

## **SUBJECT: RELATED PARTY TRANSACTION WITH ZECON LAND SDN. BHD. – SALE AND PURCHASE AGREEMENT**

### **1. INTRODUCTION**

The Board of Directors of Sarawak Consolidated Industries Berhad (“**SCIB**”) wishes to announce that its wholly-owned subsidiary, SCIB Concrete Manufacturing Sdn. Bhd (“**SCM**”) had on 22 January 2019 entered into a Sale and Purchase Agreement (“**the Agreement**”) with a related party, Zecon Land Sdn. Bhd. (“**Zecon Land**”) to purchase one (1) unit of the Four (4) Storey Shophouses described as Sublot 24 measuring approximately 459 square metres, more or less, in area (hereinafter referred to as “**the Shophouse**”) in Vista Tunku (Phase One) together with the land on which the Shophouse is built for a purchase price of Ringgit Malaysia One Million Three Hundred Thousand (RM1,300,000) only at a discount of around 3% of the listed price to be satisfied by way of offsetting and partial settlement of outstanding amounts due and owing by Zecon Group to SCM.

### **2. INFORMATION ON SCM, ZECON LAND AND ZECON GROUP**

SCM was incorporated on 31 July 2001 and its registered office at Lot 1258, Jalan Utama, Pending Industrial Estate, 93450 Kuching, Sarawak. Currently, the business activities carried out by SCM are trading of construction materials, manufacturing and sale of precast concrete pipes, prestressed spun concrete piles and other related concrete products.

Zecon Land was incorporated on 13 August 1994 and has its registered office at 8<sup>th</sup> Floor, Menara Zecon, No. 92, Lot 393, Section 5, KTL D, Jalan Satok, 93400 Kuching, Sarawak. Currently, the business activity carried out by Zecon Land is property development. Zecon Land is a wholly-owned subsidiary of Zecon Berhad.

Zecon Berhad was incorporated on 30 January 1985 and has its registered office at 8<sup>th</sup> Floor, Menara Zecon, No. 92, Lot 393, Section 5, KTL D, Jalan Satok, 93400 Kuching, Sarawak. Currently, the business activities carried out by Zecon Berhad are foundation engineering, civil engineering, building contracting works and related activities.

### **3. INFORMATION ON THE SHOPHOUSE**

#### **3.1 Information of the Land on which the building was built on**

The Land on which the Shophouse is built on is a 99 years leasehold land expiring in February 2098.

Zecon Land is the beneficial owner of land situated at Jalan Demak, Petra Jaya, Kuching containing an area of 39.2 hectares, more or less and described as Lot 4871 Block 18 Salak Land District.

Zecon Land has at its own cost and expense obtained approval from the relevant authorities for the development of part of the said Land into a mixed development project known as Vista Tunku Phase One of which comprises of 61 Units of Four Storey Shophouses (hereinafter referred to as “**Vista Tunku (Phase One)**”).

### **3.2 Listed price of the Shophouse and the basis and justification for the Purchase Price**

The Purchase Price of RM1,300,000 was determined on a “willing buyer willing seller” basis after taking into consideration the 3% discount from the listed price.

### **3.3 Stage of completion of the Shophouse**

The Shophouse has been completed and Occupation Permit has been issued on 27 January 2016.

### **3.4 Prospects of the Shophouse**

The Shophouse is located at Vista Tunku, a 100 acres mixed development project in Petra Jaya, Kuching, Sarawak. Petra Jaya is under the administrative jurisdiction of Dewan Bandaraya Kuching Utara and is known as the Administrative Centre of the Sarawak Government. There are prominent building and attraction close to proximity such as the Astana, Sarawak State Museum, High Court of Borneo, Sarawak State Legislative Assembly Building, Wisma Bapa Malaysia, Pustaka Negeri Sarawak and other Government offices. Within the Vista Tunku, Mydin Wholesale Hypermarket is opened and expected to attract businesses in that area. Besides, there are apartments expected to be built under the PR1MA- Skim Perumahan Rakyat 1 Malaysia within Vista Tunku to accommodate the increasing population due to migration and new families.

### **3.5 Intended use of the Shophouse upon completion of the Acquisition**

The Shophouse will be put for sale and avenue for sale include advertisement and appointment of sales agent to sell.

#### **4. PARTICULARS OF ALL LIABILITIES INCLUDING CONTINGENT LIABILITIES AND GUARANTEES TO BE ASSUMED BY SCM AND SCIB, ARISING FROM THE AGREEMENT**

There is no liability to be assumed by SCM and SCIB, arising from the Agreement.

#### **5. THE NATURE AND EXTENT OF THE INTERESTS OF THE DIRECTORS AND/ OR MAJOR SHAREHOLDERS**

YBhg. Datuk Haji Zainal Abidin bin Haji Ahmad is a shareholder of SCIB. Tuan Haji Zaidi Haji Ahmad is the Director of SCIB and is the brother of YBhg. Datuk Haji Zainal Abidin Bin Haji Ahmad. Tuan Haji Zaidi is also a director of SCM.

Zecon Land is a person connected with YBhg. Datuk Haji Zainal Abidin bin Haji Ahmad by virtue of his substantial interests in Zecon Land via Zecon Berhad pursuant to Section 8 of the Companies Act, 2016. As such, he is interested in the Agreement.

Save for the above, none of the Directors and/ or major shareholders of SCIB and/or persons connected with them have any interest, direct or indirect, in the Agreement.

#### **6. APPROVALS REQUIRED**

The Agreement is not subject to the approval of the shareholders and the relevant government authorities.

#### **7. EFFECTS OF THE AGREEMENT**

The Agreement is not expected to have any material effect on the net assets per share, earnings per share and gearing of SCM and SCIB for the financial year ending 31<sup>st</sup> December 2019.

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

#### **8. PROSPECTS AND RISK FACTORS**

SCIB is of the view that the prospects of the Agreement are positive and manageable. The Board of Directors is not aware of any risk factors arising from the Agreement other than the ordinary property and global economic risks.

## **9. RATIONALE FOR THE AGREEMENT**

The Agreement is to agree on the terms and conditions to purchase the Shophouse from Zecon Land to settle an amount of Ringgit Malaysia One Million Three Hundred Thousand (RM1,300,000) only due by Zecon Group to SCM.

## **10. SALIENT FEATURES OF THE AGREEMENT**

The Agreement is subject to the terms and conditions of the Agreement in the following manner:

- (i) Zecon Land agrees to sell and SCM agrees to purchase the said Shophouse free from encumbrances subject to any terms and conditions or restrictions imposed by relevant authorities;
- (ii) Zecon Land shall sell and SCM shall purchase the Shophouse and the Land for a purchase price of Ringgit Malaysia One Million Three Hundred Thousand (RM1,300,000.00) only (hereinafter referred as “Purchase Price”).
- (iii) Upon execution of the Agreement, Zecon Land agrees and acknowledges that the Purchase Price has been fully satisfied by SCM.

## **11. DOCUMENTS AVAILABLE FOR INSPECTION**

The Agreement and all other relevant documents in connection therewith are 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.

## **12. ESTIMATED TIMEFRAME FOR COMPLETION OF THE AGREEMENT**

Barring any unforeseen circumstances, the Agreement is expected to be completed within 12 months from the date of the Agreement.

## **13. HIGHEST PERCENTAGE RATIO**

The highest percentage ratio applicable to the Agreement pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 2.2% based on the audited consolidated financial statements of SCIB for the financial year ended 31<sup>st</sup> December 2017.

#### **14. TOTAL AMOUNT DUE AND OWING BY ZECON GROUP TO SCM AFTER COMPLETION OF THE AGREEMENT**

Total outstanding debts as at 31<sup>st</sup> December 2018 due and owing by Zecon Group to SCM was RM2,288,448.46. Total new sales from 1 January 2019 to 22 January 2019 was amounted to RM Nil and total payment received from 1 January 2019 to 22 January 2019 was also RM Nil.

After completion of the Sale and purchase agreement, the total outstanding debts is RM988,448.46.

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

The terms of the Agreement were agreed upon on 22 January 2019.

#### **16. STATEMENT BY THE AUDIT COMMITTEE**

The Audit Committee having considered the rationale and all other aspects of the Agreement, was of the view that the Agreement is in the best interests of the SCIB Group and the terms of the Agreement is fair, reasonable and on normal commercial terms and hence not detrimental to the interest of the minority shareholders.

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

The Board of Directors of SCIB saved for Haji Zaidi Bin Haji Ahmad, having considered the rationale and all other aspects of the Agreement and after due deliberation, is of the opinion that the Agreement is in the best interest of SCIB Group and its shareholders and the terms of the Agreement is fair, reasonable and on normal commercial terms and hence not detrimental to the interest of the minority shareholders.

Date of Announcement: 22 January 2019.