



SARAWAK CONSOLIDATED INDUSTRIES BERHAD

(Registration No.: 197501003884 (25583-W))

(Incorporated in Malaysia)

1. INTRODUCTION

Reference is made to the previous announcements made by Sarawak Consolidated Industries Berhad (“**SCIB**” or “**the Company**”) in relation to Engineering, Procurement, Construction and Commissioning (EPCC) contracts awarded to SCIB and its wholly owned subsidiary company, SCIB International (Labuan) Ltd. (“**SCIBL**”), respectively (“**Contracts**”) for the projects as follows (“**Projects**”):-

Contract title	Client	Country	Announcement Reference date
Under SCIB:			
Construction, completion and maintenance of 6 Villas (Ground + 1 st Floor + Penthouse, including external majlis, ancillary block and external block works)	Pavilion Qatar Engineering Co. W.L.L.	Qatar	25 October 2019, 10 November 2021
Complete Construction of nine (9) Residential Villas at Street 47, Block 327, Al Hayl, Muscat, Oman	Revenue International L.L.C	Oman	25 October 2019, 10 November 2021
Under SCIB International (Labuan) Ltd.:			
Construction, Completion and Maintenance of 18 numbers of Five Storey Buildings, Proposed New Boundary Wall, Guard House and Car Parking located at Doha, Qatar	Interceptor Trading and Contracting W.L.L	Qatar	3 April 2020, 10 November 2021
Construction and Completion of 2 units of Service Centres located at the region of Al Khor, State of Qatar	Skyview Trading and Contracting W.L.L	Qatar	3 April 2020, 10 November 2021

Civil works for the Fire Water Project (47,000 mtrs) State of Qatar	Pavillion Qatar Engineering Co. W.L.L.	Qatar	3 December 2020, 10 November 2021
Complete Construction of 20 Villas at Street 14, Block 112, Ruwi, Muscat Sultanate of Oman	Revenue International L.L.C	Oman	3 April 2020, 10 November 2021

The Board of Directors of SCIB wishes to announce that the Company and SCIB International (Labuan) Ltd. had on 20 September 2022 signed the respective Novation Agreements with the above Clients and the respective subcontractors engaged by SCIB for the respective Project (“**Subcontractors**”) (collectively referred to as “**Parties**” and each of them is referred to as “**Party**”), to mutually novate all their obligations, rights, benefits and interests under Debt 2 pursuant to the Settlement Agreement dated 10 November 2021.

The salient terms of the Novation Agreement are set out in the ensuing section.

2. SALIENT TERMS OF THE NOVATION AGREEMENT

The key salient terms of the respective Novation Agreements include, among others, the following:

- The Parties agree that all the definitions, covenants, provisions, remedies and powers contained in or subsisting under the existing Settlement Agreement dated 10 November 2021 (“**Settlement Agreement**”) referred thereto shall continue to have effect and shall be effective and binding on the Parties and shall be construed and read and be enforceable as if the variations, modifications or alterations contained in the Novation Agreement are inserted therein by way of amendment and shall form part of the existing Settlement Agreement;
- The parties agree that notwithstanding the fact that the Novation Agreement is entered into on 20 September 2022, the effective date of the Novation Agreement shall be 30th June 2022 (“**Effective Date**”);
- The Client undertakes to perform the obligations of SCIB/SCIBL to pay Debt 2 to the respective Subcontractors under the Settlement Agreement as from the Effective Date and to be bound by the terms of the Settlement Agreement in every way in place of SCIB/SCIBL;
- It is agreeable and acknowledged by the respective Subcontractors to collectively release and discharge SCIB/SCIBL from all claims and demands in respect of the Settlement Agreement as from the Effective Date;
- SCIB/SCIBL assigns and novates to the Client any and all of its rights, titles, benefits, interest, duties, liabilities and/or obligations that arose in regards to Debt 2 from the Effective Date and SCIB shall have no rights, titles, benefits, interest, duties, liabilities and/or obligations in regards to Debt 2 under the Settlement Agreement from the Effective Date;

- The Client agrees and undertakes to accept and to perform all such rights, titles, benefits, interest, duties, liabilities and/or obligations contained in the Settlement Agreement in regards to Debt 2 as if the Client had been a party to the Settlement Agreement and be bound by all of the terms under the Settlement Agreement in place of SCIB/SCIBL with effect from the Effective Date;
- The Settlement Agreement shall continue in full force and effect with the Client substituted as a party thereto in the place of SCIB/SCIBL;
- The Parties agree that the Client shall pay to SCIB/SCIBL the differential sum between Debt 1 and Debt 2 (“Differential Sum”);
- The Parties agree that Debt 2 shall be paid to the Subcontractors in their respective proportion, and the Client and Subcontractors shall communicate with each other on the arrangement of the payment scheme (if required);
- The Parties agree that the Differential Sum shall be paid to SCIB/SCIBL on or before 30th June 2023;
- SCIB/SCIBL and the Subcontractors shall be entitled to charge interest on any overdue amount at the rate not exceeding eight per cent (8%) per annum for each day that such amount is overdue until payment is actually received by SCIB and the Subcontractors.
- In the event of a breach of obligation, delay and/or non-payment by the Client to SCIB/SCIBL for the said Differential Sum amount, any penalties, losses, costs, expenses disbursement incurred by SCIB/SCIBL in order to recover the said differential sum in any action, proceeding, arbitration and/or whatsoever shall be borne by the Client without prior notice to the Client;
- The list of information on the respective Settlement Agreements and the Differential Sum per the Novation Agreement are as follows:

The Client	The Company of which the Contract was awarded	Debt 1 (Amount owing by the Client)	Sum of Debt 2 (Amount owing to the subcontractors)	Differential Sum (Net amount owing to SCIB per the Novation Agreement)
Pavilion Qatar Engineering Co. W.L.L.	SCIB	USD 8,947,661.00	USD7,540,778.00	USD 1,406,883.00
Revenue International L.L.C	SCIB	USD 10,064,840.00	USD8,615,905.00	USD 1,448,935.00
Interceptor Trading and Contracting W.L.L	SCIB International (Labuan) Ltd.	USD 41,092,479.60 <i>(Revised)</i>	USD 37,755,989.03 <i>(Revised)</i>	USD 3,336,490.57
Skyview Trading and Contracting W.L.L	SCIB International (Labuan) Ltd.	USD 28,339,018.00	USD25,937,448.00	USD 2,401,570.00

Pavillion Qatar Engineering Co. W.L.L.	SCIB International (Labuan) Ltd.	USD 19,183,925.00	USD17,829,098.00	USD 1,354,827.00
Revenue International L.L.C	SCIB International (Labuan) Ltd.	USD 39,112,957.00	USD35,744,783.00	USD 3,368,174.00

3. RATIONALE OF THE NOVATION AGREEMENT

Due to the default in payment by the Client which triggered the termination clause of the Settlement Agreement dated 10 November 2021, the Company has taken the necessary measures to protect SCIB/ SCIBL’s interests in mitigating the risks arising from the long-overdue debts owing by the clients. SCIB/SCIBL had an amicable discussion with the Client and the Subcontractors who have agreed to enter into the Novation agreements to discharge all of SCIB/SCIBL’s liabilities/obligations towards the Settlement Agreements in regards to Debt 2.

The Client and SCIB/SCIBL have agreed to novate all of SCIB/SCIBL’s obligations, rights, benefits, and interests under Debt 2 pursuant to the Settlement Agreements, where the parties agree that the Client shall pay to SCIB/SCIBL the differential sum between Debt 1 and Debt 2 (“Differential Sum”), and that Debt 2 shall be paid to the Subcontractors in their respective proportion by the Client. In furtherance of the above, the Client and Subcontractors shall communicate with each other on the arrangement of the payment scheme (if required). The parties also agreed that the Differential Sum shall be paid to SCIB/SCIBL on or before 30th June 2023.

4. FINANCIAL EFFECTS

The final claims stated in the Settlement agreements are consistent with the provisions that were taken up in the accounts. The effect of the Novation Agreements is to substitute the obligations of SCIB/SCIBL to pay the Subcontractors under the Settlement Agreements in which the obligations shall now rest on the Client. In furtherance of the above, the Novation Agreements are to ensure that the Client makes direct payment to the respective Subcontractors and does not involve SCIB/SCIBL. As a result, the Novation of Agreements will not have any material effect on the gearing, earnings per share and net assets of SCIB for the financial year ending 30 June 2023.

The Novation Agreement will not have any effect on the issued share capital and the shareholdings of substantial shareholders of the Company.

5. RISK FACTORS

Barring any unforeseen circumstances, there are no risk factors identified in relation to the Novation Agreements.

6. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

None of the Directors and/or major shareholders of the Company and/ or person connected with them have any interest, direct and/or indirect, in the Contracts, the Settlement Agreements and the Novation Agreements.

7. STATEMENT BY DIRECTORS

The Board, having taken into consideration all aspects of the Novation Agreements, is of the opinion that the entering of the aforesaid Novation Agreements is in the best interest of the Company.

8. APPROVALS REQUIRED

The Novation Agreements is not subject to the approvals of any authority and/or the shareholders of SCIB.

9. DOCUMENTS FOR INSPECTION

The Novation Agreement will be made available for inspection at the Corporate Office of SCIB at 1-07-01, Block 1, Star Central Corporate Park, Lingkaran Cyber Point Timur, Cyber 12, 63000, Cyberjaya, Selangor Darul Ehsan during normal business hours (except public holidays) for a period of three (3) months from the date of this Announcement.

This announcement is dated 20 September 2022