

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

- PROPOSED SHARE CONSOLIDATION
- PROPOSED RIGHTS ISSUE
- PROPOSED EXEMPTION

This announcement is dated 6 November 2020 (“**Announcement**”).

1. INTRODUCTION

On behalf of the Board of Directors of SCH (“**Board**”), AmInvestment Bank Berhad (“**AmInvestment Bank**”) wishes to announce that the Company proposes to undertake the following:-

- proposed consolidation of every 3 ordinary shares in SCH (“**SCH Shares**” or “**Shares**”) into 1 consolidated SCH Share (“**Consolidated Share**”) (“**Proposed Share Consolidation**”);
- proposed rights issue of new SCH Shares (“**Rights Shares**”) to raise gross proceeds of up to RM155 million (“**Proposed Rights Issue**”); and
- proposed exemption to Hextar Holdings Sdn Bhd (“**Hextar**”) and persons acting in concert (“**PACs**”) with it to undertake a mandatory offer for the remaining SCH Shares not already owned by them arising from the subscription by Hextar of the Rights Shares pursuant to the irrevocable undertakings detailed in Section 2.2.2 of this Announcement (“**Proposed Exemption**”),

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

Further details of the Proposals are set out in the ensuing sections of this Announcement.

2. DETAILS OF THE PROPOSALS

2.1 Details of the Proposed Share Consolidation

The Proposed Share Consolidation entails the consolidation of every 3 existing SCH Shares into 1 Consolidated Share. As at 28 October 2020, being the latest practicable date prior to this Announcement (“**LPD**”), SCH has 555,511,720 total issued Shares and 205,839,310 outstanding warrants 2016/2021 (“**Warrants**”).

For illustration purposes, the 555,511,720 Shares (assuming none of the existing Warrants are exercised and converted into new Shares) will be consolidated into 185,170,573 Consolidated Shares pursuant to the Proposed Share Consolidation.

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

2.1.1 Theoretical adjusted reference price of the Consolidated Shares

The Proposed Share Consolidation will result in an adjustment to the reference price of SCH Shares listed and quoted on the ACE Market of Bursa Malaysia Securities Berhad (“**Bursa Securities**”).

For illustration purposes, based on the last transacted market price of the Shares as at LPD of RM0.10, the theoretical adjusted reference price of SCH Shares upon completion of the Proposed Share Consolidation is as follows:-

	<u>No. of Shares</u>	<u>Market / Theoretical adjusted reference price per SCH Share</u> RM	<u>⁽ⁱ⁾Total value</u> RM'000
As at LPD	555,511,720	0.10 <i>(Last transacted market price as at LPD)</i>	55,551
After the Proposed Share Consolidation	185,170,573	⁽ⁱⁱ⁾ 0.30 <i>(Theoretical adjusted reference share price after adjustment)</i>	55,551

Notes:-

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

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

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

Based on the illustration above, the Proposed Share Consolidation will increase the reference price of SCH Shares but it will not have any impact on the total market value of the SCH Shares held by the shareholders of the Company.

The reference price of the existing Warrants will also be adjusted on similar basis as above based on the adjusted number of Warrants ("**Consolidated Warrants**"). The Proposed Share Consolidation would give rise to adjustments to the Warrants exercise price and/or number of unexercised Warrants in accordance with the provisions of the deed poll governing the Warrants. A notice will be despatched to the respective holders of the Warrants in the event of any such adjustments.

Fractional entitlements arising from the Proposed Share Consolidation in respect of the Consolidated Shares and Consolidated Warrants, if any, shall be disregarded and dealt with by the Board in such manner at its absolute discretion as it may deem fit or expedient and in the best interests of the Company.

2.1.2 Ranking of the Consolidated Shares

The Consolidated Shares shall rank *pari passu* in all respects with each other following the completion of the Proposed Share Consolidation.

2.1.3 Suspension of trading

There will not be any suspension of trading of SCH Shares and Warrants pursuant to the Proposed Share Consolidation as the Proposed Share Consolidation is prescribed as a specified consolidation pursuant to Rule 13.14 of the ACE Market Listing Requirements of Bursa Securities ("**Listing Requirements**").

2.1.4 Listing date and notices of allotment

The Consolidated Shares and Consolidated Warrants will be listed and quoted on the ACE Market of Bursa Securities on the next market day after the entitlement date for the Proposed Share Consolidation.

The notices of allotment will be issued and despatched to the entitled shareholders within 4 market days after the listing and quotation of the Consolidated Shares and Consolidated Warrants on the ACE Market of Bursa Securities, or such other period as may be prescribed by Bursa Securities.

2.2 Details of the Proposed Rights Issue

As at 3 November 2020, SCH has in issue 555,511,720 SCH Shares and 205,839,310 Warrants expiring in December 2021 with exercise price of RM0.10.

SCH proposes to undertake the Proposed Rights Issue to raise gross proceeds of up to RM155 million assuming all the Warrants are exercised between the price-fixing date and the Entitlement Date (as defined herein). Assuming no Warrants are exercised between the price-fixing date and the Entitlement Date (as defined herein), the proceeds SCH proposes to raise is up to approximately RM110 million.

The Proposed Rights Issue is expected to be implemented after the completion of the Proposed Share Consolidation. It is the intention of the Board that the issue price of the Rights Shares shall be priced at a discount ranging 10%-30% to the theoretical ex-all price of SCH Shares ("**TEAP**") ("**Issue Price**") based on the 5-market day volume weighted average market price ("**VWAMP**") of SCH Shares preceding the price fixing date, subject to a minimum issue price of RM0.08 ("**Floor Price**").

On this basis, 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.

The entitlement basis for the Proposed Rights Issue ("**Entitlement Basis**") and the Issue Price have not been fixed at this juncture to provide flexibility to the Board in respect of the pricing of the Rights Shares. The Entitlement Basis and Issue Price will be determined and announced by the Board on a later date.

Shareholders of the Company whose names appear in the Company's Record of Depositors at the close of business on an entitlement date ("**Entitlement Date**") to be determined and announced by the Board at a later date ("**Entitled Shareholders**") and/or their renounee(s) shall be entitled to subscribe for the Rights Shares pursuant to the Proposed Rights Issue.

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

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

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

2.2.1 Basis of Determining the Issue Price of the Rights Shares

It is the intention of the Board that the Issue Price shall be priced at a discount ranging 10%-30% to the TEAP 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. The Issue Price will be determined and announced by the Board on the price-fixing date, after taking into consideration, inter alia, the following:-

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

2.2.2 Major Shareholder's Undertaking

The Company intends to undertake the Proposed Rights Issue on a minimum subscription level basis to raise minimum gross proceeds of RM23.5 million ("**Minimum Subscription Level**").

The Company proposes to procure from its major shareholder, Hextar, an irrevocable and unconditional undertakings for the following:-

- (i) to subscribe for its entitlement based on its shareholdings on the Entitlement Date ("**Entitlement Undertaking**"). In this relation, Hextar is also to undertake that its shareholdings in the Company on Entitlement Date shall not be less than its current shareholdings of approximately 30.9% in the Company;
- (ii) to apply such additional number of Rights Shares not taken up by the other Entitled Shareholders and/or their renouncee(s), by way of excess Rights Shares applications ("**Additional Undertaking**"), subject always that the amount subscribed by Hextar under the Entitlement Undertaking and Additional Undertaking shall not exceed RM80 million; and
- (iii) the subscription obligations under Entitlement Undertaking and Additional Undertaking are subject to:-
 - (a) SCH being able to comply with the public spread requirement pursuant to Paragraphs 3.10(1) and 8.02(1) of the Listing Requirements ("**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 shareholding spread requirement upon completion of the Proposed Rights Issue; and
 - (b) the approval of the Securities Commission Malaysia ("**SC**") for the Proposed Exemption being obtained.

The Entitlement Undertaking and Additional Undertaking shall collectively be referred to as "**Proposed Undertaking**".

2.2.3 Ranking of the Rights Shares

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

2.2.4 Listing of and Quotation for the Rights Shares

An application will be made to Bursa Securities for the listing of and quotation for the Rights Shares to be issued pursuant to the Proposed Rights Issue on the ACE Market of Bursa Securities.

2.3 Details of the Proposed Exemption

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

In the event that 13.4% (124.1 million Rights Shares) of the public shareholders subscribed for the Rights Shares, the other non-public shareholders do not subscribe for the Rights Shares and none of the existing Warrants are exercised, Hextar will be required to fulfill its entire Proposed Undertaking of RM80 million. The shareholdings of Hextar and its PACs could increase up to 74.2% in such instance as follows:-

	As at LPD and after the Proposed Share Consolidation				After the Proposals			
	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	-	-	57,245	30.9	-	-	723,911 ⁽ⁱ⁾	74.2
Ms Ong	-	-	-	-	-	-	-	-
Hextar	57,245	30.9	-	-	723,911 ⁽ⁱ⁾	74.2	-	-

Note:-

The above assumes the entitlement basis of 5 Rights Shares for every 1 Consolidated Share and Issue Price of RM0.12

Hextar and its PACs will accordingly be obliged to undertake a mandatory take-over offer for all the remaining SCH Shares not already held by them in accordance with Paragraph 4.01(b) of the Rules on Take-Overs, Mergers and Compulsory Acquisitions ("**Rules**") ("**Mandatory Offer**") in view that Hextar's shareholdings will increase to above 33%.

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

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

3. USE OF PROCEEDS

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

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

Notes:-

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

(i) Repayment of bank borrowings

SCH proposes to utilise up to RM12.0 million (Minimum Scenario) and RM33.5 million (Base Case Scenario and Maximum Scenario) respectively for the repayment of its bank borrowings. The repayment of the bank borrowings is expected to result in interest savings of approximately RM0.5 million per annum (Minimum Scenario) and RM1.5 million (Base Case Scenario and Maximum Scenario) based on the average effective interest rate of SCH and its group of companies ("SCH Group") of approximately 4.38% per annum.

For information, based on SCH's audited consolidated financial statements for the financial year ended 31 August 2019, the total borrowings of SCH Group amounted to approximately RM57.9 million.

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

(ii) Working capital

The amount allocated for SCH Group's working capital shall be used as follows:-

No.	Description	Note	Minimum Subscription Basis	Full Subscription Basis	
			RM'000	Assuming no Warrants are exercised RM'000	Assuming all Warrants are exercised RM'000
(a)	Purchase of direct materials for its fertilizer business	(i)	6,222	52,265	83,265
(b)	Purchase of industrial products	(ii)	2,000	16,500	30,500
(c)	Other operating expenses	(iii)	2,278	6,735	6,735
			10,500	75,500	120,500

Notes:-

- (i) *Purchase of direct materials for fertilizers, including but not limited to, ammonium chloride, ammonium sulphate, urea, egyptian rock phosphate and muriate of potash kieserite;*
- (ii) *Purchase of industrial products for trading, including but not limited to machinery, machine spare parts, forklifts, batteries, solar panels and inverters; and*
- (iii) *Other operating expenses comprise of, amongst others, payment of factory rental and overhead, sales and distribution expenses and administrative expenses such as salaries and utilities.*

(iii) Defrayment of estimated expenses for the Proposed Rights Issue

The expenses relating to the Proposed Rights Issue comprise, amongst others, professional fees, fees payable to relevant authorities and other ancillary expenses. Any deviation in actual expenses for the Proposed Rights Issue will be adjusted to/ from amount allocated for working capital.

The actual gross proceeds to be raised will depend on the prevailing SCH Share price, Issue Price and the total number of SCH Shares to be issued. As such, the actual gross proceeds to be raised could be or less than RM155 million. Any shortfall from the RM155 million will be adjusted from amount allocated for working capital.

4. RATIONALE FOR THE PROPOSALS

4.1 Proposed Share Consolidation

As at LPD, the last transacted market price of SCH Shares is RM0.10 and the Company has 555,511,720 Shares in issue. Following the completion of the Proposed Share Consolidation, the market price of each SCH Share will increase by 3 times and the total number of SCH Shares in issue will be reduced by the corresponding ratio.

The Consolidated Shares in total will bear the same value as the existing SCH Shares prior to the Proposed Share Consolidation.

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

4.2 Proposed Rights Issue

The Proposed Rights Issue will enable the Company to raise funds for the proposed utilisation as set out in Section 3 above.

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

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.

SCH did not undertake any fund-raising exercise in the past 12 months prior to the date of this Announcement.

4.3 Proposed Exemption

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

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

5. INDUSTRY OUTLOOK AND PROSPECTS

Currently, SCH Group is mainly involved in the following 3 key segments:-

- (i) manufacturing and trading of fertilizer to the agriculture industry;
- (ii) machinery distribution to primarily the construction and quarry industry; and
- (iii) general equipment rental primarily for events and emergency cooling solutions.

The overview of and outlook of the industries where SCH supplies to together with the overview and outlook of the Malaysian economy are as follows:-

5.1 Overview and outlook of the Malaysian Economy

The Malaysian economy was confronted by concurrent supply and demand shocks arising from weak external demand conditions and strict containment measures in 2Q 2020. As a result, the economy registered its first contraction since the Global Financial Crisis (2Q 2020: -17.1%; 3Q 2009: -1.1%). On the supply side, this was reflected in negative growth across most sectors. From the expenditure side, domestic demand declined, while exports of goods and services registered a sharper contraction. On a quarter-on-quarter seasonally-adjusted basis, the economy declined by 16.5% (1Q 2020: -2.0%).

Weak growth was recorded across most economic sectors amid the imposition of the Movement Control Order (“MCO”), followed by the Conditional and Recovery MCO, during 2Q 2020.

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

5.2 Overview of the Malaysian Agriculture Industry

The agriculture sector rebounded in the quarter at 1.0% (1Q 2020: -8.7%), mainly due to the recovery in oil palm production as fresh fruit bunch yields normalised from the earlier impact of dry weather and fertiliser cutbacks. The oil palm recovery was also supported by higher harvesting activities, arising from the greater presence of workers in estates during the MCO period. This more than offset the weaker production in the other agriculture subsectors, such as fisheries and livestock, due to weak demand.

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

5.3 Overview of the Malaysian Construction Industry

Activity in the construction sector declined by 44.5% (1Q 2020: -7.9%), as almost all activities came to a standstill particularly in the month of April. Despite the partial reopening of the economy on 4 May 2020, most construction sites faced challenges restarting due to adjustments required to comply with the strict COVID-19 Standard Operating Procedures (“SOPs”). Most of the construction sites were reported to remain idle as developers faced challenges to restart, including financial constraints, initial lack of clarity over the SOPs and COVID-19 testing, and disruptions in the supply of construction materials. However, the situation improved significantly towards the end of the quarter after the Government implemented additional measures to facilitate the revival of the economy.

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

5.4 Overview of the Malaysian Services Industry

The services sector contracted by 16.2% (1Q 2020: 3.1%). The sector was affected by the implementation of a nationwide restrictive MCO, with only essential services such as food-related retail, utilities, banking, transportation as well as information and communication entities allowed to operate with very limited capacity. The subsequent transition to Conditional MCO in May and Recovery MCO in June provided some relief to businesses in the sector. The lockdown had substantially affected consumer spending and tourism activity, as shown by the significant declines in the wholesale and retail trade, as well as food and beverages and accommodation sub-sectors. The transport and storage sub-sector was impacted by a sudden stop in tourist arrivals due to travel restrictions imposed domestically as well as the international border closures. Growth in the finance and insurance sub-sector was weighed down by lower net interest income, and lower fee-based income amid subdued capital market activity. Meanwhile, growth in the information and communication sub-sector was relatively sustained by the continued high demand for data communication services especially during this period of remote working arrangements.

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

5.5 Prospects of SCH Group

SCH fertilizer segment is correlated to the agriculture industry. The Board notes the recent positive outlook of Crude Palm Oil (“CPO”) price which they believe will continue, driven by the following:-

- (i) resumption of B20 biodiesel programme where 20% palm oil blend will be used as fuel. The B20 biodiesel was launched in February 2020, and has been made available in stages in Langkawi, Kedah and Labuan. It has been reported that the B20 biodiesel will be made available in Sabah and Peninsular Malaysia starting from 1 January 2021 and 15 June 2021 respectively; and
- (ii) export duty exemption for CPO, crude palm kernel oil and processed palm kernel oil from 1 July 2020 to 31 December 2020.

The aforementioned positive outlook for the oil palm industry will enhance the purchasing power of fertilizer for smallholders and individual planters, thus driving the demand for fertilizer in Malaysia.

For the machinery distribution business, whilst SCH Group’s operations were affected by the introduction of the MCO in March 2020, SCH has observed that construction and quarry related activities have progressively resumed after the relaxation of the MCO in May 2020.

Unfortunately, COVID-19 had affected the operations of SCH Group’s equipment rental business. With the constraint on the movement of people amid COVID-19, many organisers had decided to postpone or cancel events. To mitigate the impact of COVID-19 on SCH Group’s equipment rental business, SCH Group has decided to expand this business segment to include trading of industrial batteries, inverter and solar panel, supplying to the market in East Malaysia and South East Asia. It is proposed that the proceeds from the Proposed Rights Issue as mentioned in Section 3 above will partly be channelled to this business segment.

Notwithstanding the uncertain economic outlook and the disruption to the SCH Group’s business activities due to the COVID-19 pandemic, SCH will continue to remain focused on its core fertiliser business whilst at the same time expanding its trading of industrial products via amongst others, proceeds from the Proposed Rights Issue. The Board believes that barring any unforeseen circumstances, the proceeds from the Proposed Rights Issue should augur well for the overall prospects of the SCH Group.

(Source: Management of SCH)

6 EFFECTS OF THE PROPOSED CONSOLIDATION AND PROPOSED RIGHTS ISSUE

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

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

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

Notes:-

- (i) *The illustrative issue price of RM0.12 per Rights Share representing 20% to the TEAP of SCH Shares of RM0.15, calculated based on the 5-market day VWAMP of SCH Shares up to and including LPD of RM0.30 (after adjusting for the effects of the Proposed Share Consolidation).*
- (ii) *The illustrative issue price of RM0.08 per Rights Share representing 23.8% to the TEAP of SCH Shares of RM0.105, calculated based on the 5-market day VWAMP of SCH Shares up to and including LPD of RM0.30 (after adjusting for the effects of the Proposed Share Consolidation).*

6.1 Share Capital

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

	Minimum Scenario		Base Case Scenario		Maximum Scenario	
	No of Shares		No of Shares		No. of Shares	
	'000	RM'000	'000	RM'000	'000	RM'000
Share capital as at LPD	555,512	75,918	555,512	75,918	555,512	75,918
New SCH Shares issued pursuant to exercise of existing Warrants ⁽ⁱ⁾	-	-	-	-	205,839	20,584
	555,512	75,918	555,512	75,918	761,351	96,502
After Proposed Share Consolidation	185,170	75,918	185,170	75,918	253,783	96,502
To be issued pursuant to Proposed Rights Issue	195,833	22,500 ⁽ⁱ⁾	925,850	110,102 ⁽ⁱ⁾	1,903,372	151,270 ⁽ⁱ⁾
	381,003	98,418	1,111,020	186,020	2,157,155	247,772
After exercise of existing Warrants ⁽ⁱⁱ⁾	137,226	20,584	137,226	20,584	-	-
Enlarged share capital	518,229	119,002	1,248,246	206,604	2,157,155	247,772

Notes:-

(i) After deducting RM1.0 million estimated expenses for the Proposed Rights Issue.

(ii) After the adjustment to number of unexercised Warrants in accordance with the provisions of the deed poll governing SCH's Warrants.

6.2 Substantial Shareholders' Shareholdings

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

The percentage shareholdings of the substantial shareholders will remain the same if they subscribe for their respective rights entitlements in full.

Minimum Scenario

Substantial Shareholder	As at LPD				(I) After Proposed Share Consolidation				(II) After Proposed Rights Issue				(III) After (II) and Exercise of Existing Warrants			
	Direct Interest		Indirect Interest		Direct Interest		Indirect Interest		Direct Interest		Direct Interest		Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
	'000		'000		'000		'000		'000		'000		'000		'000	
Dato' Ong	-	-	171,734	30.9 ⁽ⁱ⁾	-	-	57,245	30.9 ⁽ⁱ⁾	-	-	253,078	66.4 ⁽ⁱ⁾	-	-	253,078	48.8 ⁽ⁱ⁾
Hextar	171,734	30.9	-	-	57,245	30.9	-	-	253,078	66.4	-	-	253,078	48.8	-	-

Base Case Scenario

Substantial Shareholder	As at LPD				(I) After Proposed Share Consolidation				(II) After Proposed Rights Issue				(III) After (II) and Exercise of Existing Warrants			
	Direct Interest		Indirect Interest		Direct Interest		Indirect Interest		Direct Interest		Direct Interest		Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
	'000		'000		'000		'000		'000		'000		'000		'000	
Dato' Ong	-	-	171,734	30.9 ⁽ⁱ⁾	-	-	57,245	30.9 ⁽ⁱ⁾	-	-	343,468	30.9 ⁽ⁱ⁾	-	-	343,468	27.5 ⁽ⁱ⁾
Hextar	171,734	30.9	-	-	57,245	30.9	-	-	343,468	30.9	-	-	343,468	27.5	-	-

Maximum Scenario

Substantial Shareholder	As at LPD				(I) After Exercise of Existing Warrants				(II) After (I) and Proposed Share Consolidation				(III) After (II) and Proposed Rights Issue			
	Direct Interest		Indirect Interest		Direct Interest		Indirect Interest		Direct Interest		Direct Interest		Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
	'000		'000		'000		'000		'000		'000		'000		'000	
Dato' Ong	-	-	171,734	30.9 ⁽ⁱ⁾	-	-	171,734	22.6 ⁽ⁱ⁾	-	-	57,245	22.6 ⁽ⁱ⁾	-	-	486,582	22.6 ⁽ⁱ⁾
Hextar	171,734	30.9	-	-	171,734	22.6	-	-	57,245	22.6	-	-	486,582	22.6	-	-

Note:-

(i) Deemed interest for the shares held by Hextar pursuant to Section 8 of the Companies Act, 2016.

6.3 Net Assets (“NA”) per Share and Gearing

Based on SCH’s consolidated audited statement of financial position as at 31 August 2019, the proforma effects of the Proposed Rights Issue on the consolidated NA per share and gearing of SCH are as follows:-

Minimum Scenario

	(I)	(II)	(III)	
Audited as at 31 August 2019	After Proposed Share Consolidation	After (I) and Proposed Rights Issue	After (II) and exercise of Warrants ⁽ⁱⁱⁱ⁾	
RM’000	RM’000	RM’000	RM’000	
Share capital	75,918	75,918	98,418 ⁽ⁱ⁾	119,002
Merger deficit	(23,859)	(23,859)	(23,859)	(23,859)
Foreign currency translation reserve	(8)	(8)	(8)	(8)
Retained earnings	33,927	33,927	33,927	33,927
Total equity attributable to owners of SCH / NA	85,978	85,978	108,478	129,062
Non-controlling interests	3,642	3,642	3,642	3,642
TOTAL EQUITY	89,620	89,620	112,120	132,704
Number of SCH Shares	555,512	185,170	381,003	518,229
NA per SCH Share (RM)	0.15	0.46	0.28	0.25
Total borrowings	57,892	57,892	45,892 ⁽ⁱⁱ⁾	45,892
Gearing ratio (times)	0.67	0.67	0.42	0.36

Notes:-

- (i) Assuming 195.8 million Rights Shares are issued under the Minimum Subscription Level at the issue price of RM0.12 each and after deducting the estimated expenses of RM1.0 million.
- (ii) After the repayment of bank borrowings of RM12.0 million from the utilisation of proceeds.
- (iii) After the adjustment to number of unexercised Warrants in accordance with the provisions of the deed poll governing SCH’s Warrants.

Base Case Scenario

	(I)	(II)	(III)	
Audited as at 31 August 2019	After Proposed Share Consolidation	After (I) and Proposed Rights Issue	After (II) and exercise of Warrants ⁽ⁱⁱⁱ⁾	
RM'000	RM'000	RM'000	RM'000	
Share capital	75,918	75,918	186,020 ⁽ⁱ⁾	206,604
Merger deficit	(23,859)	(23,859)	(23,859)	(23,859)
Foreign currency translation reserve	(8)	(8)	(8)	(8)
Retained earnings	33,927	33,927	33,927	33,927
Total equity attributable to owners of SCH / NA	85,978	85,978	196,080	216,664
Non-controlling interests	3,642	3,642	3,642	3,642
TOTAL EQUITY	89,620	89,620	199,722	220,306
Number of SCH Shares	555,512	185,170	1,111,020	1,248,246
NA per SCH Share (RM)	0.15	0.46	0.18	0.17
Total borrowings	57,892	57,892	24,392 ⁽ⁱⁱ⁾	24,392
Gearing ratio (times)	0.67	0.67	0.12	0.11

Notes:-

- (i) Assuming 925.8 million Rights Shares are issued at the issue price of RM0.12 each and after deducting the estimated expenses of RM1.0 million.
- (ii) After the repayment of bank borrowings of RM33.5 million from the utilisation of proceeds.
- (iii) After the adjustment to number of unexercised Warrants in accordance with the provisions of the deed poll governing SCH's Warrants.

Maximum Scenario

		(I)	(II)	(III)
	Audited as at 31 August 2019	After exercise of Warrants ⁽ⁱ⁾	After (I) and Proposed Share Consolidation	After (II) and Proposed Rights Issue
	RM'000	RM'000	RM'000	RM'000
Share capital	75,918	96,502	96,502	247,772 ⁽ⁱⁱ⁾
Merger deficit	(23,859)	(23,859)	(23,859)	(23,859)
Foreign currency translation reserve	(8)	(8)	(8)	(8)
Retained earnings	33,927	33,927	33,927	33,927
Total equity attributable to owners of SCH / NA	85,978	106,562	106,562	257,832
Non-controlling interests	3,642	3,642	3,642	3,642
TOTAL EQUITY	89,620	110,204	110,204	261,474
Number of SCH Shares	555,512	761,351	253,783	2,157,155
NA per SCH Share (RM)	0.15	0.14	0.42	0.12
Total borrowings	57,892	57,892	57,892	24,392 ⁽ⁱⁱⁱ⁾
Gearing ratio (times)	0.67	0.54	0.54	0.09

Notes:-

- (i) Assuming the exercise of the balance outstanding 205,839,310 Warrants prior to the Entitlement Date at the exercise price of RM0.10 each.
- (ii) Assuming 1.9 billion Rights Shares are issued at the issue price of RM0.08 each and after deducting the estimated expenses of RM1.0 million.
- (iii) After the repayment of bank borrowings of RM33.5 million from the utilisation of proceeds.

6.4 Earnings and Earnings per Share (“EPS”)

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

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

The Proposed Rights Issue is expected to contribute positively to SCH's consolidated earnings for the ensuing financial years, when the benefits of the utilisation of proceeds raised are realised.

6.5 Convertible Securities

Save for the outstanding Warrants, the Company does not have any other convertible securities in issue as at LPD.

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

7 APPROVALS REQUIRED

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

- (i) Bursa Securities for the following:-
 - (a) Proposed Share Consolidation; and
 - (b) listing of and quotation on the ACE Market of Bursa Securities for the Rights Shares and additional number of Warrants to be issued as a result the adjustments to the number of Warrants arising from Proposed Rights Issue in accordance to the deed poll;
- (ii) shareholders of SCH at an EGM to be convened;
- (iii) the SC for the Proposed Exemption; and
- (iv) other relevant authorities and/or parties, if required.

The Proposed Rights Issue and the Proposed Exemption are not conditional upon the Proposed Share Consolidation and vice versa.

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

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

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

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

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

- (i) Hextar, the major shareholder of SCH, has given the Proposed Undertaking;
- (ii) Dato' Ong, a Non-Independent Non-Executive Director of SCH, is also the major shareholder of Hextar; and
- (iii) Ms Ong, a Non-Independent Non-Executive Director of SCH, is the sister to Dato' Ong.

Ms Ong does not have any shareholdings in SCH. The shareholdings of Dato' Ong and Hextar in SCH as at LPD are as follows:-

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

Note:-

- (i) Deemed interest for the shares held by Hextar pursuant to Section 8 of the Companies Act, 2016.

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, Hextar, Dato' Ong, and Ms Ong 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.

9 DIRECTORS' STATEMENT

9.1 Proposed Share Consolidation

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

9.2 Proposed Rights Issue and Proposed Exemption

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

10 ADVISER

AmlInvestment Bank has been appointed as the Principal Adviser to the Company for the Proposals.

Pursuant to the Rules, the Board (save for Dato' Ong and Ms Ong) has appointed Malacca Securities Sdn Bhd as the Independent Adviser, to advise the non-interested directors and non-interested shareholders of SCH on the Proposed Exemption.

11 APPLICATION TO THE AUTHORITIES

Barring unforeseen circumstances, the application to Bursa Securities in relation to the Proposals is expected to be made within 2 months from the date of this announcement.

The application for the Proposed Exemption will be submitted to the SC after obtaining the requisite approval of the non-interested shareholders of the Company at the EGM to be convened.

12 ESTIMATED TIMEFRAME FOR COMPLETION

Barring unforeseen circumstances and subject to the approvals of the relevant authorities being obtained, the Proposals are expected to be completed by the second quarter of 2021.