

## **PROPOSED DIVESTMENT OF THE ENTIRE 40% EQUITY INTEREST IN INFLUX MERIDIAN SDN. BHD. (“IMSB”)**

### **1. INTRODUCTION**

The Board of Directors of Sarawak Consolidated Industries Berhad (“SCIB”) wishes to announce that SCIB Properties Sdn. Bhd. (“SCIBP”) (hereinafter referred to as “the Vendor”) a wholly-owned subsidiary of SCIB Holdings Sdn. Bhd., which is in turn wholly-owned by SCIB, had on 25 November 2016 entered into a Share Sale Agreement (“SSA”) with KTS Properties & Construction Sdn. Bhd. (“KTS”) for the proposed divestment of 3,000,000 ordinary shares of RM1 each representing 40% issued and paid up share capital of Influx Meridian Sdn. Bhd. (“IMSB”) to KTS for a total sale consideration of RM5,000,000, to be fully satisfied in cash (“Proposed Divestment”).

### **2. INFORMATION ON IMSB**

IMSB is a private limited company incorporated in Malaysia on 8 August 2008 with its registered office at 88, Jalan Pending, 93450 Kuching, Sarawak. The authorised share capital of IMSB is RM10,000,000 divided into 10,000,000 ordinary shares of RM1 each of which 7,500,000 ordinary shares have been issued and fully paid-up. The principal activity of IMSB is property development.

SCIBP held 3,000,000 ordinary shares or approximately 40% equity in IMSB while the remaining 4,500,000 ordinary shares or approximately 60% is held by KTS.

The directors of IMSB are YBhg. Tan Sri Datuk Amar (Dr.) Hamid Bin Bugo, YBhg. Dato Henry Lau Lee Kong, Haji Zaidi Bin Haji Ahmad, Kevin Lau Kor Jie and Kevin Ting Hie Leong.

Upon completion of the Proposed Divestment, IMSB will cease as an associate company of SCIBP.

### **3. INFORMATION ON KTS PROPERTIES & CONSTRUCTION SDN. BHD.**

KTS is a private limited company incorporated in Malaysia on 31 October 1980 with its registered office at 88, Jalan Pending, 93450 Kuching, Sarawak. The principal activities of KTS are investment in shares and realty and letting of premises. Its issued and fully paid-up share capital comprises of 1,000,000 ordinary shares of RM1 each. KTS is a wholly owned subsidiary of KTS Holdings Sdn. Bhd..

The directors of KTS are Lau Swee Nguong @ Lau Sui Guang, Kiu Chuan Gung, Lau Ngi Chong, Lau Hang Nguong, Temenggong Lau Lee Ming, Lau Lee Huong, Choo Kwong Hoon, YBhg. Dato Henry Lau Lee Kong, Lau Lee Kiong, Chuo Kuong Ping, John Lau Hui Siew, Law Hui Kong.

#### 4. DETAILS OF THE PROPOSED DIVESTMENT

##### 4.1 Details of Sale and Purchase of the shares

SCIBP agrees to sell and KTS agrees to purchase the entire 40% of the issued and paid-up share capital of IMSB comprising of 3,000,000 ordinary shares of RM1 each (“Sale Shares”) on a “willing buyer willing seller” basis, free from all liens and encumbrances for a sale consideration of RM5,000,000, upon the terms and conditions contained in the SSA.

##### 4.2 Basis and justification of arriving at the sale consideration

The sale consideration was arrived at based on a willing-buyer, willing-seller basis through direct negotiation between SCIBP and KTS at a premium over net asset value of IMSB amounting to RM7.447 million based on the latest audited financial statements of IMSB for the year ended 31 December 2015. Whilst reliable valuation of the Land in IMSB cannot now be carried out due to uncertainties pertaining to the soil condition and the decision of IMSB to indefinitely delay the development project, this transaction is completed based on a willing-buyer, willing-seller basis.

##### 4.3 Satisfaction of the sale consideration and intended application

The Sale Consideration shall be fully satisfied by KTS in cash. The sale consideration is intended to be utilised as working capital.

#### 5. DATE AND ORIGINAL COST OF INVESTMENT

SCIBP’s investment in IMSB was made on 8 August 2008 and the original cost of investment was RM3,000,000. Refer to the Table 1 below.

The Proposed Divestment is expected to result in a gain on disposal of approximately RM3,244,532.

<b><u>Table 1</u></b>	<b><u>RM</u></b>
Sale Consideration	5,000,000
Less: Cost of Investment	(3,000,000)
Gain on disposal	2,000,000
SCIB Accumulated share of associate loss (till 31 <sup>st</sup> December 2015)	1,244,532
<b>Group gain on disposal</b>	<b>3,244,532</b>

## **6. FINANCIAL EFFECTS OF THE PROPOSED DIVESTMENT**

The Proposed Divestment has no effect on the issued and paid-up share capital and the substantial shareholders' interest in SCIB as it does not involve the issuance of new shares in the Company.

Other than the gain on disposal, the Proposed Divestment will not have any material effect on the net assets per share, earnings per share and gearing of SCIB Group for the financial year ending 31 December 2016.

## **7. LIABILITIES TO BE ASSUMED BY KTS**

There are no liabilities to be assumed by KTS in relation to the Sale Shares.

## **8. MAJOR SHAREHOLDERS' AND DIRECTORS' INTERESTS AND PERSON CONNECTED TO DIRECTORS' AND MAJOR SHAREHOLDERS**

Save for SCIB's indirect interest in IMSB, none of the Directors and major shareholders of SCIB and/or persons connected with them have any direct or indirect interest in the Proposed Divestment.

## **9. APPROVAL REQUIRED**

The Proposed Divestment is not subject to the approval of the shareholders of SCIB and any regulatory authorities.

## **10. HIGHEST PERCENTAGE RATIO**

The highest percentage ratio applicable to the Proposed Divestment pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 9.9% based on the audited consolidated financial statements of SCIB for the financial year ended 31 December 2015.

## **11. SALIENT FEATURES OF SSA**

Both SCIBP and KTS agree that the Sale Consideration for the Proposed Divestment shall be satisfied in cash in the following manner:-

- i) Upon execution of SSA, KTS shall pay SCIBP the sum of RM5,000,000;
- ii) SCIBP shall deliver the Share Certificates in IMSB to KTS upon receipt of the full sum of the Sale Consideration and IMSB shall concurrently execute the all relevant documents to effect the share transfer.

## **12. DOCUMENTS AVAILABLE FOR INSPECTION**

The SSA is available for inspection for three (3) months from the date of this announcement during normal business hours at the Registered Office of SCIB at Lot 1258, Jalan Utama, Pending Industrial Estate, 93450 Kuching, Sarawak.

## **13. RATIONALE FOR THE PROPOSED DIVESTMENT**

The development activities of IMSB have been delayed due to softening of the high end residential market and escalating costs. The investment is not expected to contribute immediate earnings to the Group and huge capital injection from shareholders is required in order to proceed with the development. As such, SCIBP recognized that it would not have the capacity to raise or borrow funds to finance the aforesaid.

The Proposed Divestment provides SCIB Group an opportunity to liquidate non-revenue generated assets at this point of time, while utilizing the proceeds to improve the Group's financial standing.

## **14. ESTIMATED TIMEFRAME TO COMPLETE THE PROPOSED DIVESTMENT**

The Proposed Divestment is expected to be completed by 31 December 2016.

## **15. THE DATE ON WHICH THE TERMS OF THE PROPOSED DIVESTMENT WERE AGREED UPON**

The terms of the Proposed Divestment were agreed on 25 November 2016.

## **16. STATEMENT BY THE BOARD OF DIRECTORS**

The Board of Directors of SCIB, having considered the rationale for the Proposed Divestment and all relevant aspects of the Proposed Divestment, is of the opinion that the Proposed Divestment is in the best interest of SCIB Group and its shareholders and not detrimental to SCIB Group.

This announcement is dated 25 November 2016.