

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

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SINARAN ADVANCE GROUP BERHAD

[Registration No. 202001007513 (1363833-T)]
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

- (I) PROPOSED PRIVATE PLACEMENT OF UP TO 211,144,900 NEW ORDINARY SHARES IN SINARAN ADVANCE GROUP BERHAD ("SAG") ("SAG SHARES" OR "SHARES"), REPRESENTING APPROXIMATELY 30% OF THE TOTAL NUMBER OF EXISTING ISSUED SAG SHARES, AT AN ISSUE PRICE TO BE DETERMINED LATER ("PROPOSED PRIVATE PLACEMENT"); AND**
- (II) PROPOSED BONUS ISSUE OF UP TO 457,480,741 FREE WARRANTS OF SAG ("WARRANTS"), ON THE BASIS OF 1 WARRANT FOR EVERY 2 EXISTING SAG SHARES HELD BY THE ENTITLED SHAREHOLDERS OF SAG ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER ("PROPOSED BONUS ISSUE OF WARRANTS")**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser and Placement Agent



M&A SECURITIES SDN BHD

Registration No. 197301001503 (15017-H)
(A Wholly-Owned Subsidiary of Insas Berhad)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting ("**EGM**") of the Company, which will be conducted on a fully virtual basis and entirely via remote participation and voting via online meeting platform at <https://rebrand.ly/SinaranEGM> provided by Mlabs Research Sdn Bhd in Malaysia on Friday, 24 September 2021 at 12 p.m., or immediately after the conclusion or adjournment (as the case may be) of the 1st Annual General Meeting of the Company which will be held on the same day at 11.00 a.m., whichever is later, or any adjournment thereof together with the Form of Proxy are enclosed in this Circular.

A shareholder entitled to attend and vote at the EGM is entitled to appoint a proxy or proxies to attend and vote on his behalf. The Form of Proxy must be lodged at the Company's Share Registrar, ShareWorks Sdn Bhd at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur or via email to ir@shareworks.com.my on or before the date and time indicated below in order for it to be valid. The lodging of the Form of Proxy does not preclude a member from attending and voting remotely at the EGM, should the member subsequently wish to do so.

Last date and time for lodging the Form of Proxy	: Wednesday, 22 September 2021 at 12.00 p.m.
Date and time of EGM	: Friday, 24 September 2021 at 12.00 p.m., or immediately after the conclusion or adjournment (as the case may be) of the 1st Annual General Meeting of the Company which will be held on the same day at 11.00 a.m., whichever is later, or any adjournment thereof

This Circular is dated 9 September 2021

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

Act	: Companies Act 2016 of Malaysia, as amended from time to time and any re-enactment thereof
Base Scenario	: Assuming none of the Placement Shares are issued prior to the Entitlement Date
Board	: Board of Directors of SAG
Bursa Securities	: Bursa Malaysia Securities Berhad
Circular	: This circular to shareholders dated 9 September 2021
CMSA	: Capital Markets and Services Act 2007, as amended from time to time and any re-enactment thereof
Deed Poll	: Deed Poll constituting the Warrants to be executed by the Company
EGM	: Extraordinary general meeting
Entitled Shareholder(s)	: The Shareholder(s) whose name(s) appear in the Record of Depositors of the Company as at the close of business at 5.00 p.m. on the Entitlement Date
Entitlement Date	: A date to be determined and announced later by the Board, on which the names of the shareholders of the Company must appear in the Record of Depositors of the Company as at 5.00 p.m. in order to participate in the Proposed Bonus Issue of Warrants
ESOS	<p>: Establishment of Employees' Share Option Scheme involving the issuance of up to 15% of the total number of issued shares of SAG (excluding treasury shares, if any) for eligible directors and employees of the Group.</p> <p>The ESOS has been approved by the shareholders of K-Star on 1 March 2021.</p>
FYE	: Financial year ended or financial year ending, as the case may be
K-Star	: K-Star Sports Limited
K-Star Shares	: Ordinary shares of K-Star
K-Star Warrants	: Outstanding warrants 2018/2021 in K-Star
Listing Requirements	: Main Market Listing Requirements of Bursa Securities
LPD	: 18 August 2021, being the latest practicable date prior to the date of printing of this Circular
LPS	: Losses per Share
M&A Securities	: M&A Securities Sdn Bhd

DEFINITIONS (CONT'D)

Maximum Scenario	: Assuming all Placement Shares are issued prior to the Entitlement Date
NA	: Net assets
Official List	: The list specifying all securities listed on the Main Market of Bursa Securities
Placement Shares	: Up to 211,144,900 new SAG Shares to be issued pursuant to the Proposed Private Placement
Proposals	: Collectively, the Proposed Private Placement and Proposed Bonus Issue of Warrants
Proposed Bonus Issue of Warrants	: Proposed bonus issue of up to 457,480,741 Warrants on the basis of 1 Warrant for every 2 existing SAG Shares held by the Entitled Shareholders on the Entitlement Date
Proposed Private Placement	: Proposed private placement of up to 211,144,900 Placement Shares, representing approximately 30% of the total number of existing issued Shares, at an issue price to be determined later
Record of Depositors	: The record of securities holders established and maintained by Bursa Malaysia Depository Sdn Bhd
RM and sen	: Ringgit Malaysia and sen, respectively
SAG Group or Group	: SAG and its subsidiaries, collectively
SAG or Company	: Sinaran Advance Group Berhad
SAG Share(s) or Share(s)	: Ordinary share(s) in SAG
Warrants	: Up to 457,480,741 free warrants to be issued pursuant to the Proposed Bonus Issue of Warrants
5D-VWAMP	: 5-day volume weighted average market price

For the purpose of this Circular, all references to a time of day shall be a reference to Malaysian time unless otherwise stated. In this Circular, 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 gender and vice versa. References to persons shall, where applicable, include corporations.

Any reference in this Circular to any enactments is a reference to that enactment as for the time being amended or re-enacted.

Certain figures included in this Circular have been subject to rounding adjustments. References to "we", "us", "our" and "ourselves" are to our Company save where the context otherwise requires, our subsidiaries and to "you" or "your" are to the shareholders of the Company.

Certain figures in this Circular have been subject to rounding adjustments.

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EXECUTIVE SUMMARY

THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT INFORMATION OF THE PROPOSALS. SHAREHOLDERS OF SAG ARE ADVISED TO READ THE CIRCULAR AND ITS APPENDICES FOR FURTHER DETAILS AND NOT TO SOLELY RELY ON THIS EXECUTIVE SUMMARY IN FORMING A DECISION ON THE PROPOSALS BEFORE VOTING AT THE FORTHCOMING EGM

The Board is recommending shareholders of SAG to vote in favour of the resolutions in relation to the Proposals to be tabled at the forthcoming EGM to be convened.

Key information	Description	Reference to Circular
Summary of the Proposals	<p>: Proposed Private Placement</p> <p>Issuance size - Up to 211,144,900 Placement Shares, representing not more than 30% of the total number of existing issued Shares</p> <p>Issue to - Independent investors who qualify under Schedules 6 and 7 of the CMSA to be identified later.</p> <p>Issue price - Not more than 20% discount to the 5D-VWAMP of SAG Shares immediately preceding the price fixing date. The mechanism to determine the issue price of the Placement Shares is in accordance with market based principles.</p> <p>Proposed Bonus Issue of Warrants</p> <p>The Proposed Bonus Issue of Warrants entails the issuance of up to 457,480,741 Warrants on the basis of 1 Warrant for every 2 existing SAG Shares held by the Entitled Shareholders on the Entitlement Date.</p> <p>The Warrants will be issued at no cost to the Entitled Shareholders. The exercise price of the Warrants will be determined and fixed by the Board at a later date.</p>	Sections 2 and 3
Rationale	<p>: Proposed Private Placement</p> <p>(i) to raise the requisite funds to meet the Group's working capital requirements for its on-going construction project;</p> <p>(ii) to raise funds more expeditiously and in a more cost-effective manner as opposed to other fund-raising options such as right issue; and</p> <p>(iii) to raise additional funds without incurring interest expenses as compared to borrowings.</p> <p>Proposed Bonus Issue of Warrants</p> <p>(i) enable the shareholders of the Company to own the Warrants which are tradable on Bursa Securities without incurring any cost;</p>	Section 4

EXECUTIVE SUMMARY (CONT'D)

Key information	Description	Reference to Circular
	<ul style="list-style-type: none"> (ii) to provide the existing shareholders of the Company with an opportunity to increase their equity participation in the Company at a pre-determined price during the tenure of the Warrants; (iii) to strengthen the Company's capital base and shareholders' funds as well as potentially provide additional working capital for the Group, as and when the Warrants are exercised. 	
Approvals required	<p>: The Proposals are subject to the following approvals being obtained:</p> <ul style="list-style-type: none"> (i) the approval of Bursa Securities which was obtained on 18 August 2021 for the following: <ul style="list-style-type: none"> (a) admission of the Warrants to the Official List and the listing of and quotation for the Warrants; (b) listing of and quotation for the new SAG Shares to be issued from the exercise of the Warrants; and (c) listing of and quotation of the Placement Shares; (ii) shareholders of SAG for the Proposals at the forthcoming EGM to be convened; and (iii) any other relevant authority, if required. 	Section 8
Interest of directors, major shareholders, chief executive and/or persons connected with them	<p>: None of the directors and/or major shareholders, chief executive of the Company and/or persons connected to them have any interest, direct or indirect, in the Proposals save for their respective entitlements to the Warrants as Shareholders, to which all other shareholders are similarly entitled to on a pro rata basis.</p>	Section 10

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SINARAN ADVANCE GROUP BERHAD

[Registration No. 202001007513 (1363833-T)]
(Incorporated in Malaysia)

Registered Office:

Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Wilayah Persekutuan
Malaysia

9 September 2021

Directors:

Ding JianPing (*Executive Chairman and Chief Executive Officer*)
Koo Kien Yoon (*Non-Independent Non-Executive Director*)
Xiao LuXi (*Independent Non-Executive Director*)
Mohtar bin Abdullah (*Independent Non-Executive Director*)
Chuah Hoon Hong (*Independent Non-Executive Director*)
Ahmad Nasirruddin Bin Harun (*Independent Non-Executive Director*)

To: Shareholders of SAG

Dear Sir/Madam,

**(I) PROPOSED PRIVATE PLACEMENT; AND
(II) PROPOSED BONUS ISSUE OF WARRANTS**

1. INTRODUCTION

On 15 June 2021, M&A Securities had on behalf of the Board announced that the Company proposes to undertake the Proposals.

On 18 August 2021, M&A Securities had on behalf of the Board announced that Bursa Securities had vide its letter dated 18 August 2021 approved-in-principle the following:

- (i) admission to the Official List and listing and quotation of up to 457,480,741 Warrants to be issued pursuant to the Proposed Bonus Issue of Warrants; and
- (ii) listing and quotation of:
 - (a) up to 211,144,900 Placement Shares to be issued pursuant to the Proposed Private Placement;
 - (b) up to 457,480,741 new SAG Shares to be issued from the exercise of the Warrants; and

- (c) such number of new SAG Shares, representing up to 15% of the Company's total number of issued shares (excluding treasury shares, if any), to be issued pursuant to the ESOS.

The ESOS has been approved by the shareholders of K-Star on 1 March 2021. Further details of the ESOS are stated in the explanatory statement and circular to shareholders of K-Star dated 5 February 2021.

Bursa Securities' approval-in-principle is subject to the following conditions:

Conditions	Status of Compliance
1. SAG and M&A Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposals;	To be complied
2. SAG is required to furnish Bursa Securities with certified true copy of the resolutions passed by the shareholders at the extraordinary general meeting approving the Proposals;	To be complied
3. SAG and M&A Securities are required to inform Bursa Securities upon completion of the Proposals;	To be complied
4. SAG 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. M&A Securities is required to furnish Bursa Securities with details of the placees in accordance with Paragraph 6.15 of the Listing Requirements as soon as practicable after each tranche of placement and before the listing of the new shares to be issued pursuant to the Proposed Private Placement;	To be complied
6. M&A Securities is required to submit a confirmation to Bursa Securities of full compliance of the Proposed ESOS pursuant to Paragraph 6.43(1) of the Listing Requirements and stating the effective date of implementation;	To be complied
7. SAG and M&A Securities are required to provide a written confirmation that the terms of the Warrants are in compliance with Paragraph 6.54(3) of the Listing Requirements; and	To be complied
8. Payment of additional listing fees pertaining to the exercise of Warrants and exercise of ESOS options, if relevant. In this respect, SAG is required to furnish Bursa Securities on a quarterly basis a summary of the total number of new shares listed pursuant to the exercise of Warrants and exercise of ESOS options respectively as at the end of each quarter together with a detailed computation of the listing fees payable.	To be complied

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH DETAILS OF THE PROPOSALS, TO SET OUT THE BOARD'S OPINION AND RECOMMENDATION IN RELATION TO THE PROPOSALS AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE COMPANY'S FORTHCOMING EGM. THE NOTICE OF THE EGM TOGETHER WITH THE FORM OF PROXY ARE ENCLOSED WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES BEFORE VOTING ON THE RESOLUTIONS TO GIVE EFFECT TO THE PROPOSALS AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

2.1 Placement size

As at the LPD, the issued share capital of SAG is RM70,048,994 comprising 703,816,582 Shares.

The Proposed Private Placement will entail the issuance of up to 211,144,900 Placement Shares, representing not more than 30% of the total number of issued Shares as at the LPD. For the avoidance of doubt, in the event the Proposed Private Placement is implemented after the Proposed Bonus Issue of Warrants, any increase in the number of issued Shares arising from the exercise of Warrants will not affect the number of Placement Shares to be issued under the Proposed Private Placement.

For avoidance of doubt, the Proposed Private Placement will be implemented prior to implementation of the Proposed Bonus Issue of Warrants.

2.2 Basis of arriving at the issue price of the Placement Shares

The Placement Shares will be issued based on a discount of not more than 20% to the 5D-VWAMP up to and including the last trading day immediately preceding the price-fixing date, to be determined and fixed by the Board at a later date after receipt of the approval of the shareholders at the forthcoming EGM for the Proposed Private Placement. The maximum discount has been set at 20% to provide SAG with more flexibility when fixing the issue price of the Placement Shares and will increase the attractiveness for more investors to subscribe for the Placement Shares. Additionally, it is the intention of the Board to fully place out the Placement Shares at a price deemed attractive as well as acceptable to both potential investor(s) and the Company and to meet the Group's funding objectives as set out in Section 2.6 of this Circular.

After taking into consideration the prevailing market conditions and market sentiments, the Board is of the view that a discount of up to 20% will be attractive enough to entice potential investor(s) to subscribe for the Placement Shares. The Board has not set any minimum issue price or minimum proceeds to be raised from the Proposed Private Placement.

As the Proposed Private Placement may be implemented in several tranches within 6 months, there could potentially be several price fixing dates and issue prices. The implementation of the Proposed Private Placement in multiple tranches would provide flexibility to SAG to procure interested investors to subscribe for the Placement Shares expediently within the period as approved by Bursa Securities. Further, the Proposed Private Placement is expected to result in dilution in the shareholdings of the existing shareholders due to the issuance of Placement Shares to third party investors. However, the Company has the flexibility to implement the Proposed Private Placement in multiple tranches to raise funds only when required and as such, avoid immediate dilution of the existing shareholders' shareholdings in the Company.

For illustration purposes only, the issue price of the Placement Shares is assumed to be RM0.0620 each ("**Indicative Issue Price**"). The Indicative Issue Price represents a discount of approximately 19.4% to the 5D-VWAMP of SAG Shares up to and including the LPD of RM0.0769 per Share. Based on the Indicative Issue Price, the Proposed Private Placement will raise gross proceeds of approximately RM13.1 million.

2.3 Placement arrangement

The Placement Shares will be placed to independent investor(s) to be identified later. In accordance with Paragraph 6.04(c) of the Listing Requirements, the Placement Shares will not be placed to the following parties:

- (i) an interested director, interested major shareholder or interested chief executive of SAG or a holding company of SAG (if applicable), or interested person(s) connected with such interested director, interested major shareholder or interested chief executive; and
- (ii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

Additionally, the placees shall also be person(s) or party(ies) who/which qualify under Schedules 6 and 7 of the CMSA.

Subject to market conditions and the timing of identification of placees, the Proposed Private Placement may be implemented in 1 or more tranches (as the placees may be identified and procured over a period of time rather than simultaneously) within a period of 6 months from the date of approval from Bursa Securities for the listing and quotation of the Placement Shares or any extended period as may be approved by Bursa Securities.

2.4 Ranking of the Placement Shares

The Placement Shares shall, upon issuance and allotment, rank equally in all respects with the then existing issued SAG Shares, save and except that the holders of the Placement Shares shall not be entitled to any dividends, rights, allotments and/or other forms of distributions that may be declared, made or paid to the shareholders of the Company, for which the relevant entitlement date precedes the date of allotment of the Placement Shares.

2.5 Listing of and quotation for the Placement Shares

Bursa Securities has via its letter dated 18 August 2021 approved the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities.

2.6 Utilisation of Proceeds

The actual amount of proceeds to be raised from the Proposed Private Placement is dependent on the actual issue price and the actual number of Placement Shares to be issued to the placee(s). Based on the Indicative Issue Price, the Proposed Private Placement is expected to raise gross proceeds of approximately RM13.1 million. The proceeds are intended to be utilised by SAG Group in the following manner:

	RM'000	Notes	Expected time frame for utilisation of proceeds (from listing date)
Funding for the Group's on-going construction projects	12,791	(i)	Within 24 months
Estimated expenses for the Proposals	300	(ii)	Immediately
Total	13,091		

Notes:

- (i) The Company intends to utilise the proceeds of up to approximately RM12.8 million from the Proposed Private Placement to partially finance the day-to-day operational and/or general working capital expenses (i.e. project tender expenses, material costs, workers' salaries and subcontractor costs) of the on-going project of SAG Group in the following proportion:

Utilisation	Allocation (%)
Project tender expenses	10.0
Material costs	35.0
Worker's salaries	40.0
Subcontractor	15.0
Total	100.0

The summary of the on-going construction projects currently undertaken by the Group are listed below:

Project name/location	Contract value RM'000	Total Construction cost RM'000	Balance construction cost as at LPD RM'000	Details of the project	Commencement date	Expected completion date	Percentage of completion (%)	Take-up rate as at LPD (%) / Launch date	Proceeds allocation (%)
HAG182/ Setapak, Lumpur	60,312	59,130	51,069 ⁽ⁱ⁾	2,400 units of RUMAHWIP	15 December 2020	February 2022	24.0	92.0/ October 2019	100.0

Note:

- (i) The balance construction cost for the project shall be funded via internally generated funds and/or bank borrowings of the Company.

Beyond existing project, the Group is constantly looking for opportunities to increase its order book through participating in tenders. The indicative allocation breakdown is based on the Group's estimate of the project's funding requirements at this juncture and is subject to change. The actual utilisation of the proceeds for each project may differ in the future depending on the actual funding requirements of the respective project at the relevant time as well as the actual proceeds raised from the Proposed Private Placement. As such, the allocation of proceeds between each project shall be adjusted accordingly as and when required.

Further, any surplus proceeds will be allocated for the new construction projects successfully tendered by the Group in the future.

As at the LPD, the Group's cash and bank balances stood at approximately RM6.85 million. The Company is of view that the funds raised from the Proposed Private Placement will help to ease the Group's cash flow requirements amidst a challenging operating environment given the Covid-19 pandemic.

- (ii) The estimated expenses consist of fees payable to the relevant authorities, advisory and placement fees as well as other miscellaneous expenses to be incurred pursuant to the Proposals.

Pending full utilisation of the proceeds from the Proposed Private Placement for the abovementioned purposes, the proceeds will be placed in interest-bearing deposit accounts with licensed financial institution(s) as the Board deems fit. The interest derived from the deposits with financial institutions will be used as additional working capital of the Group.

3. DETAILS OF THE 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 457,480,741 Warrants on the basis of 1 Warrant for every 2 existing SAG Shares held by the Entitled Shareholders on the Entitlement Date.

The actual number of Warrants to be issued pursuant to the Proposed Bonus Issue of Warrants would depend on the issued share capital of the Company on the Entitlement Date, based on the following:

Base Scenario : Based on the total number of 703,816,582 issued Shares as at the LPD and assuming none of the Placement Shares are issued prior to the Entitlement Date.

Number of Warrants to be issued:
351,908,291 Warrants

Maximum Scenario : Based on the total number of 703,816,582 issued Shares as at the LPD and assuming all Placement Shares are issued prior to the Entitlement Date.

Number of Warrants to be issued:
457,480,741 Warrants

The entitlement basis of 1 Warrant for every 2 existing SAG Shares held was determined after taking into consideration, amongst others, the following:

- (i) to maximise the number of Warrants while complying with Paragraph 6.50 of the Listing Requirements which states that the number of new shares which will arise from all outstanding Warrants, when exercised, would not exceed 50% of the total number of issued Shares (excluding treasury shares, if any and before the exercise of the Warrants) at all times; and
- (ii) the dilutive effect on the LPS and NA per Share of SAG upon exercise of the Warrants.

Fractional entitlements, arising from the Proposed Bonus Issue of Warrants, if any, will be disregarded and shall be dealt with by the Board in such manner at its absolute discretion as it may deem fit and expedient in order to minimise the incidence of odd lots and in the best interest of the Company.

The Warrants which will be issued in registered form and constituted by the Deed Poll will have a tenure of 5 years. The indicative salient terms of the Warrants are set out in the Section 3.6 of this Circular.

The Entitlement Date will be determined and announced at a later date by the Board upon receipt of all relevant approvals.

The Proposed Bonus Issue of Warrants will not be implemented in stages over a period of time. For avoidance of doubt, the Proposed Bonus Issue of Warrants will be implemented after the Proposed Private Placement. This is to allow the placee(s) who subscribe for the Placement Shares to be entitled to the Warrants, should the placee(s) subscribe for the Placement Shares prior to the Entitlement Date. In view of the current market sentiment, the Board expects that the inclusion of the Placees for the entitlement to the Proposed Bonus Issue of Warrants will allow the Group to procure placee(s) more easily.

Nonetheless, in the unlikely event that the Placement Shares are not fully placed out, the Company will still proceed with the Proposed Bonus Issue of Warrants.

3.2 Basis of determining and justification for the exercise price of the Warrants

The Warrants will be issued at no cost to the Entitled Shareholders.

The exercise price of the Warrants will be determined by the Board at a later date after all relevant approvals have been obtained, and after taking into consideration the following:

- (i) the historical price movement of SAG Shares;
- (ii) the 5D-VWAMP of SAG Shares immediately preceding the price-fixing date to be determined and announced later;
- (iii) prevailing market condition; and
- (iv) the future funding requirements of SAG Group.

The exercise price of the Warrants shall be determined based on the 5D-VWAMP of SAG Shares, with a discount of not more than 20% (if required as it may be fixed at nil discount or at a premium to the 5D-VWAMP of SAG Shares). For illustrative purposes only in this Circular, the exercise price of the Warrants is assumed to be RM0.0620 each ("**Indicative Exercise Price**") which represents a discount of approximately 19.4% to the 5D-VWAMP of SAG Shares up to and including the LPD of RM0.0769 per Share.

The range of discount has been set to provide the Company with more flexibility when fixing the exercise price of the Warrants while also being mindful of the dilutive impact to the existing shareholders if the discount is set too high. As the Proposed Bonus Issue of Warrants will be undertaken after completion of the Proposed Private Placement, fixing the exercise price of the Warrants at such discount may attract more investors to participate in the Proposed Private Placement, thus potentially increasing the likelihood of the Group being able to secure sufficient funding for the utilisation of proceeds as set out in Section 2.6 of this Circular.

The Board wishes to emphasise that the Indicative Exercise Price should not be taken as an indication of or reference to the actual exercise price of the Warrants, as it will only be determined and announced at a later date.

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

The Warrant Holders will not be entitled to any voting rights or right to participate in any form of distribution other than on winding-up, compromise or arrangement of SAG to be set out in the Deed Poll to be executed by the Company and/or offer of further securities in SAG until and unless such Warrant Holders exercise their Warrants into new SAG 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, 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.

3.4 Listing of and quotation for the Warrants and new SAG Shares to be issued from the exercise of Warrants

Bursa Securities had, vide its letter dated 18 August 2021, approved the following:

- (i) the admission of the Warrants to the official list of Bursa Securities; and
- (ii) the listing of and quotation for the Warrants and new SAG Shares to be issued arising from the exercise of the Warrants,

on the Main Market of Bursa Securities.

3.5 Utilisation of proceeds from the exercise of Warrants

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

The eventual proceeds to be raised from the exercise of the Warrants (if any) is dependent on the number of Warrants exercised during the tenure of the Warrants as well as the exercise price of the Warrants, which will be determined and fixed at a later date.

For illustration purposes only in this Circular, the gross proceeds to be raised upon full exercise of the Warrants based on the Indicative Exercise Price is up to approximately RM28.4 million. Such proceeds will be utilised as additional working capital for the Group. The exact details of such utilisation are subject to the Group's operating requirements and business development strategies at the relevant times and therefore cannot be determined at this juncture.

Pending the utilisation of proceeds, such proceeds shall be placed in deposits with financial institutions or short-term money market instruments. Interest derived from such deposits or gains from such money market instruments will be used as additional working capital for the Group.

3.6 Salient terms of the Warrants

The indicative salient terms of the Warrants are set out as follows:

Term	Details
Issuer	: SAG
Issue size	: Up to 457,480,741 Warrants
Form and denomination	: The Warrants will be issued in registered form and constituted by the Deed Poll
Tenure	: 5 years commencing from and inclusive of the Warrant issue date (" Issue Date ")
Subscription Rights	: Each Warrant shall entitle its holders of Warrant (" Warrant Holders ") to subscribe for 1 new Share at any time during the Exercise Period, subject to adjustments in accordance with the provisions of the Deed Poll
Exercise Price	: The basis of determining the exercise price of the Warrants is set out in Section 3.2 of this Circular. The exercise price and the number of outstanding Warrants shall however be subject to the adjustments in accordance with the terms and provisions of the Deed Poll during the Exercise Period.
Exercise Period	: The Warrants may be exercised at any time during the tenure of 5 years commencing from and including the date of issue of the Warrants until 5.00 p.m. (Malaysia time) on the expiry date. If such date is not a market day, then it shall be the next market day immediately preceding the said non market day (" Exercise Period "). Any Warrant not exercised during the Exercise Period will cease to be valid for any purpose and will be deemed to have lapsed.
Mode of exercise	: The Warrant Holders are required to lodge a subscription form with the Company's registrar, duly completed, signed and stamped or via electronic submission of the subscription form by way email to ir@shareworks.com.my 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 internet bank transfer 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
Board lot	: For the purpose of trading on Bursa Securities, a board lot of Warrants shall comprise of 100 Warrants unless otherwise revised by the relevant authorities

Term	Details
Adjustments to the exercise price and/or number of Warrants	: Subject to the provisions of the Deed Poll, the exercise price and/or the number of unexercised Warrants held by each Warrants Holders shall be adjusted, calculated or determined by the Board in consultation with an approved adviser appointed by the Company and certified by the auditors of SAG in the event of alteration to the share capital of the Company at any time during the tenure in accordance with the provisions of the Deed Poll.
Rights in the event of winding up, liquidation or an event of default	: If a resolution is passed for a members' voluntary winding-up of the Company or 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: <ul style="list-style-type: none"> (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 Warrant Holders, or some persons designated by them for such purposes by a special resolution shall be a party, the terms of such winding up, compromise and arrangement shall be binding on all the Warrant Holders; and (ii) every Warrant Holder shall be entitled (upon and subject to the conditions) to exercise the Subscription Rights at any time within six (6) weeks after the passing of such resolution for a members' voluntary winding-up of the Company or within six (6) weeks from the granting of the court order approving the winding up, compromise or arrangement, as the case may be, to elect to be treated as if he had immediately prior to the commencement of such winding-up, compromise or arrangement exercised the Subscription Rights attached to such Warrants to the extent specified in the subscription form(s), whereupon the Company shall allot new Shares to the Warrant Holders credited as fully paid subject to the prevailing laws and such Warrant Holder shall be entitled to receive out of the assets of the Company which would be available in liquidation as if he had on such date been the holder of the new Shares to which he would have become entitled pursuant to such exercise of his Subscription Rights and the liquidator of the Company shall give effect to such election accordingly. Upon the expiry of the above six (6) weeks, all Subscription Rights of the Warrants will lapse and cease to be valid for any purpose.
Rights of the Warrant 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

Term	Details
Listing	: The Warrants will be listed on the Main Market of Bursa Securities
Governing law	: Laws of Malaysia

4. RATIONALE FOR THE PROPOSALS

4.1 Proposed Private Placement

As detailed in Section 2.6 of this Circular, the Proposed Private Placement was undertaken by the Company to raise the requisite funds to meet the Group's working capital requirements for its on-going construction project. The proceeds raised from the Proposed Private Placement will help ease the Group's cash flow requirements as the Group continues to undertake construction projects.

As set out in the circular to shareholders dated 5 February 2021, the Special Issue is expected to raise gross proceeds of approximately RM31.8 million. However, upon completion of the Special Issue on 17 March 2021, the actual proceeds raised is approximately RM13.1 million as compared to the expected proceeds of RM31.8 million. As such, it is the intention of the Board to undertake the Proposed Private Placement within a short span of time after the completion of the Special Issue to raise the necessary funding mainly to support the expansion of its construction segment.

After due consideration of the various methods of fund raising, the Board opines that the Proposed Private Placement is the most appropriate avenue of fund raising as the Proposed Private Placement enables the Company to raise additional funds without incurring interest costs as compared to conventional bank borrowings thereby minimising any potential cash outflow in respect of interest servicing costs.

On the other hand, other fund-raising exercises such as a rights issue may not be suitable as it will involve a cash call from existing shareholders. Moreover, it will also require the Company to identify certain shareholders to provide irrevocable undertakings to subscribe for a minimum number of rights shares or, alternatively, procure underwriting arrangements (which will incur additional cost), in order to achieve a minimum subscription level. In view of the current uncertain market condition due to the COVID-19 pandemic, it may not be conducive for the Company to undertake a rights issue exercise as it may not be able to achieve the desired subscription level. In addition, a rights issue exercise is likely to take a longer time to complete as compared to a private placement exercise.

The Proposed Private Placement also provides the Company an expeditious way of raising funds from the capital market as opposed to other forms of fund raising. Upon completion of the Proposed Private Placement, the enlarged capital base is also expected to further strengthen the financial position of the Company.

4.2 Proposed Bonus Issue of Warrants

After due consideration, the Board is of the view that the Proposed Bonus Issue of Warrants is the most appropriate avenue of rewarding the existing shareholders of the Company as the Proposed Bonus Issue of Warrants will:

- (i) enable shareholders of SAG to participate in convertible securities of the Company, which are tradable on the Main Market of Bursa Securities, without incurring any cost;

- (ii) provide shareholders of SAG with an opportunity to increase their equity participation in the Company at a pre-determined exercise price over the tenure of the Warrants, and to allow shareholders to further participate in the future growth of the Company when the Warrants are exercised;
- (iii) allow existing shareholders of SAG to benefit from any potential capital appreciation of the Warrants;
- (iv) provide the Company with additional working capital when the Warrants are exercised in the future. The exercise of the Warrants will allow the Company to obtain proceeds without incurring interest expenses as compared to bank borrowings; and
- (v) strengthen the capital base of the Company by increasing the size of the shareholders' funds pursuant to the exercise of the Warrants.

4.3 Details of equity fund-raising exercises undertaken in the past 12 months

Save as disclosed below, SAG has not undertaken any equity fund-raising exercise in the past 12 months before the announcement of the Proposals dated 15 June 2021:

The shareholders of K-Star had on 1 March 2021 approved the following proposals:

- (i) Special issue of up to 142,097,400 new ordinary shares in K-Star to independent third party investors ("**Special Issue**");
- (ii) Internal reorganisation by way of a members' scheme of arrangement under Section 210 of the Companies Act (Chapter 50) of Singapore comprising:
 - (a) exchange of all K-Star Shares and K-Star Warrants for SAG Shares and warrants on a one-for-one basis ("**Securities Exchange**");
 - (b) transfer of listing status of K-Star to SAG ("**Transfer of Listing**"); and
 - (c) transfer of K-Star's entire shareholdings in Sinaran Trillion Sdn Bhd to SAG by way of a distribution in specie ("**Transfer of Subsidiary**"); and
- (iii) ESOS, which is intended to be implemented after the completion of the Transfer of Listing.

The Company had on 17 March 2021 completed the Special Issue, raising proceeds of approximately RM13.10 million. The status of utilisation of proceeds raised from the Special Issue as at the LPD is as follows:

<u>Utilisation of proceeds</u>	<u>Utilisation based on actual proceeds raised RM'000</u>	<u>Actual utilisation up to LPD RM'000</u>	<u>Unutilised amount RM'000</u>	<u>Timeframe for utilisation of unutilised amount from LPD</u>
General working capital	2,840	⁽ⁱ⁾ (2,840)	-	-
Working capital for construction segment	9,788	⁽ⁱⁱ⁾ (8,061)	1,727	Within 6 months
Estimated expenses	473	(473)	-	
Total	*13,101	(11,374)	1,727	

Notes:

- * The actual proceeds raised from the Special Issue was less than the indicative proceeds allocated in the circular to shareholders dated 5 February 2021 of approximately RM31.7 million.

- (i) The breakdown of utilisation of approximately RM2.8 million for the Group's working capital is as follows:

Details	RM'000
Staff and directors related expenses	180
Payment for professional fees	360
Administrative expenses	1,748
Sales and marketing expenses	102
Research and development	130
Other miscellaneous expenses	320
Total	2,840

- (ii) The breakdown of utilisation of approximately RM8.1 million for the working capital of the Group's on-going construction projects is as follows:

Details	RM'000
Design, supply, deliver, installation and dismantling of aluminium formworks	3,746
Supply, deliver, installation, testing and commissioning of fire fighting system	190
Supply, deliver, installation, testing and commissioning of air conditioning and mechanical ventilation services and associated works	445
Cold water plumbing and sanitary plumbing works	2,000
Supply, deliver and installation of electrical, telephone, light fittings and associated works	1,680
Total	8,061

The Securities Exchange and Transfer of Listing were completed on 27 May 2021 with the listing of 703,816,582 SAG Shares in place of K-Star Shares.

Approval-in-principle has been obtained from Bursa Securities on 18 August 2021 for the listing of and quotation for the new SAG Shares to be issued pursuant to the exercise of ESOS options on the Main Market of Bursa Securities. As at the LPD, the Company has not granted any ESOS Options. For the avoidance of doubt, the ESOS will be implemented after the completion of the Proposed Bonus Issue of Warrants.

5. OUTLOOK AND PROSPECTS

5.1 Overview of the PRC economy

China's economy will post strong growth in 2021. Assuming the continued suppression of the COVID-19 pandemic, growth is projected to reach 8.5% in 2021 before slowing to 5.4% in 2022.

The structure of aggregate demand is expected to continue to rotate toward private domestic demand. Real consumption growth is projected to gradually return to its preCOVID-19 pandemic trend, supported by the ongoing labour market recovery and improved consumer confidence. Investment will also remain an engine of growth, but its structure is expected to shift toward private investment as manufacturing capital expenditure improves in response to the robust external demand and stronger revenues, offsetting cooling infrastructure and property investment.

Amid a stronger global recovery, robust export demand will keep industrial capacity utilization high in the short term, but the contribution of net exports to growth will moderate in the medium term as import growth picks up and international travel slowly resumes in 2022. Despite the recent surge in imported raw material prices and firming domestic demand, consumer price inflation is expected to remain below target, reflecting the limited pass-through of rising producer prices to consumer prices and the effect of pork price deflation after last year's swine fever.

Given persistent uncertainty, the authorities will need to stay agile and proactively adjust the level and composition of macroeconomic policy support. As China's recovery firms up, macroeconomic policies are expected to shift from accommodative to more neutral settings. The pace of policy normalization, however, should continue to be data dependent and calibrated to the strength of the recovery in China and the rest of the world. Rising financial vulnerabilities, together with subdued productivity growth and persistent imbalances in the structure of aggregate demand, pose medium-term challenges that require attention. Macroeconomic policies and structural reforms should aim at reinvigorating the shift to more balanced high-quality growth. While China is on track to reach the target inoculation rate of 40.0% of the population by early summer, a full recovery will also require continued progress toward achieving widespread immunization. This would mitigate the risk of large-scale outbreaks while reducing case mortality rates, allowing for a gradual risk-based relaxation of remaining restrictions, including of those related to cross-border travel.

Turning to fiscal policy, China has policy space at the central level, and policy makers should be ready to maintain fiscal support should private investment and consumption demand remain sluggish and external imbalances further increase. Focusing additional fiscal efforts on social spending and green investment rather than traditional infrastructure investment would not only help secure the recovery and bolster short-term demand but also contribute to the intended medium-term rebalancing of China's economy.

(Source: China Economic Update, World Bank, published in June 2021)

5.2 Overview of the Malaysian economy

The Malaysian economy expanded by 16.1% in the second quarter of 2021 (1Q 2021: -0.5%). Growth was supported mainly by the improvement in domestic demand and continued robust exports performance. The strong growth also reflected continued policy support and 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 following the re-imposition of stricter nationwide containment measures, particularly under Phase 1 of the Full Movement Control Order ("FMCO"). For the second quarter as a whole, 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%), due to the containment measures.

Domestic demand turned around to register a positive growth of 12.3% (1Q 2021: -1.0%) in the second quarter of 2021, mainly supported by private sector expenditure. On the external front, demand for Malaysia's exports, particularly for E&E products, continued to remain robust.

Private consumption growth increased by 11.6% during the second quarter of 2021 (1Q 2021: -1.5%), following a broad-based expansion across both necessity and discretionary items, particularly at the start of the quarter, prior to the imposition of FMCO. This was due mainly to less stringent containment measures and mobility restrictions in the first half of the quarter. Labour market conditions also showed signs of improvement in the same period, which lent support to household spending. Furthermore, various policy measures, including the EPF i-Sinar withdrawals and Bantuan Prihatin Rakyat, provided additional lift to consumer

expenditure. Public consumption expanded by 9.0% (1Q 2021: 5.9%), mainly on account of higher spending on supplies and services.

Private investment registered a growth of 17.4% (1Q 2021: 1.3%). The higher investment activity was underpinned mainly by the continued capital spending in telecommunication related equipment, as firms' automation and digitalisation efforts gain further traction, as well as the continued progress in national digital infrastructure investments. In addition, further expansions of new and ongoing investment projects amid improving external demand, particularly in the export-oriented industries such as E&E and metal, also provided further impetus to growth.

After 12 quarters of contraction, public investment recorded a positive growth of 12.0% (1Q 2021: -18.6%). The performance mainly reflects the higher spending on fixed assets by the General Government amid continued weak capital spending by public corporations.

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

The Malaysian economy was on track for a broad recovery in 2021 as compared to last year. However, the resurgence of COVID-19 cases has necessitated the re-imposition of nationwide containment measures, which would weigh on growth. Nevertheless, the impact will be partially mitigated by continued allowances for essential economic sectors to operate, higher adaptability to remote work, as well as increased automation and digitalisation. Growth will continue to be supported by policy measures, which will provide cash flow support, particularly for affected households and businesses. Going forward, the economic recovery will be underpinned by higher external demand and gradual improvement in domestic demand. The rapid progress of the nationwide vaccination programme will allow economic sectors to be gradually reopened and provide some lift to household and business sentiments.

Against this backdrop, for 2021, the Malaysian economy is projected to expand within the range of 3.0 – 4.0%, although the pace of recovery will be uneven across sectors. The recovery is expected to accelerate going into 2022, supported by normalisation of economic activities as well as the positive spillovers from continued improvement in external demand.

The balance of risks remains tilted to the downside, arising mainly from pandemic related factors, such as delay in the easing of containment measures or imposition of tighter containment measures, and a weaker-than-expected global growth recovery.

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

5.3 Overview of the retail industry in the PRC

In December 2020, the total retail sales of social consumer goods reached RMB4,056.6 billion, up 4.6 percent year on year, and the growth rate was 0.4 percentage point lower than that of November 2020. Among them, the retail sales of consumer goods excluding automobiles reached RMB3,569.5 billion, an increase of 4.4 percent.

In 2020, the total retail sales of social consumer goods will reach RMB39,198.1 billion, a decrease of 3.9 percent over the previous year. Among them, the retail sales of consumer goods excluding automobiles amounted to RMB35,256.6 billion, down 4.1 percent.

By location of business unit, in December, the retail sales of urban consumer goods reached 3,470.6 billion yuan, up 4.4 percent year on year, while that of rural consumer goods reached 586 billion yuan, up 5.9 percent. In 2020, the retail sales of urban consumer goods reached 33,911.9 billion yuan, a decrease of 4.0 percent over the previous year; the retail sales of rural consumer goods were 5,286.2 billion yuan, a decrease of 3.2 percent.

By consumption type, in December 2020, the retail sales of goods were RMB3,561.6 billion, up 5.2 percent year on year; the catering revenue was RMB495 billion, up 0.4 percent, down 0.6 percent in November 2020. In 2020, the retail sales of goods reached RMB35,245.3 billion, down 2.3 percent compared with the previous year; the catering revenue was RMB3,952.7 billion, down 16.6 percent.

By retail format, in 2020, the retail sales of supermarkets increased by 3.1 percent over the previous year, while department stores, specialty stores and specialty stores decreased by 9.8, 5.4 and 1.4 percent respectively.

In 2020, China's online retail sales was RMB11,760.1 billion, an increase of 10.9 percent over the previous year, and the growth rate was 0.6 percent lower than that from January 2020 to November 2020. Among them, the online retail sales of physical goods reached RMB9,759 billion, an increase of 14.8 percent, accounting for 24.9 percent of the total retail sales of social consumer goods; in the online retail sales of physical goods, food, clothing and consumer goods increased by 30.6, 5.8 and 16.2 percent respectively.

(Source: "Total Retail Sales of Consumer Goods Went Up by 4.6 percent in December 2020", National Bureau of Statistics of the PRC)

5.4 Industry outlook

Overview of footwear industry in the PRC

As the disposable income of China's huge population continues to rise and consumer demand for higher quality footwear grows, sales in the sector are not only enormous, but are increasing steadily. According to Euromonitor, the total value of mainland footwear sales in 2019 was RMB435.2 billion, a 5.8% year-on-year increase. Of this, the sales of men's shoes delivered RMB165.4 billion in revenue, accounting for 38% of the total, while sales of women's footwear brought in a further RMB206.7 billion (47%). Sales of children's shoes accounted for RMB63.0 billion (14%). It is estimated that by 2024 the mainland footwear market will be worth around RMB563.2 billion.

With rapid advances in technology, many enterprises have started launching footwear products incorporating technology, fuelling further market competition. For example, Nike's latest smart shoes include functions that connect to smartphones. A smartphone app can be used to trigger the tying and untying of shoelaces, and this can be voice-controlled through iPhone's Siri.

The mainland footwear market is dominated by domestic products. There are currently four major footwear industry clusters in the country, predominantly located in the southeast coastal regions. The Guangdong footwear industry base, with Guangzhou and Dongguan at the heart, focuses on medium to high-end shoes, while Zhejiang, with its footwear sector centred around Wenzhou and Taizhou, primarily produces medium to low-end men's shoes. The western region's footwear industry is headed by Chengdu and Chongqing, with medium to low-end women's shoes accounting for the majority of its output. Led by Quanzhou and Jinjiang, meanwhile, Fujian's footwear industry specialises in sporting shoes.

Mainland footwear companies are facing problems of becoming outdated, lacking design innovation and having a low price-performance ratio. In order to stay competitive, they are beginning to make greater use of innovative production techniques. For instance, the domestic brand PEAK® produced the first pair of 3D-printed running shoes on the mainland in 2017.

Overall, though, intensifying competition has led to further market segmentation. This has seen many of the better-known international and domestic sports shoes brands, for instance, focusing their efforts largely on the adult market. As competition continues to increase the market is expected to become still more segmented, which will give companies in the sector scope for targeting additional niches and sub-categories.

Many mainland manufacturers remain concerned over the renewed challenges from elsewhere in Southeast Asia, with several countries now offering considerable labour cost advantages over China, while also having improved access to better-resourced local industry chains. A number of mainland producers are adopting smart production facilities to bolster production efficiency and product quality and thus competitiveness. For instance, an automatic laser cutter is being used by a company to produce footwear materials and midsoles, doing away with the manual mould-making process. Another company uses a computer-controlled automatic template exchange machine, which can operate automatically on a continual basis, stitching shoe uppers. Users need only input the required patterns, based on which the machine will complete the stitching.

Retail channels for footwear in PRC are mainly department stores, specialty stores and e-commerce. Across China, a number of footwear materials specialty centres have been built to propel the development of local footwear materials and shoe-making sectors.

Taking a different approach, a number of manufacturers have started to channel more of their products through hypermarkets, outlets where different types of shoes under different brands are usually grouped together and offered for sale under one roof. By doing so, they have ended their reliance on single-brand specialty stores, opting instead for the more diversified opportunities offered by the hypermarkets. Typically, many well-known brands will set lower price points when selling through hypermarkets, with middle-aged and younger consumers seen as their target purchasers.

Chain operations are also seen as having a strong competitive advantage in the footwear sector. As a consequence, large-scale chain operations are becoming ever more popular on the mainland, with both Shenzhen's Zhengdahua and Guangzhou's Darloro having adopted this model.

(Source: China's Footwear Market, Hong Kong Trade Development Council)

Overview of construction industry in Malaysia

The construction sector contracted by 19.4% in 2020 (2019: 0.1%) reflecting reduced work capacity in compliance to containment measures, labour shortages due to international border closures, supply chain disruptions and site shutdowns following the COVID-19 outbreak. Growth in the second quarter of the year was mainly weighed by the suspension of almost all construction work in March and April. Despite some relaxation in operating constraints in May, most project sites remained idle, as developers experienced financial, compliance, and supply-chain challenges in resuming work. Nonetheless, activity improved in the second half of 2020 given better clarity and compliance with operating guidelines, more pervasive COVID-19 testing on workers and extended hours for construction activity. In addition, the rollout of stimulus packages supported many small-scale projects, and spurred growth in the special trade subsector in the second half of 2020. Activity in the residential and non-residential subsectors benefitted from new housing projects and ramp up in progress of projects due for completion respectively in the second half of 2020, while the civil engineering subsector was supported by continued progress in large infrastructure projects.

(Source: Economic, Monetary and Financial Developments in 2020, Economic & Monetary Review 2020, Bank Negara Malaysia)

The construction sector contracted by a smaller rate of 10.4% in the first quarter of 2021 (4Q 2020: -13.9%). Activity was supported by the ramp up of construction works in commercial projects that are nearing completion and the continued implementation of small-scale projects. This resulted in a strong positive growth in the special trade subsector. However, activity in the residential, nonresidential and civil engineering subsectors remained weak, affected by labour shortages and site shutdowns due to COVID-19 outbreaks. The implementation of the Second MCO also weighed on growth, as activity in construction sites that did not meet the conditions to operate were halted.

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

The construction sector registered a strong positive growth of 40.3% in the second quarter of 2021 (1Q 2021: -10.4%). 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 FMCO, where only essential construction projects were allowed to operate, albeit at a reduced capacity.

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

Growth in the construction sector is also expected to rebound, driven by resumption of activities across all subsectors. In the civil engineering subsector, growth is expected to recover in line with the ramp up of construction activity in large infrastructure projects. Meanwhile, launches of affordable housing projects in the previous years will continue to provide support for activity in the residential subsector. Growth in the special trade subsector is expected to strengthen further with support from solar power projects, Jalinan Digital Negara, small-scale projects under the 2021 Budget and PEMERKASA measures, as well as end-works from the completion of large projects. However, completion of large commercial projects is expected to weigh on growth in the nonresidential subsector.

(Source: Outlook and Policy In 2021, Economic & Monetary Review 2020, Bank Negara Malaysia)

5.5 Prospect of SAG Group

Footwear business

In the long term, the Board expect the footwear business will be sustaining its growth potential driven by the consumption upgrading trend and stable demand among domestic consumers with improved living standard and higher income growth. The propelling growth in the sector is also driven by rising level of health and well-being awareness and increasing sports participation. In addition, the Chinese Government supports the development of sports industry vigorously with the introduction of numerous sports related policies and programmes. The advancement of e-commerce also plays a significant part to drive growth and to cushion the deteriorating growth of the retail stores.

However, in the short term, the Board envisaged that the outlook of the China sports footwear market will remain challenging ahead due to the uncertainties surrounding China's economy as resulted from the Covid-19 outbreak and intensified US-China trade tension.

Further, the Board expect market competition will continue to intensify with international sportswear brands constantly accelerating their presence in China market causing domestic sportswear brands to lose market share due to weaker brand recognition and innovation. The increasing cost of labour also raises concern over the challenges from Southeast Asia

countries offering considerably labour cost advantages over China. However, China has its competitive advantages over its well-established and centralised hub of raw and auxiliary material supplies serves to strengthen cohesion and sustainability of the local market.

Given the overall backdrop in consumer sentiment, uncertainty economic impact arising from the on-going US-China trade tension, Covid-19 outbreak and intense market competition, the Group remains cautious and sees challenges on the business growth but remains optimistic on the long-term sustainability of the footwear business.

The Board is endeavouring to improve the Group's business and financial performance to create and deliver value to its shareholders. To achieve these objectives, the Group has adopted amongst others, the strategies as set out below:

- (i) rationalising overly aggressive orders made by the Group's distributors to reduce long overdue receivables and collection risk;
- (ii) rationalising operating costs;
- (iii) continuing effort in product research and development in order to yield positive market response and/or improve cost efficiencies and keep the Group's products competitive and relevant; and
- (iv) disposing non-core assets of the Group.

Moving forward, the Group intends to focus on the growth of its existing operation in the footwear business. The Group will continue its efforts in the research and development (R&D) and marketing activities to further enhance its distribution network, product design and development to maintain competitive edge in order to keep intact with the market development in footwear business. Additionally, the Group intends to continue hosting its trade fairs, whereby the Group has the opportunity to interact with potential and existing distributors to secure more orders and to obtain market feedback for the Group's products as well as to obtain relevant update on information on the footwear industry in the PRC.

Construction business

The Board envisaged the construction business to recover rapidly in view of the series of stimulus plan introduced by the Malaysian government which aims to revive the nation's economy growth. These include the allocation of an additional RM2.0 billion for immediate implementation of small infrastructure repair and upgrading projects across the country particularly in rural areas, the continuation of the implementation of all projects allocated in Budget 2020 including the East Coast Rail Link and Mass Rapid Transit 2, the provision of several incentives to stimulate the property market as well as financing through the SME-GO Scheme for 16,000 qualified Grade 2 (G2) and Grade 3 (G3) contractors who have received projects under PRIHATIN (PRIHATIN Rakyat Economic Stimulus Package) with no collateral or deposit required.

The Company believes that the construction sector, being the backbone of the nation's economy growth would be the key priority of the government's focus to promote continuous economy growth and recovery from the Covid-19 pandemic. The Board believe the stimulus measure introduced by the Malaysian government would give rise to increased construction activities in Malaysia, which will in turn, present the Group with more business opportunities (i.e. subcontracting work from main contractor).

With the proceeds to be raised from the Proposed Private Placement earmarked solely for the working capital of the Group's construction business, the Board believes that the expansion plan would place the Group in a better position to capitalise on the envisaged growth in construction activities in the country.

As at the LPD, a summary of the on-going construction project by the Group is as follows:

No.	Project name/location	Contract value RM'000	Details of the projects	Commencement date	Expected completion date
1.	HAG182/ Setapak, Kuala Lumpur	60,312	2,400 units of RUMAHWIP	15 December 2020	February 2022

As the Group's order book is project-based and generally non-recurring, the sustainability and growth of the construction business are dependent on the Group's ability to continue to secure more construction projects. In this respect, the Group will continue to leverage on its core competency in building constructions focusing on affordable house to secure new projects and grow its construction business. Further, the Group's track record with its customers/developers is expected to serve as a reference to secure additional construction projects from them.

(Source: Management of SAG)

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6. EFFECTS OF THE PROPOSALS

The effects of the Proposals are set out as follow:

6.1 Share capital

For illustrative purposes, the effects of the Proposals on the share capital of SAG are as follows:

	Base Scenario		Maximum Scenario	
	No. of Shares ('000)	⁽ⁱ⁾ RM'000	No. of Shares ('000)	⁽ⁱ⁾ RM'000
Issued share capital as at the LPD	703,817	70,049	703,817	70,049
Shares to be issued pursuant to the Proposed Private Placement	-	-	211,145	⁽ⁱⁱ⁾ 13,091
	703,817	70,049	914,962	83,140
New Shares to be issued from the full exercise of the Warrants	351,908	⁽ⁱⁱⁱ⁾ 21,818	457,481	⁽ⁱⁱⁱ⁾ 28,364
Enlarged issued share capital	1,055,725	91,867	1,372,443	111,504

Notes:

- (i) The equity components of the audited financial statements of the Company for the FYE 31 December 2020 have been translated based on the historical rate in accordance with the Malaysian Financial Reporting Standard 121 - The Effects of Changes in Foreign Exchange Rates.
- (ii) Based on the Indicative Issue Price.
- (iii) Based on the Indicative Exercise Price.

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6.2 NA and gearing

The pro forma effects of the Proposals on the NA and gearing of the Group based on the latest audited consolidated financial position of the Group as at 31 December 2020 are as follows:

Base Scenario

	K-Star		SAG		
	Audited as at 31 December 2020	(ii) After adjusting for the subsequent events	I	II	III
	(i) RM'000	RM'000	RM'000	After the Securities Exchange and Transfer of Listing RM'000	After II and assuming full exercise of Warrants RM'000
Share capital	43,810	70,049	70,049	70,049	91,867
Translation reserve	40,499	40,197	40,197	40,197	40,197
Other reserves	(77,791)	(77,791)	(77,791)	(77,791)	(77,791)
Warrant reserve	7,463	-	-	-	-
Retained earnings	14,543	14,905	14,905	14,905	(iv) 14,605
Shareholders' funds/NA	28,524	47,360	47,360	47,360	68,878
No. of ordinary shares ('000)	490,029	703,817	703,817	703,817	1,055,725
NA per ordinary share	0.06	0.07	0.07	0.07	0.07
Borrowings (RM'000)	33,082	33,082	33,082	33,082	33,082
Gearing	1.16	0.70	0.70	0.70	0.48

Maximum Scenario

	K-Star		SAG		
		I	II	III	IV
		(ii) After adjusting for subsequent event	After the Securities Exchange and Transfer of Listing	After Proposed Private Placement	After III and assuming full exercise of Warrants
	Audited as at 31 December 2020	RM'000	RM'000	RM'000	RM'000
	(i)RM'000	RM'000	RM'000	RM'000	RM'000
Share capital	43,810	70,049	70,049	(iii)83,140	111,504
Translation reserve	40,079	40,197	40,197	40,197	40,197
Other reserves	(77,791)	(77,791)	(77,791)	(77,791)	(77,791)
Warrant reserve	7,463	-	-	-	-
Retained earnings	14,543	14,905	14,905	(iv)14,605	14,605
Shareholders' funds/NA	28,524	47,360	47,360	60,151	88,515
No. of ordinary shares ('000)	490,029	703,817	703,817	914,962	1,372,443
NA per ordinary share	0.06	0.07	0.07	0.07	0.06
Borrowings (RM'000)	33,082	33,082	33,082	33,082	33,082
Gearing	1.16	0.70	0.70	0.55	0.37

Notes:

- (i) The equity components of the audited financial statements of the Company for the FYE 31 December 2020 have been translated based on the historical rate in accordance with the Malaysian Financial Reporting Standard 121 - The Effects of Changes in Foreign Exchange Rates.
- (ii) After adjusting for the following subsequent events since 31 December 2020 up to the LPD, as follows:
- (a) issuance of 142,097,400 K-Star Shares pursuant to the Special Issue on 17 March 2021;
 - (b) issuance of 71,690,360 K-Star Shares pursuant to the exercise of K-Star Warrants; and
 - (c) expiry of 10,308,819 K-Star Warrants on 10 April 2021.
- (iii) Based on the Indicative Issue Price.

- (iv) After adjusting for the estimated expenses relating to the Proposals of approximately RM0.30 million.

6.3 Substantial shareholders' shareholding

The pro forma effects of the Proposals on the shareholding of the substantial shareholders of SAG as at the LPD are set out in the table below:

Base Scenario

Substantial shareholders	As at the LPD				I			
	Direct		Indirect		Upon full exercise of the Warrants		Indirect	
	No. of Shares ('000)	(i)%	No. of Shares ('000)	%	No. of Shares ('000)	(ii)%	No. of Shares ('000)	%
Oriented Media Holdings Limited	124,600	17.7	-	-	186,900	17.7	-	-
Barclays Bank PLC (RE Equities)	113,260	16.1	-	-	169,890	16.1	-	-
Nomura PB Nominees Ltd	83,374	11.8	-	-	125,061	11.8	-	-
Placees (collectively)	-	-	-	-	-	-	-	-

Notes:

- (i) Based on the issued share capital of 703,816,582 SAG Shares as at the LPD.
- (ii) Based on the enlarged issued share capital of 1,055,724,873 SAG Shares upon full exercise of the Warrants under the Base Scenario.

Maximum Scenario

Substantial shareholders	I				II			
	As at the LPD		After Proposed Private Placement		After I and upon full exercise of the Warrants			
	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect
	No. of Shares (⁽ⁱ⁾ '000)	No. of Shares (⁽ⁱ⁾ '000)	No. of Shares (⁽ⁱⁱ⁾ '000)	No. of Shares (⁽ⁱⁱ⁾ '000)	No. of Shares (⁽ⁱⁱⁱ⁾ '000)	No. of Shares (⁽ⁱⁱⁱ⁾ '000)	No. of Shares (⁽ⁱⁱⁱ⁾ '000)	No. of Shares (⁽ⁱⁱⁱ⁾ '000)
	%	%	%	%	%	%	%	%
Oriented Media Holdings Limited	124,600	17.7	-	-	124,600	13.6	186,900	13.6
Barclays Bank PLC (RE Equities)	113,260	16.1	-	-	113,260	12.4	169,890	12.4
Nomura PB Nominees Ltd	83,374	11.8	-	-	83,374	9.1	125,061	9.1
Placees (collectively)	-	-	-	-	211,145	23.1	316,718	23.1

Notes:

- (i) Based on the issued share capital of 703,816,582 SAG Shares as at the LPD.
- (ii) Based on the enlarged issued share capital of 914,961,482 SAG Shares after the Proposed Private Placement under the Maximum Scenario.
- (iii) Based on the enlarged issued share capital of 1,372,442,223 SAG Shares upon full exercise of the Warrants under the Maximum Scenario.

6.4 Losses and LPS

The Proposals are not expected to have any material effect on the earnings and LPS of the Group. However, there will be a dilution in the LPS of the Group due to the increase in the number of Placement Shares in issue arising from the Proposed Private Placement and the increase in the number of new Shares arising from the exercise of Warrants.

6.5 Convertible Securities

As at the LPD, the Company does not have any other existing convertible securities.

7. Additional information

7.1 Historical financial performance

Prior to the completion of the Securities Exchange and Transfer of Listing Status, the audited consolidated financial information for the past 3 financial years up to FYE 31 December 2020 and latest unaudited 3-month FPE 31 March 2021 are under K-Star as follows:

	Audited			Unaudited	
	FYE 31 December 2018	FYE 31 December 2019	FYE 31 December 2020	3-month FPE 31 March 2020	3-month FPE 31 March 2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	254,031	202,728	133,420	33,988	19,254
Gross profit ("GP")	24,912	19,277	12,876	3,581	1,293
LAT	(67,406)	(10,919)	(5,861)	(1,148)	(2,389)
Total assets	172,240	172,883	126,481	169,847	156,310
Total liabilities	125,535	131,736	82,827	127,200	93,361
Shareholders' equity	46,075	41,147	43,654	42,647	62,949
Weighted average no. of Shares in issue ('000)	519,123	403,078	454,177	439,235	517,350
NA per Share (sen)	0.09	0.10	0.10	0.10	0.12
Basic LPS (sen)	(18.38)	(2.71)	(1.29)	(0.26)	(0.46)

Commentaries:

(i) 3-month FPE 31 March 2021 vs 3-month FPE 31 March 2020

K-Star recorded lower revenue of RMB19.25 million for the 3-month FPE 31 March 2021 as compared to the preceding financial year of RMB33.99 million. The lower revenue recorded was mainly due to the following:

- (a) lower revenue contribution from the footwear segment mainly due to the slowdown in sales of Dixing's core brand footwear due to decrease in demand as the consumers are cutting back on purchases of goods that they deem nonessential as a result of COVID-19 pandemic; and

- (b) lower revenue contribution from the construction segment mainly due to termination of certain contracts due to breach of performance and quality clause contained in the contract terms by the contract awarders (i.e. main sub-contractor).

K-Star recorded a higher LAT of RMB2.39 million for the 3-month FPE 31 March 2021 as compared to LBT of RMB1.15 million for the 3-month FPE 31 March 2020 mainly due to the lower revenue recorded during the financial year.

(ii) FYE 31 December 2020 vs FYE 31 December 2019

K-Star recorded lower revenue of RMB133.42 million for the FYE 31 December 2020 as compared to the preceding financial year of RMB202.73 million. The lower revenue recorded was mainly due to the following:

- (i) lower revenue contribution from the footwear segment mainly due to the decrease in sales volume of Dixing's core brand footwear as a result of the COVID-19 pandemic; and
- (ii) lower revenue contribution from the construction segment mainly due to termination of certain contracts due to breach of performance and quality clause contained in the contract terms by the contract awarders (i.e. main sub-contractor).

In line with the lower revenue, K-Star recorded a lower GP of RMB12.88 million as compared to a GP of RM19.27 million in the previous financial year.

Despite recording lower revenue, the LAT recorded for the FYE 31 December 2020 decreased by RMB5.06 million to RMB5.86 million (FYE 31 December 2019: RMB10.92 million) mainly due to the following:

- (i) lower administrative expenses by RMB0.77 million to RMB11.51 million (FYE 31 December 2019: RMB12.28 million) due to lower depreciation and amortization expenses as well as staff costs;
- (ii) lower finance costs by RMB1.13 million to RMB6.23 million (FYE 31 December 2019: RMB7.36 million) due to the repayment of long-term interest bearing payables made during the financial year; and
- (iii) absent of one-off impairment loss on property, plant and equipment, land use rights and patents of approximately RMB8.55 million as incurred in FYE 31 December 2019.

(iii) FYE 31 December 2019 vs FYE 31 December 2018

K-Star recorded lower revenue of RMB202.73 million for the FYE 31 December 2019 as compared to the preceding financial year of RMB254.03 million. The lower revenue recorded was mainly due to lower revenue contribution from the footwear segment mainly due to the decrease in sales volume of Dixing's core brand footwear due to the intense competition from both foreign and domestic footwear brands. International sportswear brands are aggressively expanding their business efforts in China sports footwear market, causing domestic sportswear brands to lose market share due to weaker brand recognition and lack of product differentiation.

In line with the lower revenue, K-Star recorded a lower GP of RMB19.28 million as compared to a GP of RMB24.91 million in the previous financial year.

Despite recording lower revenue, the LAT recorded for the FYE 31 December 2019 decreased by RMB56.49 million to RMB10.92 million (FYE 31 December 2018: RMB67.41 million) mainly due to the following:

- (i) lower administrative expenses by RMB4.55 million to RMB12.28 million (FYE 31 December 2018: RMB16.83 million) due to lower depreciation and amortisation expenses;
- (ii) lower selling and distribution expenses by RMB28.49 million to RMB2.34 (FYE 31 December 2018: RMB30.83 million) mainly due to the provision of sales rebate incurred in the previous financial year; and
- (iii) lower other operating expenses by RMB28.01 million to RMB8.55 million (FYE 31 December 2018: RMB36.56 million) mainly due to one-off cost recognition for the issuance of warrants in the previous financial year.

7.2 Impact and value creation of the Proposals on the Company and its shareholders

As disclosed in Section 2.6 of this Circular, the Proposed Private Placement is expected to raise gross proceeds of up to RM13.1 million (based on the Indicative Issue Price), which shall mainly be utilised to fund the working capital requirements of the Group's existing construction projects. As at the LPD, the Group is involved in 2 construction projects with a total unbilled contract value of approximately RM65.91 million. Premised on the future prospects of the construction industry as set out in Section 5.1 of this Circular, these projects are expected to contribute positively to the future earnings of the Group.

Despite the dilutive effect on the overall shareholders' shareholding in the Company, shareholders should consider the potential accretive effects of the Proposed Private Placement. For instance, majority of the funds to be raised from the Proposed Private Placement will be allocated specifically for the Group's construction segment, with the intention to reduce the Group's high dependency on its footwear business, in order to deliver sustainable value to the shareholders.

The Proposed Private Placement will also enable the Group to raise funds without incurring additional interest expense, thereby minimising any potential cash outflow in respect of interest servicing costs and preserving the Group's cash flow.

Notwithstanding the above, the consolidated LPS of the Group shall be diluted as a result of the increase in the number of Shares arising from the Proposed Private Placement. Further details on the effects of the Proposed Private Placement on the NA and gearing as well as the earnings and LPS of the Group are set out in Section 6 of this Circular.

The Proposed Bonus Issue of Warrants is anticipated to strengthen the Company's capital base and shareholders' funds as well as raise proceeds as and when the Warrants are exercised. 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 SAG 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 SAG Shares, the shareholders may also benefit from capital gain in the event of Share price appreciation.

7.3 Adequacy of the Proposals in addressing the financial concerns of SAG Group

The management of SAG is of the view that the primary financial concern of the Group is that the footwear business segment, which is the main revenue contributor of the Group has been recording losses after taxation since FYE 31 December 2012.

Premised on the above, the Group has prioritised the allocation of its resources toward the expansion of construction segment to improve the financial performance and condition of the Group. As such, the proceeds to be raised will be utilised to fund the on-going construction projects of the Group, which is expected to contribute positively to the Group's financial performance in the future. Moving forward, the Group seeks to limit this risk of termination of contracts by careful planning, conduct assessment on the contract awarders, close monitoring of project progress and endeavouring prompt actions to ensure the overall positive progress of the projects. The expansion of the construction segment is intended to facilitate the Group in diversifying its income stream and reduce its high dependency on its footwear business.

Barring any unforeseen circumstances, the Board believes that the Proposed Private Placement together with the utilisation of proceeds therefrom is adequate to fulfil the Group's immediate financing requirements to improve its financial condition in the short term and enhance its shareholders' value in the long term via the expansion of its construction segment. Nevertheless, the Board will continue to evaluate the Group's financial performance as well as the ongoing COVID-19 pandemic moving forward, and will consider undertaking future corporate exercises should the need/opportunity arises.

8. APPROVALS REQUIRED AND CONDITIONALITY OF THE PROPOSALS

The Proposals are subject to the following approvals being obtained:

- (i) the approval of Bursa Securities which was obtained on 18 August 2021 for the following:
 - (a) admission of the Warrants to the Official List and the listing and quotation of the Warrants;
 - (b) listing and quotation of the Placement Shares; and
 - (c) listing of and quotation for the new SAG Shares to be issued from the exercise of the Warrants;
- (ii) the shareholders of SAG for the Proposals at the forthcoming EGM; and
- (iii) any other relevant authority, if required.

The Proposed Private Placement and the Proposed Bonus Issue of Warrants are not inter-conditional upon each other. Further, the Proposals are not conditional on any other proposals undertaken or to be undertaken by the Company.

9. HISTORICAL SHARE PRICE PERFORMANCE

The monthly highest and lowest market prices of SAG Shares as traded on Bursa Securities for the past 12 months preceding the date of this Circular are as follows:

	High RM	Low RM
2020		
September	0.310	0.125
October	0.490	0.205
November	0.980	0.290
December	0.375	0.200
2021		
January	0.360	0.105
February	0.125	0.100
March	0.160	0.095
April	0.120	0.100
May	0.115	0.085
June	0.100	0.075
July	0.090	0.070
August	0.080	0.070
The last transacted market price of SAG Shares immediately prior to the announcement on 15 June 2021		0.090
Last transacted market price on the LPD		0.075

(Source: M&A Securities)

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

None of the directors and/or major shareholders, chief executive of the Company and/or persons connected to them have any interest, direct or indirect, in the Proposals save for their respective entitlements to the Warrants as Shareholders, to which all other Shareholders are similarly entitled to on a pro rata basis.

11. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, having considered the current and prospective financial position, needs and capacity of the Group, and after careful deliberation as well as taking into consideration the rationale, utilisation of proceeds and all other aspects of the Proposals, is of the opinion that the Proposals are in the best interests of the Company.

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

12. ESTIMATED TIMEFRAME FOR COMPLETION

The tentative timetable in relation to the Proposals is as follows:

Date	Events
24 September 2021	EGM to approve the Proposals

Date	Events
Second half of 2021	<ul style="list-style-type: none"> • Listing and quotation of the Placement Shares on the Main Market of Bursa Securities and completion of the Proposed Private Placement • Announcement of the exercise price of the Warrants • Announcement of the Entitlement Date for the Warrants • Listing of and quotation for the Warrants on the Main Market of Bursa Securities and completion of the Proposed Bonus Issue of Warrants

Barring any unforeseen circumstances and subject to receipt of all relevant approvals, the Proposals are expected to be completed by second half of 2021.

13. OUTSTANDING CORPORATE EXERCISE ANNOUNCED BUT PENDING IMPLEMENTATION

Save for the Proposed ESOS and Proposals, there are no other corporate exercise announced but pending implementation.

14. EGM

The EGM, the notice of which is enclosed together with this Circular, will be conducted on a fully virtual basis and entirely via remote participation and voting via online meeting platform at <https://rebrand.ly/SinaranEGM> provided by Mlabs Research Sdn Bhd in Malaysia on Friday, 24 September 2021 at 12.00 p.m., or immediately after the conclusion or adjournment (as the case may be) of the 1st Annual General Meeting of the Company which will be held on the same day at 11.00 a.m., whichever is later, or any adjournment thereof for the purpose of considering and, if thought fit, passing the resolutions so as to give effect to the Proposals.

If you are unable to attend and vote in person at the EGM, you may complete and return the relevant Form of Proxy in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the Company's Share Registrar, ShareWorks Sdn Bhd at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur or email at ir@shareworks.com.my before 12.00 p.m. on Wednesday, 22 September 2021. The lodging of the Form of Proxy will not preclude you from attending and voting remotely at the EGM should you subsequently wish to do so.

15. FURTHER INFORMATION

You are advised to refer to the appendices set out in this Circular for further information.

Yours faithfully,
for and on behalf of the Board of Directors,
SINARAN ADVANCE GROUP BERHAD

KOO KIEN YOON
Non-Independent Non-Executive Director

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2020 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON



SBY PARTNERS PLT

Reg. No: 202106000003 (LLP0016726-LCA) AF: 0660 Chartered Accountants
9-C, Jalan Medan Tuanku, Medan Tuanku, 50100 Kuala Lumpur, Malaysia.
Tel: 03-2693 8837 Fax: 03-2693 8836 Website: www.sby.com.my E-mail: audit@sby.com.my



Date: 08 September 2021

The Board of Directors
Sinaran Advance Group Berhad
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Wilayah Persekutuan
Malaysia

Dear Sirs,

**SINARAN ADVANCE GROUP BERHAD ("SAG" OR "COMPANY")
REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION AS AT 31 DECEMBER 2020**

We have completed our assurance engagement to report on the compilation of Pro Forma Consolidated Statements of Financial Position of SAG and its subsidiaries ("the Group") as at 31 December 2020 of which the Directors are solely responsible. The Pro Forma Consolidated Statements of Financial Position consists of the Pro Forma Consolidated Statements of Financial Position as at 31 December 2020 together with the accompanying notes thereon (which we have stamped for the purpose of identification), as set out in the accompanying statements. The applicable criteria on the basis of which the Directors have compiled the Pro Forma Consolidated Statements of Financial Position are described in the notes to the Pro Forma Consolidated Statements of Financial Position ("Applicable Criteria").

The Pro Forma Consolidated Statements of Financial Position has been compiled by the Directors to illustrate the effects of the following on the audited consolidated statement of financial position of the Company as at 31 December 2020 had the Corporate Exercises been effected on that date:

1. private placement of up to 211,144,900 new ordinary shares in SAG, representing approximately 30% of the existing issued Shares ("Proposed Private Placement"); and
2. bonus issue of up to 457,480,741 free warrants in the Company ("Warrant(s)") on the basis of 1 Warrant for every 2 existing SAG issued Shares held by the entitled shareholders of the Company on an entitlement date to be determined ("Proposed Bonus Issue of Warrants")

(collectively, referred to as the "Corporate Exercises")

As part of this process, information about the Group's financial position has been extracted by the Directors from the audited financial statements of the Group for the financial year ended 31 December 2020, which have been announced.



SBY PARTNERS PLT

Reg. No: 202106000003 (LLP0026726-LCA) AF: 9660
Chartered Accountants

Directors' Responsibility for the Pro Forma Consolidated Statements of Financial Position

The Directors are responsible for compiling the Pro Forma Consolidated Statements of Financial Position on the basis of the Applicable Criteria.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, whether the Pro Forma Consolidated Statements of Financial Position has been compiled, in all material aspects, by the Directors on the basis of the Applicable Criteria.

We conducted our engagement in accordance with International Standard on Assurance Engagements, (ISAE) 3420 - *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material aspects, the Pro Forma Consolidated Statements of Financial Position on the basis of the Applicable Criteria.

For the purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statements of Financial Position.

The purpose of Pro Forma Consolidated Statements of Financial Position is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at the last practicable date would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statements of Financial Position has been compiled, in all material respects, on the basis of the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Directors in the compilation of the Pro Forma Consolidated Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:-

- (i) The related Pro Forma adjustments give appropriate effect to those criteria; and
- (ii) The Pro Forma Consolidated Statements of Financial Position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the Pro Forma Consolidated Statements of Financial Position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statements of Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



SBY PARTNERS PLT
 Reg. No: 202106000003 (LLP0026726-LCA) AF: 0660
 Chartered Accountants

Opinion

In our opinion,

- (i) the Pro Forma Consolidated Statements of Financial Position as at 31 December 2020 have been properly compiled on the basis of the Applicable Criteria. The Pro Forma Consolidated Statements of Financial Position prepared by the Directors in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards in Malaysia and in a manner consistent with both the format of the financial statements and the accounting policies of the SAG unless otherwise stated; and
- (ii) the adjustments made to the information used in the preparation of the Pro Forma Consolidated Statements of Financial Position are appropriate for the purposes of preparing the Pro Forma Consolidated Statements of Financial Position.

We understand that this report is issued for the sole purpose of inclusion in the Abridged Prospectus in connection with the Corporate Exercises. As such, this report should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully

SBY PARTNERS PLT
 Reg. No: 202106000003
 (LLP0026726-LCA) AF: 0660
 Chartered Accountants

SUKHPAL SINGH A/L KAUR SINGH
 03494/05/2022 J
 Chartered Accountant

**SINARAN ADVANCE GROUP BERHAD ("SAG")
AND ITS SUBSIDIARIES ("the GROUP")
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020
BASE SCENARIO (CONT'D)**

	Audited Consolidated Statements of Financial Position as at 31 December 2020 RM'000	Adjustments for the Subsequent Events RM'000	Pro Forma I Adjusted Consolidated Statements of Financial Position RM'000	Adjustments for Proposed Bonus Issue of Warrants RM'000	Pro Forma II After Pro Forma I and Proposed Bonus Issue of Warrants RM'000	Adjustments for assuming full exercise of Warrants RM'000	Pro Forma III After Pro Forma I, II and full exercise of Warrants RM'000
ASSETS							
Non-current Assets							
Property, plant and equipment	20,118	-	20,118	-	20,118	-	20,118
Right-of-use assets	25,686	-	25,686	-	25,686	-	25,686
	<u>45,804</u>	<u>-</u>	<u>45,804</u>	<u>-</u>	<u>45,804</u>	<u>-</u>	<u>45,804</u>
Current Assets							
Right-of-use assets	700	-	700	-	700	-	700
Inventories	1,393	-	1,393	-	1,393	-	1,393
Trade and other receivables	20,685	-	20,685	-	20,685	-	20,685
Cash and bank balances	14,061	18,836	32,897	-	32,897	21,518	54,415
	<u>36,839</u>	<u>18,836</u>	<u>55,675</u>	<u>-</u>	<u>55,675</u>	<u>21,518</u>	<u>77,193</u>
Total Assets	<u>82,643</u>	<u>18,836</u>	<u>101,479</u>	<u>-</u>	<u>101,479</u>	<u>21,518</u>	<u>122,997</u>

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 Chartered Accountants

The accompanying notes form an integral part of the pro forma consolidated statements of financial position.

**SINARAN ADVANCE GROUP BERHAD ("SAG")
AND ITS SUBSIDIARIES ("the GROUP")
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020
BASE SCENARIO (CONT'D)**

	Audited Consolidated Statements of Financial Position as at 31 December 2020 RM'000	Adjustments for the Subsequent Events RM'000	Pro Forma I Adjusted Consolidated Statements of Financial Position RM'000	Adjustments for Proposed Bonus Issue of Warrants RM'000	Pro Forma II After Pro Forma I and Proposed Bonus Issue of Warrants RM'000	Adjustments for assuming full exercise of Warrants RM'000	Pro Forma III After Pro Forma I, II and full exercise of Warrants RM'000
EQUITY AND LIABILITIES							
Equity Attributable to Owners							
of the Company							
Share capital	43,810	26,239	70,049	-	70,049	21,818	91,867
Foreign translation currency reserves	40,499	(302)	40,197	-	40,197	-	40,197
Other reserves	(77,791)	-	(77,791)	-	(77,791)	-	(77,791)
Warrant reserve	7,463	(7,463)	-	23,402	23,402	(23,402)	-
Retained earnings/ (accumulated losses)	14,543	362	14,905	(23,402)	(8,497)	23,102	14,605
Total Equity	28,524	18,836	47,360	-	47,360	21,518	68,878
LIABILITIES							
Non-current Liability							
Deferred tax liabilities	3,133	-	3,133	-	3,133	-	3,133
	3,133	-	3,133	-	3,133	-	3,133



The accompanying notes form an integral part of the pro forma consolidated statements of financial position.

APPENDIX I

SINARAN ADVANCE GROUP BERHAD ("SAG") AND ITS SUBSIDIARIES ("the GROUP") PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020 BASE SCENARIO (CONT'D)

	Audited Consolidated Statements of Financial Position as at 31 December 2020 RM'000	Adjustments for the Subsequent Events RM'000	Pro Forma I Adjusted Consolidated Statements of Financial Position RM'000	Adjustments for Proposed Bonus Issue of Warrants RM'000	Pro Forma II After Pro Forma I and Proposed Bonus Issue of Warrants RM'000	Adjustments for assuming full exercise of Warrants RM'000	Pro Forma III After Pro Forma I, II and full exercise of Warrants RM'000
Current Liabilities							
Borrowings	33,082	-	33,082	-	33,082	-	33,082
Trade and other payables	17,904	-	17,904	-	17,904	-	17,904
	<u>50,986</u>	<u>-</u>	<u>50,986</u>	<u>-</u>	<u>50,986</u>	<u>-</u>	<u>50,986</u>
Total Liabilities	<u>54,119</u>	<u>-</u>	<u>54,119</u>	<u>-</u>	<u>54,119</u>	<u>-</u>	<u>54,119</u>
Total Equity and Liabilities	<u>82,643</u>	<u>18,836</u>	<u>101,479</u>	<u>-</u>	<u>101,479</u>	<u>21,518</u>	<u>122,997</u>
Par value per ordinary share (RM)	0.09		0.10		0.10		0.09
Number of Shares	490,028,820	213,787,762	703,816,582	-	703,816,582	351,908,291	1,055,724,873
Net assets per Share (RM)	0.06		0.07		0.07		0.07
Total borrowings (RM'000)	33,082		33,082		33,082		33,082
Gearing ratio (times)	1.16		0.70		0.70		0.48

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Chartered Accountants

The accompanying notes form an integral part of the pro forma consolidated statements of financial position.

APPENDIX I

SINARAN ADVANCE GROUP BERHAD ("SAG") AND ITS SUBSIDIARIES ("the GROUP") PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020 MAXIMUM SCENARIO (CONT'D)

	Audited Consolidated Statements of Financial Position as at 31 December 2020 RM'000	Adjustments for the Subsequent Events RM'000	Pro Forma I Adjusted Consolidated Statements of Financial Position RM'000	Adjustments for Proposed Private Placement RM'000	Pro Forma II After Pro Forma I and Proposed Private Placement RM'000	Adjustments for Proposed Bonus Issue of Warrants RM'000	Pro Forma III After Pro Forma I,II and Proposed Bonus Issue of Warrants RM'000	Adjustments for assuming full exercise of Warrants RM'000	Pro Forma IV After Pro Forma I, II, III and full exercise of Warrants RM'000
ASSETS									
Non-current Assets									
Property, plant and equipment	20,118	-	20,118	-	20,118	-	20,118	-	20,118
Right-of-use assets	25,686	-	25,686	-	25,686	-	25,686	-	25,686
	<u>45,804</u>	<u>-</u>	<u>45,804</u>	<u>-</u>	<u>45,804</u>	<u>-</u>	<u>45,804</u>	<u>-</u>	<u>45,804</u>
Current Assets									
Right-of-use assets	700	-	700	-	700	-	700	-	700
Inventories	1,393	-	1,393	-	1,393	-	1,393	-	1,393
Trade and other receivables	20,685	-	20,685	-	20,685	-	20,685	-	20,685
Cash and bank balances	14,061	18,836	32,897	12,791	45,688	-	45,688	28,364	74,052
	<u>36,839</u>	<u>18,836</u>	<u>55,675</u>	<u>12,791</u>	<u>68,466</u>	<u>-</u>	<u>68,466</u>	<u>28,364</u>	<u>96,830</u>
Total Assets	<u>82,643</u>	<u>18,836</u>	<u>101,479</u>	<u>12,791</u>	<u>114,270</u>	<u>-</u>	<u>114,270</u>	<u>28,364</u>	<u>142,634</u>

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The accompanying notes form an integral part of the pro forma consolidated statements of financial position.

**SINARAN ADVANCE GROUP BERHAD ("SAG")
AND ITS SUBSIDIARIES ("the GROUP")
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020
MAXIMUM SCENARIO (CONT'D)**

	Audited Consolidated Statements of Financial Position as at 31 December 2020 RM'000	Adjustments for the Subsequent Events RM'000	Pro Forma I Adjusted Consolidated Statements of Financial Position RM'000	Adjustments for Proposed Private Placement RM'000	Pro Forma II After Pro Forma I and Proposed Private Placement RM'000	Adjustments for Proposed Bonus Issue of Warrants RM'000	Pro Forma III After Pro Forma I,II and Proposed Bonus Issue of Warrants RM'000	Adjustments for assuming full exercise of Warrants RM'000	Pro Forma IV After Pro Forma I, II, III and full exercise of Warrants RM'000
EQUITY AND LIABILITIES									
Equity Attributable to Owners of the Company									
Share capital	43,810	26,239	70,049	13,091	83,140	-	83,140	28,364	111,504
Foreign translation currency reserves	40,499	(302)	40,197	-	40,197	-	40,197	-	40,197
Other reserves	(77,791)	-	(77,791)	-	(77,791)	-	(77,791)	-	(77,791)
Warrant reserve	7,463	(7,463)	-	-	-	30,423	30,423	(30,423)	-
Retained earnings/ (accumulated losses)	14,543	362	14,905	(300)	14,605	(30,423)	(15,818)	30,423	14,605
Total Equity	28,524	18,836	47,360	12,791	60,151	-	60,151	28,364	88,515
LIABILITIES									
Non-current Liability	3,133	-	3,133	-	3,133	-	3,133	-	3,133
Deferred tax liabilities	3,133	-	3,133	-	3,133	-	3,133	-	3,133



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 Chartered Accountants

The accompanying notes form an integral part of the pro forma consolidated statements of financial position.

**SINARAN ADVANCE GROUP BERHAD ("SAG")
AND ITS SUBSIDIARIES ("the GROUP")
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020
MAXIMUM SCENARIO (CONT'D)**

	Audited Consolidated Statements of Financial Position as at 31 December 2020 RM'000	Adjustments for the Subsequent Events RM'000	Pro Forma I Adjusted Consolidated Statements of Financial Position RM'000	Adjustments for Proposed Private Placement RM'000	Pro Forma II After Pro Forma I and Proposed Private Placement RM'000	Adjustments for Proposed Bonus Issue of Warrants RM'000	Pro Forma III After Pro Forma II and Proposed Bonus Issue of Warrants RM'000	Adjustments for assuming full exercise of Warrants RM'000	Pro Forma IV After Pro Forma I, II, III and full exercise of Warrants RM'000
Current Liabilities									
Borrowings	33,082	-	33,082	-	33,082	-	33,082	-	33,082
Trade and other payables	17,904	-	17,904	-	17,904	-	17,904	-	17,904
	50,986	-	50,986	-	50,986	-	50,986	-	50,986
Total Liabilities	54,119	-	54,119	-	54,119	-	54,119	-	54,119
Total Equity and Liabilities	82,643	18,836	101,479	12,791	114,270	-	114,270	28,364	142,634
Par value per ordinary share (RM)	0.09		0.10		0.09		0.09		0.08
Number of Shares	490,028,820	213,787,762	703,816,582	211,144,900	914,961,482	-	914,961,482	457,480,741	1,372,442,223
Net assets per Share (RM)	0.06		0.07		0.07		0.07		0.06
Total borrowings (RM'000)	33,082		33,082		33,082		33,082		33,082
Gearing ratio (times)	1.16		0.70		0.55		0.55		0.37


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 Chartered Accountants

The accompanying notes form an integral part of the pro forma consolidated statements of financial position.

**SINARAN ADVANCE GROUP BERHAD ("SAG" OR "THE COMPANY")
AND ITS SUBSIDIARIES ("the GROUP")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION ("APPLICABLE CRITERIA") AS AT 31 DECEMBER 2020 (CONT'D)**

1. BASIS OF PREPARATION

The Pro Forma Consolidated Statements of Financial Position of SAG have been prepared in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards in Malaysia and based on the audited Consolidated Statements of Financial Position of SAG as at 31 December 2020 had the Corporate Exercise been effected on that date.

As part of this process, information about the Group's financial position has been extracted by the Directors from the audited financial statements of the Group for the financial year ended 31 December 2020, which have been announced.

The Pro Forma Consolidated Statements of Financial Position have been prepared based on the accounting policies that are adopted by SAG in the preparation of its audited financial statements.

The Pro Forma Consolidated Statements of Financial Position is presented in Ringgit Malaysia ("RM").

The Pro Forma Consolidated Statements of Financial Position, because of its nature, may not be reflective of the Group's actual financial position. Furthermore, such information does not purport to predict the future financial position of the Group.

1.1 Foreign Translation Currency Reserves

The foreign translation currency reserves represented exchange differences arose from the translation of the audited Consolidated Statements of Financial Position of the Company as at 31 December 2020 in which the functional currencies are different from the SAG presentation currency.

1.2 Details of the Corporate Exercises

(a) Proposed Private Placement

The Proposed Private Placement entails the issuance of up to 211,144,900 Placement Shares representing not more than 30% of the total number of issued Shares as at the latest practicable date of this report.

(b) Proposed Bonus Issue of Warrants

The Proposed Bonus Issue of Warrants entails the issuance of up to 457,480,741 Warrants on the basis of 1 Warrant for every 2 existing Shares held by the entitled shareholders of SAG on an entitlement date to be determined and announced later. The Proposed Bonus Issue of Warrants is presented in the following 2 scenarios; -

(i) Base Scenario

The Proposed Bonus Issue of Warrants is undertaken based on the total number of 703,816,582 issued Shares as at the latest practicable date of this report and assuming none of the Placement Shares are issued prior to the entitlement date to be determined. This entails issuance of up to 351,908,291 Warrants.

**SINARAN ADVANCE GROUP BERHAD ("SAG" OR "THE COMPANY")
AND ITS SUBSIDIARIES ("the GROUP")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION ("APPLICABLE CRITERIA") AS AT 31 DECEMBER 2020 (CONT'D)**

(ii) Maximum Scenario

Assuming all of the Placement Shares are issued prior to the entitlement date to be determined. This entails issuance of up to 457,480,741 Warrants.

1.3 Indicative issued price of Placement Shares

The indicative issued price of Placement Shares is estimated based on a discount of approximately 19.4% to the volume weighted average market price of SAG Shares for the 5 market days up to and including the last trading day immediately preceding the price-fixing date.

Based on the assumptions and basis described above, the indicative issue price of the Placement Shares is assumed to be RM0.0620 per Share.

As the above variables are subject to changes upon implementation of the Proposed Private Placement, the actual issue price of the Proposed Private Placement will only be determined upon the price-fixing date, and may differ from the amount computed above.

1.4 Theoretical fair value of Warrants

The theoretical fair value of the Warrant is estimated using the Black-Scholes Option Pricing Model with data sourced from Bloomberg and based on the following key assumptions:

- | | |
|-------------------------|---|
| i. Exercise price | RM0.062 per Warrant |
| ii. Share price | RM0.075 (based on the theoretical ex-all price) |
| iii. Tenure of Warrants | 5 years from the date of issuance of Warrants |

Based on the assumptions and basis described above and applying all the inputs into the Black-Scholes Option Pricing Model, the theoretical fair value of the Warrants is approximately RM0.0665 per Warrant.

As the above variables are subject to changes upon implementation of the Proposed Bonus Issue of Warrants, the actual fair value the Warrants will only be determined upon issuance of the Warrants, and may differ from the amount computed above.



**SINARAN ADVANCE GROUP BERHAD ("SAG" OR "THE COMPANY")
AND ITS SUBSIDIARIES ("the GROUP")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION ("APPLICABLE CRITERIA") AS AT 31 DECEMBER 2020 (CONT'D)**

2. BASE SCENARIO

2.1 PRO FORMA I

Pro Forma I incorporates the effects of the following Subsequent Events that were completed up to 18 August 2021, being the latest practicable date of this report: -

- (i) Issuance of 71,690,360 new Shares pursuant to the exercise of the Warrants 2018/2021 at the exercise price of RM0.08 from 1 January 2021 up to 18 August 2021 with RM204,586 for differences between actual exercised and issuance of the warrants;
- (ii) Issuance of 142,097,400 new Shares at the issue price of RM0.0922 arising from the special issue exercise which was completed on 17 March 2021 with RM409,565 for differences between actual exercise and issuance of the special issue of shares ("Special Issue");
- (iii) Expiry of 10,308,819 of Warrants 2018/2021 on 10 April 2021; and
- (iv) Internal reorganisation by way of a members' scheme of arrangement under Section 210 of the Companies Act (Chapter 50) of Singapore which were completed on 30 July 2021 comprising:
 - (a) Exchange of all ordinary shares and outstanding Warrants 2018/2021 in K-Star for SAG Shares and warrants on a one-to-one basis;
 - (b) Transfer of listing status of K-Star to SAG; and
 - (c) Transfer of K-Star's entire shareholdings in Sinaran Trillion Sdn. Bhd. to SAG by way of a distribution in specie.

The issuance of Shares have the following impacts on the Pro Forma Consolidated Statements of Financial Position:

	Increase/(Decrease)	
	Effect on	Effect on
	Total Assets	Total Equity
	RM'000	RM'000
Cash and bank balances	18,836	-
Share capital	-	26,239
Foreign translation currency reserves	-	(302)
Warrant reserve	-	(7,463)
Retained earnings	-	362
	<u>18,836</u>	<u>18,836</u>

**SINARAN ADVANCE GROUP BERHAD ("SAG" OR "THE COMPANY")
AND ITS SUBSIDIARIES ("the GROUP")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION ("APPLICABLE CRITERIA") AS AT 31 DECEMBER 2020 (CONT'D)**

2.2 PRO FORMA II

Pro Forma II incorporates the effects of Pro Forma I and the Proposed Bonus Issue of Warrants. The Proposed Bonus Issue of Warrants has the following impacts on the Pro Forma Consolidated Statements of Financial Position:

	Increase/(Decrease) Effect on Total Assets RM'000	Effect on Total Equity RM'000
Warrant reserve	-	23,402
Retained earnings	-	(23,402)
	<hr/>	<hr/>
	-	-

2.3 PRO FORMA III

Pro Forma III incorporates the effects of Subsequent Events, Pro Forma I, II and assuming full exercise of 351,908,291 Warrants.

The full exercise of Warrants has the following impacts on the Pro Forma Consolidated Statements of Financial Position: -

	Increase/(Decrease) Effect on Total Assets RM'000	Effect on Total Equity RM'000
Cash and bank balances	21,518	-
Share capital	-	21,818
Warrant reserve	-	(23,402)
Retained earnings	-	23,102
	<hr/>	<hr/>
	21,518	21,518



**SINARAN ADVANCE GROUP BERHAD ("SAG" OR "THE COMPANY")
AND ITS SUBSIDIARIES ("the GROUP")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION ("APPLICABLE CRITERIA") AS AT 31 DECEMBER 2020 (CONT'D)**

3. MAXIMUM SCENARIO

3.1 PRO FORMA I

Pro Forma I incorporates the effects of the following Subsequent Events that were completed up to 18 August 2021, being the latest practicable date of this report: -

- (i) Issuance of 71,690,360 new Shares pursuant to the exercise of the Warrants 2018/2021 at the exercise price of RM0.08 from 1 January 2021 up to 18 August 2021 with RM204,586 for differences between actual exercised and issuance of the warrants;
- (ii) Issuance of 142,097,400 new Shares at the issue price of RM0.0922 arising from the special issue exercise which was completed on 17 March 2021 with RM409,565 for differences between actual exercise and issuance of the special issue of shares ("Special Issue");
- (iii) Expiry of 10,308,819 of Warrants 2018/2021 on 10 April 2021; and
- (v) Internal reorganisation by way of a members' scheme of arrangement under Section 210 of the Companies Act (Chapter 50) of Singapore which were completed on 30 July 2021 comprising:
 - (a) Exchange of all ordinary shares and outstanding Warrants 2018/2021 in K-Star for SAG Shares and warrants on a one-to-one basis;
 - (b) Transfer of listing status of K-Star to SAG; and
 - (c) Transfer of K-Star's entire shareholdings in Sinaran Trillion Sdn. Bhd. to SAG by way of a distribution in specie.

The issuance of Shares have the following impacts on the Pro Forma Consolidated Statements of Financial Position:

	Increase/(Decrease) Effect on Total Assets RM'000	Effect on Total Equity RM'000
Cash and bank balances	18,836	-
Share capital	-	26,239
Foreign translation currency reserves	-	(302)
Warrant reserve	-	(7,463)
Retained earnings	-	362
	<u>18,836</u>	<u>18,836</u>

**SINARAN ADVANCE GROUP BERHAD ("SAG" OR "THE COMPANY")
AND ITS SUBSIDIARIES ("the GROUP")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION ("APPLICABLE CRITERIA") AS AT 31 DECEMBER 2020 (CONT'D)**

3.2 PRO FORMA II

Pro Forma II incorporates the effects of Pro Forma I and the Proposed Private Placement. The Proposed Private Placement has the following impacts on the Pro Forma Consolidated Statements of Financial Position:

	Increase/(Decrease) Effect on Total Assets RM'000	Effect on Total Equity RM'000
Cash and bank balances	12,791	-
Share capital	-	13,091
Retained earnings	-	(300)
	<u>12,791</u>	<u>12,791</u>

The following are the utilisation of proceeds from the Proposed Private Placement on the audited Consolidated Statements of Financial Position as at 31 December 2020:

	RM'000
Funding for the Group's on-going construction projects	12,791
Estimated expenses for the Corporate Exercise	300
	<u>13,091</u>

3.3 PRO FORMA III

Pro Forma III incorporates the effects of Pro Forma I, II and the Proposed Bonus Issue of Warrants. The Proposed Bonus Issue of Warrants has the following impacts on the Pro Forma Consolidated Statements of Financial Position:

	Increase/(Decrease) Effect on Total Assets RM'000	Effect on Total Equity RM'000
Warrant reserve	-	30,423
Retained earnings	-	(30,423)
	<u>-</u>	<u>-</u>

**SINARAN ADVANCE GROUP BERHAD ("SAG" OR "THE COMPANY")
AND ITS SUBSIDIARIES ("the GROUP")
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION ("APPLICABLE CRITERIA") AS AT 31 DECEMBER 2020 (CONT'D)**

3.4 PRO FORMA IV

Pro Forma IV incorporates the effects of Subsequent Events, Pro Forma I, II, III and assuming full exercise of 457,480,741 Warrants.

The full exercise of Warrants has the following impacts on the Pro Forma Consolidated Statements of Financial Position:

	Effect on Total Assets RM	Increase/(Decrease) Effect on Total Equity RM
Cash and bank balances	28,364	-
Share capital	-	28,364
Warrant reserve	-	(30,423)
Retained earnings	-	30,423
	<u>28,364</u>	<u>28,364</u>

APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors in accordance with a resolution dated

On behalf of the Board,



Koo Kien Yoon
Non-Independent Non-Executive Director



FURTHER INFORMATION**1. DIRECTORS' RESPONSIBILITY STATEMENT**

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

2. CONSENT AND DECLARATION

M&A Securities, 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. M&A Securities has given its confirmation that no conflict of interest exists or is likely to exist in relation to its role as the Principal Adviser for the Proposals in this Circular.

3. MATERIAL LITIGATION

As at the LPD, neither SAG nor its subsidiaries are engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, and to the best of the Board's knowledge and belief, the Board is not aware of any proceeding, pending or threatened against SAG Group or of any fact likely to give rise to any proceeding which may materially and adversely affect the financial position or business of the SAG Group.

4. MATERIAL COMMITMENT

The Board is not aware of any material commitment, incurred or known to be incurred by SAG Group, which upon becoming enforceable, may have a material impact on the financial position of the Group as at the LPD.

5. CONTINGENT LIABILITIES

As at the LPD, the Board is not aware of any contingent liabilities, incurred or known to be incurred by the Group, which upon becoming enforceable, may have a material impact on the ability of the Group to meet its obligations as and when they fall due.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan, Malaysia during normal business hours (except public holidays) from the date of this Circular up to and including the date of the EGM:

- (i) Constitution of SAG;
- (ii) the audited consolidated financial statements of K-Star for FYE 31 December 2019 and FYE 31 December 2020
- (iii) the unaudited consolidated financial results of K-Star for the financial period ended 31 March 2021;
- (iv) the audited financial statements of SAG for the financial period ended 2 March 2020 to 31 December 2020;
- (v) the letter of consent and declaration of conflict of interest as referred to in Section 2 of this Appendix II;
- (vi) Draft Deed Poll of Warrants; and
- (vii) Pro forma consolidated statements of financial position of the Group as at 31 December 2020 together with the reporting accountants' letter thereon.

In adherence to the standard operating procedures imposed by the regulatory authority(ies) in conjunction with the National Recovery Plan, all inspection of documents at the registered office of the Company could only be conducted by **prior appointment** only. For appointment request(s), please contact +603-2084 9000 or e-mail: info@sshshb.com.my.



SINARAN ADVANCE GROUP BERHAD

[Registration No. 202001007513 (1363833-T)]
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting ("**EGM**") of Sinaran Advance Group Berhad ("**SAG**" or "**Company**") will be conducted on a fully virtual basis and entirely via remote participation and voting via online meeting platform at <https://rebrand.ly/SinaranEGM> provided by Mlabs Research Sdn Bhd in Malaysia on Friday, 24 September 2021 at 12.00 p.m., or immediately after the conclusion or adjournment (as the case may be) of the 1st Annual General Meeting of the Company which will be held on the same day at 11.00 a.m., whichever is later, or any adjournment thereof for the purpose of considering and if thought fit, passing or without modifications the following resolutions:

ORDINARY RESOLUTION 1

PROPOSED PRIVATE PLACEMENT OF UP TO 211,144,900 NEW ORDINARY SHARES IN SINARAN ADVANCE GROUP BERHAD ("SAG**") ("**SAG SHARES**" OR "**SHARES**"), REPRESENTING APPROXIMATELY 30% OF THE TOTAL NUMBER OF EXISTING ISSUED SHARES OF THE COMPANY, AT AN ISSUE PRICE TO BE DETERMINED LATER ("**PROPOSED PRIVATE PLACEMENT**")**

"THAT subject to the approval of all the relevant authorities and/or parties being obtained (where required), approval be and is hereby given to the Board of Directors of the Company ("**Board**" or "**Directors**") to allot and issue up to 211,144,900 new ordinary shares in the Company ("**SAG Shares**" or "**Shares**") ("**Placement Shares**"), representing 30% of the total number of existing issued shares of the Company, by way of private placement to independent third-party investor(s) to be identified later in one or more tranches at an issue price for each tranche to be determined at a later date by the Board ("**Price-Fixing Date**") upon such terms and conditions as disclosed in the circular to the shareholders of the Company ("**Shareholders**") dated 9 September 2021 ("**Circular**");

THAT the issue price for each tranche of the Placement Shares will be determined based on a discount of not more than 20% to the 5-day volume-weighted average market price of SAG Shares up to and including the Price-Fixing Date;

THAT the Directors be and are hereby authorised to utilise the proceeds to be derived from the Proposed Private Placement for such purposes as set out in the Circular and the Board be and is hereby authorised with full power to vary the manner and/or purpose of the utilisation of such proceeds from the Proposed Private Placement in the manner as the Board may deem fit, necessary and/or expedient, subject (where required) to the approval of the relevant authorities and in the best interest of the Company;

THAT such Placement Shares shall, upon allotment, issuance and full payment of the issue price, rank equally in all respects with the existing issued Shares, save and except that the holders of such Placement Shares shall not be entitled to any dividend, 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 the Placement Shares;

AND THAT the Directors be and are hereby empowered and authorised to do all acts, deeds and things and to execute, sign, deliver and cause to be delivered on behalf of the Company all such documents and/or arrangements as may be necessary to give effect and complete the Proposed Private Placement and to assent to any conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities or as the Directors may deem necessary in the interest of the Company and to take such steps as they may deem necessary or expedient in order to implement, finalise, give full effect and to complete the Proposed Private Placement."

ORDINARY RESOLUTION 2

PROPOSED BONUS ISSUE OF UP TO 457,480,741 FREE WARRANTS OF SAG ("WARRANTS"), ON THE BASIS OF 1 WARRANT FOR EVERY 2 EXISTING SAG SHARES HELD BY THE ENTITLED SHAREHOLDERS OF SAG ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER ("PROPOSED BONUS ISSUE OF WARRANTS")

"THAT subject to the approvals of all relevant authorities and/ or parties (where applicable) being obtained, authority be and is hereby given to the Board to issue and allot up to 457,480,741 Warrants to be credited to the entitled shareholders whose names appear in the Record of Depositors of the Company as at the close of business on the Entitlement Date on the basis of 1 Warrant for every 1 SAG Shares held in accordance with the provisions in the deed poll to be executed by the Company constituting the Warrants ("**Deed Poll**");

THAT the Board be and is hereby authorised to enter into and execute the Deed Poll on behalf of the Company with full powers to assent to any condition, modification, variation and/ or amendment in any manner as may be required or imposed by the relevant authorities or as the Board may deem necessary or expedient and in the best interest of the Company, and subject to all provisions and adjustments contained in the Deed Poll, to assent to any modifications and/ or amendments to the exercise price and/ or number of the Warrants as may be required or permitted to be revised as consequence 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 take all steps as the Board deems fit and/or expedient in order and with full powers for the Board to implement, finalise and give full effect to the Deed Poll;

THAT the Board be and is hereby authorised to issue and allot such appropriate number of the Warrants in accordance with the provisions of the Deed Poll and where required, to adjust the exercise price and/ or the number of the Warrants to be issued (including, without limitation, any additional Warrants as may be required or permitted to be issued) in consequence of the adjustments pursuant to the provisions of the Deed Poll ("**Additional Warrants**");

THAT the Board be and is hereby authorised to issue and allot such appropriate number of new Shares pursuant to the exercise of the Warrants and Additional Warrants by the holders of the Warrants and Additional Warrants in accordance with the provisions of the Deed Poll;

THAT the Board be and is hereby authorised to deal with any fractional entitlements from the Proposed Bonus Issue of Warrants, if any, in such a manner at its absolute discretion as the Board may deem fit and expedient and in the best interest of the Company;

THAT the new SAG Shares to be issued pursuant to the exercise of the Warrants will, upon allotment and issuance, rank equally in all respects with the existing SAG Shares, save and except that the new SAG Shares to be issued arising from the exercise of the Warrants will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution that may be declared, made or paid to the shareholders of the Company, for which the entitlement date is prior to the date of allotment and issuance of the new Shares arising from the exercise of the Warrants or Additional Warrants;

THAT the proceeds to be raised from the exercise of the Warrants and Additional Warrants, be utilised for such purposes and in such manner as set out in Section 3.6 of the circular to shareholders of the Company dated 9 September 2021, and the Board be authorised with full powers to vary the manner and/ or purpose of the use 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) and in the best interest of the Company;

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

(duly signed)

CHUA SIEW CHUAN (SSM PC NO. 201908002648 & MAICSA 0777689)

CHENG CHIA PING (SSM PC NO. 202008000730 & MAICSA 1032514)

Company Secretaries

Kuala Lumpur

9 September 2021

Notes:

- a. Please refer to the **Administrative Guide** for the procedures to register and participate in the virtual meeting. Shareholders will not be allowed to attend the EGM in person at the Main Venue on the day of the meeting.
- b. For the purpose of determining a member who shall be entitled to attend the EGM, the Company shall be requesting from Bursa Malaysia Depository Sdn. Bhd. in accordance with Clause 18.7(b) of the Constitution of the Company and Section 34(1) of Securities Industry (Central Depositories) Act 1991 ("**SICDA**") to issue a General Meeting Record of Depositors as at 17 September 2021. Only a depositor whose name appears on the Record of Depositors as at 17 September 2021 shall be entitled to attend the said meeting or appoint proxies to attend and/or speak and/or vote on his/her behalf.
- c. A member entitled to attend and vote at the EGM is entitled to appoint a proxy/proxies to attend, speak and vote instead of him. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak and vote at the meeting.
- d. A member may, subject to Notes (e) and (f) below, appoint more than one (1) proxy to attend and vote at the EGM, to the extent permitted by the Act, SICDA, Main LR of Bursa Securities and the Rules of Bursa Malaysia Depository Sdn Bhd. Where a member appoints two (2) proxies to attend and vote at the EGM, such appointment shall be invalid unless the member specifies the proportion of his/her shareholding to be represented by each proxy.
- e. Where a member of the Company is an authorised nominee as defined under SICDA, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds to which shares in the Company standing to the credit of the said account.
- f. Where a member of the Company is an exempt authorised nominee which hold shares in the Company for multiple beneficial owners in one (1) 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.
- g. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, in the event the appointer is a corporation, the instrument appointing a proxy must be either under the appointer's Common Seal or under the hand of an officer or attorney duly authorised.
- h. An instrument appointing a proxy must be left at the Share Registrar of the Company at ShareWorks Sdn. Bhd., No. 2, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia, or via email to ir@shareworks.com.my or via email to ir@shareworks.com.my not less than forty-eighth (48) hours before the time appointed for holding the meeting or adjourned meeting.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purpose"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) for the Purpose, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a results of the member's breach of warranty.



SINARAN ADVANCE GROUP BERHAD

[Registration No. 202001007513 (1363833-T)]

(Incorporated in Malaysia)

FORM OF PROXY

No. of shares held	CDS Account no.
Telephone no.	Email address

*I/We _____ NRIC No./Passport No./Registration no. _____

of _____
being a *member/members of Sinaran Advance Group Berhad ("Company"), hereby appoint:

(1) Name of proxy : _____ NRIC/Passport no. : _____
Address : _____

Email address : _____ Telephone no. : _____

(2) Name of proxy : _____ NRIC/Passport no. : _____
Address : _____

Email address : _____ Telephone no. : _____

or failing *him/her, *the Chairman of the Meeting as *my/our proxy to vote for *me/us and on *my/our behalf, at the Extraordinary General Meeting of the Company, which will be conducted on a fully virtual basis and entirely via remote participation and voting via online meeting platform at <https://rebrand.ly/SinaranEGM> provided by Mlabs Research Sdn Bhd in Malaysia on Friday, 24 September 2021 at 12.00 p.m., or immediately after the conclusion or adjournment (as the case may be) of the 1st Annual General Meeting of the Company which will be held on the same day at 11.00 a.m., whichever is later, or any adjournment thereof .

Please indicate with an "X" in the spaces provided below as to how you wish your vote to be cast. In the absence of specific directions, your proxy will vote or abstain at his/her discretion.

No.	Ordinary Resolutions	For	Against
1.	Proposed Private Placement		
2.	Proposed Bonus Issue of Warrants		

Dated this _____ day of _____ 2021

Signature of Shareholder(s)/Common Seal of
Corporate Shareholder

* Strike out whichever is not applicable

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

	No. of shares	Percentage (%)
Proxy 1		
Proxy 2		
Total		100



Notes:

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Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Share Registrar
SINARAN ADVANCE GROUP BERHAD
[Registration No. 202001007513 (1363833-T)]
(Incorporated in Malaysia)

SHAREWORKS SDN BHD
No. 2-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Wilayah Persekutuan Kuala Lumpur
Malaysia

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