would not be able to consider the application by Hextar and its PACs for the Proposed Exemption.

The Proposed Rights Issue will not be implemented due to the inter-conditionality with the Proposed Exemption. Consequently, SCH would not be able to raise funds from the Proposed Rights Issue and also would not be able to realise the potential benefits arising therefrom. Hence, the Board will have to deliberate on other possible alternatives including new borrowings to raise funds to purchase direct materials and fertilisers for its fertilisers business, industrial products, heavy equipment and spare parts and payment for other operating expenses of the Group.

6. DIRECTORS' INTENTION TO VOTE

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.

The directors of SCH, namely Dato' Chan Choun Sien, Wong Kin Seng, Gan Khong Aik and Sim Yee Fuan 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.

The respective director's shareholdings in SCH are as disclosed in Section 4 of Attachment I of this IAL.

7. FUTURE PLANS FOR SCH GROUP AND ITS EMPLOYEES

Pursuant to Paragraph 8, Schedule 2 Part II of the Rules, Hextar and its PACs have confirmed that they do not intend to effect any major change to the following:

- (a) the continuation of the business of SCH Group;
- (b) the business of SCH Group, including plans to liquidate any of the companies within SCH Group, dispose of or re-deploy any fixed assets of SCH Group or make any major change in the business of SCH Group; and
- (c) the continued employment of the employees of SCH Group,

except where such changes are in the ordinary course of SCH Group's business or are necessary to rationalise or improve SCH Group's operations. Hextar and its PACs shall retain the flexibility at any time to consider any options which are in the best interest of SCH Group and that will further improve the efficiency of the operations of SCH Group.

As at the LPD, there has not been, within the knowledge of Hextar and its PACs, any material change in the financial position or prospects of the Group since 31 August 2020, being the latest audited financial statements of SCH Group.

8. DIRECTORS' RESPONSIBILITY STATEMENT

This IAL has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of all information stated in this IAL. The Board, after having made all reasonable enquiries and to the best of their knowledge and belief, confirms the following:

- (a) no statement and/or information in this IAL is incomplete, false, misleading or inaccurate;
- (b) there are no other facts and/or information, the omission of which would make any statement or information in this IAL incomplete, inaccurate, false or misleading; and
- (c) all material facts and/or information relevant to this IAL, including those required under the Rules, have been accurately and completely disclosed in this IAL.

All information relating to Hextar and its PACs were provided by Hextar and its PACs respectively. The responsibility of the Board in relation to the information on Hextar and its PACs is therefore limited to ensure that the information thereon is accurately reproduced in this IAL.

In relation to the independent advice and opinion of Malacca Securities in relation to the Proposed Exemption as contained in this IAL, the Board's responsibility is limited to the accuracy of the information given to Malacca Securities in relation to SCH for Malacca Securities' evaluation of the Proposed Exemption. The Board has confirmed that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no other facts and/or information, the omission of which would make any information provided to Malacca Securities incomplete, inaccurate, false or misleading.

9. FURTHER INFORMATION

We advise you to refer to the attachments of this IAL, the letter to SCH Shareholders in Part A of this Circular as well as the attached appendices for any other relevant information.

10. CONCLUSION AND RECOMMENDATION

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposed Exemption on a holistic approach in accordance with Paragraphs 8 to 10 of Schedule 2, Part III of the Rules and also taken the relevant factors into consideration as discussed in Section 5 of this IAL. Non-Interested Shareholders should carefully consider the merits and demerits of the Proposed Rights Issue and the Proposed Exemption based on all relevant factors and considerations as set out in this IAL and the letter to SCH Shareholders in Part A of this Circular, prior to making a decision on whether to vote in favour or against the Proposed Exemption.

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We have taken into consideration various factors discussed in this IAL of which the advantages and disadvantages of the Proposed Exemption, if granted, are summarised as below:

Advantages	
(a)	<p>The Proposed Rights Issue will enable SCH to raise funds via equity capital and is expected to contribute positively to the Group's earnings by:</p> <ul style="list-style-type: none"> (i) funding the purchase of direct materials and fertilisers for its fertilisers business, purchase of industrial products, heavy equipment and spare parts and payment for other operating expenses of the Group without sourcing funds through additional borrowings and incurring additional interest expense; and (ii) reducing the debt of the Group and thereby reduce interest expense by approximately RM0.5 million per annum (under the Minimum Scenario) and RM1.5 million per annum (under the Base Case Scenario and Maximum Scenario). <p>The funds used for the abovementioned purposes to expand its fertilisers, industrial products, and heavy equipment business segments and the partial repayment of bank borrowings is expected to contribute positively to the financial performance of the Group which will be pivotal to its potential recovery and growth.</p> <p>The Proposed Rights Issue represents an opportunity for all Entitled Shareholders to further increase their equity participation in the Group's future growth and prospects at a discount ranging from 10.0% to 30.0% to the TERP of SCH Shares (subject to the Floor Price of RM0.08 (after the implementation of the Proposed Share Consolidation) or RM0.03 (floor price if the Proposed Share Consolidation is not implemented) based on the 5-days VWAMP prior to the price fixing date on a pro-rata basis and without diluting the shareholders' percentage shareholdings in SCH (provided that all Entitled Shareholders subscribe in full for their respective entitlements).</p>
(b)	<p>The WACC of the Group will be lower at 3.46% under the Equity Scenario compared against 3.65% under the Debt Scenario. The gearing of the Group will also be significantly lower at 0.11 times under the Equity Scenario as compared to 1.83 times under the Debt Scenario.</p>
(c)	<p>The Proposed Rights Issue will enable the Group to strengthen its financial position and capital base due to the increase in the Group's NA and the improvement in gearing pursuant to the partial repayment of bank borrowings and the increase in shareholders' equity as a result of the issuance of the Rights Shares. This is expected to improve the credit rating and debt capacity of the Group, which in turn would provide the Group with financial flexibility in the event the Group intends to source for additional funds and/or gear up in the future to fund the purchase of direct materials for its businesses and/or any potential investment opportunities which may arise.</p>
(d)	<p>Hextar and its PACs are currently the largest shareholder group of SCH with an equity interest of approximately 30.9% collectively. The support from Hextar via the Undertakings demonstrates its continued interest and commitment in SCH. Further, such support provides certainty to SCH in raising the necessary funding via the Proposed Rights Issue. Due to the inter-conditionality of the Proposed Rights Issue and the Proposed Exemption, the Proposed Exemption will ensure the implementation of the Proposed Rights Issue.</p>

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Disadvantages	
(a)	<p>Should you decide not to subscribe for your entitlements pursuant to the Proposed Rights Issue, your percentage shareholdings will be diluted accordingly. Depending on the eventual subscription rate of the Rights Shares by you, the collective shareholding of Hextar and its PACs in SCH could potentially increase from approximately 30.9% to approximately 75.0% and conversely, your collective shareholding could potentially be diluted from approximately 69.1% to approximately 25.0%. You should note that these maximum potential holdings of Hextar and its PACs as indicated above are purely illustrative and may not materialise.</p> <p>If the collective shareholding of Hextar and its PACs is more than 50% upon completion of the Proposed Rights Issue, Hextar and its PACs collectively will have statutory control over SCH and as such, will be able to determine the outcome of ordinary resolutions, which require a simple majority of 50% plus 1 share and significantly influence the outcome of special resolutions (unless Hextar and its PACs are required to abstain from voting).</p>
(b)	<p>The Proposed Exemption could potentially allow Hextar and its PACs to increase control or obtain control in SCH without a premium being paid to you as the Issue Price will be issued at a discount ranging from 10.0% to 30.0% to the TERP of SCH Shares based on the 5-market day VWAMP of SCH Shares preceding the price fixing date, subject to the Floor Price of RM0.08 (after the implementation of the Proposed Share Consolidation) or RM0.03 (floor price if the Proposed Share Consolidation is not implemented).</p>
(c)	<p>The Proposed Rights Issue will result in the following:</p> <ul style="list-style-type: none"> (i) a 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 Rights Shares issued and the level of returns to be generated from the utilisation of proceeds raised pursuant to the Proposed Rights Issue. SCH Group had recorded LAT of RM7.995 million for the FYE 31 August 2020 or a basic LPS of 1.44 sen. After the Proposals, the basic LPS of 1.44 sen will be diluted to a proforma LPS of 0.59 sen (under the Base Case Scenario), 0.30 sen (under the Maximum Scenario) and 0.11 sen (under the No Consolidation Maximum Scenario); and (ii) assuming the issue price is RM0.08 per Rights Share (under the Maximum Scenario) and RM0.03 per Rights Share (under the No Consolidation Maximum Scenario), the proforma NA per Share will decrease from RM0.14 to RM0.12 and RM0.04 under the Maximum Scenario and No Consolidation Maximum Scenario respectively mainly, due to the dilution effect arising from the issuance of the Rights Shares.

Premised on the factors discussed above and our evaluation of the Proposed Exemption based on the information available to us, we are of the view that the Proposed Exemption is **fair and reasonable**.

Accordingly, we recommend you **VOTE IN FAVOUR** of the ordinary resolution pertaining to the Proposed Exemption to be tabled at the forthcoming EGM.

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However, you should take note that should you decide not to subscribe for the Rights Shares, your percentage shareholdings in the Company will be diluted accordingly. The dilutive effect on your collective shareholding from approximately 69.1% to approximately 25.0% as stated in Section 5.5.1 of this IAL would cause a transfer of value in the form of Rights Shares as follows:

- (a) discount ranging from 10.0% to 30.0% to the TERP of SCH Shares based on the 5-market day VWAMP of SCH Shares preceding the price fixing date, subject to the Floor Price of RM0.08 (after the implementation of the Proposed Share Consolidation) or RM0.03 (floor price if the Proposed Share Consolidation is not implemented). 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; and
- (b) based on the illustrative issue prices of RM0.08 (under the Minimum and Maximum Scenarios), RM0.12 (under the Base Case Scenario) and RM0.03 (under the No Consolidation Maximum Scenario) per Rights Share, the issue prices represent a discount of 55.56% to the proforma consolidated NA per Share of RM0.18 (under the Minimum Scenario), a discount of 29.41% to the proforma NA per Share of RM0.17 (under the Base Case Scenario), a discount of 33.33% to the proforma NA per Share of RM0.12 (under the Maximum Scenario) and a discount of 25.0% to the proforma NA per Share of RM0.04 (under the No Consolidation Maximum Scenario) at 31 August 2020,

from the non-participating shareholders to the participating shareholders. This is detrimental to the interest of shareholders who do not subscribe for the Rights Shares. Entitled Shareholders who do not take up the Rights Shares will have the opportunity to sell the rights entitlements in the market. However, there is no assurance that the market price of the rights entitlements will trade at least at the intrinsic value of the rights.

The directors of SCH, namely Dato' Chan Choun Sien, Wong Kin Seng, Gan Khong Aik and Sim Yee Fuan 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.

We have not taken into consideration any specific investment objectives, financial situations, risk profile or particular need required by you. We recommend that if you require an advice in relation to the Proposed Exemption in the context of your investment objectives, financial situations, risk profile or particular needs, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

YOU ARE ADVISED TO READ BOTH THIS IAL AND ITS ATTACHMENTS AND THE LETTER TO SCH SHAREHOLDERS IN PART A OF THIS CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES AND CAREFULLY CONSIDER THE RECOMMENDATIONS CONTAINED HEREIN BEFORE VOTING ON THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED EXEMPTION TO BE TABLED AT THE FORTHCOMING EGM.

Yours faithfully,
For and on behalf of
MALACCA SECURITIES SDN. BHD.

TAN KOK TIAM
Head
Corporate Finance

YAP SIEW THEE
Vice President
Corporate Finance

INFORMATION ON SCH**1. HISTORY AND PRINCIPAL ACTIVITIES**

SCH was incorporated in Malaysia on 22 December 2011 under the Companies Act 1965 as a public company under the name of SCH Group Berhad and is deemed registered under the Act. The Company was then listed on the ACE Market of Bursa Securities on 13 February 2014.

On 11 December 2020, the Company proposes to change its name to “Hextar Industries Berhad” (“**Proposed Change of Name**”). The Proposed Change of Name is subject to the approval being obtained from the shareholders of the Company at the 9th Annual General Meeting to be held on 26 February 2021.

The principal activity of the Company is that of investment holding. Through its subsidiaries, SCH was initially involved in quarry equipment business. On 6 July 2018, the shareholders of SCH approve the diversification of the existing business of SCH to include event equipment supply business and fertilisers business segment.

Please refer to Section 5 for the principal activities of the subsidiary companies of SCH.

2. SHARE CAPITAL**2.1 Issued share capital**

As at the LPD, the issued share capital of SCH is as follows:

	No. of SCH Shares	Total (RM)
Issued share capital	555,511,720	75,917,971

As at the LPD, there is only one (1) class of shares in SCH (i.e. the SCH Shares). All the SCH Shares rank pari passu in terms of voting rights and entitlements to any dividends, rights, allotments and/or distributions which may be declared, made or paid to shareholders.

2.2 Changes in the issued share capital

There were no changes in the issued share capital of SCH since the end of the last FYE 31 August 2020 up to the LPD.

2.3 Convertible securities

As at the LPD, SCH has 205,839,310 outstanding Warrants which were issued on 5 December 2016 and expiring on 4 December 2021, the date which falls on the day before the 5th anniversary of the issue date of the Warrants.

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INFORMATION ON SCH (Cont'd)

3. SUBSTANTIAL SHAREHOLDERS AND WARRANTHOLDERS**(a) Substantial shareholders**

As at the LPD, the substantial shareholders of SCH are set out below:

Name of substantial shareholder	Direct		Indirect	
	No. of SCH Shares	% ⁽¹⁾	No. of SCH Shares	% ⁽¹⁾
Hextar	171,733,900	30.91	-	-
Dato' Ong	-	-	171,733,900 ⁽²⁾	30.91
Dato' Ong Soon Ho	-	-	171,733,900 ⁽²⁾	30.91

Notes:

(1) Based on the total issued share capital of SCH as at the LPD amounting to 555,511,720 SCH Shares.

(2) Deemed interested by virtue of his interests in Hextar pursuant to Section 8 of the Act.

(b) Substantial warrantholders

As at the LPD, the substantial warrantholders of SCH are set out below:

Name of substantial shareholder	Direct		Indirect	
	No. of Warrants	% ⁽¹⁾	No. of Warrants	% ⁽¹⁾
Thianjing Holdings Sdn Bhd	21,581,900	10.48	-	-

Note:

(1) Based on the total outstanding 205,839,310 Warrants as at the LPD.

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INFORMATION ON SCH (Cont'd)

4. DIRECTORS

As at the LPD, the particulars of the Directors of SCH and their respective shareholdings in SCH are set out below:

Name of Director	Nationality	Description	Address	SCH Shares		Warrants	
				Direct	Indirect	Direct	Indirect
				No. of SCH Shares (%) ⁽¹⁾	No. of SCH Shares (%) ⁽¹⁾	No. of Warrants (%) ⁽²⁾	No. of Warrants (%) ⁽²⁾
Dato' Chan Choun Sien	Malaysian	Independent Non-Executive Chairman	No.107, Jalan SS22/32, Damansara Jaya, 47400 Petaling Jaya, Selangor	400,000	0.07	-	-
Ang Sui Aik	Malaysian	Group Managing Director	174-1-4 Kiara Park, Taman Tun Dr Ismail, 6000 Kuala Lumpur	-	-	-	-
Wong Kin Seng	Malaysian	Executive Director	No.44, Jalan 6/155A, Bukit Jalil Golf & Country Club, 57000 Kuala Lumpur	20,450,083	3.68	-	-
Dato' Ong	Malaysian	Non-Independent Non-Executive Director	31, Jalan TR 2/1, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor	-	171,733,900 ⁽³⁾	30.91	-
Ms Ong	Malaysian	Non-Independent Non-Executive Director	No. 68 Jalan TR 9/2, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor	-	-	-	-
Gan Khong Aik	Malaysian	Independent Non-Executive Director	8, Jalan Shahbandar 16/6, Bandar Mahkota Cheras, 43200 Batu 9, Cheras Selangor	420,000	0.08	210,000	0.10
Sim Yee Fuan	Malaysian	Independent Non-Executive Director	3, Lorong Gemilang Jaya 2, Taman Gemilang Jaya, 14000 Bukit Mertajam, Pulau Pinang	50,000	0.01	25,000	0.01

INFORMATION ON SCH (Cont'd)

Notes:

- (1) Based on the issued share capital of 555,511,720 SCH Shares as at the LPD.
- (2) Based on the total outstanding 205,839,310 Warrants as at the LPD.
- (3) Deemed interested by virtue of his interest in Hextar pursuant to Section 8 of the Act.

5. SUBSIDIARIES AND ASSOCIATED COMPANIES OF SCH

As at the LPD, the subsidiary companies of SCH are as follows:

Name of company	Place of incorporation	Effective equity interest (%)	Principal activities
SCH Corporation Sdn. Bhd. ("SCH Corporation")	Malaysia	100.0	Investment holding
SCH Wire-Mesh Manufacturing Sdn. Bhd.	Malaysia	100.0	Manufacturing, distributing and supplying of quarry grill
SCH Machinery & Equipment Sdn. Bhd.	Malaysia	100.0	Supplying and distributing quarry machinery, quarry equipment and reconditioned quarry machinery as well as spare parts for quarry machinery, quarry equipment and reconditioned quarry machinery to the quarry industry
Sin Chee Heng (Cambodia) Co. Ltd	Cambodia	100.0	Supplying and distributing quarry machinery, quarry equipment and reconditioned quarry machinery as well as spare parts for quarry machinery, quarry equipment and reconditioned quarry machinery to the quarry industry
TK Rentals Sdn. Bhd.	Malaysia	100.0	Business of renting and trading of mobile air conditioner, tent and event related equipment and tools and forklift
PK Fertilisers (Sarawak) Sdn. Bhd.	Malaysia	83.3	Business of manufacturing, merchandising, trading, distribution and wholesale warehouseman of fertilisers

INFORMATION ON SCH (Cont'd)

Name of company	Place of incorporation	Effective equity interest (%)	Principal activities
PK Fert Sdn. Bhd. (formerly known as Multifert Sdn. Bhd.)	Malaysia	100.0	Trading of fertiliser products

Held through SCH Corporation

Name of company	Place of incorporation	Effective equity interest (%)	Principal activities
Sin Chee Heng Sdn. Bhd. ("Sin Chee Heng")	Malaysia	100.0	Supplying and distributing all kinds of quarry industrial products and quarry machinery
Sin Chee Heng (Butterworth) Sdn. Bhd.	Malaysia	100.0	Distributing all kinds of quarry products to the quarry industry
Sin Chee Heng (Kuantan) Sdn. Bhd.	Malaysia	100.0	Distributing all kinds of quarry products to the quarry industry
Sin Chee Heng (Johore) Sdn. Bhd.	Malaysia	50.0	Distributing all kinds of quarry products to the quarry industry

Held through Sin Chee Heng

Name of company	Place of incorporation	Effective equity interest (%)	Principal activities
Sin Chee Heng (Sabah) Sdn. Bhd.	Malaysia	100.0	Distributing all kinds of quarry products to the quarry industry
Sin Chee Heng (Sarawak) Sdn. Bhd.	Malaysia	100.0	Distributing all kinds of quarry products to the quarry industry
Sin Chee Heng (Johore) Sdn. Bhd.	Malaysia	50.0	Distributing all kinds of quarry products to the quarry industry

SCH does not have any associated companies.

INFORMATION ON SCH (Cont'd)

6. PROFIT AND DIVIDEND RECORD

A summary of the results based on the audited consolidated financial statements of SCH for the past three (3) financial years up to the FYE 31 August 2020 and the unaudited 3-months FPE 30 November 2020 are as set out below:

	Audited FYE 31 August			Unaudited 3-months FPE 30 November 2020 (RM'000)
	2018 (Restated) ⁽¹⁾ (RM'000)	2019 (RM'000)	2020 (RM'000)	
Revenue	33,248	116,894	121,286	37,492
PBT/(LBT)	(8,308)	7,219	(7,619)	1,196
PAT/(LAT) attributable to:				
- Owners of the Company	(8,875)	5,759	(7,995)	628
- Non-controlling interests	-	(238)	104	51
	(8,875)	5,521	(7,891)	679
Number of shares in issue ('000)	555,512	555,512	555,512	555,512
Weighted average no. of shares in issue ('000)	420,415	555,512	555,512	555,512
EPS/(LPS) (sen) ⁽²⁾	(2.11)	1.04	(1.44)	0.113
Dividend per Share (sen)	-	-	-	-
Total equity attributable to owners of the Company/NA (RM'000)	79,121	85,978	77,980	78,623
NA per SCH Share (RM) ⁽³⁾	0.14	0.15	0.14	0.14

(Source: Annual reports of SCH Group for the past three (3) financial years from FYE 31 August 2018 to FYE 31 August 2020 and unaudited quarterly report of SCH for the 3-months FPE 30 November 2020)

Notes:

- (1) Restated in the 2019 Annual Report of SCH.
- (2) Computed by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of SCH Shares in issue as at the end of the financial year.
- (3) Computed by dividing the NA attributable to owners of the Company by the total number of SCH Shares in issue as at the end of the financial year.

Save for the following, there were no items, transactions or events of material and unusual nature that have arisen in the periods under review in the audited consolidated financial statements of SCH during the past 3 financial years up to FYE 31 August 2020:

- (a) listing and quotation of 60,000,000 SCH Shares and 43,000,000 SCH Shares pursuant to the private placement of up to 103,000,000 SCH Shares on 18 July 2018 and 25 July 2018 respectively;
- (b) diversification of the Group's business into the fertilisers industry via the acquisition of 83.33% equity shares in PK Fertilisers (Sarawak) Sdn Bhd in FYE 31 August 2018. The acquisition of PK Fertilisers (Sarawak) Sdn Bhd was completed on 28 August 2018;

INFORMATION ON SCH (Cont'd)

- (c) diversification of the Group's business into event equipment supply business segment and the acquisition of 100% equity in TK Rentals Sdn Bhd ("TK Rentals") in FYE 31 August 2018. The acquisition of TK Rentals was completed on 28 August 2018;
- (d) disposal of two single storey semi-detached factories erected on freehold lands located at No. 5 & 7, Jalan Teras 3, Kawasan Industri Teras, Balakong, Taman Industri Selesa Jaya, 43300 Balakong, Selangor Darul Ehsan by Sin Chee Heng Sdn Bhd, an indirect wholly-owned subsidiary of SCH for a disposal consideration of RM6,600,000.00, which have been completed during the FYE 31 August 2019 on 3 June 2019; and
- (e) disposal of a 1½ storey semi-detached factory erected on a piece of freehold land located at No. 3 Jalan Teras 3, Kawasan Industri Teras Balakong, Taman Industri Selesa Jaya, 43300 Balakong, Selangor Darul Ehsan by Sin Chee Heng Sdn Bhd, an indirect wholly-owned subsidiary of SCH for a total disposal consideration of RM4,600,000.00, which has been completed during the FYE 31 August 2019 on 21 December 2018.

The financial performance in respect of the three (3) financial years from FYE 31 August 2018 to FYE 31 August 2020, as well as the unaudited 3-months FPE 30 November 2020, are summarised as follows:

FYE 31 August 2018 (Restated)

The Group recorded a revenue of RM33.25 million in FYE 31 August 2018, which is a 24.74% decrease as compared to the previous financial year. This is due to an overall slowdown in the property and construction sector, as well as cautious spending from quarry operators due to various market uncertainties during FYE 31 August 2018. The Group had recorded a 20.9% decrease in revenue from its supply of quarry industrial products business in FYE 31 August 2018. Similarly, revenue from the Group's heavy equipment and spare parts business and manufacturing and distribution of quarry grill business had decreased by 13.9% and 9.8% respectively.

The Group recorded a LAT of RM8.88 million, which is a 587.91% decrease in PAT from the previous financial year. This is in line with lower revenue and a lower gross profit generated by the Group in FYE 31 August 2018. The Group had also recorded higher operating expenses, which comprised selling and distribution expenses, administrative expenses and other expenses, in FYE 31 August 2018. The increase in operating expenses was mainly due to impairment of trade receivables and inventories amounting to RM2.1 million and RM8.0 million respectively. The increase in operating expenses was also due to higher commission paid for sales of heavy equipment in FYE 31 August 2018 as compared to FYE 31 August 2017.

FYE 31 August 2019

The Group recorded a revenue of RM116.89 million in FYE 31 August 2019, which is a 251.55% increase as compared to the previous financial year. This was mainly due to the revenue contribution from the Group's two newly acquired subsidiary companies, PK Fertilisers (Sarawak) Sdn Bhd and TK Rentals. Revenue generated from PK Fertilisers (Sarawak) Sdn Bhd became the largest contributor of income for SCH Group, making up 62.9% of the Group's total revenue in FYE 31 August 2019.

The Group recorded a PAT of RM5.52 million, which is a 162.16% increase in PAT from the previous financial year. This is in line with higher revenue and higher gross profit generated by the Group in FYE 31 August 2019. The Group had also recorded an increase in other operating income, which was mainly due to the gain on disposal of properties amounting to RM7.7 million, which consist of three (3) units of factory erected on a piece of freehold land located at Balakong, Selangor.

INFORMATION ON SCH (Cont'd)

FYE 31 August 2020

The Group recorded a revenue of approximately RM121.29 million for the FYE 31 August 2020, which is an increase of 3.76% as compared to FYE 31 August 2019. The increase in revenue was contributed by new customers attained for the Group's fertilisers business.

Despite higher revenue attained, the Group has recorded a LAT of RM7.995 million, which is a 242.93% decrease in PAT as compared to FYE 31 August 2019. This was mainly due to lower average profit margin, impairment of trade receivables, written down of inventory and impairment of goodwill in relation to the acquisition of wholly-owned subsidiary, TK Rentals.

3-months FPE 30 November 2020

The Group recorded a revenue of approximately RM37.49 million for the 3-months FPE 30 November 2020, which is an increase of RM4.74 million or approximately 14.5% as compared to the same quarter in the previous financial year. The higher revenue was mainly contributed by the sales of industrial batteries under the Group's equipment rental business segment.

The Group has recorded a higher PAT of RM0.68 million, which is an increase of RM0.58 million or 565.69% in PAT from the same quarter in the previous financial year. This was mainly due to an increase in revenue and a decrease in administrative expenses and finance costs as compared to the same quarter in the previous financial year.

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INFORMATION ON SCH (Cont'd)

7. STATEMENT OF ASSETS AND LIABILITIES

The statement of assets and liabilities of SCH Group based on its audited consolidated financial statements of SCH as at 31 August 2019 and 31 August 2020, and the unaudited consolidated financial statement as at 30 November 2020 are as set out below:

	Audited as at 31 August		Unaudited as at
	2019 (RM'000)	2020 (RM'000)	30 November 2020 (RM'000)
NON-CURRENT ASSETS			
Property, plant and equipment	61,625	60,015	58,906
Right-of-use	-	-	2
Goodwill on consolidation	28,757	19,214	19,276
Trade receivables	433	11	-
Other receivables	-	275	200
Total non-current assets	90,815	79,516	78,384
CURRENT ASSETS			
Inventories	26,111	19,672	19,522
Trade receivables	40,076	48,584	55,315
Other receivables	3,231	12,149	11,837
Contract assets	1,218	-	-
Tax recoverable	766	927	763
Fixed deposits with financial institutions	5,439	9,444	5,160
Cash and bank balances	10,927	7,471	9,970
	87,768	98,247	102,567
Asset classified held for sale	-	669	669
Total current assets	87,768	98,916	103,236
TOTAL ASSETS	178,583	178,432	181,620
EQUITY			
Share capital	75,918	75,918	75,918
Merger deficit	(23,859)	(23,859)	(23,859)
Foreign currency translation reserve	(8)	(11)	4
Retained earnings	33,927	25,932	26,560
Total equity attributable to owners of the Company	85,978	77,980	78,623
Non-controlling interests	3,642	3,746	3,797
TOTAL EQUITY	89,620	81,726	82,420
NON-CURRENT LIABILITIES			
Lease liabilities	733	1,537	-
Bank borrowings	49,169	15,950	45,287
Deferred tax liabilities	7,088	7,055	7,055
Total non-current liabilities	56,990	24,543	52,342
CURRENT LIABILITIES			
Trade payables	20,033	27,168	26,866
Other payables	1,979	3,227	3,455
Contract liabilities	655	788	72
Lease liabilities	-	472	2
Finance lease payables	424	-	-
Bank borrowings	8,723	40,477	16,173
Tax payable	159	29	290
Total current liabilities	31,973	72,162	46,858
TOTAL LIABILITIES	88,963	96,705	99,200
TOTAL EQUITY AND LIABILITIES	178,583	178,432	181,620

(Source: Audited financial statements of SCH for the FYE 31 August 2020 and the unaudited financial results of SCH for the 3-months FPE 30 November 2020)

INFORMATION ON SCH (Cont'd)

Save as disclosed below, as at the LPD, there is no material change in the financial position of SCH subsequent to the latest published audited accounts for the FYE 31 August 2020:

- (a) On 18 September 2020, Sin Chee Heng (Butterworth) Sdn Bhd, an indirect wholly-owned subsidiary of SCH had entered into a sale and purchase agreement with Excel Spirit Sdn Bhd to dispose a piece of freehold land held under Geran 149604, Lot 3653 Mukim 06, Daerah Seberang Perai Tengah, Negeri Pulau Pinang approximately 377 square metres together with a unit of terrace factory erected thereon bearing postal address at No.1, Lorong Nagasari 23, Taman Nagasari, 13600 Seberang Perai, Pulau Pinang for a total consideration of RM770,000.00. The estimated gain from the disposal is approximately RM0.42 million; and
- (b) On 6 November 2020, Sin Chee Heng (Sabah) Sdn Bhd, an indirect wholly-owned subsidiary of SCH had entered into a sale and purchase agreement with L 2 Logistics Sdn Bhd to dispose a piece of freehold land held under individual title no. CL015548482, in the locality of KM 9 KK-Tuaran Road, District of Kota Kinabalu, Sabah together with one (1) Double Storey Light Industrial Warehouse cum office erected thereon and known as Lot 33 (MPKK 6), Lorong Makat 3, Estate Perindustrian Makat, 88450 Kolombong, Kota Kinabalu Sabah for a total consideration of RM1,540,000.00. The estimated gain from the disposal is approximately RM1.2 million.

8. ACCOUNTING POLICIES

Based on the audited financial statements of SCH for the FYE 31 August 2017 to 2019, the financial statements have been prepared in accordance with Malaysian Financial Reporting Standards (“**MFRS**”), International Financial Reporting Standards and the requirements of the Act in Malaysia, and there was no audit qualification for SCH’s financial statements for the respective years under review.

Save for the adoption of MFRS 9 Financial Instruments and MFRS 15 Revenue from Contracts with Customers, there is no change in the accounting standards adopted by SCH which would result in a material variation to the comparable figures for the audited consolidated financial statements of SCH for the FYE 31 August 2017, 31 August 2018 and 31 August 2019. For further details of the impact of the adoption of MFRS 9 and MFRS 15 by the Group, please refer to Note 2(a) in the annual report of SCH for the FYE 31 August 2019.

Save for the adoption of MFRS 16 Leases for the FYE 31 August 2020, which is effective for the financial period beginning 1 January 2019, and the early adoption of Amendments to MFRS 16: Covid-19- Related Rent Concessions on 1 September 2019 which is effective for financial periods beginning on or after 1 June 2020, there is no change in the accounting standards adopted by SCH which would result in a material variation to the comparable figures for the consolidated financial statements of SCH for the FYE 31 August 2018, 31 August 2019 and 31 August 2020, aside from reclassification.

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INFORMATION ON SCH (Cont'd)

9. BORROWINGS

As at 30 November 2020, which is not more than three (3) months preceding the LPD, SCH Group has total outstanding borrowings of approximately RM61.46 million as follows:

Borrowings	RM'000
Current:	
Banker's acceptance	3,281
Invoice financing	5,674
Hire purchases	407
Term loans	6,811
	16,173
Non-current:	
Hire purchases	1,379
Term loans	43,908
	45,287
Total borrowings	61,460

10. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**(a) Material Commitments**

As at the LPD, SCH Group had not incurred or known to have incurred any material commitments, which will or may have a material effect on the results or financial position of SCH Group.

(b) Contingent Liabilities

As at the LPD, there were no contingent liabilities, incurred or known to be incurred, which upon becoming enforceable, may have a substantial impact on the ability of SCH Group to meet its obligation, as and when they fall due.

11. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, save for the civil suit between TK Rentals Sdn Bhd and EN Projects (M) Sdn Bhd as disclosed in Section 4 of Appendix I of the Circular, SCH Group has not engaged in any material litigation, claims or arbitration, either as a plaintiff or defendant, which may have a material effect on its financial position and the Directors do not have any knowledge of any proceedings, pending or threatened against SCH Group or of any facts likely to give rise to any proceedings, which might materially and adversely affect the financial position or business of SCH Group.

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INFORMATION ON SCH (Cont'd)

12. MATERIAL CONTRACTS

Save as disclosed below, there were no material contracts (not being contracts entered into the ordinary course of business) which have been entered into by SCH Group during the past two (2) years preceding the date of the Announcement and up to the LPD:

- (a) On 18 September 2020, Sin Chee Heng (Butterworth) Sdn Bhd, an indirect wholly-owned subsidiary of SCH had entered into a sale and purchase agreement with Excel Spirit Sdn Bhd to dispose a piece of freehold land held under Geran 149604, Lot 3653 Mukim 06, Daerah Seberang Perai Tengah, Negeri Pulau Pinang approximately 377 square metres together with a unit of terrace factory erected thereon bearing postal address at No.1, Lorong Nagasari 23, Taman Nagasari, 13600 Seberang Perai, Pulau Pinang for a total consideration of RM770,000.00; and
- (b) On 6 November 2020, Sin Chee Heng (Sabah) Sdn Bhd, an indirect wholly-owned subsidiary of SCH had entered into a sale and purchase agreement with L 2 Logistics Sdn Bhd to dispose a piece of freehold land held under individual title no. CL015548482, in the locality of KM 9 KK-Tuaran Road, District of Kota Kinabalu, Sabah together with one (1) Double Storey Light Industrial Warehouse cum office erected thereon and known as Lot 33 (MPKK 6), Lorong Makat 3, Estate Perindustrian Makat, 88450 Kolombong, Kota Kinabalu Sabah for a total consideration of RM1,540,000.00.

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INFORMATION ON HEXTAR AND PACS

1. INFORMATION ON HEXTAR**1.1 History and principal activities**

Hextar was incorporated in Malaysia under the Companies Act, 1965 on 3 February 2006 as a private limited company and is deemed registered under the Act.

Hextar is principally engaged in investment holding.

1.2 Share Capital

The issued share capital of Hextar as at the LPD is as follows:

	No. of ordinary shares in Hextar ("Hextar Shares")	RM
Issued share capital	223,717,900	44,743,580

1.3 Substantial shareholders

As at the LPD, the substantial shareholders of Hextar are as follows:

	Direct		Indirect	
	No. of Hextar Shares	%	No. of Hextar Shares	%
Dato' Ong	144,816,972	64.73	-	-
Dato' Ong Soon Ho	53,444,328	23.89	-	-
Datin Teoh Siew Yoke @ Teoh Siew Chin	25,456,600	11.38	-	-

Dato' Ong Soon Ho and Datin Teoh Siew Yoke @ Teoh Siew Chin are husband and wife and are parents to Dato' Ong.

1.4 Directors

As at the LPD, the particulars of the directors of Hextar are as follows:

Name	Address	Direct		Indirect	
		No. of Hextar Shares	%	No. of Hextar Shares	%
Dato' Ong	31, Jalan TR 2/1, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor	144,816,972	64.73	-	-
Dato' Ong Soon Ho	31, Jalan TR 2/1, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor	53,444,328	23.89	⁽¹⁾ 25,456,600	11.38

Note:

(1) Deemed interested pursuant to Section 59(1)(c) of the Act by virtue of the shareholdings held by his spouse, Datin Teoh Siew Yoke @ Teoh Siew Chin.

All the directors of Hextar are Malaysians.

INFORMATION ON HEXTAR AND PACS (Cont'd)
1.5 Subsidiary, associated and joint venture companies of Hextar

As at the LPD, the particulars of the subsidiary companies of Hextar are as follows:

Name	Country of incorporation	Effective equity interest (%)	Principal activities
Hextar Fert Sdn. Bhd. ("Hextar Fert")	Malaysia	100.00	Dealers and agents of fertilisers and related products and provide warehousing services
Hextar Industrial Chemicals Sdn. Bhd.	Malaysia	100.00	Trading and distributing of industrial chemical products and investment holding
Hextar Global Berhad ("HGBB")	Malaysia	58.09	Investment holding
Hextar Marketing Sdn. Bhd.	Malaysia	100.00	Trading of bricks
Hextar Asset Management Sdn. Bhd.	Malaysia	100.00	Provision of management and software maintenance services
Hextar Research Centre Sdn. Bhd.	Malaysia	100.00	Investment holding
Hextar International Group Sdn. Bhd. ("HIGSB")	Malaysia	100.00	Investment holding
Hextar Mitai Sdn. Bhd.	Malaysia	70.00	Civil engineering contractor
Hextar Bina Sdn. Bhd.	Malaysia	100.00	General contractor
Hextar Fertilisers Sdn. Bhd.	Malaysia	100.00	Manufacturing, marketing and distributing fertilisers
TK Equipment Sdn. Bhd.	Malaysia	75.00	Trading and servicing of forklifts
Waras Dinamik Sdn. Bhd.	Malaysia	100.00	Investment holding
Hextar Petrochem Sdn. Bhd.	Malaysia	70.00	Dormant

INFORMATION ON HEXTAR AND PACS (Cont'd)

Name	Country of incorporation	Effective equity interest (%)	Principal activities
PK Fertilisers Sdn. Bhd. ("PK Fertilisers")	Malaysia	100.00	Manufacturing and merchandising of fertilisers and chemical products
Hextar Oil & Gas Sdn. Bhd.	Malaysia	100.00	Trading for oil and gas industry
Hextar Chemtech Sdn. Bhd. ("HCTSB")	Malaysia	65.00	Investment holding, manufacture of general-purpose machinery and business support service
Hextar Fertilisers Ltd. ("HFL")	British Virgin Islands	100.00	Investment holding
Hextar Asset Ltd.	British Virgin Islands	100.00	Investment holding
P.T. Mitra International Tunggal	Indonesia	51.00	Property investment holding
P.T. Fertiliser Inti Technology	Indonesia	51.00	Manufacturing of fertilisers
Hextar DGW Sdn. Bhd.	Malaysia	100.00	Business of agri-biotechnology and other similar or related new biotechnology products. Temporarily ceased its operations
<u>Held through Hextar Fert:</u>			
Amalan Prestasi Sdn. Bhd.	Malaysia	100.00	Property investment holding
<u>Held through HIGSB:</u>			
P.T. Agro Sentosa Raya	Indonesia	99.99	Formulation and repacking of branded pesticides

INFORMATION ON HEXTAR AND PACS (Cont'd)

Name	Country of incorporation	Effective equity interest (%)	Principal activities
<u>Held through HFL:</u>			
Hextar Fertilisers Group Sdn. Bhd. (" HFGSB ")	Malaysia	100.00	Investment holding
<u>Held through HFGSB:</u>			
Hextar Agriculture Sdn. Bhd.	Malaysia	100.00	Manufacturing and marketing of a wide range of fertilisers
Hextar Solutions Sdn. Bhd.	Malaysia	100.00	Manufacturing and marketing of a wide range of fertilisers
<u>Held through HCTSB:</u>			
Hextar KCS Sdn. Bhd.	Malaysia	65.00	Manufacturing of other chemical products, activities of holding companies and other business support service activities
Hextar HiTec Sdn. Bhd.	Malaysia	65.00	Investment holding, manufacture of general-purpose machinery and business support service
JVK Resources Pte. Ltd.	Singapore	45.50	Service activities incidental to oil and gas extraction, and wholesale trade of a variety of goods without a dominant product
<u>Held through PK Fertilisers:</u>			
Evergreen Agricultural Services Sdn. Bhd.	Malaysia	100.00	Warehouse services, integrated logistics and transportation services
<u>Held through HGB:</u>			
Hextar Chemicals Ltd. (" HCL ")	British Virgin Islands	⁽¹⁾ 58.09	Investment holding

INFORMATION ON HEXTAR AND PACS (Cont'd)

Name	Country of incorporation	Effective equity interest (%)	Principal activities
Halex (M) Sdn. Bhd. ("HSB")	Malaysia	⁽¹⁾ 58.09	Manufacturing distributions and agency of agrochemicals
Halex Woolton (M) Sdn. Bhd.	Malaysia	⁽¹⁾ 58.09	Manufacturing and distributions of disposable healthcare products.
Halex Link Sdn. Bhd.	Malaysia	⁽¹⁾ 58.09	Business of real property, to carry out business of buy or rent of properties.
Halex Management Sdn. Bhd.	Malaysia	⁽¹⁾ 58.09	Provider of management services
Hextar IOT Sdn. Bhd.	Malaysia	⁽¹⁾ 58.09	Wholesale of industrial machinery, equipment and supplies.
Biogas Engineering (BEE) Sdn Bhd	Malaysia	⁽²⁾ 31.95	Technical research, engineering design, and construction of biogas processing system
<u>Held through HSB:</u>			
Halex Industries (M) Sdn. Bhd.	Malaysia	⁽¹⁾ 58.09	Manufacturing and importing agrochemicals and fertilisers
Halex Realty Sdn. Bhd.	Malaysia	⁽¹⁾ 58.09	Investment in landed property and investment holding
Halex Chemicals (S) Pte. Ltd.	Singapore	⁽¹⁾ 58.09	Trading of fertilisers and agrochemicals
Halex Marketing Sdn. Bhd.	Malaysia	⁽¹⁾ 58.09	Trading of disposal healthcare products
Halex Biotechnologies Sdn. Bhd.	Malaysia	⁽¹⁾ 58.09	Horticulture and agro-biotechnology
Pengedaran Beras Lestari Sdn. Bhd.	Malaysia	⁽¹⁾ 58.09	Dormant

INFORMATION ON HEXTAR AND PACS (Cont'd)

Name	Country of incorporation	Effective equity interest (%)	Principal activities
<u>Held through HCL:</u>			
Hexstar Chemicals Group Sdn. Bhd. ("HCGSB")	Malaysia	(¹)58.09	Investment holding
<u>Held through HCGSB:</u>			
Hexstar Chemicals Sdn. Bhd.	Malaysia	(¹)58.09	Manufacturing, exporting and distributing agri-chemicals
Hexstar R&D International Sdn. Bhd.	Malaysia	(¹)58.09	Research and development activities and the provision of laboratory services

Notes:

- (1) Wholly-owned subsidiary of HGB.
- (2) 55% owned subsidiary of HGB.

As at the LPD, the particulars of the associated company of Hexstar are as follows:

Name	Country of incorporation	Effective equity interest (%)	Principal activities
SCH	Malaysia	30.91	Investment holding
Peklat Teknologi Sdn. Bhd.	Malaysia	25.00	Investment holding

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INFORMATION ON HEXTAR AND PACS (Cont'd)

As at the LPD, the particulars of the joint venture company of Hextar are as follows:

Name	Country of incorporation	Effective equity interest (%)	Principal activities
<u>Held through HCGSB</u> Hextar Unitop Sdn Bhd	Malaysia	⁽¹⁾ 29.05	Manufacturing, exporting, importing and marketing of surfactants, specialty chemicals, intermediates, agrochemical additives, oil field chemicals, emulsifiers and agrichemicals.

Note:

(1) 50% joint venture company of HGB.

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INFORMATION ON HEXTAR AND PACS (Cont'd)

1.6 Profit and dividend record

A summary of the results based on the audited consolidated financial statements of Hextar for the past three (3) financial years up to the FYE 31 December 2019 are set out below:

	Audited FYE 31 December		
	2017 (RM)	2018 (RM)	2019 (RM)
Revenue	869,068,274	822,208,786	1,005,999,461
PBT	69,967,151	31,438,359	24,087,070
PAT	52,189,461	22,459,856	14,488,901
Number of Hextar Shares in issue	223,717,900	223,717,900	223,717,900
EPS (sen) ⁽¹⁾	23.33	10.04	6.48
Total equity attributable to owners of the company/NA	259,496,088	296,734,500	359,259,540
NA per Hextar Share ⁽²⁾	1.16	1.33	1.61

(Source: Audited financial statements of Hextar for the past three (3) financial years from FYE 31 December 2017 to FYE 31 December 2019)

Notes:

- (1) Computed by dividing the PAT by the number of Hextar Shares in issue as at the end of financial year.
- (2) Computed by dividing the NA by the number of Hextar Shares in issue as at the end of the financial year.

Save for the following, there were no items, transactions or events of material and unusual nature that have arisen in the periods under review in the audited consolidated financial statements of Hextar during the past 3 financial years up to FYE 31 December 2019:

- (a) acquisition of 5% equity interest in PK Fertilisers Sdn. Bhd. from Mitsubishi Corporation for a total cash consideration of RM2,500,000 on 10 July 2018;
- (b) acquisition of 95% equity interest in PK Fertilisers Sdn. Bhd. from Pristine Acres Sdn. Bhd. for a total cash consideration of RM56,335,000 which was completed on 4 January 2019;
- (c) disposal of 100% equity interest in HCL to HGB for a total consideration of RM596,794,275 which was completed on 30 April 2019. The consideration was satisfied by a combination of cash amounting to RM17,903,828 and the issuance of 714,679,564 new ordinary shares of HGB at an issue price of RM0.81 per share.

Upon completion of the transaction, a total number of 155,000,000 new ordinary shares in HGB Shares was allotted and issued to third party investors and the remaining 559,679,564 new ordinary shares in HGB was allotted and issued to Waras Dinamik, a wholly-owned subsidiary of Hextar, in accordance with the terms of the shares sale agreement;

- (d) disposal of 25% equity interest in Hextar Ventures Sdn. Bhd. ("HVSB") to a director of Hextar for a total cash consideration of RM3,750,000 on 18 January 2019;
- (e) disposal of 75% equity interest in HVSB to a director of the company for a total cash consideration of RM11,074,115 on 25 January 2019;
- (f) disposal of 100% equity interest in Hextar KCS Sdn. Bhd. to Hextar Chemtech Sdn. Bhd. for a total cash consideration of RM100;

INFORMATION ON HEXTAR AND PACS (Cont'd)

- (g) acquisition of 100% equity interest in Hextar Oil & Gas Sdn. Bhd. for a total cash consideration of RM4,000,000; and
- (h) disposal of 100% equity interest in Erpstar Inc. Sdn. Bhd. to a director of the company for a total cash consideration of RM100,000.

1.7 Statement of assets and liabilities

The statement of assets and liabilities of Hextar based on its audited financial statements as at FYE 31 December 2018 and FYE 31 December 2019 are as follows:

	Audited as at 31 December	
	2018 (RM)	2019 (RM)
Non-current assets		
Investment in an associate	28,192,929	31,053,065
Investment in a joint venture	2,486,003	2,909,022
Property, plant and equipment	301,165,111	194,573,665
Right-of-use-assets	-	132,418,661
Investment properties	4,134,000	5,249,000
Intangible assets	17,611,701	44,700,084
Other investments	20,647,724	11,396,272
Prepayment	662,648	459,929
Total non-current assets	374,900,116	422,759,698
Current assets		
Inventories	220,332,683	194,166,820
Contract costs	620,509	-
Trade receivables	277,056,973	345,425,026
Other receivables, deposits and prepayments	88,300,397	30,568,917
Contract assets	637,020	1,226,761
Amount owing by related parties	20,795,931	9,142,941
Current tax assets	1,733,492	5,084,687
Fixed deposits with licensed banks	13,604,456	8,774,774
Cash and bank balances	94,011,782	95,308,694
Total current assets	717,093,243	689,698,620
Assets classified as held for sale	1,600,000	77,006,168
Total assets	1,093,593,359	1,189,464,486
Equity		
Share capital	44,743,580	44,743,580
Capital contribution from shareholder	-	52,228,482
Reserves	251,990,920	262,287,478
Total equity attributable to the owner of the company	296,734,500	359,259,540
Non-controlling interests	28,860,965	74,570,579
Total equity	325,595,465	433,830,119
Non-current liabilities		
Lease liabilities	-	7,577,881
Long-term borrowings	196,228,302	119,381,473
Deferred tax liabilities	20,876,284	36,026,588
Total non-current liabilities	217,104,586	162,985,942

INFORMATION ON HEXTAR AND PACS (Cont'd)

	Audited as at 31 December	
	2018 (RM)	2019 (RM)
Current liabilities		
Trade payables	88,340,182	92,511,880
Contract liabilities	4,864,395	4,926,293
Other payables and accruals	26,166,406	28,815,789
Provision	1,394,228	39,006
Amount owing to directors	42,945,946	34,369
Amount owing to a joint venture	638,055	821,383
Amount owing to related parties	-	4,507,643
Derivative liabilities	204,530	1,725
Lease liabilities	-	3,082,973
Short-term borrowings	386,339,566	457,907,364
Total current liabilities	550,893,308	592,648,425
Total liabilities	767,997,894	755,634,367
Total equity and liabilities	1,093,593,359	1,189,464,486

As at the LPD, there is no known material change in the financial position of Hextar subsequent to the latest audited financial statements for the FYE 31 December 2019.

1.8 Accounting policies

Based on the audited financial statements of Hextar for the FYE 31 December 2017 to FYE 31 December 2019, the financial statements have been prepared in accordance with MFRS, International Financial Reporting Standards and the requirements of the Act in Malaysia, and there was no audit qualification for Hextar's financial statements for the respective years under review.

Save for the adoption of MFRS 16 Leases for the FYE 31 December 2019, which is effective for the financial period beginning 1 January 2019, there is no change in the accounting standards adopted by Hextar which would result in a material variation to the comparable figures for the consolidated financial statements of Hextar for the FYE 31 December 2017, 31 December 2018 and 31 December 2019.

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INFORMATION ON HEXTAR AND PACS (Cont'd)

2. INFORMATION ON THE PACS**(a) Dato' Ong**

Dato' Ong, aged 42, is a Malaysian who was appointed to the Board as the Non-Independent Non-Executive Director of SCH on 1 August 2018.

He graduated from Royal Melbourne Institute of Australia in Bachelor Degree in Business, majoring in Economics and Finance.

He is a highly competent and professional business leader with over 17 years of valuable experience in the senior management position. Work experience includes business management of a group of companies, familiar with strategizing and driving business plans with commendable track record in directing business growth for the group. He is responsible for the overall finance, business, corporate development, and expansion strategies for the Hextar Group.

He has been in the agriculture industry for more than 10 years specializing in finance and investment activities. He was experienced in Denko Industrial Corporation Berhad where he contributed in providing independent review to ensure corporate accountability in the board decision. In addition, he was one of the personnel that ensure strategies proposed by the management were fully deliberated and examined in the long-term interest of the company. Presently, he is conversant in directing Hextar Group growth, business expansion, finance and operational affairs.

He is the Group Chief Executive Officer of Hextar Group.

Currently, he is also a Non-Independent Executive Director of Hextar Global Berhad and Non-Independent Non-Executive Director of Rubberex Corporation (M) Berhad.

Dato' Ong is the brother of Ms Ong.

(b) Ms Ong

Ms Ong graduated from Macquarie University, Australia in 2003 with a Bachelor Degree in Accounting. Upon completing her undergraduate education, she obtained her professional CPA Australia in 2004. She is also a member of the Malaysian Institute of Accountants.

Ms Ong spent two years servicing audit and tax services in Sydney, Australia. She then started her career in Malaysia where she held various finance and management positions. She has accumulated corporate management experiences of more than 10 years including identifying, evaluating and developing investment opportunities to invest, as well as directing the set-up and expansion of various companies across many industries in Southeast Asia.

Ms Ong is the sister of Dato' Ong.

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FURTHER INFORMATION

1. DISCLOSURE OF INTERESTS AND DEALINGS IN SHARES**1.1 By Hextar and PACs****a) Interests in SCH**

Save as disclosed below, Hextar and its PACs do not have any direct or indirect holdings of securities of SCH as at the LPD:

SCH Shares

Name	Direct		Indirect	
	No. of SCH Shares	% ⁽¹⁾	No. of SCH Shares	% ⁽¹⁾
Hextar	171,733,900	30.91	-	-
Dato' Ong	-	-	171,733,900	30.91 ⁽ⁱⁱ⁾
Ms Ong	-	-	-	-

Notes:

(1) Based on the total issued share capital of SCH as at the LPD amounting to 555,511,720 SCH Shares.

(2) Deemed interested by virtue of his interests in Hextar pursuant to Section 8 of the Act.

As at the LPD, Hextar and its PACs do not hold any Warrants.

b) Dealings in SCH

Hextar and its PACS have not dealt directly or indirectly in any securities of SCH during the six (6)-month period prior to 6 November 2020 being the date of the Announcement and up to the LPD.

1.2 By the Directors of Hextar**(a) Interests in SCH**

Save as disclosed below, the directors of Hextar do not have any direct or indirect holdings of securities of SCH as at the LPD:

SCH Shares

Name	Direct		Indirect	
	No. of SCH Shares	% ⁽¹⁾	No. of SCH Shares	% ⁽¹⁾
Dato' Ong	-	-	171,733,900	30.91 ⁽ⁱⁱ⁾
Dato' Ong Soon Ho	-	-	171,733,900	30.91 ⁽ⁱⁱ⁾

Notes:

(1) Based on the total issued share capital of SCH as at the LPD amounting to 555,511,720 SCH Shares.

(2) Deemed interested by virtue of his interests in Hextar pursuant to Section 8 of the Act.

(b) Dealings in SCH

The directors of Hextar have not dealt directly or indirectly in any securities of SCH during the six (6)-month period prior to 6 November 2020 being the date of the Announcement up to the LPD.

FURTHER INFORMATION (Cont'd)

1.3 By SCH**(a) Interests in Hextar and its PACs**

SCH does not have any direct or indirect holdings of securities of Hextar as at the LPD.

Not applicable for the PACs as they are individuals and not companies.

(b) Dealings in the Hextar and its PAC

SCH have not dealt directly or indirectly in any securities of Hextar during the six (6)-month period prior to 6 November 2020 being the date of the Announcement up to the LPD.

Not applicable for the PACs as they are individuals and not companies.

(c) Dealings in SCH

SCH has not dealt directly or indirectly in any securities of SCH during the six (6)-month period prior to 6 November 2020 being the date of the Announcement up to the LPD.

1.4 By the directors of SCH**a) Interests in SCH**

Save for Dato' Chan Choun Sien, Wong Kin Seng, Dato' Ong, Gan Khong Aik and Sim Yee Fuan whose interests have been disclosed in Section 4 of Attachment 1, none of the Directors have any direct or indirect holdings of SCH Shares as at the LPD.

b) Interests in Hextar**Hextar Shares**

Save as disclosed below, none of the directors of SCH have any direct or indirect holdings of securities of Hextar as at the LPD:

Name	No. of Hextar Shares	%⁽¹⁾
Dato' Ong	144,816,972	64.73

Note:

(1) Based on the total issued share capital of 223,717,900 Hextar Shares as at the LPD.

c) Dealings in Hextar and its PACS

The Directors have not dealt directly or indirectly in any securities of Hextar during the six (6)-month period prior to 6 November 2020 being the date of the Announcement up to the LPD.

Not applicable for the PACs as they are individuals and not companies.

1.5 By the persons who have irrevocably committed themselves to vote in favour or against the Proposed Rights Issue and the Proposed Exemption

As at the LPD, there were no persons who have irrevocably committed themselves to vote in favour or against the Proposed Rights Issue and the Proposed Exemption.

FURTHER INFORMATION (Cont'd)

1.6 By the persons with whom Hextar and its PACs have borrowed or lent securities of SCH

As at the LPD, Hextar and its PACs have not borrowed or lent any securities of SCH.

1.7 By the persons with whom Hextar and its PAC have any arrangements

As at the LPD, there were no persons with whom Hextar and its PACs have entered into any arrangement, including any arrangement involving rights over securities of SCH, any indemnity arrangement and any agreement or understanding, formal or informal, of whatever nature, relating to securities of SCH which may be an inducement to deal or to refrain from dealing.

1.8 By the persons with whom SCH or its PACs have borrowed or lent securities of SCH

As at the LPD, there were no persons with whom SCH and its PACs have borrowed or lent any securities of SCH.

1.9 By the persons with whom SCH or its PACs have any arrangements

As at the LPD, SCH and its PACs have not entered into any arrangement, including any arrangement involving rights over securities of SCH, any indemnity arrangement, and any agreement or understanding, formal or informal, of whatever nature, relating to securities of SCH which may be an inducement to deal or to refrain from dealing in securities of SCH.

1.10 By Malacca Securities and funds whose investments are managed by Malacca Securities on a discretionary basis

As at the LPD, Malacca Securities and funds whose investments are managed by Malacca Securities on a discretionary basis, do not have any interest, whether direct or indirect, in any voting shares or voting rights in SCH.

2. ARRANGEMENT AFFECTING DIRECTORS

- (a) As at the LPD, no payment or other benefit will be made or given to any Director as compensation for loss of office or otherwise in connection with the Proposed Rights Issue and the Proposed Exemption.
- (b) As at the LPD, there were no agreements or arrangements between any Director and any other person which are conditional on or dependent upon the outcome of the Proposed Rights Issue and the Proposed Exemption or otherwise connected with the outcome of the Proposed Rights Issue and the Proposed Exemption.
- (c) As at the LPD, Hextar and its PACs have not entered into any material contract in which any Director has a material personal interest.
- (d) As at the LPD, there were no agreements, arrangements or understandings that exists between Hextar and its PACs and any of the Directors or recent Directors, holders of voting shares or voting rights or recent holders of voting shares or voting rights of SCH having any connection with or dependence upon the Proposed Rights Issue and the Proposed Exemption.

For the purpose of (d) above, "recent directors" or "recent holders" of voting shares or voting rights shall be such person who was during the period of six months prior to the beginning of the offer period, a director or a holder of voting shares or voting rights, as the case may be.

FURTHER INFORMATION (Cont'd)**3. SERVICE CONTRACTS**

As at the LPD, SCH Group does not have any service contracts with any Directors or proposed Directors of SCH Group, which have been entered into or amended within 6 months before the announcement of the Proposed Exemption on 6 November 2020 or which are fixed term contracts with more than 12 months to run.

For the purpose of this section, the term “service contracts” excludes those expiring or determinable by the employing company without payment or compensation within twelve (12) months from the date of this IAL.

4. HISTORICAL SECURITIES PRICES**SCH Shares**

The historical monthly closing prices of SCH Shares as traded on the ACE Market of Bursa Securities at the end of each of the calendar months from June 2020 to November 2020, being the period commencing six (6) months before the date of the Announcement on 6 November 2020 and the following months up to the LPD are set out as follows:

Month	Closing price at the end of each month (RM)
<u>2020</u>	
May	0.090
June	0.075
July	0.100
August	0.125
September	0.095
October	0.090
November	0.090
December	0.100
<u>2021</u>	
January (up to the LPD)	0.100

(Source: Bloomberg)

The last transacted market price of SCH Shares as at the LTD is RM0.095.

The last transacted market price of SCH Shares as at the LPD is RM0.100.

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FURTHER INFORMATION (Cont'd)

Warrants

The historical monthly closing prices of Warrants as traded on the ACE Market of Bursa Securities at the end of each of the calendar months from June 2020 to November 2020, being the period commencing six (6) months before the date of the Announcement on 6 November 2020 and the following months up to the LPD are set out as follows:

Month	Closing price at the end of each month (RM)
<u>2020</u>	
May	
June	0.015
July	0.035
August	0.050
September	0.030
October	0.030
November	0.025
December	0.030
<u>2021</u>	
January (up to the LPD)	0.030

(Source: Bloomberg)

The last transacted market price of Warrants as at the LTD is RM0.035.

The last transacted market price of Warrants as at the LPD is RM0.030.

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1. RESPONSIBILITY STATEMENT

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

The information relating to the parties not within SCH Group has been provided by the relevant parties and/or extracted from publicly available sources, where applicable. The Board accepts no responsibility in respect of such information except to the extent that such information has been accurately reproduced in this Circular.

2. CONSENT AND CONFLICT OF INTEREST

2.1. AmInvestment Bank

AmInvestment Bank, being the Principal Adviser for the Proposals, has given and has not subsequently withdrawn their written consent for the inclusion in this Circular of their names, reports and/or letters (where applicable) and all references thereto in the form and context in which they appear in this Circular.

AmInvestment Bank has given its written confirmation that there are no conflict of interest which exists or is likely to exist in its capacity as the principal adviser in respect of the Proposals.

AmInvestment Bank, its related and associated companies, as well as its holding company, AMMB Holdings Berhad and the subsidiaries and associated companies of its holding company (“**AmBank Group**”) form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, asset and funds management and credit transaction service businesses.

In the ordinary course of their businesses, any member of AmBank Group may at any time extend services to any company as well as hold long or short positions, and trade or otherwise effect transactions, for its own account or the account of its other clients, in debt or equity securities or senior loans of any company. Accordingly, there may be situations where parts of the AmBank Group and/or its clients now have or in the future, may have interests or take actions that may conflict with the interests of SCH Group.

The AmBank Group has extended credit facilities to the SCH Group the amount outstanding as at LPD amounted to approximately RM59.6 million. The proceeds allocated for repayment of bank borrowings as stated in Section 5 in the Part A of this Circular is primarily for the repayment of AmBank Group’s borrowings.

In addition, AmBank Group has also extended credit facilities to Hextar to subscribe for the Rights Shares pursuant to the Undertakings. The AmBank Group has extended credit facilities to Hextar and its subsidiaries the amount outstanding as at LPD amounted to approximately RM98.5 million.

APPENDIX I – FURTHER INFORMATION (CONT'D)

AmInvestment Bank is of the view that its role as the Principal Adviser for the Proposals are not likely to result in a conflict of interest or potential conflict of interest situation for the following reasons:-

- (i) AmInvestment Bank's role in the Proposals is undertaken in the ordinary course of business; and
- (ii) AmInvestment Bank undertakes each of its roles on an arm's length basis and its conduct is regulated by Bank Negara Malaysia and the Securities Commission Malaysia and governed under, inter alia, the Financial Services Act 2013, the Capital Markets and Services Act 2007, and AmBank Group's Chinese Wall policy and internal controls and checks.

Premised on the above, AmInvestment Bank confirms that there is no conflict of interest which exists or is likely to exist in its capacity as the Principal Adviser in respect of the Proposals.

2.2. Smith Zander

The written consent of Smith Zander, for the inclusion of its name, extracts of IMR Report and all references thereto in the form and context in which it appears in this Circular has been given and has not been subsequently withdrawn before the issuance of this Circular.

Smith Zander confirms that it is not aware of any conflict of interest which exists or is likely to exist in relation to its role as the Independent Market Researcher for the Proposals.

2.3. Malacca Securities

Malacca Securities, being the Independent Adviser to the non-interested directors and non-interested SCH Shareholders for the Proposed Exemption, has given and not subsequently withdrawn its written consent for the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

Malacca Securities has confirmed that there is no situation of conflict of interest that exists or is likely to exist in relation to its role as Independent Adviser to the non-interested Directors and non-interested SCH Shareholders for the Proposed Exemption.

3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

3.1. Material Commitments

As at the LPD, the Board confirmed that there are no material commitments incurred or known to be incurred by the SCH Group which may have a material impact on the financial results or position of the Group.

3.2. Contingent Liabilities

As at the LPD, the Board confirmed that there are no contingent liabilities incurred or known to be incurred by the SCH Group which upon becoming enforceable may have a material impact on the financial results or position of the SCH Group.

4. MATERIAL LITIGATION

Save as disclosed below, as at the LPD, the Board confirmed that neither SCH nor its subsidiaries are engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, which has or would have a material and adverse effect on the financial position or business of the SCH Group and the Board confirmed that there are no proceedings pending or threatened against SCH Group or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the SCH Group:-

Civil Suit between TK Rentals Sdn Bhd and EN Projects (M) Sdn Bhd

TK Rentals Sdn Bhd, a subsidiary of SCH, had on 22 January 2021 filed a Writ of Summons in the Kuala Lumpur Sessions Court against EN Projects (M) Sdn Bhd for the amount of RM341,375.00 and the same has been extracted from the Court. The said amount was owed by EN Projects (M) Sdn Bhd to TK Rentals Sdn Bhd for rental of equipment and services. The case management for the matter has been fixed for 22 February 2021.

The Board is of the view that TK Rentals Sdn Bhd has a good chance of obtaining a judgement against EN Projects (M) Sdn Bhd for the amount claimed. Nevertheless, the recoverability of the amount is uncertain.

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection from the date of this Circular up to and including the date of the forthcoming EGM during normal business hours from Mondays to Fridays (except for public holidays) at the Registered Office of SCH from the date of this Circular up to and including the date of the forthcoming EGM:-

- (i) Constitution of SCH;
- (ii) audited consolidated financial statements of SCH for the past two (2) FYEs 31 August 2019 and 31 August 2020;
- (iii) the unaudited consolidated financial statements of SCH for the financial period ended 30 November 2020;
- (iv) letters of consent and conflict of interest referred to in Section 2 of this Appendix I;
- (v) the IMR Report referred to in Section 4 of Part A of this Circular;
- (vi) the letter of undertaking from Hextar dated 11 November 2020 in respect of the Undertaking as referred to in Section 2.2.3 of Part A of this Circular; and
- (vii) the cause paper in respect of the material litigation referred to Section 4 of this Appendix I.



SCH GROUP BERHAD
(REGISTRATION NO. 201101044580 (972700-P))
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of SCH Group Berhad (“**SCH**” or the “**Company**”) will be conducted fully virtual for the purpose of considering and if thought fit, passing with or without modification, the resolutions as set out in this notice.

Meeting Platform : <https://tjih.online>
Day and Date : Friday, 26 February 2021
Time : 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
Broadcast Venue : Lot 35, Jalan CJ 1/1, Kawasan Perusahaan Cheras Jaya, 43200 Cheras, Selangor Darul Ehsan
Mode of Communication : Typed text and submit in the Meeting Platform

SPECIAL RESOLUTION 1

PROPOSED SHARE CONSOLIDATION OF EVERY THREE (3) EXISTING ORDINARY SHARES IN SCH (“SCH SHARE(S)”) INTO ONE (1) CONSOLIDATED SCH SHARE (“CONSOLIDATED SHARE(S)”) (“PROPOSED SHARE CONSOLIDATION”)

“**THAT**, subject to the approvals from the relevant authorities being obtained, approval be and is hereby given to the Board of Directors of SCH (“**Board**”) to consolidate every three (3) existing SCH Shares held by the shareholders of the Company, whose names appear in the Company’s Record of Depositors as at the close of business on an entitlement date to be determined and announced later by the Board, into one (1) Consolidated Share;

THAT the fractional entitlements arising from the Proposed Share Consolidation, 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;

THAT the Consolidated Shares, upon allotment and issuance, rank equally in all respects with each other;

AND THAT the Board be and is hereby empowered and authorised to do all acts, deeds and such things and to execute, enter into, sign and deliver on behalf of the Company, all such documents and/or agreements as the Board may deem necessary and/or expedient and/or appropriate to implement and give full effect to complete the Proposed Share Consolidation including without limitation, with full power to assent to any conditions, modifications, variations and/or amendments as the Board in their absolute discretion may deem fit or expedient or as required by the relevant authorities in order to carry out, finalise and give full effect to the Proposed Share Consolidation.”

ORDINARY RESOLUTION 1

PROPOSED RIGHTS ISSUE OF NEW ORDINARY SHARES IN SCH (“SCH SHARES”) TO RAISE GROSS PROCEEDS OF UP TO RM155,000,000 (“PROPOSED RIGHTS ISSUE”)

“**THAT**, subject to the passing of the Ordinary Resolution 2, and the approvals being obtained from the relevant authorities, approval be and is hereby given to the Board of Directors of SCH (“**Board**”) to:-

- (i) provisionally allot and issue by way of a renounceable rights issue of new SCH Shares (“**Rights Shares**”) to the shareholders of the Company whose names appear in the Record of Depositors of the Company at the close of business on an entitlement date to be determined and announced later by the Board (and/or their renounee(s) and/or transferee(s), as the case may be) (“**Entitled Shareholders**”);
- (ii) to allot and issue such number of additional warrants 2016/2021 in SCH (“**Warrants**”) to be issued as a result of the adjustments to the number of outstanding Warrants arising from the Proposed Rights Issue (“**Additional Warrants**”) and to allot and issue such number of new SCH Shares to be issued arising from the exercise of the Additional Warrants;
- (iii) determine and fix the entitlement basis and issue price of the Rights Shares which shall be announced later by the Board on the price-fixing date to raise gross proceeds of up to RM155,000,000; and
- (iv) utilise the proceeds to be derived from the Proposed Rights Issue for the purposes as set out in Section 5 of Part A of the circular dated 4 February 2021 to the shareholders of the Company (“**Circular**”) and to vary the manner and/or purpose of such proceeds as the Board may deem fit and in the best interest of the Company, subject (where required) to the approval of the relevant authorities.

THAT in determining the shareholders’ entitlement to the Rights Shares, the 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;

THAT any Rights Shares which is not subscribed or validly subscribed will be made available for excess application by the other Entitled Shareholders and/or their renounee(s) and/or transferee(s) in a fair and equitable manner on a basis to be determined by the Board;

THAT the Rights Shares shall, upon allotment and issuance, rank equally in all respects with each other and with the then existing SCH Shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, which may be declared, made or paid to shareholders, the entitlement date of which precedes the date of allotment of the Rights Shares;

AND THAT the Board be and is hereby empowered and authorised to do all acts, deeds and such things and to execute, enter into, sign and deliver on behalf of the Company, all such documents and/or agreements as the Board may deem necessary and/or expedient and/or appropriate to implement and give full effect to complete the Proposed Rights Issue including without limitation, with full power to assent to any conditions, modifications, variations and/or amendments as the Board in their absolute discretion may deem fit or expedient or as required by the relevant authorities in order to carry out, finalise and give full effect to the Proposed Rights Issue.”

ORDINARY RESOLUTION 2

PROPOSED EXEMPTION TO HEXTAR HOLDINGS SDN BHD (“HEXTAR”) AND PERSONS ACTING IN CONCERT (“PACs”) WITH IT FROM THE OBLIGATION TO UNDERTAKE A MANDATORY TAKE-OVER OFFER FOR THE REMAINING ORDINARY SHARES IN SCH (“SCH SHARES”) AND OUTSTANDING WARRANTS 2016/2021 (“WARRANTS”) NOT ALREADY OWNED BY THEM IN ACCORDANCE WITH PARAGRAPH 4.01(A) OF THE RULES ON TAKE-OVERS, MERGERS AND COMPULSORY ACQUISITIONS (“RULES”) ARISING FROM THE SUBSCRIPTION BY HEXTAR OF THE RIGHTS SHARES PURSUANT TO THE UNDERTAKINGS (AS DEFINED IN THE CIRCULAR), UNDER PARAGRAPH 4.08(1)(B) OF THE RULES (“PROPOSED EXEMPTION”)

“**THAT**, subject to the passing of the Ordinary Resolution 1, and the approval from the Securities Commission Malaysia (“SC”) being obtained and/or any other relevant authorities or parties (where required) including such conditions as may be imposed by the SC, approval be and is hereby given in accordance with paragraph 4.08(2)(b) of the Rules for Hextar and its PACs, to be exempted from the obligation to undertake a mandatory take-over offer to acquire all the remaining SCH Shares and Warrants not already held by Hextar and its PACs pursuant to the subscription of the Rights Shares by Hextar pursuant to the Undertakings (as defined in the Circular) and its PACs;

AND THAT the Board of Directors of SCH (“**Board**”) be and is hereby empowered and authorised to do all acts, deeds and such things and to execute, enter into, sign and deliver on behalf of the Company all such documents and/or agreements as the Board may deem necessary and/or expedient and/or appropriate to implement and give full effect to complete the Proposed Exemption including without limitation, with full power to assent to any conditions, modifications, variations and/or amendments as the Board in their absolute discretion may deem fit or expedient or as required by the relevant authorities in order to carry out, finalise and give full effect to the Proposed Exemption.”

By Order of the Board

TAN TONG LANG (MAICSA 7045482 /SSM PC No. 201908002253)
VIMALRAJ A/L SHANMUGAM (MAICSA 7068140 /SSM PC No. 202008000925)
LEE KOK PING (MIA 44986 / SSM PC No. 202008004407)
Company Secretaries

Kuala Lumpur
4 February 2021

NOTES:

1. IMPORTANT NOTICE

As part of the safety measures to curb the spread of the Coronavirus outbreak, the Company will conduct the EGM entirely through live streaming and online remote voting via Remote Participation and Voting (“RPV”) facilities. For further details and guidelines on RPV facilities, please refer to the Administrative Guide enclosed separately.

The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the EGM to be at the main venue of the meeting. No shareholders/proxies/corporate representatives from the public should be physically present at the Broadcast Venue on the day of EGM.

- 2. For the purpose of determining who shall be entitled to attend this EGM via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 19 February 2021. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this EGM via RPV.*
- 3. A member who is entitled to participate in this EGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.*
- 4. A member of the Company who is entitled to participate and vote at this EGM of the Company may appoint not more than two (2) proxies to participate instead of the member at this EGM via RPV.*
- 5. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 (“Central Depositories Act”), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.*
- 6. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.*
- 7. Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.*
- 8. A member who has appointed a proxy or attorney or authorized representative to attend, participate, speak and vote at this EGM via RPV must request his/her proxy to register himself/herself for RPV at TIIH Online at <https://tiih.online>. Please follow the Procedures for RPV in the Administrative Guide on this EGM.*
- 9. 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 forty-eight (48) hours before the time appointed for holding this EGM or adjourned general meeting at which the person named in the appointment proposes to vote:*
 - (i) In hard copy form*

In the case of an appointment made in hard copy form, the proxy form must be deposited at the Share Registrar’s office, 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 form*

The proxy form can be electronically lodged 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.

10. *Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the Poll Administrator's office, 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 not less than forty-eight (48) hours before the time appointed for holding this EGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.*
11. *Please ensure ALL the particulars as required in this proxy form are completed, signed and dated accordingly.*
12. *Last date and time for lodging this proxy form is Wednesday, 24 February 2021 at 4.00 p.m..*
13. *For a corporate member who has appointed a representative, please deposit the ORIGINAL certificate of appointment at the Poll Administrator's office, 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. The certificate of appointment should be executed in the following manner:-*
 - (i) *If the corporate member has a common seal, the certificate of appointment should be executed under seal in accordance with the constitution of the corporate member.*
 - (ii) *If the corporate member does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate member (if any) and executed by:*
 - (a) *at least two (2) authorized officers, of whom one shall be a director; or*
 - (b) *any director and/or authorized officers in accordance with the laws of the country under which the corporate member is incorporated.*



SCH GROUP BERHAD
(REGISTRATION NO. 201101044580 (972700-P))
(Incorporated in Malaysia)

FORM OF PROXY

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

NUMBER OF SHARES HELD	CDS ACCOUNT NO.

I/We(FullNameinBlockLetters) _____

NRICNo./PassportNo./CompanyNo. _____

of _____

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

Name of Proxy	NRIC No./ Passport No.	% of Shareholdings to be Represented
Address		

and / or failing him/her

Name of Proxy	NRIC No./ Passport No.	% of Shareholdings to be Represented
Address		

or failing him/her, the Chairman of the Meeting as *my/our proxy/proxies to attend and on a poll to vote for *me/us on my/our behalf at the Extraordinary General Meeting of the Company to be conducted fully virtual vide live streaming and online remote voting using Remote Participation and Voting (“RPV”) facilities from the Lot 35, Jalan CJ 1/1, Kawasan Perusahaan Cheras Jaya, 43200 Cheras, Selangor Darul Ehsan be held at 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 and at any adjournment thereof in the manner as indicate below:-



No.	Resolutions	For	Against
1.	Special Resolution 1 : Proposed Share Consolidation		
2.	Ordinary Resolution 1 : Proposed Right Issue		
3.	Ordinary Resolution 2 : Proposed Exemption		

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

Dated this _____ day of _____ 2021

Signature: _____

(If shareholder is a corporation, this form should be executed under seal)

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 - (a) *at least two (2) authorized officers, of whom one shall be a director; or*
 - (b) *any director and/or authorized officers in accordance with the laws of the country under which the corporate member is incorporated.*



Fold this flap for sealing

Then fold here

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

AFFIX
STAMP

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