SARAWAK CONSOLIDATED INDUSTRIES BERHAD ("SCIB" OR THE "COMPANY")

PROPOSED PRIVATE PLACEMENT

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1. INTRODUCTION

On behalf of the Board of Directors of SCIB ("**Board**"), UOB Kay Hian Securities (M) Sdn Bhd ("**UOBKH**") wishes to announce that the Company proposes to undertake a private placement of up to 20% of the total number of issued shares of SCIB to third party investor(s) to be identified later at an issue price to be determined later, pursuant to Sections 75 and 76 of the Companies Act 2016 ("**Act**") ("**Proposed Private Placement**").

Further details of the Proposed Private Placement are set out in the ensuing sections of this announcement.

2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

The Company had obtained the approval from its shareholders at the last Annual General Meeting ("**AGM**") convened on 18 June 2020, of which the Board be and are empowered to issue ordinary shares in SCIB ("**SCIB Share(s)**" or "**Share(s)**") from time to time and upon such terms and conditions and for such purposes as the Board may in their absolute discretion deem fit, provided that the aggregate number of new SCIB Shares does not exceed 20%* of the total number of issued shares of the Company for the time being pursuant to Sections 75 and 76 of the Act ("**General Mandate**"). Such authority shall continue to be in force until the conclusion of the next AGM of the Company. For further clarification, the Company may only issue up to 20% of the total number of issued shares of the Company for a period of 12 months, irrespective of when the General Mandate was procured from the shareholders of the Company. For the avoidance of doubt, SCIB had not issued any shares under any General Mandate during the preceding 12 months up to the date of this announcement.

Note:-

* *Bursa Malaysia Securities Berhad ("**Bursa Securities**") had, on 16 April 2020, announced additional relief measures for listed issuers to ease compliance and facilitate their capital raising in a timely and cost-effective manner. In this regard, as an interim measure, listed issuer is allowed to seek a higher general mandate under Paragraph 6.03 of the Main Market Listing Requirements of Bursa Securities ("**Listing Requirements**") of not more than 20% of the total number of issued shares (excluding treasury shares) for issue of new securities and may be utilised by listed issuer to issue new securities until 31 December 2021. After that, the 10% limit under Paragraph 6.03(1) of the Listing Requirements will be reinstated.*

2.1 Placement size

The Proposed Private Placement entails an issuance of up to 20% of the total number of issued shares of SCIB.

As at 22 April 2021 (being the latest practicable date of this announcement) ("**LPD**"), the total issued share capital of SCIB was RM152,268,754 comprising 490,610,000 SCIB Shares.

In addition, as at the LPD, SCIB has 245,184,997 warrants 2021/2024 in the Company ("**Warrant(s) B**"). Warrants B are constituted by the deed poll dated 14 January 2021 ("**Deed Poll**") and each Warrant B carries the entitlement to subscribe for 1 new SCIB Share during the 3-year exercise period up to 8 February 2024 at an exercise price of RM1.77 per Warrant B.

Assuming all Warrants B are fully converted into new SCIB Shares prior to the implementation of the Proposed Private Placement, the Company's enlarged number of issued Shares will be 735,794,997 SCIB Shares. Accordingly, a total of up to 147,158,999 new SCIB Shares ("**Placement Share(s)**"), representing approximately 20% of the enlarged number of issued shares of SCIB, may be issued pursuant to the Proposed Private Placement.

The actual number of Placement Shares to be issued pursuant to the Proposed Private Placement will depend on the total number of issued shares of the Company on a date to be determined and announced later, after receipt of all relevant approvals for the Proposed Private Placement as set out in **Section 6** of this announcement, where applicable.

For illustrative purpose, throughout this announcement, the effects of the Proposed Private Placement shall be illustrated based on the following 2 scenarios:-

Minimum Scenario	:	Assuming none of Warrants B is exercised prior to the implementation of the Proposed Private Placement
Maximum Scenario	:	Assuming all Warrants B are fully exercised prior to the implementation of the Proposed Private Placement

2.2 Basis and justification of determining the issue price of the Placement Shares

The issue price of the Placement Shares will be determined and fixed by the Board at a later date after receipt of all relevant approvals for the Proposed Private Placement.

Based on Paragraph 6.04(a) of the Listing Requirements, the Placement Shares may be issued based on a discount of not more than 10% to the 5-day volume weighted average market price ("**VWAP**") of SCIB Shares immediately preceding the price-fixing date.

For illustrative purposes, the indicative issue price of the Placement Shares is assumed at RM1.5480 per Placement Share, which represents a discount of approximately 9.94% to the 5-day VWAP of SCIB Shares up to and including the LPD of RM1.7189 per SCIB Share.

2.3 Ranking of the Placement Shares

The Placement Shares will, upon allotment and issuance, rank equally in all respects with the existing SCIB Shares, save and except that the Placement Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution where the entitlement date precedes the relevant date of allotment and issuance of the Placement Shares.

2.4 Listing and quotation for the Placement Shares

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

2.5 Allocation to Placees

The Placement Shares will be placed out to third party investor(s) to be identified at a later stage, where such investor(s) shall be person(s) who/ which qualify under Schedules 6 and 7 of the Capital Markets and Services Act, 2007.

Additionally, the Placement Shares will not be placed out to the following parties:-

(i) director, major shareholder or chief executive of SCIB or a holding company of SCIB, where applicable ("**Interested Person**");

(ii) a person connected with an Interested Person; and

(iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

In the event the Board is unable to identify sufficient placees to subscribe for the entire portion of the Placement Shares at one time, the Proposed Private Placement may be implemented in tranches within 6 months from the date of approval of Bursa Securities for the Proposed Private Placement or any extended period as may be approved by Bursa Securities, respectively.

2.6 Utilisation of proceeds

Based on the indicative issue price of RM1.5480 per Placement Share, the Proposed Private Placement is expected to raise gross proceeds of up to approximately RM227.80 million. The gross proceeds from the Proposed Private Placement is intended to be utilised in the following manner:-

	Timeframe for utilisation	**Minimum Scenario RM'000**	**Maximum Scenario RM'000**
Capital expenditure requirements for current operations[*1]	Within 12 months from the receipt of placement funds	12,134	19,901
Partial settlement of a new business[*2]	Within 6 months from the receipt of placement funds	3,431	3,431
Working capital for on-going projects[*3]	Within 12 months from the receipt of placement funds	88,754	133,019
Estimated expenses for upcoming projects[*4]	Within 24 to 36 months from the date of award of the future project	44,373	66,951
Estimated expenses[*5]	Upon completion of the Proposed Private Placement	3,200	4,500
Total		**151,892**	**227,802**

Notes:

*1 *The proceeds of up to approximately RM19.90 million are earmarked to finance the capital expenditure requirements for current operations of SCIB Group based on the percentage of the allocation of the proceeds to be utilised for each capital expenditure requirements as set out below:-*

Capital expenditure requirements	***%***
Purchase of new machinery and equipment	*28.0*

*The management of SCIB intends to earmark up to approximately RM5.57 million for the purchase of new machinery and equipment, i.e. a concrete spun pile caging machine and boiler ("**New Machine**") and a robotic three-dimensional ("**3D**") construction printer machine ("**3D Construction Machine**").*

The acquisition of the New Machine is premised on the on-going and new projects of the Group and the existing spun pile caging machines and boilers that have been in used for approximately 8 to 25 years. Therefore, the management of SCIB is of the view that the purchase of the New Machine will improve the production efficiency and reduce down time as compared to the older machinery as well as to ensure SCIB Group is able to deliver and undertake its projects on a timely manner.

*In addition, to leverage on a new technology to facilitate the construction business of SCIB, the management of SCIB is in the midst of exploring for the acquisition of a 3D Construction Machine technology from Europe which is expected to finalise the said acquisition and installation in May 2021 at the Industrialised Building System ("**IBS**") factory in Kuching, Sarawak. The 3D Construction Machine is a modular construction printer which uses 3D-printing technology to print concrete/ mortar walls with openings for doors and windows of building for construction project. The 3D Construction Machine is expected to enhance the overall operational efficiency as it requires only 2 operators to operate the machine and the printing speed can be up to 1000 millimeters per second ("**mm/s**"), thus, increasing SCIB Group's operational efficiencies in planning and coordinating of its construction projects moving forward.*

Capital expenditure requirements	*%*
For information purposes, the estimated total cost for the purchase new machinery and equipment is approximately RM5.00 million. Any shortfall for the aforesaid intended allocation will be funded via internally generated funds and/ or bank borrowings, the exact quantum of which will be determined by the Board at a later date, whilst any excess of the intended allocation will be channelled towards general working capital of the Group.	
<u>Existing office renovation</u>	*6.0*
The Board has earmarked up to RM1.19 million for the upgrading of an existing head office building of SCIB to facilitate an increase of the workforce in SCIB due to the expansion of the business operations of SCIB. The office renovation works include, the addition of another storey of the existing single storey of building located at Kuching, Sarawak for office use.	
For information purposes, the estimated total cost for the aforesaid renovation is approximately RM1.19 million. Any shortfall for the aforesaid intended allocation will be funded via internally generated funds and/ or bank borrowings, the exact quantum of which will be determined by the Board at a later date.	
<u>Acquisition of land</u>	*54.0*
*The Company is in the midst of identifying industrial land(s) which has an estimated total land size of approximately 20 acres located at Demak Laut Industrial Park, Sarawak ("**Industrial Land**") as its manufacturing plant for the manufacturing of precast concrete products. For information purposes, the estimated total cost for the acquisition of Industrial Land is approximately RM19.05 million, subject to further negotiation between the Company and the landowner(s).*	
For the avoidance of doubt, the management of SCIB is the midst of discussion with several landowner(s) for the acquisition of the Industrial Land. SCIB will make the relevant announcement(s) in accordance with the Listing Requirements upon finalisation and execution of the said acquisition agreement, and if required, pursuant to the Listing Requirements, SCIB will seek the necessary approvals from its shareholders upon entering of the said agreement.	
SCIB Group has earmarked up to approximately RM10.75 million to part finance the acquisition cost of the Industrial Land. Any shortfall for the aforesaid intended allocation will be funded via internally generated funds and/ or bank borrowings, the exact quantum of which will be determined by our Board at a later date.	
<u>Setting up of a batching plant for construction project</u>	*12.0*
It is the intention of the Board to set up a batching plant in Pengerang, Johor for manufacturing of concrete for its construction projects application. For shareholders' information, a concrete plant, also known as a batch plant or batching plant or a concrete batching plant, is a plant that combines various ingredients (e.g. water, air, admixtures, sand, aggregate (rocks/ gravel), fly ash, silica fume, slag, and cement) to form concrete. Batching plant is used for manufacturing of concrete in a variety of construction applications such as buildings, roads and bridges. SCIB Group intends to set up the said batching plant on a piece of land with an estimated size of approximately 2 acres located at Pengerang, Johor by the end of 2021, that can produce up to approximately 180,000 cubic meter concrete mix per year to support the existing and future work orders. The main objective of the said plant is to cater for the piling activities for a project with a tenure from March 2021 to November 2021, which was awarded to SCIB Group in Pengerang, Johor.	
For information purposes, the estimated total cost for setting up of the said batching plant is approximately RM2.00 million. SCIB Group has earmarked up to approximately RM2.39 million to finance the cost for setting up the batching plant for construction project in Pengerang, Johor. Any shortfall for the aforesaid intended allocation will be funded via internally generated funds and/ or bank borrowings, the exact quantum of which will be determined by the Board at a later date, whilst any excess of the intended allocation will be channelled towards general working capital of the Group.	
Total	***100.0***

The exact breakdown for each of the proceeds earmarked for the capital expenditure requirements for current operations of SCIB Group has not been determined at this juncture as the Proposed Private Placement may be implemented in tranches (the issue price as well as the number of Placement Shares to be issued are not determinable at this juncture) and will be dependent on the operating and funding requirements at the time of utilisation.

Notwithstanding the above, upon the determination of the gross proceeds raised from the Proposed Private Placement, the Board shall have the absolute discretion to decide on the allocation of the proceeds for capital expenditure requirements, guided by the estimated percentage of allocation from the gross proceeds as disclosed above. This includes any claw back of funds among these capital expenditure requirements according to the priority at the relevant point in time.

*2 *The Group had, on 14 April 2021, entered into a conditional share sale agreement **("SSA")** with Noorazylawati Binti Abdul Bakar, Mohd Khairil Bin Mohd Hatta and Ibrahim Bin Mohd Noor (collectively referred to as "**the Vendors")**, who are non-related third parties, for the acquisition of 1,000,000 ordinary shares representing the entire issued capital of Kencana Precast Concrete Sdn Bhd ("**KPCSB**") by SCIB from the Vendors, for a total cash consideration of RM4,980,000, subject to the terms and conditions of the SSA ("**Proposed KPCSB Acquisition**").*

For information purpose, KPCSB is principally involved in the construction business. The Proposed KPCSB Acquisition was undertaken to expand the Group's manufacturing and construction segments of supplying precast concrete components, such as precast beam, column, wall staircase, half slab and plank to cater for more projects moving forward.

It is the intention of SCIB to earmark RM3.43 million to part finance the purchase consideration amounting to RM4.98 million. The remaining purchase consideration of RM1.55 million may be funded via internally generated funds or bank borrowings or combination of both, the exact quantum of which will be determined by the Board at a later date as the Company is still in the midst of considering the funding options and the capital requirements at this juncture. The Proposed KPCSB Acquisition is expected to complete in the second quarter of 2021. Upon the completion of the Proposed KPCSB Acquisition, KPCSB will become a wholly-owned subsidiary of SCIB. Please refer to the announcement made by SCIB on 14 April 2021 for further details of the Proposed KPCSB Acquisition.

*3 *The proceeds of up to approximately RM133.02 million are earmarked to partially finance the day-to-day operational and/ or general working capital expenses of the on-going overseas and Malaysia projects of the Group as listed below. These expenses include, amongst others, the purchase of construction materials such as steel bars, cement, sand and timber, payment to subcontractors and suppliers, and staff-related overheads such as project staff cost, accommodation for project staff, rental of equipment and utilities. The breakdown of such proceed for each project has not been determined at this juncture and will be dependent on the operating and funding requirements at the time of utilisation. Notwithstanding that, and on a best estimate basis, the percentage of the allocation of the proceeds to be utilised for the overseas and Malaysia projects are as follows:-*

Contract/ Project Title	***Duration***	***%***
Overseas Projects		*40.0*
• *Civil Works - Fire Water Project (47,000 mtrs) at Ras Laffan Industrial City - Power Station, Qatar*	*November 2020 – November 2021*	
• *Qatar's North Field Expansion with Necessary Manpower, Civil and MEP Works, Qatar*	*February 2021 – July 2023*	
Malaysia Projects		*60.0*
• *Piling Works for Cadangan Pembangunan Perdagangan Berstrata, Pengerang, Johor*	*March 2021 – November 2021*	
• *Design and Construct the Proposed Resurfacing Runway and its Associated Works at Lahad Datu Airport, Sabah*	*March 2021 – July 2021*	
• *Engineering, procurement, construction and commissioning ("**EPCC**") Mixed Development Project - Lot 6036 Block 26 Muara Tuang Land District and Part of River Bank Reserve in Kuching, Sarawak (Stage 1)*	*October 2021 – October 2026*	
• *Letter of Award for EMCC Contract for the Proposed Development of 738 units Rumah Sri Pertiwi and Associated Works at Lot 2364, Block 11, Matang Land District, Kuching, Sarawak*	*October 2021 – October 2024*	
• *Letter of Award for EPCC Contract for Cadangan Pembinaan 800 unit Rumah Kediaman di bawah Pembangunan Program Perumahan Penjawat Awam (PPAM) dan 28 unit Rumah Kedai di Muallim, Perak*	*April 2021 – June 2023*	
• *Letter of Award for 'Kontrak Penyelenggaraan Jalan-jalan Negeri di Negeri Tereenggan Darul Iman bagi Tahun 2021-2022, Terengganu*	*May 2021 – May 2026*	

Contract/ Project Title	Duration	%
• *Letter of Award for EPCC Contract for Residensi PR1MA at Kubang Kerian Phase 1, Kelantan*	*May 2021 – May 2023*	
Total		***100.0***

As the Proposed Private Placement may be implemented in tranches and the issue price together with the number of Placement Shares to be issued are not determinable at this juncture, the Board is unable to determine the estimated allocation of gross proceeds for the above on-going projects at the current preliminary stage. Upon the determination of the gross proceeds raised from the Proposed Private Placement, the Board shall have the absolute discretion to decide on the allocation of the proceeds for the on-going construction projects of the Group, which include any clawback of funds between the projects depending on the working capital requirements at the relevant point in time

*4 *The proceeds of up to approximately RM66.95 million are earmarked to finance necessary working capital to facilitate the initial expenses for new upcoming projects and/ or explore other business/ investment opportunities within the same business activities of the Group. Such initial expenses include, but are not limited to, initial project costs such as preliminary engineering and project design costs, tender deposit and/ or administrative costs, and procurement of raw materials such as steel bars, cement, sand and timber and site office overheads such as site office upkeep and utilities. SCIB shall make the necessary announcement(s) in accordance with the Listing Requirements as and when the project(s) is/ are secured/ awarded*

*5 *The estimated expenses in relation to the Proposed Private Placement consist of professional fees, placement fees, fees payable to the relevant authorities and other expenses for the Proposed Private Placement. Any variation to the actual amount of the expenses will be adjusted accordingly against the allocation for the working capital for the on-going projects of the Group*

The actual gross proceeds to be raised from the Proposed Private Placement is dependent on the issue price and the number of Placement Shares to be issued. Any variance in the actual gross proceeds raised and the intended gross proceeds to be raised will be adjusted against the amount allocated for the working capital for the on-going projects of the Group.

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

Should the Board wishes to vary the utilisation of proceeds as allocated above, SCIB will first make the relevant announcement, and procure shareholders' approval for the variation of the use of funds if the variance of the utilisation of proceeds is equal to or more than 25.0% from the total proceeds raised pursuant to Paragraph 8.22(2)(a) of the Listing Requirements.

2.7 Other fund raising exercises in the past 12 months

For shareholders' information, the Company had on 7 April 2020, announced a private placement of up to 36,750,000 SCIB Shares, representing approximately 42.7% of the then total number of issued Shares, and were issued at an issue price of RM1.82 per Share, raising a total gross proceeds of approximately RM66.89 million ("**Private Placement I**").

The status of the utilisation of the said gross proceeds as at the LPD is set out below:-

Private Placement	**Expected timeframe for utilisation**	**Proposed utilisation RM'000**	**Amount utilised as at the LPD RM'000**
Working capital for on-going projects	Within 12 months from the receipt of placement funds	6,477	6,446
Estimated expenses for future projects	Within 24 to 36 months from the receipt of placement funds	59,408	26,513[*1]
Estimated expenses in relation to the Private Placement I together with recurrent related party transaction	Upon completion of the Private Placement I	1,000	671
Total		**66,885**	**33,630**

Note:-

[*1] *Details of the amount utilised for the projects are set out below:-*

Contract/ Project Title	***Contract Period***	***Percentage of completion up to the LPD %***	***Amount utilised RM'000***
Proposed development and construction of 12 classrooms and 6 units of "Rumah Guru" and other facilities at Sekolah Kebangsaan Kalok, Betong, Sarawak	*September 2020 to August 2022*	*18.91*	*1,698*
3D printing project, Ready Mixed Concrete (RMC) Batching Plant, IBS Plant & Scaffolding, Pengerang, Johor	*Preliminary stage*	*-*	*9,231*
Letter of Award for Main Building Works (Phase 1 Package C: Independent Utility Facility (IUF)), Pengerang, Johor	*December 2019 to January 2022*	*29.00*	*349*
Letter of Award for Main Building Works (Phase 1 Package C: Maintenance, Repair and Overhaul (MRO)), Pengerang, Johor	*December 2019 to March 2022*	*41.00*	*1,151*
Proposed mixed development project - Lot 6036 Block 26 Muara Tuang Land District and Part of River Bank Reserve, Sarawak	*Engineering stage (9 years)*	*-*	*4,252*

Contract/ Project Title	*Contract Period*	*Percentage of completion up to the LPD*	*Amount utilised*
		%	*RM'000*
Letter of Award for EPCC Contract for Cadangan Pembinaan 800 unit Rumah Kediaman di bawah Pembangunan Program Perumahan Penjawat Awam (PPAM) dan 28 unit Rumah Kedai di Muallim, Perak	*February 2021 to September 2022*	*-*	*9,832*
Total			***26,513***

The Private Placement I was completed on 16 June 2020. Please refer to the circular to shareholders of SCIB dated 18 May 2020 for further details of the Private Placement I. Save for the Private Placement I, the Company has not undertaken any other fund raising exercise in the past 12 months up to the LPD.

3. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSED PRIVATE PLACEMENT

After due consideration of the various methods of fund raising, the Board opines that the Proposed Private Placement is the most appropriate avenue of fund raising as the Proposed Private Placement enables the Company to raise additional funds to meet the Group's funding requirements as set out in **Section 2.6** of this announcement without incurring interest costs as compared to conventional bank borrowings which may increase the interest incurred by the Group. Additionally, the Proposed Private Placement represents an expeditious way of raising funds from the capital market as opposed to other forms of fund raising such as a rights issue, as the placement funds from the Proposed Private Placement will be paid within 5 market days from the relevant price-fixing date.

Upon completion of the Proposed Private Placement, the Company's enlarged capital base is also expected to further strengthen the financial position of the Company and improve the gearing level of the Group.

4. INDUSTRY OVERVIEW AND OUTLOOK OF the GROUP

4.1 Overview and outlook for the Malaysian economy

The Malaysian economy recorded a negative growth of 3.4% in the fourth quarter (3Q 2020: -2.6%), largely attributable to the imposition of the conditional MCO on a number of states since mid-October. The restrictions on mobility, especially on inter-district and inter-state travel, weighed on economic activity. Nevertheless, the continued improvement in external demand provided support to growth. Consequently, except for manufacturing, all economic sectors continued to record negative growth. On the expenditure side, moderating private consumption and public investment activities weighed on domestic demand. On a quarter-on-quarter seasonally-adjusted basis, the economy registered a decline of 0.3% (3Q 2020: +18.2%).

Domestic demand recorded a decline of 4.4% in the fourth quarter of 2020 (3Q 2020: -3.3%), mainly due to the subdued private consumption and public investment activities. Net exports grew by 12.4% (3Q 2020: 21.9%), with continued expansion in manufactured exports. Private consumption contracted by 3.4% (3Q 2020: -2.1%). Household spending was subdued amid continued weaknesses in income and employment conditions during the quarter. Spending was also affected by tighter movement restrictions in selected states. Nevertheless, the decline in physical spending was partly mitigated by the continued acceleration in online spending.

During the quarter, consumer expenditure also remained supported by various stimulus measures including the EPF i-Lestari withdrawals, the continued support to affected borrowers under the Targeted Repayment Assistance (TRA) and lower passenger car sales tax. Meanwhile, public consumption continued to expand, albeit at a more moderate pace of 2.7% in the fourth quarter of 2020 (3Q 2020: 6.9%), supported by spending in emoluments.

Gross fixed capital formation contracted further by 11.9% (3Q 2020: -11.6%), as capital spending from both private and public sectors remained relatively weak. By type of asset, investment in structures contracted by 13.1% (3Q 2020: -12.9) while investment in machinery & equipment declined by 9.0% during the quarter (3Q 2020: -8.3%). Private investment recorded a smaller decline of 7.0% (3Q 2020: -9.3%), mainly supported by continued capital spending in existing projects, particularly in the export-oriented industries. Meanwhile, public investment registered a larger decline of 19.8% (3Q 2020: -18.6%). This reflects lower spending on fixed assets by the general government and weaker demand in most sectors which continued to weigh on capital spending by public corporations.

(Source: Developments in the Malaysian Economy, Economic and Financial Developments in the Malaysian Economy in the Fourth Quarter of 2020, Bank Negara Malaysia)

The Malaysian economy experienced the full impact of the COVID-19 pandemic in the second quarter of 2020, with the real gross domestic product ("**GDP**") contracting by 17.1%. The contraction was mainly attributed to the imposition of the MCO to contain the outbreak. Though affecting all sectors in the economy, the move was necessary to flatten the COVID-19 curve and save lives. Hence, the Government has announced several stimulus packages totalling RM305 billion to support both households and businesses. Reinforced by the reopening of the economy in phases, growth is expected to improve gradually during the second half of the year, cushioning the significant contraction in the first half. Thus, Malaysia's GDP is expected to contract by 4.5% in 2020, before rebounding between 6.5% and 7.5% in 2021. With the bold and swift measures undertaken Malaysia has been recognised as one of the most successful countries in managing the socio-economic impact of the pandemic.

Domestic demand is expected to contract by 3% in 2020, with private and public sectors' spending declining by 3.2% and 2.1%, respectively. In the first half of 2020, domestic demand declined significantly by 7.7%, amid restricted movements to contain the COVID-19 pandemic. Nevertheless, the announcement of various stimulus packages and the gradual resumption of economic activities are expected to restore business and consumer confidence in the second half of the year. Hence, domestic demand is anticipated to turnaround to 1.5% during the period and expand further by 6.9% in 2021.

Private consumption declined by 6% during the first half of 2020, affected by the implementation of the MCO. However, household spending is anticipated to pick up during the second half of the year, on the back of various stimulus packages aimed at providing support to households and businesses. The measures include a moratorium on loan repayments, temporary optional reduction in employees' contributions to the Employees Provident Fund ("**EPF**") and discounts on electricity bill as well as low interest rates. As a result, private consumption is projected to rebound by 4.2% in the second half, cushioning overall consumption activities, which is expected to record a marginal decrease of 0.7% in 2020.

Private consumption is anticipated to increase by 7.1% in 2021, mainly supported by higher disposable income arising from buoyant domestic economic activities, stronger export earnings, accommodative financial stance, extension of tax relief on childcare and favourable stock market conditions. Better job prospects, following broader improvement in the economy and measures addressing employability, are also expected to contribute to household spending.

Furthermore, the expected recovery in the tourism-related industries following tax incentives on domestic tourism expenses for households will also provide additional impetus to private sector spending. As the nation rapidly shifts towards adopting digitalisation, the broader availability of various e-commerce platforms and rollout of 5G technology will facilitate economic activities.

(Source: Economic Outlook 2021, Ministry of Finance Malaysia)

4.2 Overview and outlook of the general construction industry and manufacturing industry in Malaysia

The construction sector registered a larger contraction (-13.9%; 3Q 2020: -12.4%). Labour shortages, site shutdowns due to COVID-19 outbreaks and interruptions in progress of selected work packages have affected growth, particularly in the civil engineering and residential sub sectors. The special trade sub sector, however, continued to register positive growth following support from small-scale projects under the PRIHATIN stimulus package.

The manufacturing sector expanded by 3.0% (3Q 20: 3.3%), as robust Electrical and Electronics ("**E&E**") production more than offset lower activity in the consumer cluster. The strong performance in the E&E sub-sector was supported by sustained global demand for semiconductors components, which has led to a global shortage. This has resulted in a build-up of order backlogs among Malaysian producers which are highly integrated in the global value chain. The positive growth in E&E was partially offset by the weakness in consumer-cluster.

Manufactured exports continued to expand (7.6%; 3Q 2020: 6.8%), supported mainly by E&E exports (13.8%; 3Q 2020: 16.0%). This was driven by robust demand for semiconductors for work from home equipment and medical devices.

(Source: Developments in the Malaysian Economy, Economic and Financial Developments in the Malaysian Economy in the Fourth Quarter of 2020, Bank Negara Malaysia)

"Construction sector is expected to remain lacklustre (2020F: -1.9%; 2019: 0.1%) due to the glut situation though fiscal initiatives to continue with infrastructure spending may give the sector a lifeline. The RM15 billion fiscal expenditure involving infrastructure projects are expected to lift the 2020 GDP growth by 1%. Projects like Mass Rapid Transit Line ("**MRT**") 2, Light Rail Transit Line ("**LRT**") 3, LRT Extension and Pan Borneo Highway will see a continuation in activities on top of green lights for new projects like the East Coast Rail Link ("**ECRL**"), Tekai Hydroelectric and Pasir Gudang combined cycle-gas turbine (Budget 2020).

Construction projects rollouts may have been dragged by the seismic shifts in Malaysia's political landscape and nationwide implementation of MCO and could spark further delays to the original timeline. Tender progress for ECRL might have stumbled as land acquisition has not been up to speed. Given the multiple moving parts, ECRL jobs could only come about in 2H20.

Prospects for the sector looks fairly muted due to earnings risks from weaker progress billings and cash flow pressure. Additional sector uncertainty emanates from delays in project rollout owing to the changes in political landscape.

With fewer sizeable job opportunities in Peninsular Malaysia in the meantime, it is going to be challenging for contractors to replenish their order-books going forward. One bright spot may be in Sarawak, where the state has budgeted to spend RM22 billion on infrastructure projects including the Second Trunk Road (RM6 billion), coastal road upgrades (RM5 billion), water grid programs (RM2.8 billion), rural electrification projects (RM2.4 billion) and telco towers (RM1 billion). Timing-wise, it would probably make political sense to roll out these projects to stimulate economic activity ahead of the Sarawak state election, which must be held by September 2021."

(Source: Economic Update, BNM 2019 Annual Report, PublicInvest Research, HLIB Research dated 7 April 2020, Kenanga Research dated 11 March 2020)

"The manufacturing sector recorded a slower growth of 3.8% in 2019 (2018: 5.0%). Within the export-oriented clusters, weak external demand affected manufacturing activity in the E&E cluster, while the supply disruptions in key commodities led to lower production in primary-related clusters. Growth in both clusters, however, remained positive, supported by the presence of Malaysian E&E firms in diversified, fast-growing product segments such as automotive electronics, medical devices and cloud computing, as well as the recovery in natural gas output. Domestically, the frontloading of demand for passenger cars during the tax holiday period in 2018 had weighed on the production of transport equipment in 2019.

Growth in the construction sector moderated to 0.1% (2018: 4.2%), reflecting mainly the completion and near completion of large infrastructure and mixed development projects. In the non-residential and residential subsectors, fewer and smaller new projects amid the commercial property glut and elevated level of unsold residential properties also contributed to the lower growth. While the civil engineering subsector remained the key contributor to growth, the delay in construction work for major highways, in addition to the completion of large petrochemical projects, led to a moderation in construction growth during the year."

(Source: Economic, Monetary and Financial Developments in 2019, Economic and Monetary Review 2019, Bank Negara Malaysia)

"During the first half of 2019, the manufacturing sector expanded by 4.2% mainly supported by domestic-oriented industries. Meanwhile, export-oriented industries grew at a slower pace due to modest expansion in the electrical & electronics subsector in line with softer global demand for electronic products. In 2020, the manufacturing sector is estimated to grow 4.1% driven by steady improvement in the export-oriented industries coupled with sustained expansion in the domestic-oriented industries.

In 2020, the performance of the export-oriented industries is anticipated to improve in tandem with the uptick in electronics cycle, especially during the second half of the year. Manufacturers in Malaysia are also expected to benefit from the changes in the global electronics supply chain following the US-China trade and technology dispute. Furthermore, expanding demand for artificial intelligence, internet of things, big-data analytics and 5G is anticipated to support the E&E subsector. Likewise, production of petrochemicals and oleochemicals is expected to increase with the commencement of RAPID. The domestic-oriented industries are expected to be driven by both consumer and construction-related clusters.

Outlook for the construction-related cluster is expected to rebound with higher demand for non-metallic mineral products, basic metal and fabricated metal products. The higher production will be supported by the implementation of new and on-going infrastructure projects such as East Coast Rail Link, MRT2, LRT3, Klang Valley Double Tracking 2 as well as Pan Borneo Highway and Central Spine Road."

(Source: Macroeconomic Outlook, Economic Outlook 2020, Ministry of Finance Malaysia)

4.3 Future prospects of the Group

At present, SCIB Group is implementing several business plans aiming to enhance the value of the Group and to curb the current busienss/ economic uncertainties as a result of COVID-19 pandemic. Due to the pandemic, increase awareness on employee welfare and concern on how the Environmental Social Governance (ESG) practices are being adopted by the business owners as a responsible entity, especially in the manufacturing industry. Such awareness has led to a surge in demand for the healthcare and accommodation facilities. To fill up the market gap between the demand and the supply of the healthcare and accommodation facilities, the Group has set up in-house one-stop Industrial Building System (IBS) expertise which could come in as a time- and cost-efficient solution.

The Group has several state-funded people-centric construction projects, which include, amongst others, the Second Trunk Road, Coastal Road, Project Rumah Mesra Rakyat, Sekolah DAIF Sarawak, Government Hospital and Health Clinic, Sarawak Water Supply Grid Programme. In addition, under the Malaysia's Budget 2021, there is an allocation of approximately RM4.5 billion for the proposed Sarawak development to build and upgrade the State's utilities for instance, water, electricity, road infrastructure, health and education facilities. As one of the localised precast concrete and IBS manufacturer in Sarawak, the Group is confident of the continous contribution and development to the Sarawak state by securing construction contracts from the state and government, tapping on the Group's localized advantages.

In addition to the above, in respect of the construction segment, the Group has acquired the qualification of Construction Industry Development Board (CIDB) license Grade 7, Sijil Taraf Bumiputera (STB) license, Sijil Perolehan Kerja Kerajaan (SPKK) license, as well as the Ministry of Finance (MOF) license, which could widen the Group's opportunities in participating and tendering for the Government or semi-government projects.

In addition to the Group's local market presence, the Group has also expanded its geographical presence into Indonesia and the Middle East countries since year 2020. The Group also sees greater opportunities to benefit from the relocation of capital from Jakarta to Kalimantan in Indonesia, from the infrastructure requirements of Qatar for hosting the FIFA World Cup 2022, and from United Arab Emirates (UAE) for organising the World Expo, as well as from the development of Special Economic Zone that has attracted the international investment flow into Oman.

As at the fourth quarter of 2020, the Group's achieved order book of approximately RM1.5 billion, which has increased to the current of approximately RM2.5 billion following new contracts secured in February and March 2021. Whilst the Group is actively exploring more business opportunities, the project teams are also leading and managing the existing works on-site to ensure timely delivery of the projects and timely receivables collection.

Moving forward, the Group remains focused its on 3 key strategies to drive long term value creation:- (i) diversifying the geographical presence of the Group; (ii) strengthening in-house construction capabilities; and (iii) exploring supply chain partnerships or technology enabler like 3D printing that can improve efficiency and productivity.

Pursuant to the above, set out below are the initiatives and plans currently implemented by the Group:-

(i) In view of the expanded geographical market presence, it is the intention to set up mobile manufacturing facilities, which will be equipped with production lines and the necessary raw materials, at the project locations to ease the carrying of the manufacturing activities of precast concrete and industrialised building system (IBS) at the project sites. At present, the projects are located in Peninsular Malaysia, Indonesia, Qatar and Oman. With the mobile manufacturing facilities, the manufacturing activities will be able to source the necessary materials from the nearest mobile manufacturing facilities to the project execution site to ensure a smooth logistics process for timely delivery of outputs. As set out in **Section 2.6** of this announcement, SCIB Group intends to set up a batching plant in Pengerang, Johor to cater for the piling activities for a project which was awarded to SCIB Group in Pengerang, Johor.

    In addition, SCIB Group has incorporated a subsidiary company, namely SCIB LW System Sdn Bhd, for the purpose of carrying on the businesses of manufacturing, supplying and installation of light weight system such as the lightweight steel trust wall panel system and roof trust system. SCIB Group intends to set up a plant to produce lightweight steel trust wall panel system and roof trust system products with an expected annual production capacity of 1,000 metric tons. Moving forward, it is the intention of SCIB Group to become an all-rounded integrated IBS system solutions provider for the construction and building industry in Malaysia and to expand SCIB Group's regional reach of the said business in Sabah and Sarawak market. In addition, SCIB Group is currently searching for opportunity to expand its presence in Peninsular Malaysia particularly for its manufacturing business segment; and

(ii) With the development and evolvement of Industrial Revolution 4.0, the management team has explored the digital approaches such as 3D printing technology to transform the existing supply chain into a digital value network system. The integrated 3D-printing architecture is a new emerging technology in the construction industry as the integrated 3D-printing architecture is able to build and imitate the building concepts model into an entire physical structure by integrating the design, construction, equipment, new materials and application to the architecture within a short period of time without incurring high cost (as it specifies the exact volume of each material and thus lowering the costs of production) against the traditional method.

    As set out in **Section 2.6** of this announcement, SCIB Group is in the midst of exploring to acquire a new 3D Construction Machine. The 3D Construction Machine with a printing speed that can be up to 1000 mm/s may reduce, amongst others, the amount of plastering and post treatment of walls and water evaporation by minimizing wall surface area in construction project. At this juncture, the management team of SCIB is still planning and studying the application of the 3D Construction Machine technology to support the affordable housing projects and help to mitigate issues of labour shortage as minimal number of operators require (i.e. 2 operators) to operate the 3D Construction Machine.

Barring any unforeseen circumstances, the Group holds a cautiously optimistic view on the business prospects and strives to achieve satisfactory performance in 2021.

(Source: Management of SCIB)

5. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

5.1 Issued share capital

The pro forma effects of the Proposed Private Placement on the issued share capital of the Company are set out below:-

	Minimum Scenario		Maximum Scenario	
	No. of Shares	RM	No. of Shares	RM
Issued share capital as at the LPD	490,610,000	152,268,754	490,610,000	152,268,754
Assuming full exercise of Warrants B	-	-	245,184,997	433,977,445*1
	490,610,000	**152,268,754**	**735,794,997**	**586,246,199**
No. of Placement Shares to be issued pursuant to the Proposed Private Placement	98,122,000	151,892,856*2	147,158,999	227,802,130*2
Enlarged issued share capital	**588,732,000**	**304,161,610**	**882,953,996**	**814,048,329**

Notes:-

**1* *Computed based on the exercise price of RM1.77 per Warrant B*

**2* *Computed based on the indicative issue price of RM1.5480 per Placement Share*

5.2 Net asset ("NA") per Share and gearing ratio

Based on the latest audited consolidated financial statements of the Group for the financial year ended ("**FYE**") 31 December 2019, the pro forma effects of the Proposed Private Placement on the NA per Share and gearing ratio of the Group are set out as follows:-

Minimum Scenario

	Audited as at FYE 31 December 2019	I After adjusting for subsequent events*1	II After I and after the Proposed Private Placement
	RM	RM	RM
Share capital	85,913,168	152,268,754	304,161,610*2
Foreign exchange translation reserves	98	98	98
Accumulated losses	(33,912,548)	(33,912,548)	(37,112,548)*3
Shareholders' fund/ NA	**52,000,718**	**118,356,304**	**267,049,160**
No. of Shares in issue	85,882,500	490,610,000	588,732,000
NA per Share (RM)	0.61	0.24	0.45
Total borrowings (RM)	37,425,499	37,425,499	37,425,499
Gearing ratio (times)	0.72	0.32	0.14

Notes:-

**1* *After adjusting for the following:-*

i. *issuance of 36,750,000 Shares at RM1.82 per Share pursuant to the Private Placement I and after deducting the expenses of approximately RM0.67 million in relation to the Private Placement I only;*

ii. *bonus issue of 367,897,500 new Shares ("**Bonus Shares**") on the basis of 3 Bonus Shares for every 1 existing Share held as at 5.00 p.m. on 31 December 2020 ("**Bonus Issue of Shares**"). The Bonus Issue of Shares was completed on 4 January 2021; and*

iii. *a total of 80,000 Warrants B were exercised at RM1.77 per Warrant B, and the converted Shares were listed on 19 March 2021.*

*2 *Assuming 98,122,000 Placement Shares are issued at the indicative issue price of RM1.5480 per Placement Share*

*3 *After deducting estimated expenses of RM3,200,000 in relation to the Proposed Private Placement*

Maximum Scenario

		I	II	III
	Audited as at FYE 31 December 2019	**After adjusting for subsequent events*1**	**After I and after assuming full conversions of Warrants B*2**	**After II and after the Proposed Private Placement**
	RM	**RM**	**RM**	**RM**
Share capital	85,913,168	152,268,754	586,246,199	814,048,329*3
Foreign exchange translation reserves	98	98	98	98
Accumulated losses	(33,912,548)	(33,912,548)	(33,912,548)	(38,412,548)*4
Shareholders' fund/ NA	**52,000,718**	**118,356,304**	**552,333,749**	**775,635,879**
No. of Shares in issue	85,882,500	490,610,000	735,794,997	882,953,996
NA per Share (RM)	0.61	0.24	0.75	0.88
Total borrowings (RM)	37,425,499	37,425,499	37,425,499	37,425,499
Gearing ratio (times)	0.72	0.32	0.07	0.05

Notes:-

*1 *After adjusting for the following:-*

i. *issuance of 36,750,000 Shares at RM1.82 per Share pursuant to the Private Placement I and after deducting the expenses of approximately RM0.67 million in relation to the Private Placement I only;*

ii. *bonus issue of 367,897,500 Bonus Shares on the basis of 3 Bonus Shares for every 1 existing Share held as at 5.00 p.m. on 31 December 2020. The Bonus Issue of Shares was completed on 4 January 2021 and*

iii. *a total of 80,000 Warrants B were exercised at RM1.77 per Warrant B, and the converted Shares were listed on 19 March 2021.*

*2 *Assuming 245,184,997 Warrants B are fully exercised based on the exercise price of RM1.77 per Warrant B*

*3 *Assuming 147,158,999 Placement Shares are issued at the indicative issue price of RM1.5480 per Placement Share*

*4 *After deducting estimated expenses of RM4,500,000 in relation to the Proposed Private Placement*

5.3 Substantial shareholders' shareholding structure

The pro forma effects of the Proposed Private Placement on the substantial shareholders' shareholdings of the Company as at the LPD are set out below:-

Minimum Scenario

	Shareholdings as at the LPD				I After the Proposed Private Placement[*1]			
	<-------------Direct------------>		<-----------Indirect----------->		<-------------Direct------------>		<-----------Indirect----------->	
Substantial shareholders	**No. of Shares**	**%[*2]**	**No. of Shares**	**%[*2]**	**No. of Shares**	**%[*3]**	**No. of Shares**	**%[*3]**
YBhg. Dato' Dr. Ir. Ts. Mohd Abdul Karim Bin Abdullah	176,680,220	36.01	-	-	176,680,220	30.01	-	-
Sarawak Economic Development Corporation	25,925,000	5.28	-	-	25,925,000	4.40	-	-
Rosland bin Othman	36,303,840	7.40	-	-	36,303,840	6.16	-	-

Notes:-

*[*1]* *Assuming the Proposed Private Placement does not give rise to the emergence of any new substantial shareholder(s)*

*[*2]* *Based on the issued Shares of 490,610,000*

*[*3]* *Based on the enlarged issued Shares of 588,732,000*

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Minimum Scenario

	Shareholdings as at the LPD				I Assuming full conversions of Warrants B[*1]			
	<-------------Direct------------>		<-----------Indirect----------->		<-------------Direct------------>		<-----------Indirect----------->	
Substantial shareholders	**No. of Shares**	**%[*3]**	**No. of Shares**	**%[*3]**	**No. of Shares**	**%[*4]**	**No. of Shares**	**%[*4]**
YBhg. Dato' Dr. Ir. Ts. Mohd Abdul Karim Bin Abdullah	176,680,220	36.02	-	-	245,520,330	33.37	-	-
Sarawak Economic Development Corporation	25,925,000	5.28	-	-	38,887,500	5.29	-	-
Rosland bin Othman	36,303,840	7.40	-	-	37,369,260	5.08	-	-

	II After I and the Proposed Private Placement[*2]			
	<-------------Direct------------>		<-----------Indirect----------->	
Substantial shareholders	**No. of Shares**	**%[*5]**	**No. of Shares**	**%[*5]**
YBhg. Dato' Dr. Ir. Ts. Mohd Abdul Karim Bin Abdullah	245,520,330	27.81	-	-
Sarawak Economic Development Corporation	38,887,500	4.40	-	-
Rosland bin Othman	37,369,260	4.23	-	-

Notes:-

[*1] *Warrants B held by the substantial shareholders as at the LPD is set out below:-*

Substantial shareholders	***Direct***	***Indirect***
YBhg. Dato' Dr. Ir. Ts. Mohd Abdul Karim Bin Abdullah	*68,840,110*	-
Sarawak Economic Development Corporation	*12,962,500*	-
Rosland bin Othman	*1,065,420*	-

[*2] *Assuming the Proposed Private Placement does not give rise to the emergence of any new substantial shareholder(s)*

[*3] *Based on the issued Shares of 490,610,000*

[*4] *Based on the enlarged issued Shares of 735,794,997*

[*5] *Based on the enlarged issued Shares of 882,953,996*

5.4 Earnings and earnings per Share ("EPS")

The Proposed Private Placement is not expected to have any material impact on the earnings of the Group for the FYE 31 December 2021. However, the EPS of the Group is expected to be diluted upon completion of the Proposed Private Placement as a result of the increase in the number of SCIB Shares in issue arising from the Proposed Private Placement.

The Proposed Private Placement is expected to contribute positively to the future earnings of the Group when the benefits from the utilisation of proceeds to be raised from the Proposed Private Placement as set out in **Section 2.6** of this announcement are realised.

5.5 Convertible securities

As at the LPD, save for the 245,184,997 outstanding Warrants B, the Company does not have any other existing convertible securities.

Pursuant to the Deed Poll, no adjustments will be made to the exercise price and the number of Warrants B pursuant to the Proposed Private Placement.

6. APPROVALS REQUIRED

The Proposed Private Placement is subject to the following approvals:-

(i) Bursa Securities, for the listing and quotation for the Placement Shares on the Main Market of Bursa Securities; and

(ii) Any other relevant authority, if required.

The Company had obtained the approval from its shareholders for the General Mandate at the last AGM convened on 18 June 2020, the Board has been authorised to issue and allot new SCIB Shares provided that the number of new SCIB Shares does not exceed 20% of the total number of issued Shares pursuant to Sections 75 and 76 of the Act. Such authority shall continue to be in force until the conclusion of the next AGM of the Company.

The Proposed Private Placement is not conditional upon any other proposals undertaken or to be undertaken by the Company.

7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/ OR PERSONS CONNECTED WITH THEM

None of the Directors and/ or major shareholders, chief executive of SCIB and/ or persons connected with them have any interest, whether direct or indirect, in the Proposed Private Placement.

8. DIRECTORS' STATEMENT

The Board, having considered all aspects of the Proposed Private Placement, including the rationale and justification and the effects of the Proposed Private Placement, is of the opinion that the Proposed Private Placement is in the best interest of the Company and its shareholders, on the following basis:-

(i) the additional fundraising flexibility through the Proposed Private Placement will enable the Company to raise the requisite funds to meet its immediate funding requirements as set out in **Section 2.6** of this announcement in an expeditious manner as opposed to other forms of fundraising as the General Mandate from the shareholders of the Company for the Proposed Private Placement has already been obtained; and

(ii) the Proposed Private Placement will ease the cash flow planning of the Group for the execution of its business plans or the business contingency plans to mitigate against the financial impact of COVID-19 pandemic.

9. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposed Private Placement is expected to be completed in the second quarter of 2021.

10. APPLICATION TO THE AUTHORITIES

The application to the relevant authorities shall be made within 2 months from the date of this announcement.

11. ADVISER AND PLACEMENT AGENT

UOBKH has been appointed as the Adviser and Placement Agent for the Proposed Private Placement.

This announcement is dated 3 May 2021.