

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

PROPOSED REDUCTION OF THE ISSUED SHARE CAPITAL OF SCIB PURSUANT TO SECTION 116 OF THE COMPANIES ACT 2016 ("ACT") ("PROPOSED CAPITAL REDUCTION")

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 the Proposed Capital Reduction.

Further details of the Proposed Capital Reduction are set out in the ensuing sections of this announcement.

2. DETAILS OF THE PROPOSED CAPITAL REDUCTION

The Proposed Capital Reduction entails the reduction of RM40.00 million of the issued share capital of the Company which is lost and unrepresented by available assets pursuant to Section 116(1)(b) of the Act. The corresponding credit of RM40.00 million arising from the Proposed Capital Reduction will be utilised to eliminate the accumulated losses of the Company while the balance, if any, will be credited to the retained earnings account of the Company which may be utilised in such manner as the Board deems fit, as permitted by the relevant and applicable laws, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") as well as the Company's Constitution.

As at 1 April 2021, being the latest practicable date prior to this announcement ("**LPD**"), the total issued share capital of the Company is approximately RM152.27 million comprising 490,610,000 ordinary shares in SCIB ("**SCIB Shares**" or "**Shares**").

The Company does not have any treasury shares as at the LPD. In addition, as at the LPD, the Company has 245,184,997 outstanding Warrants which are exercisable into 245,184,997 new SCIB Shares at the exercise price of RM1.77 per Warrant.

For illustrative purposes, the pro forma effects of the Proposed Capital Reduction on the accumulated losses of the Company, and SCIB and its subsidiaries ("**SCIB Group**" or the "**Group**") based on the latest audited consolidated financial statements of SCIB Group for the financial year ended ("**FYE**") 31 December 2019 and the unaudited financial results of SCIB Group for the 12-month FYE 31 December 2020 are set out below:-

	Audited as at 31 December 2019		Unaudited 12-month FYE 31 December 2020	
	Company (RM'000)	Group (RM'000)	Company (RM'000)	Group (RM'000)
Retained earnings/ (Accumulated losses)	(37,136)	(33,913)	(15,758)	14,351
Add: Credit arising from the Proposed Capital Reduction	40,000	40,000	40,000	40,000
Less: Estimated expenses for the Proposed Capital Reduction	(265)	(265)	(265)	(265)
Resultant retained earnings/ (accumulated losses)	2,599	5,822	23,977	54,086

An order by the court will be sought to confirm the Proposed Capital Reduction pursuant to Section 116 of the Act after the receipt of approvals from the shareholders of the Company for the Proposed Capital Reduction at a general meeting of the Company to be convened.

The effective date of the Proposed Capital Reduction will be the date of lodgement of the sealed court order of the High Court confirming the Proposed Capital Reduction with the Registrar of Companies pursuant to Section 116(6) of the Act.

3. RATIONALE FOR THE PROPOSED CAPITAL REDUCTION

The Proposed Capital Reduction will eliminate SCIB's accumulated losses via reduction and cancellation of the current issued share capital of the Company (in RM value) to more accurately reflect the value of the underlying assets and the financial position of the Company and enhance the financial profile of SCIB Group with its bankers, customers, suppliers, investors, and other stakeholders of SCIB Group following the elimination of the accumulated losses.

Additionally, the elimination of the accumulated losses pursuant to the Proposed Capital Reduction will enable the Group to start afresh of its capital position by the new management team who came on board since September 2019, reflecting an improved business and financial performance of the Group, and in accordance with the Board and new management team's strategy to strengthen the capital position of the Group, which would solidify the Group's competitiveness in the industry.

4. EFFECTS OF THE PROPOSED CAPITAL REDUCTION

The Proposed Capital Reduction will not result in:

- (i) any adjustment to the share price of SCIB;
- (ii) any change in the total number of SCIB Shares in issue or the number of SCIB Shares held by the shareholders of SCIB;
- (iii) any change to the exercise price and number of the outstanding Warrants held by Warrants holders of the Company;
- (iv) any payment to the shareholders of SCIB; and
- (v) any outflow of cash or change in the net assets ("**NA**") of the Group, save for the estimated expenses to be incurred in relation to the Proposed Capital Reduction.

The pro forma effects of the Proposed Capital Reduction on the Company's issued share capital, NA, gearing level of the Group, substantial shareholder, earnings and earnings per Share ("**EPS**") and convertible securities based on the following scenarios:-

Minimum Scenario	Assuming none of the outstanding Warrants is exercised prior to the completion of the Proposed Capital Reduction.
Maximum Scenario	Assuming all of the outstanding Warrants are exercised prior to the completion of the Proposed Capital Reduction.

4.1 Issued share capital

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

	Minimum Scenario		Maximum Scenario	
	No. of SCIB Shares ('000)	(RM'000)	No. of SCIB Shares ('000)	(RM'000)
Share capital of SCIB as at the LPD	490,610	152,269	490,610	152,269
Assuming full exercise of the Warrants ⁽¹⁾	-	-	245,185	433,977
Reduction of the issued share capital pursuant to the Proposed Capital Reduction	490,610	152,269	735,795	586,246
	-	(40,000)	-	(40,000)
After the Proposed Capital Reduction	490,610	112,269	735,795	546,246

Note:-

(1) Assuming all the 245,184,997 Warrants are exercised at an exercise price of RM1.77 per Warrant prior to the completion of the Proposed Capital Reduction.

4.2 Substantial shareholders' shareholdings

The Proposed Capital Reduction will not have any effect on the shareholdings of the substantial shareholders in the Company.

4.3 NA, NA per Share and gearing level

For illustration purposes, the pro forma effects of the Proposed Capital Reduction on the NA, NA per Share and gearing level of the Group based on its latest audited consolidated financial statement of financial position for the FYE 31 December 2019 are set out below:-

Minimum Scenario

	Audited as at 31 December 2019 (RM'000)	Subsequent events up to the LPD ⁽¹⁾ (RM'000)	After the Proposed Capital Reduction (RM'000)
Share capital	85,913	152,269	112,269 ⁽²⁾
Retained earnings/ (Accumulated losses)	(33,913)	(33,913)	5,822 ⁽²⁾⁽³⁾
Shareholders' equity/NA	52,000	118,356	118,091
No. of SCIB Shares in issued ('000)	85,883	490,610	490,610
NA per SCIB Share (RM)	0.61	0.24	0.24
Total borrowings ⁽⁴⁾ (RM'000)	37,425	37,425	37,425
Gearing (times)	0.72	0.32	0.32

Notes:-

- (1) After adjusting for the following:-
- 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;
 - 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
 - a total of 80,000 Warrants were exercised at RM1.77 per Warrant, and the converted Shares were listed on 19 March 2021.
- (2) After cancellation of approximately RM40.00 million from the share capital of the Company pursuant to the Proposed Capital Reduction.
- (3) After deducting estimated expenses pertaining to the Proposed Capital Reduction amounting to approximately RM0.27 million.
- (4) All interest bearings, bank borrowings and lease liabilities.

Maximum Scenario

	Audited as at 31 December 2019 (RM'000)	Subsequent events up to the LPD ⁽¹⁾ (RM'000)	I Assuming all outstanding Warrants are exercised (RM'000)	II After I and after the Proposed Capital Reduction (RM'000)
Share capital (Accumulated losses)/retained earnings Shareholders' equity/ NA	85,913 (33,913) 52,000	152,269 (33,913) 118,356	586,246 ⁽²⁾ (33,913) 552,333	546,246 ⁽³⁾ 5,822 ⁽³⁾⁽⁴⁾ 552,068
No. of SCIB Shares ('000)	85,883	490,610	735,795	735,795
NA per SCIB Share (RM)	0.61	0.24	0.75	0.75
Total Borrowings ⁽⁵⁾ (RM'000)	37,425	37,425	37,425	37,425
Gearing (times)	0.72	0.32	0.07	0.07

Notes:-

- (1) After adjusting for the following:-
- 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;
 - 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
 - a total of 80,000 Warrants were exercised at RM1.77 per Warrant, and the converted Shares were listed on 19 March 2021.
- (2) Assuming all the 245,184,997 outstanding Warrants are exercised at an exercise price of RM1.77 per Warrant prior to the completion of the Proposed Capital Reduction.
- (3) After cancellation of approximately RM40.00 million from the share capital of the Company pursuant to the Proposed Capital Reduction.
- (4) After deducting estimated expenses pertaining to the Proposed Capital Reduction amounting to approximately RM0.27 million.
- (5) All interest bearings, bank borrowings and lease liabilities.

4.4 Earnings and earnings per Share

The Proposed Capital Reduction will not have any material effect on the consolidated earnings and EPS of SCIB for the FYE 31 December 2021.

4.5 Convertible securities

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

The Proposed Capital Reduction will not give rise to any adjustment to the exercise price and the number of the Warrants.

5. APPROVALS REQUIRED

The Proposed Capital Reduction is subject to the following approvals being obtained:-

- (i) the approvals of the shareholders of the Company at a general meeting for the Proposed Capital Reduction to be convened;
- (ii) the sanction of the High Court pursuant to Section 116 of the Act; and
- (iii) the approval of any other relevant authorities and/ or parties, if applicable.

6. CONDITIONALITY

The Proposed Capital Reduction is not conditional upon any other corporate proposals undertaken or to be undertaken by the Company.

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

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

8. DIRECTORS' STATEMENT

The Board, after having considered all aspects of the Proposed Capital Reduction, including but not limited to the rationale and financial effects of the Proposed Capital Reduction, is of the opinion that the Proposed Capital Reduction is in the best interest of the Company.

9. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposed Capital Reduction is expected to be completed in the 3rd quarter of 2021.

10. ADVISER

UOBKH has been appointed as the Adviser for the Proposed Capital Reduction.

This announcement is dated 26 April 2021.