

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

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SAND NISKO CAPITAL BERHAD

Registration No. 199501010609 (339810-A)
(Incorporated in Malaysia under the Companies Act, 2016)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE:

- I. **PROPOSED SHARE SPLIT INVOLVING A SUBDIVISION OF EVERY 1 EXISTING ORDINARY SHARE IN SAND NISKO CAPITAL BERHAD (“SNC”) (“SHARE(S)”) INTO 2 SHARES; AND**
- II. **PROPOSED BONUS ISSUE OF UP TO 115,830,000 FREE WARRANTS IN SNC (“WARRANT(S)”) ON THE BASIS OF 1 WARRANT FOR EVERY 2 SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER**

(COLLECTIVELY REFERRED AS THE “PROPOSALS”)

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

PRINCIPAL ADVISER



A Participating Organisation of Bursa Malaysia Securities Berhad
A Trading Participant of Bursa Malaysia Derivatives Berhad

INTER-PACIFIC SECURITIES SDN BHD

Registration No.: 197201001092 (12738-U)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting (“EGM”) of SNC to be conducted fully via virtual online meeting platform at <https://bit.ly/3A5fS9l> on Monday, 25 October 2021 at 1.30 p.m. or at any adjournment thereof, together with the Form of Proxy, are enclosed herewith.

A member entitled to attend and vote at the EGM is entitled to appoint not more than 2 proxies to attend, participate, speak and vote on his/her behalf. The Form of Proxy must be lodged at the Registered Office of SNC at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur not less than 24 hours before the time set for holding the EGM or at any adjournment thereof. The lodgement of the Form of Proxy shall not preclude you from attending, participating, speaking and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy : 24 October 2021 at 1.30 p.m.
Date and time of EGM : 25 October 2021 at 1.30 p.m.

This Circular is dated 8 October 2021

DEFINITIONS

In this Circular and the accompanying appendix, the following abbreviations shall have the following meanings unless otherwise stated:

“Act”	: Companies Act, 2016 including any amendments thereto from time to time
“Board”	: Board of Directors of SNC
“Books Closure Date for Share Split”	: 5.00 p.m. on a date to be determined and announced later by the Board on which the names of Shareholders must appear in the Record of Depositors of the Company in order to be entitled to participate in the Proposed Share Split
“Bursa Depository”	: Bursa Malaysia Depository Sdn. Bhd. (Registration No. 198701006854) (165570-W)
“Bursa Securities”	: Bursa Malaysia Securities Berhad (Registration No. 200301033577) (635998-W)
“Circular”	: The circular dated 8 October 2021 in relation to the Proposals
“COVID-19”	: Coronavirus Disease 2019
“Deed Poll”	: Deed poll constituting the Warrants to be executed by the Company
“Directors”	: Directors of SNC
“EGM”	: Extraordinary General Meeting
“Entitled Shareholders”	: Shareholders whose names appears in Record of Depositors of the Company as at the close of business on the Entitlement Date for Bonus Warrants
“Entitlement Date for Bonus Warrants”	: 5.00 p.m. on a date to be determined and announced later by the Board on which the names of Shareholders must appear in the Record of Depositors of the Company in order to be entitled to participate in the Proposed Bonus Issue of Warrants
“EPS”	: Earnings per Share
“ESOS”	: Employee share option scheme
“ESOS Option(s)”	: Options of our Company’s ESOS
“FYE”	: Financial year(s) ended
“IPS” or “Principal Adviser”	: Inter-Pacific Securities Sdn. Bhd. (Registration No. 197201001092) (12738-U)
“LAT”	: Loss after tax
“Listing Requirements”	: Main Market Listing Requirements of Bursa Securities

“LPD”	:	13 September 2021, being the latest practicable date prior to the printing of the Circular
“Market Day”	:	Any day on which Bursa Securities is open for trading of securities
“Main Market”	:	Main Market of Bursa Securities
“Maximum Scenario”	:	Assuming that prior to the Books Closure Date for Share Split and Entitlement Date for Bonus Warrants, all 280,500 Outstanding ESOS as at the LPD are exercised into new SNC Shares
“Minimum Scenario”	:	Assuming that prior to the Books Closure Date for Share Split and Entitlement Date for Bonus Warrants, all 280,500 Outstanding ESOS as at the LPD are remain unexercised into new SNC Shares
“NA”	:	Net assets
“Official List”	:	A list specifying all securities which have been admitted for listing on Bursa Securities and not removed
“Outstanding ESOS Options”	:	As at the LPD, there are 280,500 outstanding ESOS Options which are granted but unexercised
“PAT”	:	Profit after tax
“Proposals”	:	Collectively, the Proposed Share Split and Proposed Bonus Issue of Warrants
“Proposed Bonus Issue of Warrants”	:	Proposed bonus issue of up to 115,830,000 free Warrants on the basis of 1 Warrant for every 2 Shares held on the Entitlement Date for Bonus Warrants
“Proposed Share Split”	:	Proposed share split involving a subdivision of every 1 existing Share held on the Books Closure Date for Share Split into 2 Subdivided Shares
“Record of Depositors”	:	A record of securities holders established by Bursa Depository under the Rules of the Depository
“Rules of the Depository”	:	Rules of Bursa Depository as issued pursuant to the Securities Industry (Central Depositories) Act, 1991, including any amendments thereto from time to time
“Shareholders”	:	Registered holders of SNC Shares
“SNC” or “Company”	:	Sand Nisko Capital Berhad (Registration No. 199501010609) (339810-A)
“SNC Share(s)” or “Share(s)”	:	Ordinary share(s) in SNC
“Subdivided Shares” or “Split Shares”	:	Ordinary shares in SNC after the Proposed Share Split
“TEAP”	:	Theoretical ex-all price
“VWAP”	:	Volume weighted average market price

“Warrants” : Up to 115,830,000 free warrants in SNC to be issued pursuant to the Proposed Bonus Issue of Warrants

All references to “we”, “us”, “our” and “ourselves” are to the Company and, where the context requires otherwise, the subsidiaries of SNC. All references to “you” in this Circular are to the shareholders of SNC.

Words importing the singular shall, where applicable, include the plural and vice versa, and words importing the masculine gender shall, where applicable, include the feminine and/or neuter gender, and vice versa. References to persons shall include corporations, unless otherwise specified.

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

Any reference in this Circular to any provision of a statute, rule, regulation, enactment or rule of stock exchange shall (where the context admits) be construed as a reference to the provision of such statute, rule, regulation, enactment or rule of stock exchange (as the case may be) as modified by any written law or (if applicable) amendment or re-enactment to the statute, rule, regulation, enactment or rule of stock exchange for the time being in force. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise stated.

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

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Executive Summary

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

Key Information

Summary

Details of the Proposals

(Sections 2 and 3 of this Circular)

: Proposed Share Split

The Proposed Share Split entails the subdivision of every 1 existing SNC Share held on the Books Closure Date for Share Split, into 2 Subdivided Shares.

Proposed Bonus Issue of Warrants

The Proposed Bonus Issue entails the issuance of up to 115,830,000 Warrants on the basis of 1 Warrant for every 2 Shares held on the Entitlement Date for Bonus Warrants.

Rationale

(Section 4 of this Circular)

: Proposed Share Split

- (i) To increase the number of SNC Shares held by the Shareholders at no cost to be incurred while maintaining their percentage of equity shareholding held in the Company;
- (ii) To potentially result in improved trading liquidity of SNC Shares by increasing the number of shares in issue; and
- (iii) To result in SNC Shares being more affordable without affecting the market capitalisation of the Company, which may encourage greater participation by a wider group of public shareholders and investors.

Proposed Bonus Issue of Warrants

- (i) To reward the Shareholders for their continuous support by enabling them to participate in convertible securities of the Company, which are tradable on the Main Market of Bursa Securities, without incurring any cost;
- (ii) To provide the Shareholders with an opportunity to increase their equity participation in the Company at a pre-determined exercise price over the Exercise Period (as defined herein), and to allow Shareholders to further participate in the future growth and any potential capital appreciation arising therefrom of the Company when the Warrants are exercised;

(iii) To provide the Group with additional working capital when the Warrants are exercised in the future. The exercise of the Warrants will allow the Group to obtain proceeds without incurring interest expenses as compared to bank borrowings. In addition, the exercise of the Warrants will increase the Company's shareholders' funds which will consequently improve its gearing level; and

(iv) To strengthen the capital base of the Group by increasing the size of its shareholders' funds arising from the exercise of the Warrants and provide the Group with greater flexibility in terms of the options available to meet its future funding requirements.

Conditionality : The Proposed Bonus Issue of Warrants is conditional upon the Proposed Share Split but not vice versa.
(Section 10 of this Circular)

The Proposals are not conditional upon any other corporate exercise / scheme undertaken or proposed to be undertaken by the Company.

Directors' statement / recommendation : The Board, having considered all aspects of the Proposals, including but not limited to the rationale and effects of the Proposals, is of the opinion that the Proposals are in the best interest of the Company.
(Section 12 of this Circular)

Accordingly, the Board recommends that you vote in favour of the resolutions to give effect to the Proposals to be tabled at the forthcoming of EGM.

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SAND NISKO CAPITAL BHD

SAND NISKO CAPITAL BERHAD

Registration No. 199501010609 (339810-A)

(Incorporated in Malaysia under the Companies Act, 2016)

Registered Office:

Level 2, Tower 1
Avenue 5, Bangsar South City
59200 Kuala Lumpur

8 October 2021

Board of Directors:

Dato' Sri (Dr) Sow Chin Chuan (*Executive Chairman*)
Datin' Sri Chu Kim Guek (*Non-Independent & Non-Executive Director*)
Emily Sow Mei Chet (*Managing Director*)
Edward Sow Yuen Seng (*Executive Director*)
Abd Rauf Bin Abdul Rahim (*Independent & Non-Executive Director*)
Kong June Hon (*Independent & Non-Executive Director*)
Juliana Quah Kooi Hong (*Independent & Non-Executive Director*)

To: The Shareholders

Dear Sir / Madam

- (I) PROPOSED SHARE SPLIT; AND**
- (II) PROPOSED BONUS ISSUE OF WARRANTS**

(COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

1. INTRODUCTION

On 7 September 2021, IPS announced on behalf of the Board that the Company proposes to undertake the Proposals.

On 30 September 2021, IPS had, on behalf of the Board, announced that Bursa Securities, vide its letter dated 30 September 2021, granted its approval for the following:

- (i) the Proposed Share Split;
- (ii) admission to the Official List and listing of and quotation for up to 115,830,000 Warrants to be issued pursuant to the Proposed Bonus Issue of Warrants on the Main Market of Bursa Securities; and

(iii) listing of and quotation for up to 115,830,000 new Shares to be issued arising from the exercise of the Warrants on the Main Market of Bursa Securities.

The approval granted by Bursa Securities for the Proposals is subject to the conditions as set out in Section 10 of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSALS AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE EGM. THE NOTICE OF EGM AND THE FORM OF PROXY ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

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

2. PROPOSED SHARE SPLIT

2.1 Details of the Proposed Share Split

The Proposed Share Split entails the subdivision of every 1 existing Share held on the Books Closure Date for Share Split into 2 Split Shares. The Books Closure Date for Share Split will be determined by the Board and announced at a later date upon receipt of all relevant approvals for the Proposed Share Split.

It is the intention of the Company to implement the Proposed Share Split prior to the implementation of the Proposed Bonus Issue of Warrants.

The actual number of the Split Shares will depend on the total number of Shares in issue on the Book Closure Date for Share Split. As at the LPD, the issued share capital of the Company is RM19,932,769 comprising 115,549,500 Shares.

The Company had established an ESOS wherein the maximum number of new SNC Shares to be issued pursuant to the ESOS shall not in aggregate exceed 15% of the total issued shares of the Company (excluding treasury shares, if any) at any time during the duration of the ESOS. Each ESOS Option granted its entitled holder to subscribe for 1 new SNC Share at an exercise price to be determined by the Board at the date of offer of the ESOS Option. As at the LPD, there are 280,500 Outstanding ESOS Options. The Board has undertaken not to offer any further ESOS Options until the completion of the Proposals.

For illustration purposes:

- (i) assuming that prior to the Books Closure Date for Share Split and the Entitlement Date for Bonus Warrants, on the premise that all 280,500 Outstanding ESOS Options as at the LPD shall remain unexercised, the total number of 115,549,500 issued Shares as at the LPD will be subdivided into 231,099,000 Split Shares; and
- (ii) assuming that prior to the Books Closure Date for Share Split and the Entitlement Date for Bonus Warrants, on the premise that all 280,500 Outstanding ESOS Options as at the LPD are exercised into new SNC Shares, the enlarged total number of 115,830,000 issued Shares after the exercise of the Outstanding ESOS Options will be subdivided into 231,660,000 Split Shares.

For the avoidance of doubt, the Proposed Share Split will increase the total number of Shares in issue but will not increase the value of the issued share capital of the Company.

The Proposed Share Split will result in an adjustment to the reference price of the Shares listed and quoted on the Main Market of Bursa Securities. For illustration purposes, based on the last transacted market price of the Shares on the LPD of RM1.170, the theoretical adjusted reference price of the Shares upon the completion of the Proposed Share Split based on 1,000 Shares is set out below:

	<u>Assumed no. of Shares</u>	<u>Market / Theoretical adjusted reference price per Share</u>	<u>Total Value ⁽¹⁾</u>
		RM	RM
As at the LPD	1,000	1.1700 (Last transacted market price on the LPD)	1,170
After the Proposed Share Split	2,000	0.585 ⁽²⁾ (Theoretical adjusted reference price after adjustment)	1,170

Notes:

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

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

$$\begin{aligned}
 \text{Theoretical adjusted reference price per Share} &= \text{Market price per Share on the LPD} \times \frac{\text{Assumed number of Shares held on the LPD}}{\text{Assumed number of Split Shares}} \\
 &= \text{RM1.1700} \times \frac{1,000}{2,000} \\
 &= \text{RM0.585}
 \end{aligned}$$

Based on the illustration above, the Proposed Share Split will decrease the reference price of the Shares, but it will not have any impact on the total market value of these securities held by the Shareholders.

Fractional entitlements for the Split Shares, if any, shall be disregarded and/or dealt with by the Board in such manner as the Board in its absolute discretion deems fit and expedient in the best interest of the Company.

The Board confirms that the Proposed Share Split is in compliance with Paragraph 6.30(1A) of the Listing Requirements, as the adjusted price of a Share is not less than RM0.50 based on the daily VWAP of the Shares during the 3-month period up to and including the last trading date immediately preceding the submission of the application to Bursa Securities in relation to the Proposed Share Split.

For illustration purposes, based on the lowest daily VWAP of the Shares during the 3-month period up to and including the LPD of RM1.0531 (on 5 July 2021), the theoretical adjusted reference price of the Shares upon completion of the Proposed Share Split based on 1,000 Shares is set out below:

	<u>Assumed no. of Shares</u>	<u>Daily VWAP / Theoretical adjusted reference price per Share</u>	<u>Total Value</u>
		RM	RM
As at the LPD	1,000	1.0531	1,053.10
After the Proposed Share Split	2,000	0.5266	1,053.10
		(Theoretical adjusted reference price after adjustment)	

2.2 Ranking

The Split Shares will rank equally in all respects with each other, save and except that the Split Shares will not be entitled to any dividends, rights, allotments and/or any other forms of distribution that may be declared, made or paid before the Books Closure Date for Share Split.

As the Entitlement Date for Bonus Warrants will be on a date after the completion of the Proposed Share Split, the Split Shares will be entitled to the Warrants.

2.3 Listing of and quotation for the Split Shares

The approval from Bursa Securities for the listing of and quotation for the Split Shares on the Main Market of Bursa Securities has been obtained via its letter dated 30 September 2021.

No suspension will be imposed on the trading of SNC Shares on the Main Market of Bursa Securities for the purpose of implementing the Proposed Share Split.

The Split Shares will be listed and quoted on the Main Market of Bursa Securities on the Market Day after the Books Closure Date for Share Split.

3. PROPOSED BONUS ISSUE OF WARRANTS

3.1 Basis and number of Warrants to be issued

The Proposed Bonus Issue of Warrants entails the issuance of up to 115,830,000 Warrants on the basis of 1 Warrant for every 2 Shares held on the Entitlement Date for Bonus Warrants. The Entitlement Date for Bonus Warrants will be determined by the Board and announced at a later date upon receipt of all relevant approvals for the Proposed Bonus Issue of Warrants. It is the intention of the Company to implement the Proposed Bonus Issue of Warrants after the completion of the Proposed Share Split.

The basis of 1 Warrant for every 2 Shares was determined after taking into consideration, amongst others, compliance with Paragraph 6.50 of the Listing Requirements which states that a listed issuer must ensure that the number of new shares which will arise from the exercise or conversion of all outstanding convertible equity securities, does not exceed 50% of the total number of issued shares of the listed issuer (excluding treasury shares and before the exercise of the convertible equity securities) at all times.

The actual number of Warrants to be issued will depend on the total number of Shares in issue on the Entitlement Date for Bonus Warrants after taking into consideration any new Shares that may be issued pursuant to the exercise of the Outstanding ESOS Options.

For illustration purposes, as set out in Section 2.1 of this Circular:

- (i) under the Minimum Scenario, the issued Shares of the Company will be subdivided into 231,099,000 Split Shares upon completion of the Proposed Share Split. Based on the total number of 231,099,000 Split Shares, the Proposed Bonus Issue of Warrants will entail the issuance of 115,549,500 Warrants; and
- (ii) under the Maximum Scenario, the issued Shares of the Company will be subdivided into 231,660,000 Split Shares upon completion of the Proposed Share Split. Based on the total number of 231,660,000 Split Shares, the Proposed Bonus Issue of Warrants will entail the issuance of 115,830,000 Warrants.

For the shareholders' information, Dato' Sri (Dr) Sow Chin Chuan and/or persons connected to him collectively hold 32.53% equity interest in the Company. In the event Dato' Sri (Dr) Sow Chin Chuan and/or persons connected to him exercise a sufficient number of Bonus Warrants, he may trigger a mandatory take-over offer obligation under the Code and the Rules on Take-Overs, Mergers and Compulsory Acquisitions. In this regard, he will be required to comply with the relevant provisions of the Code and the Rules on Take-Overs, Mergers and Compulsory Acquisitions. Nevertheless, he has confirmed that he will:

- (i) observe and comply at all times with the provision of the Code and the Rules on Take-Overs, Mergers and Compulsory Acquisitions; and
- (ii) ensure at all times that the exercise of Bonus Warrants by him and/or persons connected to him will not give rise to any consequence of mandatory take-over offer obligation under the Code and the Rules on Take-Overs, Mergers and Compulsory Acquisitions.

Fractional entitlements for the Warrants arising from the Proposed Bonus Issue of Warrants, if any, shall be disregarded and/or dealt with by the Board in such manner as the Board in its absolute discretion deems fit and expedient in the best interests of the Company.

The Proposed Bonus Issue of Warrants is not intended to be implemented in stages over a period of time.

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3.2 Indicative salient terms of the Warrants

Issuer	:	SNC.
Issue Size	:	Up to 115,830,000 Warrants.
Form	:	The Warrants will be issued in registered form and constituted by the Deed Poll.
Board lot	:	For purpose of trading on Bursa Securities, a board lot of Warrants shall be 100 units of Warrants carrying the right to subscribe for 100 new Shares during the Exercise Period, unless otherwise revised by the relevant authorities (" Board Lot ").
Tenure	:	3 years commencing from and including the date of issuance of the Warrants (" Issue Date ").
Expiry Date	:	The day preceding the 3 rd anniversary of the Issue Date and if such date is not a Market Day, then it shall be the Market Day immediately preceding the Expiry Date.
Exercise Period	:	The Warrants may be exercised at any time within the tenure of the Warrants, commencing from and including the Issue Date to the close of business at 5.00 p.m. on the expiry date (" Exercise Period "). Any Warrant not exercised during the Exercise Period will thereafter lapse and cease to be valid for any purpose.
Exercise price	:	The exercise price of the Warrants (" Exercise Price ") will be determined by the Board and announced at a later date after obtaining all the relevant approvals but prior to the announcement of the Entitlement Date for Bonus Warrants. The Exercise Price of the Warrants in issue during the Exercise Period shall however be subject to adjustments under circumstances prescribed in accordance with the terms and conditions of the Deed Poll.
Subscription rights	:	Each Warrant entitles its holder to subscribe for 1 new Share at any time during the Exercise Period at the Exercise Price, subject to adjustments under circumstances prescribed in accordance with the terms and conditions of the Deed Poll.

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- Mode of exercise : The holders of the Warrants are required to lodge an exercise form with the Company's registrar, duly completed, signed and stamped together with payment by way of banker's draft or cashier's order drawn on a bank operating in Malaysia or money order or postal order issued by a post office in Malaysia or by way of interbank transfer for the credit of an account maintained by the Company for the aggregate of the Exercise Price payable when exercising their Warrants to subscribe for new Shares. The payment of such fee must be made in Ringgit Malaysia.
- Adjustment to the Exercise Price and/or the number of Warrants : Subject to the provisions of the Deed Poll, the Exercise Price and/or the number of unexercised Warrants in issue may be adjusted by the Board in consultation with an approved adviser or auditors appointed by the Company in the event of any alteration in the share capital of the Company at any time during the tenure of the Warrants, whether by way of capitalisation issues, rights issue, bonus issue, consolidation or subdivision of shares or capital reduction exercises, in accordance with the terms and conditions of the Deed Poll.
- Rights of the Warrants holders : The Warrants do not confer on their holders any voting rights or any right to participate in any form of distribution and/or offer of further securities in the Company until and unless such holders of Warrants exercise their Warrants for new Shares in accordance with the provisions of the Deed Poll and such new Shares have been allotted and issued to such holders. Each holder of Warrants shall be deemed to remain the registered holder of the Warrants credited in his / its securities account until the name of the transferee is entered in the Record of Depositors.

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Rights of the Warrant holders in the event of winding up liquidation, compromise and/or arrangement : Where a resolution has been passed for a members' voluntary winding-up of the Company, or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with 1 or more companies, then:

- (i) for the purposes of such winding-up, compromise or arrangement (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation) to which the holders of the Warrants (or some other persons designated by them for such purpose by special resolution) shall be a party, the terms of such winding-up, compromise or arrangement shall be binding on all the holders of the Warrants; and
- (ii) in the event a notice is given by the Company to its Shareholders to convene a general meeting for the purpose of considering, and if thought fit, approving a resolution to voluntarily wind up the Company, and in any other case and subject always to the provisions in the Deed Poll, every holder of the Warrants shall be entitled to exercise his Warrants at any time within 6 weeks after the passing of such resolution for a members' voluntary winding up of the Company or within 6 weeks after the granting of the court order approving the winding-up, compromise or arrangement, whereupon the Company shall allot the relevant new Shares to the holders of the Warrants credited as fully paid subject to the prevailing laws, and such holder of Warrants shall entitled to receive out of the assets of the Company which would be available in liquidation if the holder of the Warrants would have become entitled pursuant to such exercise and the liquidator of the Company shall give effect to such election accordingly. Upon the expiry of the aforesaid 6 weeks, all exercise rights shall lapse and cease to be valid for any purpose.

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Ranking of the new Shares to be issued arising from the exercise of the Warrants	: The new Shares to be issued arising from the exercise of the Warrants in accordance with the provisions of the Deed Poll shall, upon allotment, issuance and full payment of the Exercise Price of the Warrants, rank equally in all respects with the then existing issued Shares, save and except that the holders of such new Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to the Shareholders, the entitlement date (namely, the date as at the close of business on which Shareholders must be entered in the Record of Depositors with Bursa Depository in order to participate in any dividends, rights, allotments or other distributions) of which is prior to the date of allotment and issuance of such new Shares arising from the exercise of the Warrants.
Modification of rights of Warrant holders	: Save as otherwise provided in the Deed Poll, a special resolution of the Warrant holders is required to sanction any modification, alteration, or abrogation in respect of the rights of the Warrant holders. Any such modification is, however, subject to the approval of any relevant authorities.
Modification of the Deed Poll	: Subject to the provisions of the Deed Poll, no amendment or addition may be made to the provisions of Deed Poll without the sanction of a special resolution of the Warrants holders unless the amendments or additions are required to correct any manifest errors or are required to comply with any provisions of the prevailing laws or regulations of Malaysia or in the opinion of the Company, will not be materially prejudicial to the interests of the Warrant holders.
Transferability	: The Warrants shall be transferable in the manner provided under the Deed Poll, the Securities Industry (Central Depositories) Act, 1991 and the Rules of Bursa Depository.
Listing status	: The Warrants will be listed and quoted on the Main Market of Bursa Securities.
Governing law	: The Warrants and the Deed Poll shall be governed by the laws and regulations of Malaysia.

3.3 Basis and justification for the issue price and Exercise Price of the Warrants

The Warrants will be issued at no cost to the Entitled Shareholders and the Exercise Price of the Warrants will be determined and announced at a later date by the Board after the receipt of all relevant approvals but before the announcement of the Entitlement Date for Bonus Warrants.

The Exercise Price of the Warrants will be determined and fixed by the Board after taking into consideration, amongst others, the following:

- (i) the historical price movement of SNC Shares;

- (ii) the TEAP of the Shares based on the 5-day VWAP of SNC Shares up to and including the last trading day prior to the price-fixing date of the Warrants to be determined and announced later.

The Board intends to fix the Exercise Price of the Warrants subject to a discount range of 10.0% to 20.0% to the TEAP of the Shares based on the 5-day VWAP of SNC Shares up to and including the last trading day prior to the price-fixing date of the Warrants. The abovementioned range of discount will allow the Board to fix the Exercise Price of the Warrants at a sufficiently attractive price to incentivise Warrant holders to exercise the Warrants and increase their equity participation in the Company, while also allowing the Board the necessary flexibility to accommodate for potential fluctuations in prevailing market conditions and prices.

For illustrative purposes only, the illustrative Exercise Price of the Warrants is assumed at RM0.4930 per Warrant, which represents a discount of approximately 20% to the TEAP of the Shares of RM0.6162 (after adjusting for the effects of the Proposed Share Split), calculated based on the 5-day VWAP of SNC Shares up to and including the LPD of RM1.2324.

On behalf of the Board, IPS will make an announcement on the basis of determining the discount and justifications for the quantum of discount to be applied to the Exercise Price of the Warrants.

- (iii) the Warrants are exercisable at any time for a tenure of 3 years from the date of issuance of the Warrants which may provide the shareholders an alternative to participate and trade in the equity derivative of SNC over the tenure of Warrants and potentially realise a capital gain in the event of any price appreciation of SNC Shares; and
- (iv) the Warrants will be issued at no cost.

3.4 Ranking of the Warrants and the new Shares to be issued arising from the exercise of the Warrants

The Warrant holders are not recognised as Shareholders and are not entitled to any voting rights, dividends, rights, allotments and/or other distributions until and unless such Warrant holders exercise their Warrants into new Shares.

The new Shares to be issued arising from the exercise of the Warrants shall, upon allotment, issuance and full payment of the Exercise Price, rank equally in all respects with the existing issued Shares except that they shall not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid to Shareholders in respect of which the entitlement date is prior to the date of allotment and issuance of the new Shares.

3.5 Listing of and quotation for the Warrants and the new Shares to be issued arising from the exercise of the Warrants

Bursa Securities had, vide its letter dated 30 September 2021, granted its approval for the admission of the Warrants to the Official List as well as the listing of and quotation for the Warrants and the new Shares to be issued arising from the exercise of the Warrants on the Main Market of Bursa Securities, subject to the conditions as set out in Section 10 of this Circular.

3.6 Utilisation of proceeds

The Proposed Bonus Issue of Warrants will not raise any immediate funds as the Warrants will be issued at no cost to Entitled Shareholders.

The exact quantum of proceeds that may be received by the Company upon the exercise of the Warrants would depend on the actual number of Warrants exercised during the Exercise Period and the Exercise Price.

Strictly for illustrative purposes, assuming full exercise of 115,549,500 (under the Minimum Scenario) or 115,830,000 Warrants (under the Maximum Scenario) at an illustrative exercise price of RM0.4930 per Warrant, the Company will raise gross proceeds of approximately RM56.97 million and RM57.10 million under the Minimum Scenario and Maximum Scenario respectively.

Such proceeds will be used to supplement the Company's working capital requirements including the payment for sub-contractors for the Group's construction segment and suppliers of materials for the Group's furniture manufacturing and trading segment. The exact breakdown for utilisation of proceeds and the timeframe for full utilisation cannot be determined at this juncture, as it would depend on the timing of receipt of such proceeds as well as the actual requirements of the Company at the time of utilisation.

For illustrative purposes, assuming the Group's operational segments maintain their existing proportion of contribution to its revenue respectively; such proceeds will be used to supplement the Company's working capital requirements as follows:

Description	Proposed utilisation of proceeds (Minimum Scenario)		Proposed utilisation of proceeds (Maximum Scenario)	
	RM 'mil	%	RM 'mil	%
Payment to trade payables:				
i) Sub-contractors for the Group's construction segment	43.07	75.60	43.17	75.60
ii) Suppliers of materials for the Group's furniture manufacturing and trading segment	13.90	24.40	13.93	24.40
Total	56.97	100.00	57.10	100.00

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3.7 Fund raising exercises for the past 12-month

SNC had, on 12 March 2021, announced a placement of up to 20% of the total number of issued Shares under its general mandate pursuant to Sections 75 and 76 of the Act (“**March 2021 Placement Exercise**”). On 21 April 2021, SNC has announced the completion of the March 2021 Placement Exercise following the listing of 17,160,000 SNC Shares at an issue price of RM0.2640 each on the Main Market of Bursa Securities and raised gross proceeds of RM4.53 million.

Utilisation Purposes	Proposed utilisation as of the date of announcement RM'000	Actual utilisation as at the LPD RM'000	Balance to be utilised RM'000
Payment to trade payables	4,465	3,368	1,097
Estimated expenses for March 2021 Placement Exercise	65	31	34
	4,530	3,399	1,131

Save for the March 2021 Placement Exercise, the Company has not undertaken any other fund-raising exercise in the past 12 months up to the date of this announcement.

4. RATIONALE FOR THE PROPOSALS

4.1 Proposed Share Split

The Board intends to undertake the Proposed Share Split to reward the Shareholders as the Proposed Share Split serves to:

- (i) increase the number of SNC Shares held by the Shareholders at no cost to be incurred while maintaining their percentage of equity shareholding held in the Company;
- (ii) potentially result in improved trading liquidity of SNC Shares by increasing the number of shares in issue; and
- (iii) result in SNC Shares being more affordable without affecting the market capitalisation of the Company, which may encourage greater participation by a wider group of public shareholders and investors.

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4.2 Proposed Bonus Issue of Warrants

The Board intends to undertake the Proposed Bonus Issue of Warrants as the Proposed Bonus Issue of Warrants serves to:

- (i) provide the Group with additional working capital when the Warrants are exercised in the future. The exercise of the Warrants will allow the Group to obtain proceeds without incurring interest expenses as compared to bank borrowings. In addition, the exercise of the Warrants will increase the Company's shareholders' funds which will consequently improve its gearing level; and
- (ii) strengthen the capital base of the Group by increasing the size of its shareholders' funds arising from the exercise of the Warrants and provide the Group with greater flexibility in terms of the options available to meet its future funding requirements;
- (iii) reward the Shareholders for their continuous support by enabling them to participate in convertible securities of the Company, which are tradable on the Main Market of Bursa Securities, without incurring any cost; and
- (iv) provide the Shareholders with an opportunity to increase their equity participation in the Company at a pre-determined exercise price over the Exercise Period, and to allow Shareholders to further participate in the future growth and any potential capital appreciation arising therefrom of the Company when the Warrants are exercised.

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5. ADDITIONAL INFORMATION

5.1 FINANCIAL POSITION OF THE GROUP

The summary of the financial information of the Group for the audited FYE 31 December 2018 to 31 December 2020 and unaudited financial statements of the Group for the 6-month financial periods ended (“6M-FPE”) 30 June 2020 and 30 June 2021 is as follows:

	Restated ⁽¹⁾	Audited	Audited	Unaudited	
	FYE 31 December			6M-FPE 30 June	
	2018	2019	2020	2020	2021
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Revenue	6,027	22,308	33,462	14,230	34,753
Profit / (loss) before tax	1,353	(1,448)	(844)	1,964	3,828
Profit / (loss) attributable to owners of the Company from:	(2,857)	(616) ⁽²⁾	(416)	2,335 ⁽²⁾	3,828
-Continuing operations	1,389	(1,404)	(787)	1,964	3,828
-Discontinuing operation	(4,246)	788	371	371	-
Share Capital	8,116	8,116	11,284	8,116	15,884
Shareholders' funds/ NA attributable to the owners for the Company	22,839	23,898	26,650	25,074	35,418
No of SNC Shares in issues ('000)	66,000	66,000	85,800	66,000	103,158
Weighted average number of SNC Share in issue ('000)	66,000	66,000	72,504	66,000	92,497
NA per SNC Share (sen) ⁽³⁾	34.6	36.2	31.1	38.0	34.3
Basic (loss)/profit per SNC Share (sen) ⁽⁴⁾	(4.3)	(0.9)	(0.6)	3.5	4.1
Current assets	8,196	15,272	23,843	24,480	36,742
Current liabilities	10,987	11,462	7,399	9,400	12,073
Current ratio (times)	0.7	1.3	3.2	2.6	3.0

Notes:

- (1) On 27 September 2019, the Company had entered into a sale and purchase agreement with DPS Realty Sdn Bhd for the disposal of the entire equity interest in Len Cheong Furniture Sdn Bhd (“LCF”) for a total cash consideration of RM10.0 million, which was completed on 1 April 2020 (“Disposal of LCF”). In accordance with Malaysian Financial Reporting Standards 5 Non-current Assets Held for Sale and Discontinued Operations (“MFRS 5”), the comparative figures for FYE 31 December 2018 had been restated to separately disclose the financial results of LCF as discontinued operation from the Group’s financial results.
- (2) Inclusive of gain on Disposal of LCF of RM1.24 million.
- (3) Calculated based on NA attributable to the owners of the Company divided by the number of SNC Shares in issue as at end of the respective financial years/periods under review.
- (4) Calculated based on (LAT)/PAT attributable to the owners of the Company divided by the weighted average number of SNC Shares in issue for the respective financial years/periods under review.

Commentary of the financial performance of the Group is set out below:

(i) FYE 31 December 2018 compared to FYE 31 December 2017

For FYE 31 December 2018, the Group recorded revenue of RM6.03 million, a decrease of RM20.04 million or 76.87% (FYE 31 December 2017: RM26.07 million). The decrease in revenue was mainly due to the following:

- (a) as required by MFRS 5, the financial results of LCF for FYE 31 December 2018 were restated and disclosed separately as financial results from discontinued operation. Accordingly, LCF's revenue of RM8.64 million and LAT of RM4.25 million was restated and separately disclosed as discontinued operation; and
- (b) sales decline in furniture manufacturing and trading segment to RM4.93 million for FYE 31 December 2018 (FYE 31 December 2017: RM25.78 million) across the board caused by uncertainties due to LCF disposal above, with the biggest drop being export sales to United States of America ("US") which dropped by RM12.13 million or 95.74% to RM0.54 million (FYE 31 December 2017: RM12.67 million);

cushioned by:

- (a) increased sales in timbers and logs trading segment to RM0.63 million for FYE 31 December 2018, i.e. by RM0.34 million or 117.24% (FYE 31 December 2017: RM0.29 million) as a result of increase in demand for timbers and logs; and
- (b) maiden revenue contribution from construction segment of RM0.47 million in FYE 31 December 2018 (FYE 31 December 2017: Nil) following the commencement of the Group's construction business during the financial year under review in the following construction projects:
 - a housing development and construction project known as Taman Tanjong Minyak, Melaka which commenced in October 2018, with expected gross revenue from the project of RM1.75 million; and
 - a housing construction project in known as Taman Krubong Jaya (Phase 2), Melaka which commenced in November 2018, with expected gross revenue from the project of RM3.81 million.

The Group recorded a PAT from its continuing operations of RM1.39 million for FYE 31 December 2018 (FYE 31 December 2017: LAT of RM3.74 million) due to the exclusion of LCF's financial results (i.e. furniture manufacturing and trading business) which recorded a LAT of RM4.25 million for FYE 31 December 2018.

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(ii) FYE 31 December 2019 compared to FYE 31 December 2018

For FYE 31 December 2019, the Group recorded revenue of RM22.31 million, an increase of RM16.28 million or 269.98% (FYE 31 December 2018: RM6.03 million). The increased revenue was mainly due to the following:

(a) increased revenue contribution from construction segment to RM15.32 million for FYE 31 December 2019 (FYE 31 December 2018: RM0.47 million) in tandem with higher progress billings from existing projects coupled with additional construction projects secured by the Group during the financial year under review as follows:

- a mixed development construction project known as Taman Bukit Rambai Putra (Phase 1), Melaka which commenced in January 2019, with expected gross revenue from the project of RM33.25 million; and
- a housing construction project known as Taman Seri Tanjong Minyak, Melaka which commenced in December 2019, with expected gross revenue from the project of RM4.98 million.

(b) increased sales by furniture manufacturing and trading segment to RM6.66 million in FYE 31 December 2019 (FYE 31 December 2018: RM4.93 million) mainly contributed by improvement in export sales to Europe (FYE 31 December 2019: RM1.34 million; FYE 31 December 2018: RM0.26 million).

Despite the higher revenue, the Group recorded a LAT from its continuing operations of RM1.40 million for FYE 31 December 2019 (FYE 31 December 2018: PAT of RM1.39 million) as a result of lower gross profit of RM0.55 million for FYE 31 December 2019 (FYE 31 December 2018: RM3.08 million). This was mostly due to losses recorded by furniture manufacturing and trading segment which was affected by increase in raw materials and factory costs.

(iii) FYE 31 December 2020 compared to FYE 31 December 2019

For FYE 31 December 2020, the Group recorded revenue of RM33.46 million, an increase of RM11.15 million or 49.98% (FYE 31 December 2019: RM22.31 million). The increase in revenue was mainly due to higher revenue generated by construction segment of RM23.16 for FYE 31 December 2020, an increase of RM7.84 million or 51.17% (FYE 31 December 2019: RM15.32 million). This was supported by increase in sales by furniture manufacturing and trading segment which hiked by RM2.49 million or 37.39% to RM9.15 million during the year (FYE 31 December 2019: RM6.66 million).

Despite the higher revenue, the Group still recorded LAT from its continuing operations. Nevertheless, the Group's LAT narrowed to RM0.79 million for FYE 31 December 2020, an improvement of RM0.61 million or 43.57% (FYE 31 December 2019: LAT of RM1.40 million).

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(iv) 6-month financial period ended 30 June 2021 compared to 6-month financial period ended 30 June 2020

For 6M-FPE 30 June 2021, the Group recorded revenue of RM34.75 million, an increase of RM20.52 million or 144.20% (6M-FPE 30 June 2020: RM14.23 million). The increased revenue was led by higher revenue contribution from construction segment of RM26.27 million for 6M-FPE 30 June 2021, i.e. by RM15.94 million or 154.31% (6M-FPE 30 June 2020: RM10.33 million) in tandem with higher progress billings recognized from its construction projects. The furniture manufacturing and trading segment also capitalized on a surge of demand by its key markets in Europe and the US to record improved revenue of RM7.97 million after previous year's COVID-19 Movement Control Order ("MCO") lockdown (6M-FPE 30 June 2020: RM3.68 million).

Accordingly, the Group recorded a PAT of RM3.83 million for 6M-FPE 30 June 2021, an increase of RM1.49 million or 63.68% (6M-FPE 30 June 2020: PAT of RM2.34 million).

5.2 Impact and value creation of the Proposals to the Group and its shareholders

The Proposed Bonus Issue of Warrants enables the Company to raise funds without incurring debt obligation and interest costs to the Company as compared to other means of financing, such as bank borrowings which thereby, minimise any potential cash outflow in respect of interest servicing. This would allow the Group to preserve its existing cash for the working capital requirements of the Group's existing businesses.

Furthermore, the Proposed Bonus Issue of Warrants is anticipated to strengthen the Company's capital base and shareholders' funds upon the exercise of the Warrants. The proceeds may allow the Group to fund its future working capital requirements without relying solely on internally generated funds and/or bank borrowings. Thus, such utilisation is expected to provide the Group flexibility in respect of financial allocations for its operational requirements, which in turn may enable the Group to operate more efficiently.

The Proposed Bonus Issue of Warrants also serves to reward the existing shareholders by enabling them to participate in a convertible security of the Company, which would be tradable on the Main Market of Bursa Securities, without incurring any costs. In addition, the Proposed Bonus Issue of Warrants provides the shareholders an opportunity to increase their equity participation in the Company by exercising the Warrants at a pre-determined price over the tenure of the Warrants. In the event the shareholders exercise the Warrants into new SNC Shares, the shareholders may also benefit from capital gain in the event of share price appreciation.

The increase in the number of SNC Shares in issue upon exercise of the Warrants will have a dilutive effect on the basic EPS of the Company. Notwithstanding the dilutive effect, the proceeds raised from the Proposed Bonus Issue of Warrants is expected to have a positive impact on the earnings of the Group as and when the benefits of the proceeds' usage are realised which will then improve the financial performance of the Group as well as enhance the Company's shareholders' value.

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6. PROSPECTS AND OUTLOOKS

6.1 Malaysian economy

The Malaysian economy grew by 16.1% in the second quarter (1Q 2021: -0.5%). Economic performance was supported mainly by the improvement in domestic demand and continued robust exports performance. The strong growth also reflected the low base from the significant decline in activity during the second quarter of 2020. Economic activity picked up at the start of the second quarter, but slowed down thereafter, following the re-imposition of stricter containment measures nationwide under Phase 1 of the Full Movement Control Order (FMCO). All economic sectors registered an improvement, particularly the manufacturing sector. On the expenditure side, growth was driven by higher private sector spending and strong trade activity. On a quarter-on-quarter seasonally-adjusted basis, the economy registered a decline of 2.0% (1Q 2021: 2.7%), weighed by the tighter containment measures. Governor Datuk Nor Shamsiah said “While the containment measures weighed on growth, greater adaptability to restrictions and ongoing policy support have partly mitigated the impact.”

As expected, headline inflation increased to 4.1% during the quarter (1Q 2021: 0.5%), due mainly to the base effect from fuel prices, as well as the lapse in the effect from the tiered electricity tariff rebate. Core inflation remained stable at 0.7% during the quarter (1Q 2021: 0.7%).

(Source: Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2021, Bank Negara Malaysia)

The Malaysian economy contracted by 8.3% in the first half of 2020, with a decline of 17.1% in the second quarter. The economy is expected to contract at a slower pace in the second half of the year, aided by the speedy implementation of various stimulus packages to support the people and revitalise the economy. In 2020, the economy is expected to contract by 4.5%. The impact of the packages is anticipated to have spill-over effects and provide an additional boost to the economy in 2021. With the anticipated improvement in global growth and international trade, the Malaysian economy is projected to rebound between 6.5% and 7.5% in 2021. Growth will continue to be supported by strong economic fundamentals and a well-diversified economy. However, the favourable outlook hinges on two major factors – the successful containment of the pandemic and sustained recovery in external demand.

(Source: Economic Outlook 2021, Ministry of Finance Malaysia)

6.2 Overview and outlook of the construction industry in Malaysia

The construction sector contracted by 25.9% in the first half of 2020 and is expected to shrink by 11.8% in the second half with all segments declining significantly. At the same time, prolonged property overhangs continue to weigh down the performance of the sector. However, civil engineering and specialized construction activities subsectors are expected to improve gradually, cushioned by various measures under the economic stimulus packages. Overall, for the year, the sector is projected to contract by 18.7%.

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The construction sector is expected to rebound by 13.9% in 2021 on account of the acceleration and revival of major infrastructure projects, coupled with affordable housing projects. The civil engineering subsector will continue to be the main driver of the construction sector. Among the major infrastructure projects include Mass Rapid Transit 2 (MRT2), Light Rail Transit 3 (LRT3), West Coast Expressway (WCE) and Bayan Lepas Light Rail Transit (LRT) as well as Pan Borneo and Coastal Highways in Sarawak. Utility projects include the Langat 2 Water Treatment Plant, Baleh Hydroelectric Dam and Sarawak Water Supply Grid Programme (Phase 1).

The residential subsector is anticipated to improve, supported by various measures taken by the Government to address the property overhang situation. Among the measures include the extension of HOC, exemption of RPGT, the introduction of RTO scheme as well as reduction of foreign ownership threshold. The performance of the non-residential subsector is expected to recover marginally, supported by on-going commercial projects, including Bukit Bintang City Centre, Cyberjaya City Centre, Forest City and Malaysia Vision Valley 2.0.

(Source: Economic Outlook 2021, Ministry of Finance Malaysia)

The value of construction work done in the second quarter 2021 grew 42.6% (Q1 2021: -10.5%) year-on-year basis, amounting to RM28.2 billion (Q1 2021: RM31.4 billion).

The Special trades activities subsector registered a growth at 75.0% in the second quarter 2021 as compared to the same quarter last year. Meanwhile, the other three subsectors, namely Civil engineering, Non-residential buildings and Residential buildings showed a growth of 59.5%, 37.0% and 18.0% respectively, as compared with the same quarter 2020.

The Department of Statistics Malaysia also reported the value of construction work done was dominated by Civil engineering subsector since fourth quarter 2015 with 40.7% share. This was followed by Non-residential buildings (28.2%), Residential buildings (22.6%) and Special trades activities (8.6%).

The private sector continued to impel the construction activity with 53.7% share or RM15.2 billion of the total value of construction work done, as compared to the public sector with 46.3% share (RM13.1 billion).

For the first half 2021, the value of construction work done recorded RM59.6 billion, with an 8.7% growth as compared to same period last year.

(Source: Quarterly Construction Statistics, Second Quarter 2021, Department of Statistic Malaysia)

The construction sector registered a strong positive growth of 40.3% from a decrease of 10.4% in the previous quarter. Growth was supported by the continuation of construction works in large infrastructure projects and on-going implementation of small-scale projects under the 2021 Budget, PEMERKASA and PEMERKASA+ stimulus packages. However, on a seasonally adjusted, quarter-on-quarter basis, construction growth declined by 3.2%. Activity was disrupted by the restrictions under Phase 1 of the Full Movement Control Order, where only essential construction projects were allowed to operate, albeit at a reduced capacity.

(Source: BNM Quarterly Bulletin Vol 36, No.2, Second Quarter 2021, Bank Negara Malaysia)

6.3 Overview and outlook of the furniture industry in Malaysia

Malaysia is an important player in the international market for tropical wood and wood products and is also the leading exporter of wooden furniture globally. For the past 20 years, Malaysia's wood-based industry has become one of the major revenue contributors to the country's economic growth, encompassing the production of sawn timber, veneer, panel products (plywood, particleboard, chipboard, and fibreboard), mouldings, and builder joinery and carpentry (BJC), as well as furniture and furniture components.

(Source: Wood-Based and Furniture, Malaysian Investment Development Authority)

Malaysia has also established itself as a world leader in furniture design and manufacture with over 80% of its output exported to over 160 countries, and pioneering the halal sector, with extensive expertise on standards and an industry that is being recognised by multinational and world bodies.

(Source: Malaysia among most trade-friendly countries in the world, Bernama, Malaysian Investment Development Authority)

Total exports of the Malaysian wood-based sector in the first quarter of 2021 recorded a strong performance with a year-on-year increase of 9.9% to RM6.04 billion despite the ongoing COVID-19 pandemic.

The country's three main markets – Europe, United States of America (USA) and Oceania – showed favourable growth with total exports to Europe, the third largest market increasing 9.9% to RM561.2 million.

"This is due to the increase in demand for DIY (do it yourself) products and wooden furniture among those working from home, as well as higher-than-usual purchases due to importers' concern over supply shortage and rising prices," MTC CEO Mr. Muhtar Suhaili said.

The main products exported to the market were wooden furniture worth RM242.9 million, joinery (RM96.5 million) and sawn timber (RM73.9 million).

"Exports to the Americas, the country's largest market, went up 46.9% to RM2.44 billion," Mr. Muhtar said. The USA is a major contributor in this market segment with purchases of more than 60% of the country's wooden furniture exports, an increase of 47.1% to RM1.93 billion.

This positive growth is due to the economic stimulus package in the USA to reduce the burden of individuals and businesses affected by the COVID-19 pandemic as well as trade shifts. The USA purchased more than 60% of Malaysia's wooden furniture exports, an increase of 47.1% to RM1.93 billion. Between the USA and China that are indirectly opening business opportunities to ASEAN countries including Malaysia.

(Source: Timber Malaysia, May-June 2021, Malaysian Timber Council)

Malaysia's wooden furniture and parts export to U.S. ranked 3rd after Vietnam and China. In February 2021, the total products imported to the U.S. recorded USD128.8 million, a growth of 21.9% as compared to February 2020, maintaining its market share in the U.S. at 7.4%. As reported previously, the market share of Malaysian wooden furniture has prominent growth from 2.2% in 2019 to 7.4% in the U.S. market.

As for furniture retail sales, new orders for furniture rose 27% in January 2021 compared with the same month in 2020, the eighth month in a row for high double-digit year-over year increases as strong demand continues at retail.

(Source: MTC Americas Market Update, March 2021, Malaysian Timber Council)

7. PROSPECTS AND FUTURE PLANS OF THE GROUP

As at the LPD, the Group is primarily involved in construction, furniture manufacturing and trading.

As part of the Group's long-term strategy, the Group has diversified into construction segment in FYE 31 December 2018 to further expand its revenue and income streams. The construction segment is expected to contribute positively to the Group's future earnings, improve its financial performance and position as well as reduce reliance on its existing furniture business. Following the Group's diversification into construction, the segment had contributed 69.22% of the Group's total revenue in FYE 31 December 2020.

The Group shall continue to shift its business pivot to construction segment to diversify its income stream. This is further enhanced by the acceptance of 7 letters of award for construction works of projects, with aggregate contract value of RM34.52 million, which was announced on 14 July 2021.

Building on the construction segment's strength, the Group plans to venture into property development section in the medium-term. For this purpose, the Group entered into a sale and purchase agreement for the proposed acquisition of 25.88 acres freehold land located in Mukim of Lendu for RM5.82 million on 21 April 2021 followed by a joint venture agreement for the development of approximately 5.63 acres Malacca Customary Land located in Mukim of Durian Tunggal on 23 August 2021. Both pieces of land are located in the state of Melaka.

The Group has also kicked-off transformation of its furniture manufacturing model from previous original equipment manufacturer build-to-order model to design-build-sell model, which is aimed at improving production efficiencies, saving labour costs and achieving a wider reach of customers. Coupled with the positive outlook for the furniture industry in Malaysia, the Group believes that its furniture business will provide opportunities to improve the Group's operations and financial performance.

Barring future lockdowns that require further rental support, the Group's rental income is also expected to remain stable.

In the long run, the Group has entered into a joint venture to establish a forest plantation on 5,434 hectares (equivalent to 13,445.80 acres) of land in Sokor Taku, Kelantan. The land is currently filled with secondary forest logs and will be replanted with Eucalyptus trees in stages, with all planting costs to be deducted from the proceeds of harvests from the forest plantation. By taking part in the forest plantation, the Group will be able to secure a sustainable wood/raw materials supply for its furniture business and to reduce the exposure to wood/raw materials price fluctuation.

On 11 March 2020, the World Health Organization declared the COVID-19 outbreak as global pandemic. This was followed by the Government of Malaysia imposing the Movement Control Order ("MCO") on 18 March 2020 and subsequently entering into various phases of the MCO and National Recovery Plan ("NRP") to manage the spread of the pandemic in Malaysia.

Generally, the Group's operations have been disrupted by the series of precautionary and control measures undertaken by the Government and private corporations in response to the COVID-19 pandemic, in particular lockdowns at its various operations (ie. both construction and furniture manufacturing) sites and increased Standard Operating Procedures adherence costs. The Group's rental segment has extended rental support to its tenants in line with the Government's call to support small & medium enterprises. Accordingly, the Group's financial performance and cash flows have been impacted by the COVID-19 pandemic.

As Malaysia's vaccination program rapidly picks up pace and gradual re-opening of the economy charted under NRP, a more positive business environment shall eventually develop. The Group's construction segment has continued to grow with its win of new contracts while furniture manufacturing and trading segment enjoyed robust orders in line with recovery of its key export markets. The Group's rental segment also received increased enquiries from potential tenants.

Any prolonged global spread of the pandemic may have a material impact to the Group's business, cash flows and financial condition and results of operations, resulting in a loss of revenue.

Nevertheless, the Company will continue to review and adjust the business strategies of the Group to achieve a sustainable balance between preserving liquidity and business growth. The Group will also remain cautious and will exercise extra vigilance in implementing its business strategies.

In conclusion, the success of the Company (particularly in the near-term future) hinges on a combination of factors, most important of which is the status of gradual reopening of its operations under NRP.

(Source: Management of the Group)

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8. EFFECTS OF THE PROPOSALS

The effects of the Proposals on the issued share capital, NA per Share and gearing of the SNC Group, earnings and EPS of the SNC Group, convertible securities of SNC (if any) and substantial shareholders' shareholdings in SNC, are set out below:

8.1 Issued Share Capital

The pro forma effects of the Proposals on the Company's issued share capital are as follows:

	Minimum Scenario		Maximum Scenario	
	No. of Shares	RM	No. of Shares	RM
Issued share capital as at the LPD	115,549,500	19,932,769	115,549,500	19,932,769
New Shares to be issued assuming full exercise of Outstanding ESOS Options	-	-	280,500	91,758 ⁽¹⁾
	115,549,500	19,932,769	115,830,000	20,024,527
Issued share capital after the Proposed Share Split	231,099,000	19,932,769	231,660,000	20,024,527
New Shares to be issued assuming full exercise of the Warrants	115,549,500	56,965,904 ⁽²⁾	115,830,000	57,104,190 ⁽²⁾
Enlarged issued share capital after the Proposals	346,648,500	76,898,673	347,490,000	77,128,717

Notes:

(1) Assuming the issuance of 280,500 new SNC Shares upon full exercise of 280,500 Outstanding ESOS Options into new SNC Shares at the exercise price of RM0.264 each and corresponding reversal of employee share option reserve amounting to approximately RM0.18 million to the issued share capital.

(2) Based on the illustrative Exercise Price of RM0.4930 per Warrant.

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8.2 NA Per Share and Gearing

Based on the audited consolidated financial statements of SNC for the FYE 31 December 2020, the pro forma effects of the Proposals on the Group's NA per Share and gearing are as follows:

Minimum Scenario

	Audited as at 31 December 2020	After subsequent event up to the LPD ⁽¹⁾	(I) After the Proposed Share Split	(II) After (I) and the Proposed Bonus Issue of Warrants	(III) After (II) and full exercise of Warrants
	RM'000	RM'000	RM'000	RM'000	RM'000
Issued share capital	11,284	19,933 ⁽¹⁾	19,933	19,933	76,899 ⁽³⁾
Employee share option reserve	-	18	18	18	18
Revaluation reserve	5,743	5,744	5,744	5,744	5,744
Retained profit	9,622	12,994	12,794 ⁽²⁾	12,794	12,794
Total Equity	26,649	38,689	38,489	38,489	95,455
No. of Shares in issue	85,800,000	115,549,500	231,099,000	231,099,000	346,648,500
NA per Share (RM)	0.31	0.33	0.17	0.17	0.28
Total borrowings (RM'000)	1,709	1,862	1,862	1,862	1,862
Gearing ratio (times)	0.06	0.05	0.05	0.05	0.02

Notes:

(1) Subsequent events up to the LPD includes private placement of 17,160,000 SNC Shares at RM0.264 per share on 22 April 2021 and the exercise of 12,589,500 ESOS Options at RM0.264 each.

(2) After deducting the estimated expenses of approximately RM200,000 in relation to the Proposals.

(3) Based on the illustrative exercise price of RM0.4930 per Warrant.

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Maximum Scenario

	Audited as at 31 December 2020	After subsequent event up to the LPD ⁽¹⁾	(I) After full exercise of Outstanding ESOS Options	(II) After (I) and the Proposed Share Split	(III) After (II) and the Proposed Bonus Issue of Warrants	(IV) After (III) and full exercise of Warrants
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Issued share capital	11,284	19,933 ⁽¹⁾	20,025 ⁽²⁾	20,025	20,025	77,129 ⁽⁴⁾
Employee share option reserve	-	18	-	-	-	-
Revaluation reserve	5,743	5,744	5,744	5,744	5,744	5,744
Retained profit	9,622	12,994	12,994	12,794 ⁽³⁾	12,794	12,794
Total Equity	26,649	38,689	38,763	38,563	38,563	95,667
No. of Shares in issue	85,800,000	115,549,500	115,830,000	231,660,000	231,660,000	347,490,000
NA per Share (RM)	0.31	0.33	0.33	0.17	0.17	0.28
Total borrowings (RM'000)	1,709	1,862	1,862	1,862	1,862	1,862
Gearing ratio (times)	0.06	0.05	0.05	0.05	0.05	0.02

Notes:

- (1) Subsequent events up to the LPD include private placement of 17,160,000 SNC Shares at RM0.264 per share on 22 April 2021 and the exercise of 12,589,500 ESOS Options at RM0.264 each up.
- (2) After assuming the issuance of 280,500 new SNC Shares upon full exercise of the Outstanding ESOS Options into new SNC Shares at the exercise price of RM0.264 each.
- (3) After deducting the estimated expenses of approximately RM200,000 in relation to the Proposals.
- (4) Based on the illustrative Exercise Price of RM0.4930 per Warrant.

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8.3 Substantial Shareholders' Shareholdings

The pro forma effects of the Proposals based on the substantial shareholders' shareholdings as at the LPD are as follows:

Minimum Scenario

Substantial Shareholders	As at the LPD				(I) After the Proposed Share Split			
	Direct		Indirect		Direct		Indirect	
	No. of shares	% ⁽³⁾	No. of Shares	% ⁽³⁾	No. of Shares	% ⁽⁴⁾	No. of Shares	% ⁽⁴⁾
Dato' Sri (Dr) Sow Chin Chuan	31,516,600	27.28	6,068,800 ⁽¹⁾	5.25	63,033,200	27.28	12,137,600 ⁽¹⁾	5.25
Datin' Sri Chu Kim Guek	1,267,200	1.10	36,318,200 ⁽¹⁾	31.43	2,534,400	1.10	72,636,400 ⁽¹⁾	31.43
Edward Sow Yuen Seng	1,267,200	1.10	36,318,200 ⁽²⁾	31.43	2,534,400	1.10	72,636,400 ⁽²⁾	31.43
Emily Sow Mei Chet	1,267,200	1.10	36,318,200 ⁽²⁾	31.43	2,534,400	1.10	72,636,400 ⁽²⁾	31.43
Eric Sow Yong Shing	1,267,200	1.10	36,318,200 ⁽²⁾	31.43	2,534,400	1.10	72,636,400 ⁽²⁾	31.43
Eugene Sow Chuan Sheng	500,000	0.43	37,085,400 ⁽²⁾	32.09	1,000,000	0.43	74,170,800 ⁽²⁾	32.09
Edmund Sow Yong Ming	500,000	0.43	37,085,400 ⁽²⁾	32.09	1,000,000	0.43	74,170,800 ⁽²⁾	32.09
Goldpeace Corporation Sdn Bhd	18,426,600	15.95	-	-	36,853,200	15.95	-	-
Biotrend Estate Sdn Bhd	16,205,800	14.02	-	-	32,411,600	14.02	-	-
Biotrend Resources Sdn Bhd	5,042,200	4.36	16,205,800	14.02	10,084,400	4.36	32,411,600	14.02

Substantial Shareholders	(II) After (I) and the Proposed Bonus Issue of Warrants				(III) After (II) and full exercise of Warrants			
	Direct		Indirect		Direct		Indirect	
	No. of shares	%	No. of Shares	%	No. of Shares	% ⁽⁵⁾	No. of Shares	% ⁽⁵⁾
Dato' Sri (Dr) Sow Chin Chuan	63,033,200	27.28	12,137,600 ⁽¹⁾	5.25	94,549,800	27.28	18,206,400 ⁽¹⁾	5.25
Datin' Sri Chu Kim Guek	2,534,400	1.10	72,636,400 ⁽¹⁾	31.43	3,801,600	1.10	108,954,600 ⁽¹⁾	31.43
Edward Sow Yuen Seng	2,534,400	1.10	72,636,400 ⁽²⁾	31.43	3,801,600	1.10	108,954,600 ⁽²⁾	31.43
Emily Sow Mei Chet	2,534,400	1.10	72,636,400 ⁽²⁾	31.43	3,801,600	1.10	108,954,600 ⁽²⁾	31.43
Eric Sow Yong Shing	2,534,400	1.10	72,636,400 ⁽²⁾	31.43	3,801,600	1.10	108,954,600 ⁽²⁾	31.43
Eugene Sow Chuan Sheng	1,000,000	0.43	74,170,800 ⁽²⁾	32.09	1,500,000	0.43	111,256,200 ⁽²⁾	32.09
Edmund Sow Yong Ming	1,000,000	0.43	74,170,800 ⁽²⁾	32.09	1,500,000	0.43	111,256,200 ⁽²⁾	32.09
Goldpeace Corporation Sdn Bhd	36,853,200	15.95	-	-	55,279,800	15.95	-	-
Biotrend Estate Sdn Bhd	32,411,600	14.02	-	-	48,617,400	14.02	-	-
Biotrend Resources Sdn Bhd	10,084,400	4.36	32,411,600	14.02	15,126,600	4.36	48,617,400	14.02

Notes:

(1) Deemed interested by virtue of shares held by spouse and children.

(2) Deemed interested by virtue of shares held by parents and siblings.

(3) Computed based on 115,549,500 Shares as at the LPD.

(4) Computed based on 231,099,000 Shares following the completion of the Proposed Share Split.

(5) Computed based on 346,648,500 Shares following the completion of the Proposed Bonus Issue of Warrants.

Maximum Scenario

Substantial Shareholders	As at the LPD				(i) After full exercise of Outstanding ESOS Options			
	Direct		Indirect		Direct		Indirect	
	No. of shares	% ⁽³⁾	No. of Shares	% ⁽³⁾	No. of Shares	% ⁽⁴⁾	No. of Shares	% ⁽⁴⁾
Dato' Sri (Dr) Sow Chin Chuan	31,516,600	27.28	6,068,800 ⁽¹⁾	5.25	31,516,600	27.21	6,068,800 ⁽¹⁾	5.24
Datin' Sri Chu Kim Guek	1,267,200	1.10	36,318,200 ⁽¹⁾	31.43	1,267,200	1.09	36,318,200 ⁽¹⁾	31.35
Edward Sow Yuen Seng	1,267,200	1.10	36,318,200 ⁽²⁾	31.43	1,267,200	1.09	36,318,200 ⁽²⁾	31.35
Emily Sow Mei Chet	1,267,200	1.10	36,318,200 ⁽²⁾	31.43	1,267,200	1.09	36,318,200 ⁽²⁾	31.35
Eric Sow Yong Shing	1,267,200	1.10	36,318,200 ⁽²⁾	31.43	1,267,200	1.09	36,318,200 ⁽²⁾	31.35
Eugene Sow Chuan Sheng	500,000	0.43	37,085,400 ⁽²⁾	32.09	500,000	0.43	37,085,400 ⁽²⁾	32.02
Edmund Sow Yong Ming	500,000	0.43	37,085,400 ⁽²⁾	32.09	500,000	0.43	37,085,400 ⁽²⁾	32.02
Goldpeace Corporation Sdn Bhd	18,426,600	15.95	-	-	18,426,600	15.91	-	-
Biotrend Estate Sdn Bhd	16,205,800	14.02	-	-	16,205,800	13.99	-	-
Biotrend Resources Sdn Bhd	5,042,200	4.36	16,205,800	14.02	5,042,200	4.35	16,205,800	13.99

Substantial Shareholders	(ii) After (i) and the Proposed Share Split				(iii) After (ii) and the Proposed Bonus Issue of Warrants			
	Direct		Indirect		Direct		Indirect	
	No. of shares	% ⁽⁵⁾	No. of Shares	% ⁽⁵⁾	No. of Shares	%	No. of Shares	%
Dato' Sri (Dr) Sow Chin Chuan	63,033,200	27.21	12,137,600 ⁽¹⁾	5.24	63,033,200	27.21	12,137,600 ⁽¹⁾	5.24
Datin' Sri Chu Kim Guek	2,534,400	1.09	72,636,400 ⁽¹⁾	31.35	2,534,400	1.09	72,636,400 ⁽¹⁾	31.35
Edward Sow Yuen Seng	2,534,400	1.09	72,636,400 ⁽²⁾	31.35	2,534,400	1.09	72,636,400 ⁽²⁾	31.35
Emily Sow Mei Chet	2,534,400	1.09	72,636,400 ⁽²⁾	31.35	2,534,400	1.09	72,636,400 ⁽²⁾	31.35
Eric Sow Yong Shing	2,534,400	1.09	72,636,400 ⁽²⁾	31.35	2,534,400	1.09	72,636,400 ⁽²⁾	31.35
Eugene Sow Chuan Sheng	1,000,000	0.43	74,170,800 ⁽²⁾	32.02	1,000,000	0.43	74,170,800 ⁽²⁾	32.02
Edmund Sow Yong Ming	1,000,000	0.43	74,170,800 ⁽²⁾	32.02	1,000,000	0.43	74,170,800 ⁽²⁾	32.02
Goldpeace Corporation Sdn Bhd	36,853,200	15.91	-	-	36,853,200	15.91	-	-
Biotrend Estate Sdn Bhd	32,411,600	13.99	-	-	32,411,600	13.99	-	-
Biotrend Resources Sdn Bhd	10,084,400	4.35	32,411,600	13.99	10,084,400	4.35	32,411,600	13.99

	(IV)			
	After (III) and full exercise of Warrants			
	Direct		Indirect	
Substantial Shareholders	No. of shares	%⁽⁶⁾	No. of Shares	%⁽⁶⁾
Dato' Sri (Dr) Sow Chin Chuan	94,549,800	27.21	18,206,400 ⁽¹⁾	5.24
Datin' Sri Chu Kim Guek	3,801,600	1.09	108,954,600 ⁽¹⁾	31.35
Edward Sow Yuen Seng	3,801,600	1.09	108,954,600 ⁽²⁾	31.35
Emily Sow Mei Chet	3,801,600	1.09	108,954,600 ⁽²⁾	31.35
Eric Sow Yong Shing	3,801,600	1.09	108,954,600 ⁽²⁾	31.35
Eugene Sow Chuan Sheng	1,500,000	0.43	111,256,200 ⁽²⁾	32.02
Edmund Sow Yong Ming	1,500,000	0.43	111,256,200 ⁽²⁾	32.02
Goldpeace Corporation Sdn Bhd	55,279,800	15.91	-	-
Biotrend Estate Sdn Bhd	48,617,400	13.99	-	-
Biotrend Resources Sdn Bhd	15,126,600	4.35	48,617,400	13.99

Notes:

(1) Deemed interested by virtue of shares held by spouse and children.

(2) Deemed interested by virtue of shares held by parents and siblings.

(3) Computed based on 115,549,500 Shares as at the LPD.

(4) Computed based on 115,830,000 Shares following the full exercise of 280,500 Outstanding ESOS Options as at the LPD.

(5) Computed based on 231,660,000 Shares following the completion of the Proposed Share Split.

(6) Computed based on 347,490,000 Shares following the completion of the Proposed Bonus Issue of Warrants.

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8.4 Earnings and EPS

The Proposals, which are expected to be completed in the 4th quarter of 2021, is not expected to have any material effect on the consolidated earnings and EPS of the Company for the FYE 31 December 2021. However, assuming that the earnings of the Group remain unchanged, the basic EPS of the Company will be proportionately diluted as a result of the increase in the number of SNC Shares in issue pursuant to the Proposed Share Split, and as when the Warrants are exercised into new SNC Shares.

The potential effects of the exercise of the Warrants on the future earnings and EPS of the Group will also depend upon, amongst others, the number of Warrants exercised at any point in time and the benefits to be accrued to the Group from the utilisation of proceeds as stated in Section 3.6, raised from the exercise of the Warrants.

For illustration purposes, assuming that the Proposals have been completed and the Warrants had been fully exercised at the beginning of the FYE 31 December 2020 and the earnings of the Group remain unchanged, the pro forma effects of the Proposals on the consolidated earnings and EPS of the Group are as follows:

	Minimum Scenario			Maximum Scenario		
	LAT attributable to owners of the Company (RM)	Weighted average number of Shares in issue	LPS (sen)	LAT attributable to owners of the Company (RM)	Weighted average number of Shares in issue	LPS (sen)
Audited FYE 31 December 2020	(416,011)	115,549,500 ⁽¹⁾	(0.36)	(416,011)	115,549,500 ⁽¹⁾	(0.36)
(I) After full exercise of Outstanding ESOS Options	-	-	-	(416,011)	115,830,000	(0.36)
(II) After (I) and the Proposed Share Split	(616,011) ⁽²⁾	231,099,000	(0.27)	(616,011) ⁽²⁾	231,660,000	(0.27)
(III) After (II) and the Proposed Bonus Issue of Warrants	(616,011)	231,099,000	(0.27)	(616,011)	231,660,000	(0.27)
(IV) After (III) and full exercise of the Warrants	(616,011)	346,648,500	(0.18)	(616,011)	347,490,000	(0.18)

Notes:

(1) As at the LPD.

(2) After adjusting the estimated expenses of approximately RM200,000 in relation to the Proposals.

8.5 Convertible Securities

As at the LPD, save for 280,500 Outstanding ESOS Options, the Company does not have any other convertible securities

8.5.1 Proposed Share Split

Adjustments to the Outstanding ESOS Options

The Proposed Share Split will give rise to adjustments to the exercise price and number of Outstanding ESOS Options in accordance with the provisions of the by-laws of the ESOS ("By-Laws"). Any adjustments to the exercise price and number of Outstanding ESOS Options will be determined by the ESOS committee and in consultation with the external auditors or the adviser of the Company in accordance with the provisions of the By-Laws. Upon any adjustment to the Outstanding ESOS Options pursuant to the Proposed Share Split, ESOS committee shall within 30 days from the date of such adjustment, give notice in writing to the holders of the Outstanding ESOS Options.

For illustrative purposes only, assuming 280,500 Outstanding ESOS Options as at the LPD are not exercised prior to the Books Closure Date for Share Split, the adjustments to 280,500 Outstanding ESOS Options pursuant to the Proposed Share Split are as follows:

$$\begin{aligned}
 \text{New exercise price} &= \frac{\text{Existing exercise price} \times \text{Aggregate number of total issued SNC Shares immediately before the Proposed Share Split}}{\text{Aggregate number of total issued SNC Shares immediately after the Proposed Share Split}} \\
 &= \frac{\text{RM0.264} \times 115,549,500}{231,099,000} \\
 &= \text{RM0.13 (rounded down to the nearest 1 sen)}
 \end{aligned}$$

$$\begin{aligned}
 \text{Additional ESOS options} &= \frac{\text{Number of Outstanding ESOS Options} \times \text{Aggregate number of total issued SNC Shares immediately after the Proposed Share Split}}{\text{Aggregate number of total issued SNC Shares immediately before to the Proposed Share Split}} - \text{Number of Outstanding ESOS Options} \\
 &= \frac{280,500 \times 231,099,000}{115,549,500} - 280,500 \\
 &= 280,500
 \end{aligned}$$

8.5.2 Proposed Bonus Issue of Warrants

The Proposed Bonus Issue of Warrants will not give rise to any adjustments to the exercise price and/or number of Outstanding ESOS Options held by holders of the ESOS Options pursuant to the provisions of the By-Laws.

9. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of SNC Shares as traded on the Main Market of Bursa Securities for the past 12 months from September 2020 to August 2021 were as follows:

	<u>High</u> RM	<u>Low</u> RM
<u>2020</u>		
September	0.470	0.290
October	0.360	0.280
November	0.360	0.280
December	0.350	0.260
<u>2021</u>		
January	0.385	0.270
February	0.440	0.305
March	0.390	0.325
April	0.670	0.280
May	0.975	0.525
June	1.330	0.825
July	1.510	1.020
August	1.530	1.260
The last transacted market price of SNC Shares on 6 September 2021 (being the last trading day prior to the announcement of the Proposals)		1.2700
The last transacted market price of SNC Shares as at the LPD		1.1700

(Source: Bloomberg)

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10. APPROVALS REQUIRED AND CONDITIONALITY

The Proposals are subject to the following approvals being obtained:

- (i) Bursa Securities, for the following:
 - (a) the Proposed Share Split;
 - (b) admission to the Official List of Bursa Securities and listing of and quotation for up to 115,830,000 Warrants to be issued pursuant to the Proposed Bonus Issue of Warrants on the Main Market of Bursa Securities; and
 - (c) listing of and quotation for up to 115,830,000 new Shares to be issued arising from the exercise of the Warrants on the Main Market of Bursa Securities.

The approval of Bursa Securities was obtained vide its letter dated 30 September 2021 subject to the following conditions:

No.	Conditions imposed by Bursa Securities	Status of compliance
1.	SNC and IPS must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposals;	To be complied.
2.	SNC is required to furnish Bursa Securities with certified true copy of the resolutions passed by the shareholders at the EGM approving the Proposals;	To be complied.
3.	SNC and IPS are required to inform Bursa Securities upon completion of the Proposals;	To be complied.
4.	SNC is required to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposals are completed;	To be complied.
5.	SNC and IPS are required to furnish Bursa Securities with a written confirmation that the terms of the Warrants are in compliance with Paragraph 6.54(3) of the Listing Requirements;	To be complied.
6.	SNC and IPS are required to make the relevant announcements in accordance with Paragraphs 6.35(2)(a)&(b) and 6.35(4) of the Listing Requirements; and	To be complied.
7.	SNC is required to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of Warrants as at the end of each quarter together with a detailed computation of the listing fees payable.	To be complied.

- (ii) Shareholders of SNC at the EGM to be convened; and
- (iii) Any other relevant parties/authorities, if required.

The Proposed Bonus Issue of Warrants is conditional upon the Proposed Share Split but not vice versa.

The Proposals are not conditional upon any other corporate exercise / scheme undertaken or proposed to be undertaken by the Company.

11. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM

None of the Directors and/or major shareholders of the Company and/or chief executive and/or persons connected with them have any interest, direct or indirect, apart from their respective entitlements as Shareholders under the Proposed Share Split and the Proposed Bonus Issue of Warrants, of which all other Entitled Shareholders are similarly entitled to.

12. DIRECTORS' STATEMENT / RECOMMENDATION

The Board, having considered all aspects of the Proposals, including but not limited to the rationale and effects of the Proposals, is of the opinion that the Proposals are in the best interest of the Company.

Accordingly, the Board recommends that you vote in favour of the resolutions to give effect to the Proposals to be tabled at the forthcoming of EGM.

13. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

As at the date of this Circular, save for the Proposals, there are no outstanding corporate exercises/schemes or proposals that have been announced by SNC which are pending completion prior to the issuance of this Circular.

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14. ESTIMATED TIMEFRAME FOR COMPLETION OF THE PROPOSALS

Barring any unforeseen circumstances and subject to all approvals and conditions precedent, the Proposals are expected to be completed in the 4th quarter of 2021.

The tentative timetable in relation to the Proposals is set out below:

Date	Events
8 October 2021	<ul style="list-style-type: none">• Despatch of Circular to the Shareholders
25 October 2021	<ul style="list-style-type: none">• Convening of EGM to obtain approvals for the Proposals• Announcement on the Books Closure Date for Share Split
Early – Mid November 2021	<ul style="list-style-type: none">• Books Closure Date for Share Split• Listing of and quotation for the Subdivided Shares on the Main Market of Bursa Securities• Completion of the Proposed Share Split
Mid – End November 2021	<ul style="list-style-type: none">• Announcement of Entitlement Date for Bonus Warrants• Entitlement Date for Bonus Warrants• Listing of and quotation for the Warrants on the Main Market of Bursa Securities• Completion of the Proposed Bonus Issue of Warrants

15. EGM

The EGM, the Notice of which is enclosed with this Circular, will be conducted fully virtual via online meeting platform at <https://bit.ly/3A5fS9l> on Monday, 25 October 2021, at 1.30 p.m., for the purpose of considering and, if thought fit, passing with or without modification, the resolutions to give effect to the Proposals.

If you are unable to attend, participate, speak and vote in person at the EGM, you are requested to complete and return the enclosed Form of Proxy in accordance with the instruction provided thereon so as to arrive at the Office of the Registrar of the Company no later than 24 hours before 1.30 p.m. on 24 October 2021. The completion and lodging of the Form of Proxy does not preclude you from attending, participating, speaking, and voting in person at the EGM should you subsequently wish to do so.

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16. FURTHER INFORMATION

The Shareholders are requested to refer to the attached appendix for further information.

Yours faithfully
For and on behalf of the Board of
SAND NISKO CAPITAL BERHAD

DATO' SERI (DR) SOW CHIN CHUAN, JP
Executive Chairman

FURTHER INFORMATION**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 contained herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement herein misleading.

2. CONSENT AND DECLARATION OF CONFLICT OF INTEREST**(a) Consent**

IPS, being the Principal Adviser for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references in the form and context in which they appear in this Circular.

(b) Declaration

IPS has given their confirmation that no conflict of interest exist or it is likely to exist in relation to their respective roles.

3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**3.1 Material Commitments**

Save as disclosed below, there are no material commitments incurred or known to be incurred by the Group as at the LPD, which upon becoming due or enforceable, may have a material impact on the financial position or business of the Group.

	RM'000
Commitment for acquisition of land - Approved and contracted for	5,241

3.2 Contingent Liabilities

There are no contingent liabilities incurred or known to be incurred by the Group as at the LPD, which upon becoming due or enforceable, may have a material impact on the financial position or business of the Group.

FURTHER INFORMATION (CONT'D)

4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

Save as disclosed below, as at the LPD, the Group is not engaged in any material litigation, claim or arbitration either as plaintiff or defendant and the Board is not aware of any proceedings pending or threatened against the Group, or any fact likely to give rise to any proceeding which might materially and adversely affect the financial position or business of the Group.

In relation to the claims involving Loh Siow Chan, there is no pending legal proceedings as at the LPD.

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of SNC during normal business hours from Mondays to Fridays (except for public holidays) at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur from the date of this Circular up to and including the date of the EGM:

- (i) Constitution of the Company;
- (ii) audited consolidated financial statements of the Group for the past 2 financial years up to the FYE 31 December 2020 and latest unaudited results for the 6-month financial period ended 30 June 2021;
- (iii) the draft Deed Poll;
- (iv) the letter of consent referred to in Section 2 of Appendix of this Circular; and
- (v) the relevant cause papers in respect of the material litigation referred to in Section 4 of Appendix of this Circular.

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Registration No. 199501010609 (339810-A)
(Incorporated in Malaysia under the Companies Act, 2016)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of Sand Nisko Capital Berhad (“SNC” or “Company”) will be conducted fully via virtual online meeting platform at <https://bit.ly/3A5fS9l> on Monday, 25 October 2021 at 1.30 p.m. or at any adjournment thereof for the purpose of considering and, if thought fit, passing the following resolutions with or without modifications:

ORDINARY RESOLUTION 1

PROPOSED SHARE SPLIT INVOLVING THE SUBDIVISION OF EVERY 1 EXISTING ORDINARY SHARE IN THE COMPANY (“SNC SHARES” OR “SHARES”) HELD ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER INTO 2 SHARES (“SUBDIVIDED SHARES”) (“PROPOSED SHARE SPLIT”)

“**THAT** subject to all approvals being obtained from the relevant authorities and parties (if required), approval be and is hereby given to the Board of Directors of the Company (“**Board**”) to subdivide each of existing ordinary share in the Company held by all entitled shareholders of the Company whose names appear in the Record of Depositors of the Company as at the close of business on an entitlement date to be determined and announced later by the Board (“**Books Closure Date for Share Split**”), into 2 Subdivided Shares;

THAT the fractional entitlements arising from the Proposed Share Split, if any, shall be disregarded and/or dealt with by the Board in such manner at its absolute discretion as it may deem fit or expedient and in the best interest of the Company;

THAT the Subdivided Shares shall rank equally in all respects with one another, save and except that the holders of such Split 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 prior to the Books Closure Date for Share Split;

AND THAT the Board be and is hereby authorised with full power to do all such acts, deeds and things and to execute and deliver on behalf of the Company all such documents and/or agreements as the Board may deem fit, necessary or expedient or appropriate in the best interest of the Company, in order to finalise, implement and/or give effect to the Proposed Share Split with full power to assent to any terms, conditions, modifications, variations and/or amendments as may be imposed or required by the relevant authorities or deemed necessary or desirable by the Board.”

ORDINARY RESOLUTION 2

PROPOSED BONUS ISSUE OF UP TO 115,830,000 FREE WARRANTS IN THE COMPANY (“WARRANTS”) ON THE BASIS OF 1 WARRANT FOR EVERY 2 SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER (“PROPOSED BONUS ISSUE OF WARRANTS”)

"THAT subject to the passing of the Ordinary Resolution 1 and approval of all relevant authorities or parties having been obtained, where required, the Board be and is hereby authorised to issue and allot up to 115,830,000 Warrants in registered form and constituted by a deed poll to be executed by the Company constituting the Warrants (“**Deed Poll**”) by way of a bonus issue to all entitled shareholders of the Company whose names appear in the Record of Depositors of the Company as at the close of business on an entitlement date to be determined and announced later by the Board (“**Entitlement Date for Bonus Warrants**”), on the basis of 1 Warrant for every 2 Shares held on the Entitlement Date for Bonus Warrants;

THAT the Board be and is hereby authorised to fix the exercise price of the Warrants at a later date and that the Board be and is hereby authorised to issue and allot the new Shares arising from the exercise of the Warrants by the holders of the Warrants in accordance with the Deed Poll;

THAT the new Shares to be issued arising from the exercise of the Warrants shall, upon allotment, issuance and full payment of the exercise price, rank equally in all respects with the existing issued Shares, save and except that the holders of such new Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to the shareholders, the entitlement date of which is prior to the date of allotment and issuance of such new Shares;

THAT the Board be and is hereby authorised to disregard and/or deal with any fractional entitlements for the Warrants that may arise from the Proposed Bonus Issue of Warrants, if any, in such manner as the Board shall in its absolute discretion deems fit and expedient and in the best interests of the Company;

THAT the proceeds arising from the exercise of the Warrants, if any, be utilised for the purposes set out in the circular to the shareholders of the Company dated 8 October 2021 in relation to the Proposed Share Split and Proposed Bonus Issue of Warrants, and the Board be authorised with full power to vary the manner and/or purpose of utilisation of such proceeds in such manner as the Board may deem fit, necessary and/or expedient, subject to the approval of the relevant authorities, where required;

THAT the Board be and is hereby authorised to enter into and execute the Deed Poll with full powers to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or imposed by the relevant authorities or deemed necessary by the Board, and subject to all provisions and adjustments contained in the Deed Poll, to assent to any modifications and/or amendments to the exercise price, exercise period and/or number of Warrants as may be required or permitted to be revised as consequences of any adjustments under the provisions of the Deed Poll with full power to implement and give effects to the terms and conditions of the Deed Poll, and to take all steps as the Board deems fit or expedient in order to implement, finalise and give full effect to the Deed Poll;

AND THAT the Board be and is hereby authorised to sign and execute all documents, do all acts, deeds and things as may be required to give effect to and to complete the Proposed Bonus Issue of Warrants with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all acts, deeds and things for and on behalf of the Company in any manner as they may deem fit or necessary or expedient to implement, finalise and give full effect to the Proposed Bonus Issue of Warrants.”

By Order of the Board
SAND NISKO CAPITAL BERHAD

Wong Youn Kim (MAICSA 7018778)
SSM Practising Certificate No. 201908000410
Company Secretary
Kuala Lumpur
8 October 2021

NOTES:

1. *For the purpose of determining a member who shall be entitled to attend and vote at the Extraordinary General Meeting (“EGM”), the Company shall be requesting the Record of Depositors as at 18 October 2021. Only a depositor whose name appears on the Record of Depositors as at 18 October 2021 shall be entitled to attend and vote at the said meeting as well as for appointment of proxy(ies) to attend and vote on his/her stead.*
2. *A member entitled to attend, speak and vote at the meeting is entitled to appoint up to 2 proxies to attend, speak and vote in his/her stead. If a member appoints 2 proxies, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy. There shall be no restriction as to the qualification of the proxy.*
3. *If the appointer is a corporation, the Form of Proxy must be executed under its Common Seal or under the hand of its attorney and supported by a notarially certified copy of that power or authority.*
4. *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
5. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for the 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.*
6. *Where a member or the authorised nominee or an exempt authorised nominee appoints 2 or more proxies, the proportion of the shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.*
7. *The instrument appointing a proxy or the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the registered office of the Company at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, not less than 24 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposed to vote and in default the instrument of proxy shall not be treated as valid.*
8. *If this Form of Proxy is signed under the hands of an officer duly authorised, it should be accompanied by a statement reading “signed as authorised officer under Authorisation Document which is still in force, no notice of revocation having been received”. If this Form of Proxy is signed under the attorney duly appointed under a power of attorney, it should be accompanied by a statement reading “signed under power of Attorney which is still in force, no notice of revocation having been received”. A copy of the Authorisation Document or the power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed in the Form of Proxy.*

SAND NISKO CAPITAL BERHAD
 Registration No. 199501010609 (339810-A)
 (Incorporated in Malaysia under the Companies Act, 2016)

I/We.....NRIC No./Company No.....
 (FULL NAME IN BLOCK LETTERS)

of
 (FULL ADDRESS)

being a member/members of SAND NISKO CAPITAL BERHAD, hereby appoint the following person(s) or failing whom, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf, at the Extraordinary General Meeting of the Company to be conducted fully virtual via an online meeting platform at <https://bit.ly/3A5fs9l> on Monday, 25 October 2021 at 1.30 p.m. or at any adjournment thereof:

Name of Proxy, NRIC No. & Address

No. of Shares to be represented by Proxy

1. Name:
 NRIC No.:
 Address:

2. Name:
 NRIC No.:
 Address:

NO.	RESOLUTIONS		FOR	AGAINST
1.	PROPOSED SHARE SPLIT INVOLVING THE SUBDIVISION OF EVERY 1 EXISTING ORDINARY SHARES IN THE COMPANY (“SHARES”) HELD ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER INTO 2 SHARES	Ordinary Resolution 1		
2.	PROPOSED BONUS ISSUE OF UP TO 115,830,000 FREE WARRANTS IN THE COMPANY (“WARRANTS”) ON THE BASIS OF 1 WARRANT FOR EVERY 2 SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER	Ordinary Resolution 2		

Please indicate with an “X” in the appropriate boxes on how you wish your vote to be cast on the Resolutions specified in the Notice of Meeting. Unless voting instructions are indicated in the space above, the proxy will vote as he/she thinks fit.

Number of shares _____

CDS A/C No. _____

Dated this day of 2021

.....
 Signature/Common Seal of Shareholder

NOTES:

1. *For the purpose of determining a member who shall be entitled to attend and vote at the Extraordinary General Meeting (“EGM”), the Company shall be requesting the Record of Depositors as at 18 October 2021. Only a depositor whose name appears on the Record of Depositors as at 18 October 2021 shall be entitled to attend and vote at the said meeting as well as for appointment of proxy(ies) to attend and vote on his/her stead.*
2. *A member entitled to attend, speak and vote at the meeting is entitled to appoint up to 2 proxies to attend, speak and vote in his/her stead. If a member appoints 2 proxies, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy. There shall be no restriction as to the qualification of the proxy.*
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4. *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
5. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for the 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.*
6. *Where a member or the authorised nominee or an exempt authorised nominee appoints 2 or more proxies, the proportion of the shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.*
7. *The instrument appointing a proxy or the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the registered office of the Company at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, not less than 24 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposed to vote and in default the instrument of proxy shall not be treated as valid.*
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Please fold here

The Company Secretary

SAND NISKO CAPITAL BERHAD
Registration No. 199501010609 (339810-A)
Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Malaysia

STAMP

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