



Second Chance Properties Ltd
(Company Registration No. 198103193M)

RESPONSE TO QUESTIONS RECEIVED FROM SHAREHOLDERS FOR ANNUAL GENERAL MEETING TO BE HELD ON 30 DECEMBER 2020

The Board of Directors (“**Board**”) of Second Chance Properties Ltd (“**Company**”) and together with its subsidiaries, the “**Group**”) refers to the announcement dated 8 December 2020 in relation to the Notice of Annual General Meeting to be held by electronic means on Wednesday, 30 December 2020 at 11.00 a.m. (“**AGM 2020**”).

The Company would like to express its appreciation to its shareholders for submitting their questions in advance of AGM 2020. The Company would like to inform shareholders that all the questions submitted by shareholders by the Registration Cut-off Date, i.e. 11.00 a.m. on 27 December 2020 have been responded and are published in this announcement.

Please refer to the Appendix of this announcement for details of the questions and the responses of the Company.

By Order of the Board

Mohamed Salleh s/o Kadir Mohideen Saibu Maricar
Executive Director and Chief Executive Officer

29 December 2020

APPENDIX

Question 1

The performance of the company's listed investment portfolio is below par. Can the management explain the rationale behind all these investments instead of paying cash back to shareholders?

Company's Response to Question 1

The Company's rationale behind its investments in securities is as below:

1. Management has been preparing for a major downturn or crisis for several years due to our collective view that the general property market and retail sector are likely to have little upside potential. This has been mentioned and clarified a few times in past AGMs. We have been progressively reducing our loans and liabilities without making any major acquisitions of assets or investments. As a result, our financial / cash position has been greatly strengthened due to this dogged direction.

We believe the opportunity to invest in a downturn has arrived, although unexpectedly, it came in the form of Covid-19 pandemic. However, unlike past downturns, property prices have not significantly dipped as anticipated, whereas equities related and unrelated to properties have fallen significantly. Hence, the rationale in our recent investment in securities.

2. We are investing in securities for the long term and in relatively conservative portfolios with fair to good expectations of recurring dividend, which is more important than one-off gains. Although our investments may appear below par currently, we are confident that when markets move up to pre-Covid levels or even sooner, our investments may possibly be well above par. Furthermore, we are investing for the long term and therefore, the recurring dividend is more meaningful at this juncture.
3. We acknowledge the low liquidity of our shares and we are seeking approval for a share buy-back scheme at the upcoming EGM (to be held immediately after the AGM) which, when approved and implemented, could be viewed as 'returning cash' to shareholders who wish to sell their shares.

Question 2

The company choose to issue sizable warrants periodically. Yet, the management have rarely converted these warrants to shares. Can the independent directors explain why the company is issuing these warrants if there is no intention by the main shareholders/CEO to exercise them?

Company's Response to Question 2

1. Unlike some companies, we issue our warrants free of cost. There is a value to these warrants and they can be sold in the open market. Therefore, it represents a benefit for our existing shareholders. (although we acknowledge that for shareholders with small number of shares, the transaction costs of selling might exceed the gross proceeds of the sale of "free" warrants).
2. In 2017, when the share price rose above the warrant conversion price, **6.02 million warrants** and again between 2018 and 2020, **309,000 warrants** were actually converted to new shares.
3. When the share price does not rise above warrant conversion price it does not make commercial sense for any (major or minor) shareholders to exercise the warrant.

Question 3

Does Second Chance has any plans to grow big by embarking on going online to sell their products to the world? Or just want status quo?

Company's Response to Question 3

1. To become big in the online business, one has to build up substantial market share by selling at very low margins, which may lead to losses due to the need to spend heavily on online advertising and marketing. Our assessment is that, this strategy is likely to lead to heavy losses in the early years with no guarantee that one will be profitable in the long run or be able to exit via sale to another player.
2. Perhaps the majority of the public is only aware of the few on-line companies that have grown large and have become commercially successful and viable, while countless others have gone belly up in their journey, unnoticed and unreported.
3. We view the online business model as risky and have no immediate intention to compete in this already crowded space.