



SARAWAK CONSOLIDATED INDUSTRIES BERHAD

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

(Incorporated in Malaysia)

1. INTRODUCTION

The Board of Directors of Sarawak Consolidated Industries Berhad (“**SCIB**” or “**the Company**”) wishes to announce that the Company had on 4 January 2024 received an offer from Jabatan Tanah dan Survei, Bahagian Kuching (also referred to as “the Land and Survey Department of Sarawak”) for the acquisition of five (5) plots of land known as Lot 787,788,789, 790 and 791 Block 4 Muara Tebas Land District (Plots 11,12,13,14 and 15) at Taman Perindustrian Demak Laut Phase Iib (Stage 2), Kuching, Sarawak with a total area of approximately 8.8544 ha (about 21.879 acres) (“**the Land**”), for a total purchase consideration of RM21,621,356 (“**Purchase Consideration**”) to be satisfied in cash (hereinafter referred to as “**the Land Acquisition**”).

Pursuant to Paragraph 10.06 of the Main Market Listing Requirements (“**MMLR**”) of Bursa Malaysia Securities Berhad (“**Bursa Securities**”), the Board of Directors of SCIB wishes to announce that the Company had on 26 January 2024 accepted the offer from the Land and Survey Department of Sarawak for the Land Acquisition (“**Proposed Acquisition**”), subject to terms and condition as stipulated in the Letter of Offer.

2. DETAILS OF THE ACQUISITION OF LAND

2.1 Information on the Land

The Land comprises of five(5) plots of industrial leasehold land known as Lot 787,788,789,790 and 791 Block 4 Muara Tebas Land District (Plots 11,12,13,14 and 15), each with a tenure of 60 years with a total area of approximately 8.8544 ha (about 21.88 acres), located within the Muara Tebas Land District at Taman Perindustrian Demak Laut Phase Iib (Stage 2), (also known as “**the Demak Laut Industrial Park**”), Kuching, Sarawak. The Land is located approximately fifteen (15) kilometres from the Kuching City Centre, Kuching, Sarawak.

2.2 Terms and Conditions of the Land Acquisition

- (i) The Lands is to be used only for industrial purposes;
- (ii) The proposed construction of the industrial factory on the Land must be completed and be operational within three (3) years from the date of the

registration of the land title. If the factory is completed within three (3) years as mentioned above, the Company can apply to the Land and Survey Department of Sarawak for exemption from the fourth and fifth instalment payments.

- (iii) No dealing affecting the Land may be effected without the consent in writing of the Minister for the time being responsible for the Land;
- (iv) No transfer affecting this land be effected without the consent in writing of the Minister for the time being responsible for the Land.
- (v) No sublease affecting the Land may be effected without the consent in writing of the Director of Lands and Surveys during the initial period of five(5) years from the date of registration of the Land.

2.3 Basis and Justification for the Purchase Consideration

The Purchase Consideration for the Land Acquisition was arrived at based on the industrial land rate set by the Sarawak Government and on an “as is where is basis”, after taking into consideration the strategic location of the Land.

The Purchase Consideration was fixed by the Land and Survey Department of Sarawak. No valuation was carried out by SCIB.

Although no valuation was carried out by SCIB for the Land, the Board is of the view that the Purchase Consideration is fair and reasonable after conducting an internal review and taking into consideration the following factors:

- (i) the Purchase Consideration is inclusive of the common facilities such as access road, storm drainage, water supply, electricity supply ready for connection; and
- (ii) the strategic location of the Land including the accessibility, suitability and development of the surrounding areas.

2.4 Manner of the Purchase Consideration to be satisfied

The Purchase Consideration is to be paid to the Land and Survey Department of Sarawak in five (5) yearly instalments as stipulated in the Letter of Offer as follows:

Year of Instalment	Instalment to be paid for the Land
2024 (First)	RM5,684,524
2025 (Second)	RM4,250,276
2026 (Third)	RM4,250,276
2027 (Fourth)	RM3,718,140
2028 (Fifth)	RM3,718,140
	RM21,621,356

The Company shall pay RM5,684,524 as the first instalment for the land premium to the Land and Survey Department of Sarawak within thirty (30) days from the date of the Letter of Offer.

3. RATIONALE FOR THE LAND ACQUISITION

The intended use of the Land is for the construction of an industrial factory on the land for the production of concrete-related products such as Spun Piles, Spun Pipes and reinforced Concrete Products.

The Company has plans to relocate the current factory located at Pending Industrial Estate, Kuching Sarawak to the new site at the Demak Laut Industrial Park, which entails a greater land size and would enable the Group to increase its existing production capacity by almost 30% to meet the expected increase in the future market demand given the Sarawak Rapid infrastructure development plans within the next few years.

After relocating to the new Demak Laut site, the existing land at Pending Industrial Estate could be used for mixed development purposes subject to project feasibility studies.

4. SOURCE OF FUNDING

The first instalment of RM5,684,524 will be funded by an internally generated funds whereas the remaining balance sum up to RM15,936,832 shall be satisfied using the bank borrowings.

5. RISK FACTORS

Save for the non-completion risk, the financing risk, the economic and inherent risks normally associated with the acquisition of property, the Board does not foresee any other risk factors arising from the Land Acquisition which could materially or adversely affect the financial and operating condition of the SCIB Group.

6. FINANCIAL EFFECTS OF THE LAND ACQUISITION

The Land Acquisition will not have any effect on the share capital and the substantial shareholders' shareholdings in the Company as the Purchase Consideration will be satisfied wholly in cash and does not involve any issuance of new SCIB shares.

The Land Acquisition will not have any immediate effect on the earnings and earnings per share of the SCIB Group for the financial year ending 30 June 2024. However, the Land Acquisition is expected to increase the gearing of SCIB Group for the financial year ending 30 June 2024 with the drawdown of new banking facilities to fund the land acquisition and construction of the new factory.

Barring any unforeseen circumstances and subject to approvals from relevant authorities, the Board envisages the new factory to commence construction by 2nd Quarter of 2024 and completed by 1st Quarter of 2025. The Board expects the new factory to contribute positively to the earnings of the Group upon commencement of production in 2nd Quarter of 2025.

The Company anticipates that the construction of the factory will be completed within three (3) years from the date of the registration of the land title. After that, the Company would apply to the Land Survey Department of Sarawak for exemption from the fourth and fifth instalment payments as outlined in Section 2.2(ii) above, resulting in some savings on the Purchase Consideration.

7. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

None of the Directors and/or major shareholders of the Company and/ or person connected with them has any interest, direct and/or indirect, in the Land Acquisition.

8. STATEMENT BY DIRECTORS

The Board of Directors of the Company, having considered all aspects of the Land Acquisition, including but not limited to the rationale of the Land Acquisition is of the opinion that the Land Acquisition is in the best interest of the SCIB and its group of companies.

9. APPROVALS REQUIRED

The Land Acquisition is not subject to the approval of the shareholders of SCIB and/or any regulatory authorities.

10. HIGHEST PERCENTAGE RATIO

Based on the latest Interim Financial Report for the financial period ended 30 September 2023, announced by the Company on 29 November 2023, which was reviewed and approved by the Company's External Auditor, Messrs. Kreston John and Gan pursuant to Paragraph 10.03(4) of the MMLR of Bursa Securities, the highest percentage ratio applicable to the Land Acquisition under Paragraph 10.02(g) of MMLR is 15.92%.

11. DOCUMENT AVAILABLE FOR INSPECTION

The Letter of offer from the Land and Survey Department of Sarawak is available for inspection at the registered office of the Company at Lot 1258, Jalan Utama, Pending Industrial Estate, 93450 Kuching, Sarawak during normal office hours from Monday to Friday (except for public holidays) for a period of one (1) month from the date of this announcement.

This announcement is dated 26 January 2024.