

Minutes of the **Extraordinary General Meeting (“EGM”)** of Sarawak Consolidated Industries Berhad (“**SCIB**” or “**the Company**”) conducted entirely through online meeting platform of TIIH Online via its website on **Wednesday, 30 June 2021** at **2.30 p.m.**

Present : as per attendance list

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1. CHAIRMAN

Dato’ Dr. Ir. Ts. Mohd Abdul Karim Bin Abdullah (“**Dato’ Karim**”), the Non-Independent Non-Executive Chairman of the Company, introduced himself and informed that based on the latest Guidance and FAQs on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia, the conduct of general meetings shall be on a fully virtual basis after the implementation of total lockdown on 1 June 2021. Hence the EGM was conducted on a fully virtual basis, in which all meeting participants joined the meeting online, using the online meeting platform of TIIH Online.

Dato Karim then introduced the members of the Board, the Finance Director and the Company’s Main Adviser, UOB Kay Hian Securities (M) Sdn Bhd. He further informed that the Management Team, Company Secretaries were also joining the Meeting remotely.

As a reminder, the Chairman informed that attendance at the EGM was restricted to shareholders, proxies and authorised representatives of corporate shareholders who had registered to participate in the Meeting remotely. Any recording of the Meeting was strictly prohibited unless written consent had been obtained prior to the meeting.

2. QUORUM

As the requisite quorum was present, the Chairman called the Meeting to order at 2.35 p.m.

3. NOTICE

The Notice convening the EGM having been circulated and advertised in the newspaper was, with the consent of the Meeting, taken as read.

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4. POLL PROCESS

The Chairman then informed the shareholders that pursuant to Paragraph 8.29(A)(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa**”), all resolutions as set out in the notice of the EGM would be decided by poll, which would be taken at the end of the Meeting after all the agenda items and questions from the shareholders had been dealt with.

The poll administrators, Tricor Investor & Issuing House Services Sdn Bhd briefed the Meeting on the procedures for electronic poll voting using their remote participation and voting facility. The Meeting was also informed that the Company had appointed Asia Securities Sdn Bhd as the independent Scrutineers for the poll.

Before the Meeting proceed with the agenda, the Chairman informed that shareholders and proxies were welcomed to raise questions in real time by transmitting their questions using the Query Box on the online portal. The Board would endeavour to respond to questions submitted during the Questions and Answers (Q&A) session after the conclusion of agenda of the Meeting and should there be time constraint, the responses would be posted on the Company’s website after the Meeting.

5. SPECIAL RESOLUTION PROPOSED REDUCTION OF THE ISSUED SHARE CAPITAL OF SCIB PURSUANT TO SECTION 116 OF THE COMPANIES ACT 2016 (“PROPOSED CAPITAL REDUCTION”)

The agenda item for the EGM was the Special Resolution on the Proposed Capital Reduction to reduce the share capital of the Company via the cancellation of RM40.0 million of the issued share capital of the Company which was lost and unrepresented by available assets. The credit arising from such share capital reduction would be used to eliminate the accumulated losses of the Company.

The Chairman added that the surplus after the elimination of the Company’s accumulated losses would be credited to the retained earnings account of the Company, which might be utilised by the Board as it deems fit and in the best interest of the Company. The shareholders were also informed that none of the Directors, major shareholders or persons connected with them has any direct or indirect interest in the proposed share capital reduction.

6. QUESTIONS AND ANSWERS SESSION

The Meeting proceeded to the Q&A session and was informed that due to time constraints, questions posted may be moderated or

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summarized to avoid repetition and only relevant questions will be addressed. The Chairman invited Ms Wong Li Wen, the Company's Head of Corporate Services, to present the questions received, thereafter the Board and the Management responded to the questions as follows:-

(a) **Question:**

Please brief the overall objective of the corporate exercise to reduce the issued share capital subsequent to the recent announcement on private placement.

Response:

The objective of the proposed capital reduction was to offset the accumulated losses since financial year 2006 as a result of net loss incurred by the Group from its operating business and such losses had been continuously reported since then up to 31 December 2018. The Group had recorded net profit of RM3.15 million in 2019 and had during the 12-month cumulative financial period of 2020 recorded unaudited net profit of RM52.17 million. However, such net profit was not able to offset the accumulated losses at the Company's level. The proposed capital reduction could also enhance the Company's financial profile.

(b) **Question:**

- How much SCIB will be impacted if Serba Dinamik Holdings Berhad ("**Serba**") start to default?
- Pertaining to the recent situation of Serba, the negative sentiment in the market has sparked towards SCIB as well. What are the immediate action plans to be taken to strengthen corporate image and to restore investors' confidence?

Response:

The Company's operation would not be impacted by the default of Serba as the Company is an independent listed company with different business nature, separate Board of Directors and management team. The Company is in a different business i.e. more on construction and has a strong fundamental. The core business has been ongoing and the Management has executed plans and cost cutting solutions to align with the Company's strategies.

(c) **Question:**

Previously SCIB had announced for the Company to hit a market capitalization of RM2 billion by end of 2021. With what happened recently, will the target deviate or is it still on track? Briefly explain on the plans set by SCIB.

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Response:

The targeted market capitalization of RM2 billion by end of 2021 was set based on the assumptions of mass vaccination and that the industry would resume after the COVID-19 pandemic. However, based on the current market condition impacted by COVID-19 pandemic with the prolonged movement control orders and weak overall economy, the recovery would take a longer duration. Accordingly the Company's market capitalization would grow at a slower rate and the target has to be relooked. The management team would strive hard to deliver results that meet customers' and stakeholders' expectation.

(d) **Question:**

- What is the reason behind the change in financial year end? Is there any concern raised by the external auditors?
- Do the accounting and auditing of the Company treated like Serba?

Response:

The Company's change in financial year end was due to the various restrictions imposed during the total lockdown in which the auditors required longer time to finalise the audits, particularly on overseas projects. The Company would ensure that the audit would be conducted based on the proper accounting standards.

(e) **Question:**

- I believe that the private placement is not completed yet at this point of time and appreciate if the Board / Management can update the status.
- Will SCIB go ahead for this year's private placement and is there any plan for private placement next year?

Response:

The Company has 6 months for the implementation of its proposed private placement before the expiry date and the private placement would be implemented in tranches to secure funding for current and future projects. The Management would also work with bankers on the private placement implementation.

(f) **Question:**

- How are you going to attract the investor to subscribe for private placement if the current share price is lower than the private placement price?
- If there is no subscription to the private placement, is there any fund to support your ongoing projects?

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Response:

The Company has sizeable book orders and the Company expected to receive some projects in the coming months. The Management would be working with bankers to fund the projects. The Company has strong fundamentals in construction segment and this would be appealing to the investors.

On the subscription for the private placement, as explained earlier Management would try to implement it in tranches in the coming months.

(g) **Question:**

To YBhg. Dato' Dr. Ir. Ts. Mohd Abdul Karim Bin Abdullah, do you want to dispose of all warrants of SCIB?

Response:

Dato Karim replied that the free warrants were given as rewards to shareholders, who had the right to deal with their free warrants. However he has not sold any mother shares as at to date.

(h) **Question:**

- How many order book not yet fulfill during pandemic, does denting occur ratio high from overall project you finish delay? The raw material term in accounting remain? Or defer as Government stated 5 months non-interest compound delay payment too for payback? The exporting business much more affected during this time would market pricing volatile?

Response:

Mr Chai Tze Khang ("Mr Chai"), the Company's Chief Operating Officer, stated that sales had been adversely impacted by the COVID-19 pandemic. The Company's nature of business was classified as essential service and the plant has been in operation since the second lockdown. The increase in raw material price was due to the significant increase in steel price which had impacted the production cost, the additional costs have been partially transferred to the customers. He added that a few construction projects had been slightly delayed due to the pandemic but the Company had been catching up on works.

(i) **Question:**

Encik Rosland disposed many shares 2 days ago. Any significant reasons?

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Response:

Encik Rosland replied that his disposal of shares in the previous 2 days was due to margin calls and forced sale by banks and was beyond his control. He added that he would consider to acquire the Company's shares in near future.

(j)

Question:

I would like to request for RM100 Touch & Go e wallet as a token of appreciation for participating in today's virtual EGM. Thank you.

Response:

The Board took note of the request and would attend to the request accordingly.

(k)

Question:

The share price of SCIB has been dropped over 60% in the past few weeks. This drop is not caused by the Company's bad performance but its close relation with Serba that is currently involved in its own audit issues. How is the management going to solve this problem? The Company is doing well but the share price reflects the opposite and keeps dropping like nobody's business. This is totally unfair to the shareholders because we were being punished for others problem.

Response:

This question has been answered previously.

(l)

Question:

SCIB have few projects in Middle East. Will they encounter similar audit problems similar to Serba as some projects are related? What actions are taken to mitigate such risks?

Response:

The projects in Middle East were not related to Serba and would not impact the Company. The Management would put in place proper monitoring and work on manpower issues and ensure that the projects would be delivered on time. They had also been in discussions with their counter parties to address the restrictions and delays due to the pandemic.

(m)

Question:

- As the Company is doing well, we would like to know the reason of the major shareholders selling a big chunk of shares recently, especially in this juncture where everybody is concerned about the

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accounting issues

- We also wish to have a word from the Board to confirm the financial statement and accounts is in good order and the Board is in good communication with current auditor.

Response:

Encik Rosland reiterated that his recent disposal of shares was a forced sale by banks, and it was not his intention to dispose the shares.

The Company has strong fundamentals despite its recent share price, and the Management would work closely with the external auditors to finalise the audited financial statements accordingly.

(n) **Question:**

How was Sarawak stages, infrastructure work is company the sole supplier for entire project? The after services is participated by SCIB too? Like QA of products?

Response:

Mr Chai stated that the Sarawak State Government had been spending substantially in infrastructure projects in recent years, which had contributed to the Company's revenue. The Company was not the sole supplier in Sarawak but the state's infrastructure projects would benefit the overall industry in Sarawak. The Company is expected to have several projects related to the state's infrastructure works to be awarded in future.

(o) **Question:**

How does Serba influence the collection of payment of SCIB from Serba contracts?

Response:

The Company has minimal contracts that were related to Serba. This would not have major impact on the payment collection and there was no significant exposure in view of the small quantum for related party transactions.

(p) **Question:**

- What will the efforts of the Management team to boost investors' confidence in SCIB and KPower?
- Will SCIB consider another round of private placement due to the poor performance of share price?
- Will the auditors for SCIB reserve their audit on the financial statements as well?

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- Is there a possibility of privatization of SCIB due to poor performance?

Response:

The Company would not consider privatization as the Company has strong fundamentals with more award of projects to be expected in the next few weeks. The current share price has not reflected the Company's operation and financial position.

(q) **Question:**

- What is the future impact due to Serba's current situation as it is one of the big client of SCIB?
- Why the trade and other receivables increase so much in Quarter 1?

Response:

The Company is an independent listed entity and Serba is not a major customer. The Company's prospect remain positive with more local projects in the pipeline, including some government's projects.

The collection team has engaged with the customers for collection of outstanding receivables and some payments have been collected on time.

(r) **Question:**

Is there any adverse report by KPMG on SCIB?

Question:

The audit process was on going and the Management would work closely with the auditors to address their concerns. There have been no significant matters highlighted by the auditors and the audited accounts was expected to be finalized by October.

(s) **Question:**

The recent quarterly report has shown great increase for receivables and payables. This is a concern for minority shareholders. Appreciate to comment on management effort to address this.

Response:

The trade receivables collection progress had been deliberated at the Board level and priority would be given on solving this issue to ensure healthy cash flow of the Company.

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(t) **Question:**

The total number of employees for SCIB is just 200. Can you handle the RM2.4 billion projects well?

Response:

The 200 employees were under manufacturing segment. There was a project management team of 20 personnel consisted of professionals, engineers and technical staffs to head and oversee the projects. The manpower for construction segment was engaged based on project requirements.

(u) **Question:**

Most projects of SCIB are from Serba?

Response:

The Company only have one project which was under Serba. The projects in Middle East were managed independently by Dato Karim's team. The Company has its own strategies and means of securing projects without reliance on Serba.

(v) **Question:**

What is the progress on 3D project mentioned by previous news?

Response:

There had been a delay in shipment from Denmark. The shipment was expected to reach Port Klang by early July and should reach Kuching port by mid July. The team would assemble and perform testing on the machines, as well as to ensure that the 3D printing technology fulfills the requirements set by CIDB. The embarking on 3D printing technology shall become a strong fundamental and strengthen SCIB in the construction segment.

(w) **Question:**

- Why when the profit after tax of Q1 increase almost three times, but net cash generated from operation dropped 57%?
- What is the reason behind the ballooning of trade receivables and trade payables? Is this market standard or special payment terms for some customers?

Response:

The order book of the Company had increased tremendously by 635% and the cash had been utilized to fund the projects. The team would put extra effort in the collection of trade receivables by this year and

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the collection progress would be deliberated at the Board level from time to time.

Due to time constraints, it is regretted that the Board and the management could not answer all the questions received from the shareholders. Questions that were not addressed at the EGM are annexed hereto and marked as Annexure A.

7. POLL VOTING

The Meeting proceeded to vote and was adjourned at 3.30 p.m. for the counting of votes.

8. ANNOUNCEMENT OF POLL RESULTS

The Chairman reconvened the Meeting at 3.50 p.m. for the declaration of poll results as follows:-

Resolution	Vote For		Vote Against	
	No of Units	%	No of Units	%
Special Resolution	179,674,810	99.53	840,504	0.47

Based on the poll results, the Chairman declared that the Special Resolution tabled at the EGM was carried.

It was RESOLVED as follows:-

SPECIAL RESOLUTION

PROPOSED REDUCTION OF THE ISSUED SHARE CAPITAL OF SCIB PURSUANT TO SECTION 116 OF THE COMPANIES ACT 2016 (“PROPOSED CAPITAL REDUCTION”)

THAT, subject to all approvals being obtained from the relevant authorities and/ or parties, if applicable, and the confirmation by the High Court pursuant to Section 116 of the Companies Act 2016 (“**Act**”), approval be and is hereby given for the board of directors of SCIB (“**Board**”) to implement the Proposed Capital Reduction and reduce the share capital of the Company via the cancellation of RM40.0 million of the issued share capital of the Company and that the credit arising from such share capital reduction shall be used to eliminate the accumulated losses of the Company;

THAT, the surplus after the elimination of the Company’s accumulated losses pursuant to the Proposed Capital Reduction, if any, shall be credited to the retained earnings account of the Company, which may be utilised in such manner as the Board deems fit and in the best

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interest of the Company, as permitted by the relevant and applicable laws as well as the Constitution of the Company;

AND THAT, the Board be and is hereby authorised to approve, sign and execute all documents, do all things and acts as the Board may consider necessary or expedient to implement, finalise and give full effect to the Proposed Capital Reduction in the best interest of the Company with full power to assent to any conditions, variation, modifications, and/ or amendments in any manner as may be required by any relevant authorities, the relevant and applicable laws or deemed necessary or desirable by the Board.

9. **CLOSURE**

There being no other business, the Meeting was closed at 4.00 p.m. with a vote of thanks to the Chair.

SIGNED AS A CORRECT RECORD

CHAIRMAN

Date:

Annexure A

Unanswered Question	Response
We hope the company will follow suit of previous dividend policy, because dividend is the most important way to prove the company profitability and cash flow is in tact. When will the final dividend be issued?	We acknowledged that based on the dividend policy, the Board intends to adopt a dividend payout ratio of at least 30.0% of profit after tax attributable to owners of Company. However, after much deliberation, the Board did not recommend the dividend pay-out for the current quarter under review (Q5, 2021) taking into consideration of the uncertainties of the current market condition impacted by the COVID-19 pandemic and the prolonged movement control orders and weak overall economy as well as the increase in receivables and payables. The Company has put the dividend proposal on hold and will review the proposal in the next quarter.
why Dato Karim not acquired shares SCIB? the prices of shares cheap	Pursuant to Paragraph 9 of notes to Paragraph 4.01 of the Rules on Take-Overs, Mergers and Compulsory Acquisitions issued by SC, a mandatory offer obligation arises when, a person obtains control in the company, or, a person holding more than 33% but not more than 50% of the voting shares or voting rights of the company, increases his/ her holding of the voting shares or voting rights of the company by more than 2% in any 6-month period. Hence, Dato Karim and his Person(s) Acting in Concert (PAC) will have to observe the aforesaid rules and must not trigger the 'creeping threshold' or acquires more than 2% of the voting shares or voting rights in any period of 6 months.
Why the trade & other receivable increase so much on Quarter 1, 2021?	There are delays in collection and payment due to longer processing time during COVID-19 pandemic outbreak. Our collection team is engaging closely with clients to ensure payment are received. We will monitor the progress of collection and expecting some improvements on that soon.
Will the capital reduction reduce the number of share that we are holding?	The Proposed Capital Reduction will not result in any change in the total number of SCIB Shares in issue or the number of SCIB Shares held by the shareholders of SCIB and will not result in any change to the exercise price and number of the outstanding Warrants held by Warrants holders of our Company.

<p>What is the impact to SCIB if the proposal for capital reduction is not approved by most share holders?</p>	<p>The Proposed Capital Reduction will eliminate SCIB's accumulated losses via reduction and cancellation of the current issued share capital of our Company (in RM value) to more accurately reflect the current value of the underlying assets and the financial position of our Company and enhance the financial profile of SCIB Group with its bankers, customers, suppliers, investors, and other stakeholders of SCIB Group following the elimination of the accumulated losses. The Company will not be able to realise the intended benefits of the proposed capital reduction if the proposal is not approved. However, management will consider any other rectification plan in the event shareholders' approval is not obtained.</p>
<p>Does the management plan for any share buy back exercise to stabilize the share price?</p>	<p>Management is in the midst of considering several options, which include, amongst others, share buy-back exercise, to stabilise the price. An announcement will be made upon the deliberation and approval from the Board.</p>
<p>Is there a possibility of SCIB to dispose off KPMG as auditor?</p>	<p>The audit is currently in progress. We have not made any decision to change auditors at this point in time.</p>