

## SARAWAK CONSOLIDATED INDUSTRIES BERHAD (“SCIB” OR “COMPANY”)

- PROPOSED CGSB ACQUISITION;
- PROPOSED PAR VALUE REDUCTION;
- PROPOSED M&A AMENDMENTS; AND
- PROPOSED PRIVATE PLACEMENT

(COLLECTIVELY REFERRED TO AS THE “PROPOSALS”)

---

### 1. INTRODUCTION

On behalf of the Board of Directors of SCIB (“**Board**”), Inter-Pacific Securities Sdn. Bhd. (“**IPS**”) wishes to announce that SCIB had, on 28 December 2016 entered into a conditional share sale agreement (“**SSA**”) with Gaya Belian Sdn. Bhd. (“**Gaya Belian**”), Brian Francis Ticcioni and Asgari bin Mohd Fuad Stephens (collectively referred to as the “**Sellers**”) for the proposed acquisition of 4,463,640 ordinary shares of RM1.00 each representing the entire equity interest in Carlton Gardens Sdn. Bhd. (“**CGSB**”) (“**Sale Shares**”) for a total purchase price of RM9,500,000 (“**Purchase Consideration**”) and to be paid in two (2) tranches (“**Proposed CGSB Acquisition**”).

In addition, on behalf of the Board, IPS also wishes to announce that the Company proposes to undertake the following:

- (i) Proposed reduction of the issued and paid-up share capital of SCIB pursuant to Section 64 of the Companies Act 1965 (“**Act**”), involving the cancellation of RM0.50 of the par value of each existing ordinary share of RM1.00 each in SCIB (“**Proposed Par Value Reduction**”);
- (ii) Proposed amendments to the Memorandum and Articles of Association (“**M&A**”) of SCIB to facilitate the change in par value of the ordinary shares in SCIB from RM1.00 to RM0.50 each arising from the Proposed Par Value Reduction (“**Proposed M&A Amendments**”); and
- (iii) Proposed private placement of up to 36,397,125 new ordinary shares of RM0.50 each in SCIB after the Proposed Par Value Reduction (“**SCIB Share(s)**”) (“**Placement Share(s)**”) representing up to 45% of the enlarged issued and paid-up share capital of SCIB after the completion of the Proposed Par Value Reduction and Proposed CGSB Acquisition to be subscribed by potential investors to be identified later (“**Proposed Private Placement**”).

(Collectively referred to as the “**Proposals**”)

*[The rest of this page has been intentionally left blank]*

## 2. DETAILS OF THE PROPOSALS

The details of the Proposals are set out below:

### 2.1 Proposed CGSB Acquisition

Pursuant to the terms of the SSA, the Proposed CGSB Acquisition entails the acquisition of 4,463,640 ordinary shares of RM1.00 each from the Sellers, representing the entire issued and paid-up share capital of CGSB by SCIB for the Purchase Consideration to be paid in two (2) tranches as set out below:

- (i) firstly, 30% of the Purchase Consideration ("**Tranche 1**") to be paid in cash; and
- (ii) secondly, 70% of the Purchase Consideration ("**Tranche 2**") to be paid with a combination of cash and new ordinary shares of RM0.50 each in the capital of SCIB ("**Consideration Shares**") at the issue price per Consideration Share calculated based on the five (5)-day volume weighted average market price ("**VWAMP**") of an existing share of SCIB up to and including 27 December 2016 of RM0.58, which may be up to 7,300,000 Consideration Shares, in such proportion as determined by SCIB at its absolute discretion, to the respective Sellers.

#### 2.1.1 Information on CGSB

CGSB was incorporated in Malaysia as a private limited company under the Act on 22 September 2015. As at 30 November 2016, being the latest practicable date of this announcement ("**LPD**"), CGSB has an authorised share capital of RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each in CGSB ("**CGSB Shares**") of which 4,463,640 CGSB Shares have been issued and fully paid-up.

CGSB owns and operates an interlocking block Industrialised Building System ("**IBS**") factory ("**Factory**") located on land held under title particulars Country Lease Title No. 175346666, Locality of Woodford Estate, District of Beaufort, State of Sabah ("**Land**") and has been awarded a contract by Stone EPC (Sabah) Sdn. Bhd. (Company No. 1153165-H) ("**SEPC**") for the supply and installation of interlocking blocks and associated structural and finishing works ("**Supply and Installation Contract**") to SEPC for its project to construct 620 residential units together with necessary amenities, utilities, facilities and infrastructure at Woodford Estate, Beaufort District, Sabah.

Further information on CGSB is included in Appendix I of this announcement.

#### 2.1.2 Salient terms of the SSA

The salient terms of the SSA are as set out in Appendix II of this announcement.

#### 2.1.3 Issuance of Consideration Shares

The Consideration Shares to be issued as part consideration for the Proposed CGSB Acquisition will be undertaken in accordance with the general mandate pursuant to Section 132D of the Act that had been obtained from the shareholders of SCIB at its annual general meeting ("**AGM**") convened on 30 May 2016. The Board is authorised to issue new SCIB Shares provided that the number of new SCIB Shares issued does not exceed 10% of the issued and paid-up share capital of the Company ("**General Mandate**"). The General Mandate shall continue to be in force, unless revoked or varied by the Company at a general meeting, until the conclusion of the next AGM of the Company.

#### 2.1.4 Basis and justification of arriving at the Purchase Consideration

SCIB and the Sellers (collectively defined as “**Parties**”) have agreed that the value of the Factory and Supply and Installation Contract (“**Value of Factory and Contract**”) will form the basis of the Purchase Consideration subject to a valuation by an independent professional accounting firm and the conditions below:

- (i) In the event that the Value of Factory and Contract as determined by an independent professional accounting firm is certified to be less than RM9,500,000 by a differential amount of RM10,000 or more (“**Differential Amount**”), SCIB may elect to proceed with the acquisition of the Sale Shares and such other transactions contemplated under the SSA (“**Transaction**”) with no adjustment to the Purchase Consideration or to terminate the SSA and obtain a refund of all moneys paid or advanced by SCIB, and the Sellers shall if the Consideration Shares have been issued, transfer such shares to such party as SCIB may nominate; and
- (ii) For the avoidance of doubt, in the event that the Value of Factory and Contract as determined by an independent professional accounting firm is certified to be more than RM9,500,000, the Purchase Consideration shall not be increased or adjusted upwards. The Parties agreed that SCIB shall be entitled to appoint Grant Thornton Consulting Sdn. Bhd. (or if Grant Thornton Consulting Sdn. Bhd. refuses or is prohibited from acting as the independent professional accounting firm, such other independent accounting firm as may be determined by mutual agreement of the Parties, failing agreement, by SCIB at its discretion) (“**Accounting Firm**”) for the purpose of certification of the Value of Factory and Contract and the determination by that Accounting Firm shall be binding and conclusive on the Parties and shall not be questioned by any of the Parties on any grounds whatsoever, save and except for manifest error. The cost of certification shall be borne by the Sellers and SCIB in equal shares.

#### 2.1.5 Mode of settlement of the Purchase Consideration

- (i) Tranche 1 shall be paid by SCIB to the respective Sellers in the proportion set out opposite their respective names in Schedule 3 (*Sellers’ Completion Deliverables and proportions of Purchase Consideration*) of the SSA within 5 business days from the date of fulfilment of all the Conditions Precedent for Tranche 1 (as defined in Section 2 of Appendix II of this announcement).
- (ii) If any part of Tranche 2 is to be satisfied in cash, such amount in cash shall be paid by SCIB to the respective Sellers in the proportion set out opposite their respective names in Schedule 3 (*Sellers’ Completion Deliverables and proportions of Purchase Consideration*) of the SSA on the date within 90 days from the date when all the Conditions Precedent (as defined in Section 2 of Appendix II of this announcement) shall have been fulfilled or otherwise waived in writing by SCIB (“**Conditions Precedent Fulfilment Date**”) or such other date as may be agreed in writing by the Parties prior to the Completion (“**Completion Date**”); and
- (iii) If any part of Tranche 2 is to be satisfied by Consideration Shares, SCIB shall procure that the CDS Account of the respective Sellers are credited with the Consideration Shares in the proportion set out opposite their respective names in Schedule 3 (*Sellers’ Completion Deliverables and proportions of Purchase Consideration*) of the SSA within 5 business days of the Completion Date.

## 2.1.6 Basis and justification of arriving at the issue price for the Consideration Shares

The issue price of RM0.58 for the Consideration Shares was arrived at after taking into consideration the following:

- (i) the new par value of the SCIB Shares of RM0.50 upon completion of the Proposed Par Value Reduction; and
- (ii) the five (5)-day VWAMP of SCIB Shares up to and including 27 December 2016 of RM0.58, being the date immediately preceding the date of the execution of the SSA in relation to the Proposed CGSB Acquisition.

## 2.1.7 Ranking of the Consideration Shares

The Consideration Shares shall, upon issuance and allotment, rank *pari passu* in all respects with the then existing SCIB Shares except that the Consideration Shares will not be entitled to any dividends, rights, allotments and/or distributions which may be declared, made or paid to shareholders of SCIB, for which the entitlement date of which is prior to the date of allotment of the Consideration Shares.

## 2.1.8 Listing of and quotation for the Consideration Shares

An application will be made to Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities.

## 2.1.9 Background information on the Sellers

### 2.1.9.1 Information on Gaya Belian

Gaya Belian Sdn. Bhd. (Company No. 1023300-U) was incorporated as a private limited company on 5 November 2012 in Malaysia under the Act. The principal activity of Gaya Belian is construction and property development.

The authorised share capital of Gaya Belian is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each ("**Gaya Belian Share(s)**"), of which 2,700,000 Gaya Belian Shares have been issued and fully paid-up.

The directors of Gaya Belian and their respective shareholdings in Gaya Belian as at the LPD are set out below:

Name of directors	Nationality	Direct		Indirect	
		No. of Gaya Belian Shares	%	No. of Gaya Belian Shares	%
Marinah binti Harris	Malaysian	675,000	25.00	-	-
Halijah binti Harris	Malaysian	675,000	25.00	-	-
Natasha binti Mohammad Ozier	Malaysian	-	-	-	-

The shareholders of Gaya Belian and their respective shareholdings in Gaya Belian as at the LPD are set out below:

Name	Nationality	Direct		Indirect	
		No. of Gaya Belian Shares	%	No. of Gaya Belian Shares	%
Marinah binti Harris	Malaysian	675,000	25.00	-	-
Halijah binti Harris	Malaysian	675,000	25.00	-	-
Khatizah @ Khatijah binti Harris	Malaysian	450,000	16.67	-	-
Hadizah binti Harris	Malaysian	450,000	16.67	-	-
Abdul Razak bin Harris	Malaysian	450,000	16.67	-	-

#### 2.1.9.2 Information on Brian Francis Ticcioni

Brian Francis Ticcioni, a British, aged 49, is a director of CGSB and holds one (1) ordinary share in CGSB. He obtained a Bachelor of Science degree in Quantity Surveying from Edinburgh Napier University, Scotland in 1989.

He has over 30 years of experience in the construction, oil and gas and mining industries spanning the United Kingdom (“UK”), Malaysia, Singapore, India, Sri Lanka, Abu Dhabi as well as the regions of Central Asia, West Africa and South America.

After graduation, he joined Wimpey Construction, UK and progressed from the position of Project Quantity Surveyor to Commercial Manager for a period of 8 years up to 1996. Thereafter, he joined Leighton Contractors as Commercial Manager and over a period of 15 years, he rose to the rank of Country Manager with experience in delivering low and high rise building projects, mass housing, onshore and offshore civil and infrastructure projects including highways, tunnels, jetties and pipelines. From 2011 to 2016, he was the Chief Operating Officer of SHC Group, an engineering, procurement and construction (“EPC”) company undertaking building, mining and oil and gas projects across South East Asia, Central Asia, the Middle East, West Africa and South America.

At present, he is the Chief Operating Officer of SEPC where he is responsible for all facets of the company’s operation and commercial performance from development and pre-construction through to project execution, completion and account finalisation.

### **2.1.9.3 Information on Asgari bin Mohd Fuad Stephens**

Asgari bin Mohd Fuad Stephens, a Malaysian, aged 56, is a director of CGSB and holds one (1) ordinary share in CGSB. He obtained a Bachelor of Commerce (Honours) degree from the University of Melbourne, Australia in 1982 and a Master of Business Administration degree from Cranfield University, UK in 1988.

He has experience in both public and private equity investing in Malaysia. He is the co-founder of Kumpulan Sentiasa Cemerlang Sdn. Bhd., a fund management company licensed by the Securities Commission Malaysia. At present, he also serves as the Managing Partner of Intelligent Capital Sdn. Bhd. and Trans-Econ Ventures (Intelligent Capital Sdn. Bhd.).

He is an Independent Non-Executive Director of Privasia Technology Berhad and is the Senior Independent Non-Executive Director of Jaycorp Berhad.

### **2.1.10 Liabilities to be assumed by SCIB**

Save for the liabilities stated in the balance sheet of CGSB, which will be consolidated into the financial statements of SCIB, following the completion of the Proposed CGSB Acquisition, the Company will not assume any other liabilities, including contingent liabilities or guarantees pursuant to the Proposed CGSB Acquisition.

### **2.1.11 Source of funds**

The portion of the Purchase Consideration proposed to be settled by way of cash will be funded from internally generated funds.

The issuance of the Consideration Shares provides an opportunity to the Sellers to participate in the future growth of SCIB as shareholders. Furthermore, the issuance of the Consideration Shares to partly satisfy the Purchase Consideration is also expected to conserve cash for SCIB's working capital purposes.

### **2.1.12 Additional financial commitment**

Save for the operational working capital required by CGSB, there are no additional financial commitments required by SCIB to put the business of CGSB on-stream.

## **2.2 Proposed Par Value Reduction**

The Proposed Par Value Reduction entails the reduction of the par value of each existing ordinary share of SCIB from RM1.00 to RM0.50 by way of the cancellation of RM0.50 of the par value of each existing ordinary share of RM1.00 each pursuant to Section 64 of the Act, giving rise to a credit amount of RM36,791,250 which would be utilised to set-off against the accumulated losses of the Company and the remaining balance will be credited to the retained earnings of the Company which may be utilised in such manner as the Board deems fit and as permitted by relevant and applicable laws.

The Proposed Par Value Reduction shall take effect on lodging of the sealed court order of the High Court of Malaya for the Proposed Par Value Reduction with the Companies Commission of Malaysia.

As at LPD, the issued and paid-up share capital of the Company before the Proposed Par Value Reduction was RM73,582,500 comprising 73,582,500 ordinary shares of RM1.00 each. The issued and paid-up share capital of the Company after the Proposed Par Value Reduction will be reduced by RM36,791,250 to RM36,791,250 comprising 73,582,500 ordinary shares of RM0.50 each.

Details of the issued and paid-up share capital of the Company before and after the Proposed Par Value Reduction are as illustrated in the table below:

	<b>Par value of ordinary shares RM</b>	<b>Number of ordinary shares</b>	<b>Issued and paid-up share capital RM</b>
As at LPD	1.00	73,582,500	73,582,500
Upon implementation of the Proposed Par Value Reduction	0.50	73,582,500	36,791,250

The proforma effects of the reduction in the accumulated losses of SCIB, based on the latest audited financial statements of SCIB as at 31 December 2015 and latest unaudited financial statements of SCIB as at 30 September 2016 are as follows:

	<b>Group Level</b>		<b>Company Level</b>	
	<b>Audited as at 31 December 2015 RM'000</b>	<b>Unaudited as at 30 September 2016 RM'000</b>	<b>Audited as at 31 December 2015 RM'000</b>	<b>Unaudited as at 30 September 2016 RM'000</b>
Accumulated losses	(28,391)	(30,625)	(36,036)	(36,180)
Add: Credit arising from the Proposed Par Value Reduction	36,791	36,791	36,791	36,791
Resulting retained earnings	<u>8,400</u>	<u>6,166</u>	<u>755</u>	<u>611</u>

*[The rest of this page has been intentionally left blank]*

## 2.3 Proposed M&A Amendments

The Proposed M&A Amendments is undertaken to facilitate the change in the par value of the ordinary shares in the Company from RM1.00 to RM0.50 each, consequential to the Proposed Par Value Reduction.

Details of the proposed amendments to the M&A are as follows:

Existing provisions	Proposed amendments
<p><b><u>Memorandum of Association</u></b></p> <p><b>Clause 5</b></p> <p>“The capital of the Company is <u>RM500,000,000</u> divided into <u>500,000,000</u> ordinary shares of <u>RM1.00</u> each with power to increase or reduce the capital and to divide the shares in the original or increased capital for the time being into several classes and to issue any parts or parts of the original capital or increased capital for the time being with such deferred qualified or special rights privileges or conditions with reference to preferential guaranteed fixed fluctuating redeemable or other dividend or interest or with such priority in the distribution of assets or otherwise as shall from time to time to be determined by the Company.”</p>	<p><b>Clause 5</b></p> <p>“The capital of the Company is <u>RM500,000,000</u> divided into <u>1,000,000,000</u> ordinary shares of <u>RM0.50</u> each with power to increase or reduce the capital and to divide the shares in the original or increased capital for the time being into several classes and to issue any parts or parts of the original capital or increased capital for the time being with such deferred qualified or special rights privileges or conditions with reference to preferential guaranteed fixed fluctuating redeemable or other dividend or interest or with such priority in the distribution of assets or otherwise as shall from time to time to be determined by the Company.”</p>
<p><b><u>Articles of Association</u></b></p> <p><b>Article 47</b></p> <p>“The authorised share capital of the company shall be <u>RM500,000,000</u> divided into <u>500,000,000</u> ordinary shares of <u>RM1.00</u> each.”</p>	<p><b>Article 47</b></p> <p>“The authorised share capital of the company shall be <u>RM500,000,000</u> divided into <u>1,000,000,000</u> ordinary shares of <u>RM0.50</u> each.”</p>

*[The rest of this page has been intentionally left blank]*



## 2.4 Proposed Private Placement

### 2.4.1 Size of placement

The Proposed Private Placement entails the issuance of up to 36,397,125 Placement Shares, representing up to 45% of the enlarged issued and paid-up share capital of the Company after the Proposed Par Value Reduction and Proposed CGSB Acquisition.

### 2.4.2 Placement arrangement

The Placement Shares are intended to be placed with third party investor(s) ("**Third Party Investor(s)**") to be identified later. The Placement Shares are not intended to be placed with the following parties:

- (i) directors, major shareholders or chief executive officer of SCIB ("**Interested Persons**");
- (ii) persons connected with the Interested Persons; and
- (iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

The Third Party Investor(s) shall be person(s) who qualify under Schedules 6 and 7 of the Capital Markets and Services Act, 2007.

The Proposed Private Placement may be implemented in a single or multiple tranche(s) within six (6) months from the date of approval from Bursa Securities for the Proposed Private Placement or any extended period as approved by Bursa Securities, to provide the Company with the flexibility to secure interested investors and to maximise the number of Placement Shares to be placed out. As such, there may be several price fixing dates depending on the number of tranches and timing of implementation.

The details of placees and the amount of securities to be placed to each placee in accordance with paragraph 6.15 of the Main Market Listing Requirements of Bursa Securities ("**MMLR**") will be submitted to Bursa Securities before the listing of the Placement Shares to be issued pursuant to the Proposed Private Placement.

### 2.4.3 Basis and justification of arriving at the issue price of the Placement Shares

The issue price of the Placement Shares shall be determined based on market-based principles where the issue price of the Placement Shares shall take into consideration the prevailing market prices of SCIB Shares prior to the price fixing date(s). In any event, the issue price shall not be priced at a discount of more than ten percent (10%) to the five (5)-day VWAMP of SCIB Shares up to the date immediately preceding the price fixing date(s) and shall not be lower than the par value of SCIB Shares of RM0.50 each after the Proposed Par Value Reduction. The issue price of the Placement Shares shall be fixed by the Board at a later date(s) after the receipt of all relevant approvals for the Proposed Private Placement.

#### 2.4.4 Utilisation of proceeds from the Proposed Private Placement

For illustrative purposes, based on the indicative issue price of RM0.60 per Placement Share representing a premium of RM0.02 or 3.45% to the five (5)-day VWAMP of SCIB Shares up to and including 27 December 2016, of RM0.58, the Company is expected to raise gross proceeds of up to RM21.84 million pursuant to the Proposed Private Placement.

The proposed utilisation of the gross proceeds is set out below:

Proposed utilisation	Gross proceeds	Estimated timeframe for utilisation of proceeds from the date of listing of the Placement Shares
	RM'000	
Business expansion <sup>(i)</sup>	10,000	Within 12 months
Working capital <sup>(ii)</sup>	2,838	Within 12 months
Repayment of bank borrowings <sup>(iii)</sup>	8,000	Within 6 months
Estimated expenses in relation to the Proposals <sup>(iv)</sup>	1,000	Within 2 months
<b>Total</b>	<b>21,838</b>	

Notes:

- (i) SCIB and its subsidiaries (collectively referred to as “SCIB Group”) intend to expand its existing business in the supply and installation of IBS. As at the date of this announcement, the management of SCIB is still exploring its options for various business expansion opportunities such as the acquisition of assets or companies and had not entered into any arrangement with any parties.

*The Company shall make the necessary announcements (in accordance with the MMLR) as and when the business expansion opportunities have been identified by the Board and are likely to materialise.*

*In the event that SCIB is unable to identify any suitable and viable business expansion opportunities within the timeframe stipulated (or any extended timeframe, if applicable), the proceeds allocated for business expansion shall be utilised to repay its bank borrowings and/or for working capital purpose of SCIB.*

- (ii) The Company proposes to utilise approximately RM2.84 million of the proceeds to finance SCIB Group’s day-to-day operations for its working capital purpose as follows:

	RM'000
Payment of trade and other creditors	1,000
Purchase of raw materials	1,838
<b>Total</b>	<b>2,838</b>

*The proceeds from the Proposed Private Placement earmarked for the working capital of SCIB Group would also further enhance SCIB Group’s cash flow in funding SCIB Group’s daily operational activities.*

- (iii) The Company proposes to utilise approximately RM8.00 million of the proceeds to reduce the bank borrowings of SCIB. The repayment of the borrowings is expected to result in an estimated saving in interest payment of approximately RM530,000 per annum. The total borrowings of SCIB Group as at LPD amounted to approximately RM24.26 million.

The details of the borrowings of SCIB that SCIB proposes to repay are as follows:

Description	Current interest rate per annum as at LPD (%)	Outstanding amount as at the LPD (RM'000)	Amount proposed to repay (RM'000)
Term loans	7.50 to 7.75	6,312	5,150
Revolving credits	7.35 to 7.75	17,016	2,850
Total			8,000

- (iv) The estimated expenses are inclusive of placement agent fees and fees payable to the relevant authorities and other incidental expenses in connection with the Proposals. Any deviation in the actual amount of expenses for the Proposals will be adjusted proportionately to/from the working capital of SCIB Group.

Pending utilisation of the proceeds from the Proposed Private Placement for the above purposes, the proceeds will be placed in deposits with financial institutions or short-term money market instruments. The interest derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used as additional working capital of SCIB Group.

#### 2.4.5 Ranking of the Placement Shares

The Placement Shares shall, upon issue and allotment, rank *pari passu* in all respects with the then existing SCIB Shares except that they will not be entitled to any dividends, rights, allotments and/or distributions which may be declared, made or paid to shareholders of SCIB, for which the entitlement date of which is prior to the date of allotment of the Placement Shares.

#### 2.4.6 Listing of and quotation for the Placement Shares

An application will be made to Bursa Securities for the listing of and quotation for the Placement Shares to be issued pursuant to the Proposed Private Placement on the Main Market of Bursa Securities.

### 3. RATIONALE FOR THE PROPOSALS

#### 3.1 Proposed CGSB Acquisition

SCIB currently manufactures concrete products for use in the construction and infrastructure sectors such as pre-stressed spun pile, reinforced concrete square pile, spun concrete pipe, reinforced concrete box culvert, pre-stressed beam, concrete roofing tiles and prefabricated concrete elements or IBS components such as hollowcore slab, wall panel, column and beam. At present, SCIB's business has stagnated and SCIB Group have recorded fluctuating revenue and the profit/(loss) before tax for the past five (5) financial years up to FYE 31 December 2015 as follows:

FYE 31 December	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Revenue	44,923	64,724	57,426	64,574	65,872
Profit/(loss) before tax	142	1,288	(3,430)	(2,933)	234

The Proposed CGSB Acquisition which comprises the acquisition of the Factory and the Supply and Installation Contract will enable SCIB to penetrate into the residential sector of IBS supply and installation market where the Government's affordable housing program offers significant opportunities.

The Proposed CGSB Acquisition will provide immediate returns to SCIB as CGSB has secured work for the next 18 months at stage 1 of the Beaufort 1Malaysia People's Housing Programme ("PR1MA") affordable housing projects.

The Proposed CGSB Acquisition is expected to contribute positively to the earnings of SCIB Group vis-à-vis:

- (i) the development at Beaufort in Woodford Estate is planned to be a continuing development of both affordable and general housing units being developed over a 20-year development program. CGSB will be in a prime and preferred position to deliver its interlocking block IBS to these developments. The interlocking block IBS factory has the capacity to deliver blocks to other developments in the Beaufort and Kimanis areas, which are growing quickly as a result of the Sabah Oil & Gas Terminal in Kimanis; and
- (ii) the interlocking block IBS factory is re-locatable to another site should a specific opportunity arise at the completion of the Beaufort PR1MA Project thus leading to reduction in transportation cost for the transport of IBS blocks to another major development location.

### **3.2 Proposed Par Value Reduction**

The rationale for the Proposed Par Value Reduction is as follows:

- (i) to rationalise its statement of financial position by eliminating the accumulated losses of the Company via cancellation of the issued and paid-up share capital that is not represented by available assets of the Company;
- (ii) the current market price of the Company's shares have been trading below its existing par value of RM1.00 which is not conducive for the Company to embark on any corporate exercise involving new issuance of shares. Consequent to the Proposed Par Value Reduction, the par value of RM0.50 per SCIB Share will facilitate issuance of new SCIB Shares to facilitate the Proposed CGSB Acquisition and the Proposed Private Placement; and
- (iii) the elimination of the accumulated losses from SCIB's statement of financial position will enhance its credibility with its bankers, suppliers, investors and other stakeholders.

### **3.3 Proposed M&A Amendments**

The Proposed M&A Amendments is to facilitate and accommodate the Proposed Par Value Reduction.

*[The rest of this page has been intentionally left blank]*

### 3.4 Proposed Private Placement

As set out in Section 2.4.4 of this announcement and based on the indicative issue price of RM0.60 per Placement Share, the Proposed Private Placement will enable SCIB to raise gross proceeds of approximately RM21.84 million, which will be partly utilised for the repayment of bank borrowings and thus result in an estimated interest savings of approximately RM530,000 per annum. As set out in Section 4 below, the gearing ratio of SCIB will also improve from 0.36 times (after the Proposed Par Value Reduction and Proposed CGSB Acquisition) to 0.15 times upon the part repayment of the bank borrowings. The Board, after due consideration of the various fund raising options, is of the view that the Proposed Private Placement is the most appropriate avenue of raising funds, based on the following rationale:

- (i) to allow SCIB to raise funds expeditiously and cost effectively as opposed to a pro-rata issuance of securities such as a rights issue;
- (ii) the Proposed Private Placement enables SCIB to raise funds without relying on equity funding from existing shareholders of SCIB. Further, the Board is of the view that seeking equity funding from existing shareholders of SCIB may be futile as SCIB's current business has stagnated and SCIB Group have recorded fluctuating revenue and minimal results for the past five (5) financial years up to FYE 31 December 2015 as explained in Section 3.1 of this announcement;
- (iii) to provide an avenue for SCIB to tap into the equity market to raise additional funds expeditiously without incurring interest costs as compared to funding via bank borrowings; and
- (iv) to strengthen SCIB Group's financial position and capital position and may potentially improve the liquidity of SCIB Shares in the market.

As it is the intention of the Company to place out the Placement Shares to Third Party Investor(s), there would be a corresponding dilution of the interest of the existing shareholders in the voting rights, earnings per share ("**EPS**") and net assets ("**NA**") per SCIB Share as a result of the enlarged share capital of the Company after the Proposed Private Placement.

The dilution on the EPS and NA per SCIB Share pursuant to the issuance of the Placement Shares are mitigated as the future EPS and NA per SCIB Share are subject to, among others, the financial performance of SCIB Group in the ensuing financial years and the expected positive contribution to the earnings of SCIB Group pursuant to the utilisation of proceeds from the Proposed Private Placement.

*[The rest of this page has been intentionally left blank]*

#### 4. EFFECTS OF THE PROPOSALS

The Proposed M&A Amendments will not have any effect on the share capital, NA per share, gearing, earnings, EPS and substantial shareholders' shareholdings in SCIB.

##### 4.1 Share capital

The proforma effects of the Proposed Par Value Reduction, Proposed CGSB Acquisition and the Proposed Private Placement on the issued and paid-up share capital of the Company are as follows:

	Par Value RM	No. of SCIB Shares	RM
Issued and paid-up share capital as at LPD	1.00	73,582,500	73,582,500
To be cancelled pursuant to the Proposed Par Value Reduction	0.50	-	(36,791,250)
After the Proposed Par Value Reduction	0.50	73,582,500	36,791,250
To be issued pursuant to the Proposed CGSB Acquisition <sup>(i)</sup>	0.50	7,300,000	3,650,000
	0.50	80,882,500	40,441,250
To be issued pursuant to the Proposed Private Placement	0.50	36,397,125	18,198,563
	0.50	117,279,625	58,639,813

Note:

- (i) For illustration purposes, we have assumed that 7,300,000 Consideration Shares are issued to partly settle the Purchase Consideration for the Proposed CGSB Acquisition.

**[The rest of this page has been intentionally left blank]**

## 4.2 NA per share and gearing

The proforma effects of the Proposed Par Value Reduction, Proposed CGSB Acquisition and the Proposed Private Placement on the NA per share and gearing of SCIB Group, based on the audited consolidated financial statements of the Company as at 31 December 2015, are as follows:

	(I) Audited as at 31 December 2015	(II) After (I) and Proposed Par Value Reduction	(III) After (II) and Proposed CGSB Acquisition <sup>(i)</sup>	(IV) After (III) and Proposed Private Placement <sup>(ii)</sup>
	RM'000	RM'000	RM'000	RM'000
Share capital	73,583	36,791	40,441	58,640
Share premium	5,097	5,097	5,681	9,321
(Accumulated losses)/retained earnings	(28,391)	8,401	8,401	<sup>(iii)</sup> 7,401
<b>Shareholders' equity/NA</b>	<b>50,289</b>	<b>50,289</b>	<b>54,523</b>	<b>75,362</b>
No. of SCIB Shares ('000)	73,583	73,583	80,883	117,280
NA per SCIB Share (RM)	0.68	0.68	0.67	0.64
Total borrowings	19,512	19,512	19,512	<sup>(iv)</sup> 11,512
Gearing ratio (times)	0.39	0.39	0.36	0.15

Notes:

- (i) Based on issue price of RM0.58 per Consideration Share for the Proposed CGSB Acquisition. For illustration purposes, we have assumed that 7,300,000 Consideration Shares are issued to partly settle the Purchase Consideration for the Proposed CGSB Acquisition.
- (ii) Based on the indicative issue price of RM0.60 per Placement Share for the Proposed Private Placement.
- (iii) Expenses for the Proposals is estimated at RM1,000,000 including estimated placement fees of RM450,000.
- (iv) After utilisation of RM8,000,000 of the proceeds from the Proposed Private Placement to repay the bank borrowings of SCIB.

**[The rest of this page has been intentionally left blank]**

### 4.3 Earnings and EPS

The Proposed CGSB Acquisition, Proposed Par Value Reduction and Proposed Private Placement are not expected to have any material effect on the earnings of SCIB for the FYE 31 December 2016 as they are expected to be completed by the first (1st) quarter of the calendar year 2017.

However, the consolidated EPS of SCIB is expected to be diluted as a result of the enlarged issued and paid-up share capital of SCIB arising from the issuance of the Consideration Shares and Placement Shares pursuant to the Proposed CGSB Acquisition and Proposed Private Placement respectively.

Nevertheless, the Proposed CGSB Acquisition and Proposed Private Placement are expected to contribute positively to the future earnings of SCIB Group when revenue from CGSB and the benefits of utilisation of the proceeds are realised.

### 4.4 Substantial shareholders' shareholdings

The Proposed Par Value Reduction will not have any effect on the shareholdings of the substantial shareholders of SCIB. The effects of the Proposed CGSB Acquisition and Proposed Private Placement on the shareholdings of the substantial shareholders of SCIB are as follows:

	(I) As at LPD				(II) After (I) and Proposed Par Value Reduction				(III) After (II) and Proposed CGSB Acquisition <sup>(i)</sup>			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of SCIB Shares	%	No. of SCIB Shares	%	No. of SCIB Shares	%	No. of SCIB Shares	%	No. of SCIB Shares	%	No. of SCIB Shares	%
	'000		'000		'000		'000		'000		'000	
Pacific Unit Sdn. Bhd.	9,282	12.61	-	-	9,282	12.61	-	-	9,282	11.47	-	-
Sarawak Economic Development Corporation	6,481	8.81	-	-	6,481	8.81	-	-	6,481	8.01	-	-
Tan Sri Datuk Amar (Dr.) Hamid bin Bugo	3,429	4.66	<sup>(ii)</sup> 11,370	15.45	3,429	4.66	<sup>(ii)</sup> 11,370	15.45	3,429	4.24	<sup>(ii)</sup> 11,370	14.06
Lim Nyuk Foh	1,465	1.99	<sup>(iii)</sup> 3,646	4.96	1,465	1.99	<sup>(iii)</sup> 3,646	4.96	1,465	1.81	<sup>(iii)</sup> 3,646	4.51
Lim Nyuk Sang @ Freddy Lim	15,183	20.63	-	-	15,183	20.63	-	-	15,183	18.77	-	-
Gaya Belian	-	-	-	-	-	-	-	-	7,300	9.03	-	-
Marinah binti Harris	-	-	-	-	-	-	-	-	-	-	<sup>(iv)</sup> 7,300	9.03
Halijah binti Harris	-	-	-	-	-	-	-	-	-	-	<sup>(iv)</sup> 7,300	9.03
Khatizah @ Khatijah binti Harris	-	-	-	-	-	-	-	-	-	-	<sup>(iv)</sup> 7,300	9.03
Hadizah binti Harris	-	-	-	-	-	-	-	-	-	-	<sup>(iv)</sup> 7,300	9.03
Abdul Razak bin Harris	-	-	-	-	-	-	-	-	-	-	<sup>(iv)</sup> 7,300	9.03



	(IV)			
	After (III) and Proposed Private Placement			
	Direct		Indirect	
	No. of SCIB Shares '000	%	No. of SCIB Shares '000	%
Pacific Unit Sdn. Bhd.	9,282	7.91	-	-
Sarawak Economic Development Corporation	6,481	5.53	-	-
Tan Sri Datuk Amar (Dr.) Hamid bin Bugo	3,429	2.92	<sup>(ii)</sup> 11,370	9.69
Lim Nyuk Foh	1,465	1.25	<sup>(iii)</sup> 3,646	3.11
Lim Nyuk Sang @ Freddy Lim	15,183	12.95	-	-
Gaya Belian	7,300	6.22	-	-
Marinah binti Harris	-	-	<sup>(iv)</sup> 7,300	6.22
Halijah binti Harris	-	-	<sup>(iv)</sup> 7,300	6.22
Khatizah @ Khatijah binti Harris	-	-	<sup>(iv)</sup> 7,300	6.22
Hadizah binti Harris	-	-	<sup>(iv)</sup> 7,300	6.22
Abdul Razak bin Harris	-	-	<sup>(iv)</sup> 7,300	6.22

**Notes:**

- (i) *For illustration purposes, we have assumed that 7,300,000 Consideration Shares are issued to partly settle the Purchase Consideration for the Proposed CGSB Acquisition.*
- (ii) *Deemed interested by virtue of his substantial shareholding in Pacific Unit Sdn. Bhd. pursuant to Section 6A of the Act and through his son, Rewi Hamid Bugo pursuant to Section 134(12)(c) of the Act.*
- (iii) *Deemed interested by virtue of his substantial shareholding in Bertam Development Sdn. Bhd. pursuant to Section 6A of the Act.*
- (iv) *Deemed interested by virtue of his/her substantial shareholding in Gaya Belian pursuant to Section 6A of the Act.*

**[The rest of this page has been intentionally left blank]**

#### **4.5 Convertible securities**

The Company does not have any convertible securities as at the date of this announcement.

### **5. RISK FACTORS IN RELATION TO THE PROPOSED CGSB ACQUISITION**

#### **5.1 Non-completion of the Proposed CGSB Acquisition**

There is a possibility that the Proposed CGSB Acquisition may not be completed due to failure in fulfilling the conditions precedent as set out in the SSA within the timeframe prescribed therein. In addition, the Proposed CGSB Acquisition is also conditional upon the completion of Proposed Par Value Reduction and Proposed M&A Amendments.

The Board will take reasonable steps to ensure that the conditions precedent as set out in the SSA are met within the stipulated timeframe and that every effort is made to obtain all necessary approvals for the Proposed Par Value Reduction, Proposed M&A Amendments and Proposed CGSB Acquisition in order to complete the Proposed CGSB Acquisition in a timely manner.

#### **5.2 Investment risk**

Although the Proposed CGSB Acquisition is expected to contribute positively to the earnings of SCIB Group, there is no assurance that the anticipated benefits from the Proposed CGSB Acquisition will be realised or that CGSB will be able to generate sufficient returns from the Supply and Installation Contract and future contracts to be secured by CGSB to offset the associated cost of investment. As such, there is no assurance that the Proposed CGSB Acquisition will enable SCIB Group to improve its financial performance and the duration required for SCIB to recoup its investment could be longer than anticipated.

Nevertheless, the Board has exercised due care in considering the potential risks and benefits associated with the Proposed CGSB Acquisition and the Board believes that the Proposed CGSB Acquisition will be value accretive to the enlarged Group.

#### **5.3 Risks inherent in the infrastructure and construction industries**

By virtue that SCIB Group is involved in the manufacturing of concrete products for use in the infrastructure and construction industries, the Proposed CGSB Acquisition will involve risks similar to those that it is accustomed to. Hence, the Board does not foresee any other material risk pursuant to the Proposed CGSB Acquisition except for the inherent risk factors associated with the infrastructure and construction industries in Malaysia in which SCIB Group is already involved, such as risks arising from changes in government policies/legislation and regulations affecting the infrastructure and construction industries, risk relating to changes in political, social and economic conditions and competition and/or business risks.

No assurance can be given that any adverse developments in such risks areas would not affect the business and/or financial performance of SCIB Group in the future. However, SCIB will undertake necessary measures and efforts to mitigate the various risks identified.

*[The rest of this page has been intentionally left blank]*

## 6. PROSPECTS OF THE PROPOSED CGSB ACQUISITION

### 6.1 Overview and prospects of the Malaysian Economy

The Malaysian economy expanded by 4.3% during the third quarter 2016 (2Q 2016: 4.0%), underpinned mainly by sustained growth in private sector activity of 6.0% (2Q 2016: 6.1%). Public sector spending, however, expanded at a slower pace. As a result, growth in domestic demand moderated as the improvement in private sector activity was outweighed by the slower growth in public expenditure. On the external front, net exports provided some impetus to growth as real imports of goods and services contracted at a faster pace of 2.3% (2Q 2016: 2.0%) compared to real exports with a decline of 1.3% (2Q 2016: 1.0%). On a quarter-on-quarter seasonally-adjusted basis, the economy recorded a growth of 1.5% (2Q 2016: 0.7%).

Domestic demand grew by 4.7% in the third quarter of the year (2Q 2016: 6.3%), as the sustained growth in private sector activity of 6.0% (2Q 2016: 6.1%) was more than offset by the slower expansion in public sector expenditure of 0.3% (2Q 2016: 6.9%). Private consumption expanded by 6.4% (2Q 2016: 6.3%), supported by continued wage and employment growth as well as the increase in minimum wage effective 1 July 2016. Private investment grew by 4.7% (2Q 2016: 5.6%), underpinned mainly by continued capital spending in the services and manufacturing sectors. Businesses remained cautious in expanding capacity, following headwinds from the external front, including the United Kingdom's European Union referendum and volatility in both financial and commodity markets. Public consumption growth moderated to 3.1% (2Q 2016: 6.5%), as a result of lower spending on supplies and services. Growth of public investment contracted by 3.8% (2Q 2016: 7.5%), attributable mainly to lower spending on fixed assets by the Federal Government.

On the supply side, growth in the third quarter was supported mainly by the services and manufacturing sectors, while the agriculture sector remained weak. The expansion in the services sector was underpinned primarily by private consumption activity, while growth in the manufacturing sector was supported by the export-oriented industries. In the construction sector, growth continued to be driven by civil engineering activity, while the mining sector expanded at a faster pace on account of higher crude oil production. Growth in the agriculture sector, however, remained in contraction, attributable largely to the lagged impact of El Niño on crude palm oil yields.

*(Source: Economic and Financial Developments in Malaysia in the Third Quarter of 2016, Bank Negara Malaysia)*

***[The rest of this page has been intentionally left blank]***

## **6.2 Overview and outlook of the Malaysian construction industry**

The construction sector grew by 7.9% (2Q 2016: 8.8%), supported mainly by activity in the civil engineering sub-sector following progress in existing petrochemical, transport and utility projects. The residential sub-sector recorded higher growth, supported by new and ongoing construction activity in the mass-market housing segments, while growth in the nonresidential sub-sector was affected by the lower activity for commercial projects. In the special trade sub-sector, growth moderated reflecting slower early-work activities, such as earthworks and land reclamation works.

*(Source: Malaysian Economy, Third Quarter 2016, Ministry of Finance Malaysia)*

## **6.3 Overview and outlook of the IBS usage in Malaysia**

As part of the initiative to increase productivity in the construction industry, Malaysian Investment Development Authority (“MIDA”) and Construction Industry Development Board (“CIDB”) will be working closely to enhance the adoption of IBS amongst its players. This is in line with the productivity thrust of the Construction Industry Transformation Programme (“CITP”), which has identified modern construction techniques as one of the key drivers to increase productivity by two-and-a-half times.

Furthermore, the Government has announced that incentives will be granted to companies manufacturing IBS components whereby the companies will be considered for either Pioneer Status or Investment Tax Allowance (“ITA”). These incentives are effective for applications received by MIDA from 10 September 2015 until 31 December 2020.

IBS is a modern technique of construction whereby building components are manufactured either off-site or on-site and then installed into on-going construction works. The CITP targets that by 2020, 100% of public projects worth RM10 million and above must achieve a minimum IBS score of 70 whereas for private projects, the goal is to attain a minimum IBS score of 50.

*(Source: MIDA)*

## **6.4 Prospects of CGSB**

In light of the announcement made by the Prime Minister of Malaysia on the Malaysian Budget 2017, whereby greater emphases will be placed in developing affordable housing and the Government initiatives to step-up end-financing scheme whereby the Government will guarantee up to RM100,000 of loans taken for the purchase of homes under PR1MA. The end-financing scheme was aimed at making financing easier and more accessible to the buyers thus bringing down the loan rejection rate for loans taken on PR1MA housing with the financial institutions.

The Proposed CGSB Acquisition will provide immediate returns to SCIB as CGSB has secured a project to provide interlocking blocks and associated structural and finishing works to SEPC for the construction of 620 residential units together with necessary amenities, utilities, facilities and infrastructure for the next 18 months at Stage 1 of the Beaufort PR1MA affordable housing project. The interlocking block IBS factory has the capacity to deliver blocks to other developments in the Beaufort and Kimanis areas, which are growing quickly as a result of the Sabah Oil & Gas Terminal in Kimanis.

The Proposed CGSB Acquisition will provide an opportunity to SCIB to penetrate into the residential sector of IBS supply and installation market where the Government undertakes to plan, develop and construct affordable housing projects in East Malaysia.

*(Source: Management of SCIB)*

## **7. HIGHEST PERCENTAGE RATIOS APPLICABLE FOR THE PROPOSED CGSB ACQUISITION**

The highest percentage ratio applicable to the Proposed CGSB Acquisition as per paragraph 10.02(g) Chapter 10 of the MMLR is 22.26%, calculated based on the Purchase Consideration in relation to the Proposed CGSB Acquisition, compared with the market value of all the ordinary shares of SCIB.

## **8. APPROVALS REQUIRED**

The Proposals are subject to and conditional upon approvals being obtained from the following:

- (i) shareholders of SCIB for the Proposed Par Value Reduction, Proposed M&A Amendments and Proposed Private Placement at an Extraordinary General Meeting (“EGM”) of the Company to be convened;
- (ii) Bursa Securities for the listing of and quotation for the Consideration Shares to be issued pursuant to the Proposed CGSB Acquisition and the Placement Shares to be issued pursuant to the Proposed Private Placement on the Main Market of Bursa Securities;
- (iii) approval and sanction of the High Court of Malaya for the Proposed Par Value Reduction; and
- (iv) other relevant authorities or parties, if any.

## **9. INTER-CONDITIONALITY OF THE PROPOSALS**

The Proposed CGSB Acquisition is conditional upon the completion of the Proposed Par Value Reduction and Proposed M&A Amendments.

The Proposed Par Value Reduction and the Proposed M&A Amendments are inter-conditional upon each other.

The Proposed Private Placement is conditional upon the Proposed Par Value Reduction and the Proposed M&A Amendments but not vice versa.

Save as disclosed above, the Proposals are not conditional upon any other corporate proposals of the Company.

## **10. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED WITH THEM**

### **10.1 Proposed CGSB Acquisition**

None of the directors, major shareholders of SCIB and/or persons connected with them has any interest, direct and/or indirect, in the Proposed CGSB Acquisition.

### **10.2 Proposed Par Value Reduction**

None of the directors, major shareholders of SCIB and/or persons connected with them has any interest, direct and/or indirect, in the Proposed Par Value Reduction, save for the reduction of the par value of each ordinary share of SCIB from RM1.00 to RM0.50 by way of cancellation of RM0.50 of the par value of each existing ordinary share of RM1.00 each, if any, as shareholders of the Company, which also applies to all other shareholders of SCIB.

### **10.3 Proposed Private Placement**

None of the directors, major shareholders of SCIB and/or persons connected with them has any interest, either direct or indirect, in the Proposed Private Placement as the Placement Shares will be placed to Third Party Investor(s).

### **11. DIRECTORS' STATEMENT**

The Board, having considered all aspects of the Proposals including the rationale and effects, is of the opinion that the Proposals are in the best interests of SCIB.

### **12. ADVISERS**

IPS has been appointed as the principal adviser to the Company for the Proposals. IPS has also been appointed as the Placement Agent in relation to the Proposed Private Placement.

Grant Thornton Consulting Sdn. Bhd. has been appointed by the Board to conduct an indicative valuation opinion on 100% of the equity interest in CGSB pursuant to the Proposed CGSB Acquisition.

### **13. ESTIMATED TIMEFRAME FOR SUBMISSION TO THE AUTHORITIES AND COMPLETION**

Barring unforeseen circumstances, all the relevant applications to the authorities in relation to the Proposals will be made within two (2) months from the date of this announcement.

Barring unforeseen circumstances, the Proposals are expected to be completed by the first (1st) quarter of year 2017.

### **14. DOCUMENTS FOR INSPECTION**

The SSA will be made available for inspection during normal business hours at SCIB registered office at Lot 1258, Jalan Utama, Pending Industrial Estate, 93450 Kuching, Sarawak, Malaysia, from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 28 December 2016.

**1. History and principal activities**

CGSB was incorporated as a private limited company on 22 September 2015 in Malaysia under the Act and commenced operation in November 2016.

CGSB is principally involved in the manufacture, supply and installation of building materials for use in the construction sector.

CGSB owns and operates an interlocking block IBS factory located at Woodford Estate, Lumut, Sabah. The factory building occupies a land size of 435,600 square feet (“**sq. ft.**”) and built up area of 367,200 sq. ft..

The factory manufactures interlocking blocks and the maximum production capacity of the factory is approximately 25,000 blocks/units per day.

CGSB has secured the Supply and Installation Contract with a contract value of approximately RM44.62 million (exclusive of goods and services tax) to supply and install interlocking blocks and associated structural and finishing works to SEPC in relation to the proposed residential development consisting of 300 units of single storey terrace Type A, 192 units of double storey terrace Type B, 128 units of double storey Type C, 1 unit multi-purpose hall, 1 unit kindergarten on Lot 2 part of CL. 175346666, KM 90 off Kota Kinabalu – Beaufort Highway (“**Project**”) where SEPC is the contractor for the Project.

**2. Share capital**

As at the LPD, the authorised share capital of CGSB is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each (“**CGSB Shares**”), of which 4,463,640 CGSB Shares have been issued and fully paid-up.

**3. Directors**

Brian Francis Ticcioni and Asgari bin Mohd Fuad Stephens are the directors of CGSB. Their shareholdings in CGSB as at the LPD are as follows:

Name	Nationality	Direct		Indirect	
		No. of CGSB Share	%	No. of CGSB Share	%
Brian Francis Ticcioni	British	1	*	-	-
Asgari bin Mohd Fuad Stephens	Malaysian	1	*	-	-

\* less than 0.01%.

*[The rest of this page has been intentionally left blank]*

**4. Shareholders**

As at the LPD, the shareholders of CGSB are as follows:

Name	Place of incorporation / nationality	Direct		Indirect	
		No. of CGSB Shares	%	No. of CGSB Shares	%
Gaya Belian	Malaysia	4,463,638	100	-	-
Brian Francis Ticcioni	British	1	*	-	-
Asgari bin Mohd Fuad Stephens	Malaysian	1	*	-	-
Marinah binti Harris	Malaysian	-	-	<sup>(1)</sup> 4,463,638	100
Halijah binti Harris	Malaysian	-	-	<sup>(1)</sup> 4,463,638	100
Khatizah @ Khatijah binti Harris	Malaysian	-	-	<sup>(1)</sup> 4,463,638	100
Hadizah binti Harris	Malaysian	-	-	<sup>(1)</sup> 4,463,638	100
Abdul Razak bin Harris	Malaysian	-	-	<sup>(1)</sup> 4,463,638	100

Note:

\* less than 0.01%.

(1) Deemed interested by virtue of his/her substantial shareholding in Gaya Belian pursuant to Section 6A of the Act.

**5. Subsidiaries and associated companies**

As at the LPD, CGSB does not have any subsidiary or associated company.

*[The rest of this page has been intentionally left blank]*



**6. Financial information**

A summary of the financial information of CGSB from 22 September 2015 (date of incorporation) to 30 November 2016 are as set out below:

	<b>Unaudited management accounts as at 30 November 2016 RM'000</b>
Revenue	-
Loss before tax	(469)
Loss after tax (" <b>LAT</b> ")	(469)
Shareholders' funds/NA	3,995
Share capital	4,464
Total borrowings	-
No. of shares ('000)	4,464
Loss per share (sen)	10.51
NA per share (RM)	0.89
Current ratio (times)	<sup>(1)</sup> -
Gearing ratio (times)	-

*Note:*

(1) *Less than 0.01%.*

**Commentary**

CGSB commenced operation in November 2016 and has not recorded any revenue for the period up to 30 November 2016.

The LAT for the period from 22 September 2015 (date of incorporation) to 30 November 2016 of RM469,205 was mainly due to the raw material cost, direct labour cost and manufacturing overheads incurred for the commissioning of the factory.

***[The rest of this page has been intentionally left blank]***

The salient terms of the SSA in relation to the Proposed CGSB Acquisition are as follows:

**1. The Sale of the CGSB Shares**

The Sellers agree to sell the Sale Shares and SCIB, relying on (among other things) the representations, warranties and undertakings contained in this agreement, agrees to purchase the Sale Shares at the Purchase Consideration free from all claim, charge, mortgage, security, lien, option, equity, power of sale, hypothecation or other third party rights, retention of title, right of pre-emption, right of first refusal or security interest of any kind ("**Encumbrances**") and together with all rights, benefits and entitlements attaching to them as at completion as contemplated under the SSA ("**Completion**") (including all dividends and distributions declared, made or paid on and from such date).

**2. Conditions precedent**

2.1 The conditions precedent for payment of Tranche 1 (collectively "**Conditions Precedent for Tranche 1**") and each a "**Condition Precedent for Tranche 1**") shall be as follows:

- (a) Execution of the share transfer forms in respect of the Sale Shares by the Sellers in favour of SCIB;
- (b) Deposit of the following by the Sellers with SCIB's solicitors to be held in escrow with authority to date such documents (if undated) and to deliver such documents to SCIB (as the case may be) at the instructions of SCIB:
  - (1) Transfer forms for the transfer of the Sale Shares duly executed by the Sellers but undated and with the name of SCIB as transferee;
  - (2) The original certificates to the Sale Shares;
  - (3) Such other documents as may be prescribed from time to time by the relevant stamp duty office for the purposes of assessing the stamp duty payable on a transfer of the Sale Shares;
  - (4) Duly executed but undated letter of resignation of such persons as required by SCIB for all his/their roles in CGSB, with no claims whatsoever against CGSB;
  - (5) Duly executed but undated letter of resignation of such persons as required by SCIB and/or nominated by the Sellers as directors and/or officers of CGSB, with no claims whatsoever against CGSB;
  - (6) Duly executed but undated board resolution of CGSB to inter alia:
    - (A) revoke all existing authorities to bankers in respect of the operation of its bank accounts and giving authority in favour of such persons as SCIB may nominate to operate such accounts;
    - (B) appoint such persons as SCIB may nominate as directors and/or officers of CGSB;
    - (C) approve the resignation of such persons as required by SCIB for all his/their roles in CGSB;
    - (D) approve the resignation of such persons as required by SCIB and/or nominated by the Sellers as directors and/or officers of CGSB;
    - (E) approve the execution of this agreement; and

---

**APPENDIX II - SALIENT TERMS OF THE SSA**

---

- (F) authorising the transfer of the Sale Shares by each of the Sellers to SCIB and registration of the share transfer in respect of the Sale Shares in favour of SCIB;
- (c) Receipt by SCIB of the board of directors' resolution of SCIB to the purchase of the Sale Shares on such terms and conditions as the board may deem fit;
- (d) Receipt by SCIB of all applicable governmental, regulatory and/or third party consents or approvals, if any, in respect of the entry of SCIB into CGSB as a shareholder and/or the sale of the Sale Shares by the Sellers to SCIB and/or any change of the directors and/or any change of the existing management and/or any change in management structure and/or any prepayment or repayment of any directors or shareholders' advances or loans or any portion thereof;
- (e) The asset purchase agreement between Gaya Belian as seller and CGSB as buyer in respect of the Factory ("**Asset Purchase Agreement**") and all amendments thereto including any amendments as may be required by SCIB (if any) including all terms and conditions therein are in form and substance satisfactory to SCIB;
- (f) Completion of the Asset Purchase Agreement (as amended, if required by SCIB) in accordance with its terms and conditions to the satisfaction of SCIB and resulting in CGSB owning the Factory free from all Encumbrances;
- (g) The lease of the Land by Prosper Lane Sdn Bhd (Company No. 681751-X) to CGSB ("**Lease**") and all amendments thereto including any amendments as may be required by SCIB (if any) including the lease consideration and tenure and all other terms and conditions therein, are in form and substance satisfactory to SCIB;
- (h) Execution of the Lease (as amended, if required by SCIB) and Registration of the Lease in accordance with the Sabah Land Ordinance to the satisfaction of SCIB and resulting in CGSB being fully and legally entitled to use the Land free from all Encumbrances for the Factory and to extract clay from the Land for its business.
- (i) The Supply and Installation Contract and all amendments thereto including any amendments as may be required by SCIB (if any) are in form and substance satisfactory to SCIB;
- (j) Award and execution of the Supply and Installation Contract (as amended, if required by SCIB) for such consideration and on such terms and conditions to the satisfaction of SCIB;
- (k) The management agreement between SEPC and CGSB for the provision of management services to the CGSB ("**Management Agreement**") and all amendments thereto including any amendments as may be required by SCIB (if any) are in form and substance satisfactory to SCIB;
- (l) Execution of the Management Agreement (as amended, if required by SCIB) and its terms and conditions being satisfactory to SCIB;
- (m) SCIB being satisfied with the disclosure letter and that there has been no breach of any representations and warranties set out in Schedule 4 (*Representations and Warranties by Sellers*) of the SSA ("**Representations and Warranties**") given by the Sellers; and

- (n) The obligations under the Master En-Bloc Purchase Agreement dated 27 July 2015 between PR1MA Corporation Malaysia, Gaya Belian and Prosper Lane Sdn Bhd (Company No. 681751-X) and the Construction Contract dated 28 October 2015 between Gaya Belian and SEPC, if any, to be assumed by CGSB under Supply and Installation Contract (as amended, if required by SCIB) being acceptable to SCIB.
- 2.2 The conditions precedent for payment of Tranche 2 (collectively “**Conditions Precedent**” for Tranche 2 and each a “**Condition Precedent for Tranche 2**”) shall be as follows:
- (a) SCIB has secured the necessary approvals for the issuance of the Consideration Shares as part payment of Tranche 2;
  - (b) There are no material adverse change in the prospects, operations or financial conditions of the business of CGSB and there are no major or material operational problems with CGSB and its business and affairs;
  - (c) All related party dealings (including but not limited to shareholders’ advances and/or loans, directors’ advances and/or loans, etc.) have been duly settled and paid;
  - (d) Such persons as required by SCIB have resigned from all his/their roles in CGSB, with no claims whatsoever against CGSB;
  - (e) Such persons as required by SCIB and/or nominated by the Sellers have resigned as directors and/or officers of CGSB, with no claims whatsoever against CGSB;
  - (f) Such persons as SCIB may nominate as directors and/or officers of CGSB have been duly appointed;
  - (g) The Sale Shares have been completely transferred and registered in the name of SCIB;
  - (h) CGSB has received all necessary licences, permits and approvals from the relevant authorities or bodies for CGSB to conduct its business operations including for the sale and supply of compressed blocks and to carry out associated structural and finishing works, including all necessary licences, permits and approvals and certificate of fitness for occupation for CGSB to occupy and operate the Factory on the Land and to extract earth materials to make compressed blocks, all in form and substance satisfactory to SCIB;
  - (i) The M&A of SCIB has been duly amended to facilitate the reduction in par value of the ordinary shares of SCIB from RM1.00 to RM0.50;
  - (j) The reduction of the issued and paid-up share capital of SCIB pursuant to Section 64 of the Act has been completed to the satisfaction of SCIB resulting in the par value of an ordinary share in SCIB being RM0.50;
  - (k) SCIB having obtained the approval in principle of the Bursa Securities for the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities; and
  - (l) Completion of the on-going commercial, legal, tax financial and operational due diligence exercise on CGSB and its business, assets and affairs by SCIB and the results of such due diligence exercise being satisfactory to SCIB in its sole discretion.

**3. Profit guarantee**

- 3.1 Each of the Sellers hereby expressly represents, warrants and guarantees to SCIB that the aggregate unqualified audited profit before tax earned from the supply of compressed blocks and associated structural and finishing works pursuant to the Supply and Installation Contract, excluding extraordinary income and profits earned from activities that are deemed to be not in the ordinary course of business of CGSB in respect of the financial period commencing from the completion date up to and including the date of the financial year ended 31 December 2018 ("**Actual Aggregate Profit**") shall not be less than RM7,191,236 ("**Profit Guarantee**").
- 3.2 Upon completion of the audit of the accounts of CGSB and the Profit Guarantee has been reported to have not been achieved, the Sellers shall within 30 days, in the proportion of their respective shareholdings pay to SCIB an amount determined by the following formula ("**Shortfall Amount**"):

Shortfall amount: Profit Guarantee less the Actual Aggregate Profit

**4. Completion**

Completion is conditional upon the fulfilment of all the Conditions Precedent for Tranche 1 and all the Conditions Precedent for Tranche 2 (collectively "**Condition(s) Precedent**") on or before the date falling 90 days after the date of the SSA, or such other date as may be agreed by SCIB ("**Cut-Off Date**") unless otherwise waived by SCIB in accordance with Clause 4.3(a) (*Non-satisfaction or waiver*) of the SSA.

**5. Termination in the event any conditions precedent is not fulfilled**

If any Conditions Precedent are not satisfied or waived on or before the Cut-Off Date, SCIB shall be entitled at any time to give notice to the Sellers to terminate the SSA and obtain a refund of all moneys paid or advanced by SCIB.

**6. Breach/termination of the SSA**

**6.1 Right to terminate in the case of non-compliance of Clause 6 of the SSA**

- (a) If the provisions of Clause 6 of the SSA are not fully complied with by the Sellers or SCIB on the completion date:

- (1) SCIB, in the case of non-compliance by the Sellers; or
- (2) the Sellers, in the case of non-compliance by SCIB,

shall be entitled (in addition to and without prejudice to all other rights or remedies available to the terminating Party including the right to claim for damages or specific performance) by written notice to the other Party served on such date:

- (A) to fix a new date for Completion (not being more than 30 business days after the agreed date for Completion), in which case the foregoing provisions of Clause 6.4 of the SSA shall apply to Completion as so deferred but provided such deferral may only occur once; or
- (B) to effect Completion so far as practicable having regard to the defaults which have occurred; or
- (C) to elect to terminate this agreement without liability on the part of the terminating Party.

- (b) In the event the Sellers fail to refund all moneys paid or advanced by SCIB, SCIB shall have the right to date and register the transfer of the Sale Shares in the name of SCIB and still obtain the right to request for a refund of all moneys paid or advanced by SCIB; or sell the Sale Shares to a third party nominated by SCIB and obtain the right to recoup the remaining balance from the Sellers. In this respect, the Sellers shall, in the proportion of their respective shareholdings guarantee the refund of all moneys paid by or on behalf of SCIB and shall, in the proportion of their respective shareholdings indemnify SCIB for all damages, losses, statutory filings, payables, liabilities or contingent liabilities incurred.

**6.2 Rights of termination**

- (a) If prior to completion it shall be found that:
  - (1) any of the Representations and Warranties was, when given, or will be or would be, at Completion (as if they had been given again at Completion) not complied with or otherwise materially untrue or misleading; or
  - (2) any of the Sellers has breached any term of this agreement (including without limitation, any of the Sellers' obligations and undertakings under Clause 5 (*Actions pending completion*)) of the SSA,

SCIB shall be entitled (in addition to and without prejudice to all other rights or remedies available to it including the right to claim damages) by notice in writing to the Sellers to terminate this agreement.

- (b) In the event the Sellers fail to refund all moneys paid or advanced by SCIB, SCIB shall have the right to date and register the transfer of the Sale Shares in the name of SCIB and still obtain the right to request for a refund of all moneys paid or advanced by SCIB; or sell the Sale Shares to a third party nominated by SCIB and obtain the right to recoup the remaining balance from the Sellers. In this respect, the Sellers shall, in the proportion of their respective shareholdings guarantee the refund of all moneys paid by or on behalf of SCIB and shall, in the proportion of their respective shareholdings indemnify SCIB for all damages, losses, statutory filings, payables, liabilities or contingent liabilities incurred.

***[The rest of this page has been intentionally left blank]***