

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

- (I) PROPOSED CAPITALISATION; AND
(II) PROPOSED LTIP

(COLLECTIVELY, THE "PROPOSALS")

1. INTRODUCTION

On behalf of the Board of Directors of SCIB ("**Board**"), M&A Securities Sdn Bhd ("**M&A Securities**") wishes to announce that the Company intends to undertake the following proposals:

- (a) proposed capitalisation of an aggregate amount of RM11,301,266.80 debt owing to Goh Hardware & Construction Sdn Bhd ("**Goh Hardware**" or "**Creditor**") ("**Capitalisation Amount**") by SCIB Properties Sdn Bhd ("**SCIB Properties**"), a wholly-owned subsidiary of SCIB, via the issuance of 18,496,345 new ordinary shares in SCIB ("**Shares**" or "**SCIB Shares**") ("**Capitalisation Shares**") at an issue price of RM0.6110 per Capitalisation Share ("**Issue Price**") ("**Proposed Capitalisation**"); and
- (b) proposed establishment and implementation of a long term incentive plan ("**LTIP**") of up to 15.0% of the Company's total number of issue Shares (excluding treasury shares, if any) at any point of time during the duration of the LTIP for the eligible directors of SCIB ("**Directors**") and employees of SCIB and its non-dormant subsidiary(ies) ("**SCIB Group**" or the "**Group**"), who fulfil the eligibility criteria as set out in the by-laws of the LTIP ("**Proposed LTIP**" or "**Scheme**"). The Proposed LTIP comprises of a share grant plan ("**Proposed SGP**") and a share option plan ("**Proposed SOP**").

(Collectively, the "**Proposals**")

Further details of the Proposals are set out in the ensuing sections of this announcement.

2. DETAILS OF THE PROPOSALS

As at 1 November 2023, being the latest practicable date prior to the date of this announcement ("**LPD**"), SCIB has:

- (a) an issued share capital of RM166,258,892 comprising 640,241,285 SCIB Shares; and
- (b) 245,184,997 outstanding warrants 2021/2024 ("**Warrants**").

For illustrative purposes, the effects of the Proposals shall be based on the following scenarios:

- Minimum Scenario** : Assuming none of the Warrants are exercised prior to the implementation of the Proposals
- Maximum Scenario** : Assuming all of the Warrants are exercised prior to the implementation of the Proposals

2.1 Proposed Capitalisation

On 30 November 2023, SCIB and SCIB Properties had entered into a capitalisation agreement with Goh Hardware to settle the Capitalisation Amount via the issuance of Capitalisation Shares at the Issue Price ("**Capitalisation Agreement**").

Pursuant to the Capitalisation Agreement, SCIB shall repay the Capitalisation Amount owing by SCIB Properties to the Creditor based on the cut-off date as at the LPD ("**Cut-off Date**") via the issuance of Capitalisation Shares at the Issue Price, as set out below:

Creditor	Amount owing to Creditor as at the Cut-Off Date RM	Amount to be settled RM	No. of Capitalisation Shares to be issued
Goh Hardware	11,301,266.80	11,301,266.80	18,496,345

2.1.1 Information on Goh Hardware

Goh Hardware was incorporated under the Companies Act 2016 ("**Act**") on 22 May 2015 as a private limited company.

As at the LPD, the issued share capital of Goh Hardware is RM1.25 million comprising 1.25 million ordinary shares. Goh Hardware is principally involved as general contractors and builders, hardware suppliers, as well as the provision of construction and building materials.

As at the LPD, the directors of Goh Hardware are Goh Hui Min and Goh Lup Ping.

As at the LPD, the shareholdings of the shareholders of Goh Hardware are as follows:

Shareholders	Direct		Indirect	
	No. of shares	%	No. of shares	%
Goh Ah Tee	500,000	40.0	-	-
Goh Hui Min	300,000	24.0	-	-
Goh Lup Ping	300,000	24.0	-	-
Lee Thay	150,000	12.0	-	-

As at the LPD, Goh Hardware, their directors and shareholders do not hold any Shares or Warrants in SCIB.

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The proforma effects of the Proposed Capitalisation on the shareholdings of Goh Hardware in SCIB are as follows:

Minimum Scenario

Names	As at the LPD				(I) After Proposed Capitalisation			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	(1)%	No. of Shares	(1)%	No. of Shares	(2)%	No. of Shares	(2)%
Goh Hardware	-	-	-	-	18,496,345	2.81	-	-
Goh Ah Tee	-	-	-	-	-	-	(3)18,496,345	2.81
Goh Hui Min	-	-	-	-	-	-	(3)18,496,345	2.81
Goh Lup Ping	-	-	-	-	-	-	(3)18,496,345	2.81

Notes:

- (1) Based on issued Shares of 640,241,285 in SCIB.
- (2) Based on the enlarged issued Shares of 658,737,630 in SCIB.
- (3) Deemed interested by virtue of their shareholdings in Goh Hardware, pursuant to Section 8 of the Act.

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Maximum Scenario

Names	As at the LPD				(I) After full exercise of Warrants			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	⁽¹⁾%	No. of Shares	⁽¹⁾%	No. of Shares	⁽²⁾%	No. of Shares	⁽²⁾%
Goh Hardware	-	-	-	-	-	-	-	-
Goh Ah Tee	-	-	-	-	-	-	-	-
Goh Hui Min	-	-	-	-	-	-	-	-
Goh Lup Ping	-	-	-	-	-	-	-	-

Names	(II) After (I) and Proposed Capitalisation			
	Direct		Indirect	
	No. of Shares	⁽³⁾%	No. of Shares	⁽³⁾%
Goh Hardware	18,496,345	2.05	-	-
Goh Ah Tee	-	-	⁽⁴⁾ 18,496,345	2.05
Goh Hui Min	-	-	⁽⁴⁾ 18,496,345	2.05
Goh Lup Ping	-	-	⁽⁴⁾ 18,496,345	2.05

Notes:

- (1) Based on issued Shares of 640,241,285 in SCIB.
- (2) Based on the enlarged issued Shares of 885,426,282 in SCIB.
- (3) Based on the enlarged issued Shares of 903,922,627 in SCIB.
- (4) Deemed interested by virtue of their shareholdings in Goh Hardware, pursuant to Section 8 of the Act.

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2.1.2 Nature of debt owing to Goh Hardware

On 24 October 2019, SCIB Properties, a wholly owned subsidiary of SCIB, had accepted letters of awards for 2 engineering, procurement, construction and commissioning ("EPCC") contracts, details of which are as follows:

Project scope	details/ Client	Project owner	Project value (RM)	Duration
Main Building Works Phase 1 Package C: Independent utility facility (IUF) at Kota Tinggi, Johor	Edaran Kencana Sdn Bhd ("Edaran Kencana") ⁽¹⁾	Serba Dinamik Development Sdn Bhd ("SDD")	25,252,874.85	8 November 2019 to 7 June 2020
Main Building Works Phase 1 Package C: Maintenance, repair and overhaul (MRO) at Kota Tinggi, Johor	Edaran Kencana ⁽¹⁾	SDD	32,948,520.05	8 November 2019 to 7 June 2020

Note:

- ⁽¹⁾ Edaran Kencana is an associate of SCIB, whereby SCIB Properties holds 30% equity interest in Edaran Kencana. Edaran Kencana's principal activities are as a general contractor and builder, engineering consultancy and other related services.

Subsequently on 4 November 2019, SCIB Properties had awarded the abovementioned projects to Goh Hardware with the following contract value:

Project details/ scope	Contract value (RM)
Main Building Works Phase 1 Package C: Independent utility facility (IUF) at Kota Tinggi, Johor	24,050,357.00
Main Building Works Phase 1 Package C: Maintenance, repair and overhaul (MRO) at Kota Tinggi, Johor	31,379,542.90

On 22 November 2022, SCIB Properties had issued notices of termination to Edaran Kencana to mutually terminate the abovementioned projects, and unconditionally release and forever discharge both parties from all claims, liens and obligations of every nature arising out of or in connection with the performance of the works and all amendments thereto save and except that Edaran Kencana shall not be discharged of their obligation to pay the sum owing and due to SCIB Properties as stated in the notices of termination. SCIB had terminated the abovementioned projects due to slow payment and long outstanding debts owing by the project owner.

As at the LPD, the total debt owing by SCIB Properties to Goh Hardware of RM11,301,266.80 is free from interest.

Pursuant to the Capitalisation Agreement, the total amount of RM11,301,266.80 shall be repaid through capitalisation via issuance of the Capitalisation Shares within 1 month from the date the conditions precedent being fulfilled or such extended period as the parties to the Capitalisation Agreement may mutually agree in writing as set out in Section 2.1.3 of this announcement.

The nature of debt amounting to RM11,301,266.80 is as follows:

<u>Date of invoice</u>	<u>Description of amount</u>	<u>Outstanding amount</u> <u>RM</u>
Main Building Works Phase 1 Package C: Independent utility facility (IUF) project		
10 December 2020	Progress payment	1,585,464.71
31 December 2020	Progress payment	1,561,052.27
29 January 2021	Progress payment	1,001,524.90
31 March 2021	Progress payment	500,199.22
From 20 December 2019 to 31 March 2021	Project retention	1,202,517.85
From 20 December 2019 to 31 March 2021	Retention for performance bond	628,935.50
Main Building Works Phase 1 Package C: Maintenance, repair and overhaul (MRO)		
20 November 2020	Progress payment	9,307.37
10 December 2020	Progress payment	716,147.60
31 December 2020	Progress payment	539,582.15
29 January 2021	Progress payment	800,016.26
31 March 2021	Progress payment	700,345.21
From 17 December 2019 to 31 March 2021	Project retention	1,370,782.51
From 17 December 2019 to 31 March 2021	Retention for performance bond	685,391.25
Amount outstanding as at the LPD		<u>11,301,266.80</u>

2.1.3 Salient terms of Capitalisation Agreement

The salient terms of the Capitalisation Agreement are set out in Appendix I of this announcement.

2.1.4 Basis and justification of determining the Issue Price

The Board had fixed the issue price of the Capitalisation Shares at RM0.6110 each after taking into consideration the following:

- (a) the 5-day volume weighted average market price ("**5D-VWAMP**") of SCIB Shares up to and including 29 November 2023, being the last trading day preceding the date of the Capitalisation Agreement ("**LTD**") of RM0.6898 per Share and the 1-month VWAMP of SCIB Shares up to and including LTD of RM0.6133. The Issue Price represents a discount of 11.42% and 0.38% to the 5D-VWAMP up to and including

the LTD of RM0.6898 and 1-month VWAMP up to and including the LTD of RM0.6133 respectively which the Board deemed as sufficiently attractive to entice the Creditor to accept the Proposed Capitalisation in shares instead of cash after negotiation with the Creditor.

In addition, the discount taken into consideration the market risk of SCIB Shares to be assumed by the Creditor such as economic uncertainties which can be influenced by factors such as inflation, interest rates, market sentiments, liquidity of SCIB Shares as well as volatility of the equity markets.

- (b) as a gesture of goodwill to Creditor as the outstanding amount dates back to November 2020 to March 2021; and
- (c) the rationale for the Proposed Capitalisation as set out in Section 3.1 of this announcement.

After considering the above, the Board is of the opinion that the Issue Price is fair and reasonable.

2.1.5 Ranking Capitalisation Shares

The Capitalisation Shares shall, upon allotment and issuance, rank *pari passu* in all respects with the existing Shares, save and except that the Capitalisation Shares will not be entitled to any dividends, rights, allotments and/or any other form of distributions where the entitlement date of such dividends, rights, allotments and/or any other form of distributions precedes the relevant date of allotment and issuance of the Capitalisation Shares.

2.1.6 Listing of and quotation for the Capitalisation Shares

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

2.2 Proposed LTIP

The Proposed LTIP entails the establishment of a scheme which comprises the Proposed SGP and Proposed SOP to attract, retain, motivate and reward the eligible Directors and employees, who fulfil the criteria for eligibility for participation as set out in Section 2.2.3(c) of this announcement ("**Eligible Person(s)**"), in accordance with the by-laws governing the Scheme ("**By-Laws**").

The Proposed LTIP will be administered by a committee, comprising members who shall be duly appointed and authorised by the Board ("**LTIP Committee**") and governed by the By-Laws. The LTIP Committee will have absolute discretion in administering the Scheme including prescribing financial and performance criteria and such other conditions as it may deem fit.

The salient features of the Proposed LTIP, details of which will be governed by the By-Laws, are set out in the ensuing sections.

2.2.1 Proposed SGP

The Proposed SGP is intended to allow SCIB to reward the Eligible Persons through the award of SCIB Shares ("**SGP Award(s)**"), subject to the terms and conditions of the By-Laws.

Upon acceptance of the SGP Awards by the Eligible Person(s) ("**SGP Participant(s)**"), the SGP Awards will be vested to the SGP Participants at no consideration over the duration of the Proposed LTIP, subject to the SGP Participants fulfilling the vesting conditions as may be

determined by the LTIP Committee in accordance with the By-Laws. The reference price of the SGP Awards to be awarded will be determined based on the fair value of the SGP Awards, which will take into account, amongst others, the market price of the Shares as at or prior to the award date of the SGP Awards.

2.2.2 Proposed SOP

The Proposed SOP is intended to allow SCIB to reward the Eligible Persons through the award of share options ("**SOP Option(s)**") to subscribe for new SCIB Shares at a prescribed option price ("**Option Price**") ("**SOP Award(s)**"), subject to the terms and conditions of the By-Laws.

Upon acceptance of the SOP Awards by the Eligible Person(s) ("**SOP Participant(s)**"), the SOP Awards will be vested to the SOP Participants at the Option Price over the duration of the Proposed LTIP, subject to the SOP Participants fulfilling the vesting conditions as may be determined by the LTIP Committee in accordance with the By-Laws.

Subject to any adjustments to be made under the By-Laws and pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**"), the Option Price shall be based on a price to be determined by the Board upon recommendation of the LTIP Committee based on the 5D-VWAMP of SCIB Shares immediately preceding the award date of the SOP Awards with a discount of not more than 10.0% or such other percentage of discount as may be permitted by Bursa Securities or any other relevant authorities from time to time during the duration of the Proposed LTIP.

2.2.3 Salient terms of the Proposed LTIP

(a) Maximum number of SCIB Shares available under the Proposed LTIP

The maximum number of SCIB Shares which may be made available under the Scheme shall not in aggregate exceed 15.0% of the total number of issued Shares of the Company (excluding treasury shares, if any) at any point of time during the duration of the Proposed LTIP.

(b) Basis of allocation and maximum allowable allocation

Subject to Section 2.2.3(a) of this announcement and any adjustment which may be made under the By-Laws, the maximum number of new SCIB Shares to be awarded to an Eligible Person under the Scheme at any point of time in each award under Proposed LTIP ("**LTIP Awards**") shall be at the sole and absolute discretion of the LTIP Committee after taking into consideration, inter alia, the Eligible Person's designation, length of service, work performance and/or such other factors as the LTIP Committee deems fit, and subject to the following conditions:

- (i) the total number of SCIB Shares made available under the Scheme shall not exceed the amount set out in Section 2.2.3(a) above;
- (ii) not more than 10.0% (or such other percentage as may be permitted by Bursa Securities or any other relevant authorities from time to time) of the total number of issued shares of the Company made available under the Scheme shall be allocated to any Eligible Person who, either singly or collectively through persons connected (as defined in the Listing Requirements) with the Eligible Person, holds 20.0% (or such other percentage as may be permitted by Bursa Securities or any other relevant authorities from time to time) or more of the total number of issued shares of the Company (excluding treasury shares, if any);

- (iii) up to 50.0% of the total number of SCIB Shares which may be made available under the Scheme could be allocated, in aggregate, to the Directors and senior management of SCIB Group who are Eligible Persons (where "**senior management**" shall be subject to any criteria as may be determined at the sole discretion of the LTIP Committee from time to time); and
- (iv) the Directors and senior management of SCIB Group shall not participate in the deliberation or discussion of their respective allocations as well as to persons connected with them, if any,

PROVIDED ALWAYS THAT it is in accordance with the Listing Requirements or any prevailing guidelines issued by Bursa Securities or any other relevant authorities, as amended from time to time.

The LTIP Committee shall determine the maximum number of SCIB Shares for the LTIP Awards that will be made available to an Eligible Person under the Scheme, in the manner provided in the By-Laws in relation to each class or grade of Directors and employees and the aggregate maximum number of LTIP Awards that can be awarded to the Directors and employees under the Scheme from time to time, and the decision of the LTIP Committee shall be final and binding.

The LTIP Committee may, at its sole and absolute discretion, determinate whether the LTIP Awards to the Eligible Person(s) will be made on a staggered basis over the duration of the Scheme or in a single award and/or whether the LTIP Awards are subject to any vesting period and if so, to determine the vesting conditions.

(c) Eligibility

Subject to the sole discretion of the LTIP Committee, only Eligible Persons who fulfil the following conditions as at the date on which the LTIP is awarded to the Eligible Persons ("**LTIP Award Date**") shall be eligible to participate in the Scheme:

- (i) in respect of an employee, the employee must fulfil the following criteria as at the LTIP Award Date:
 - (aa) is at least eighteen (18) years of age and is not an undischarged bankrupt nor subject to any bankruptcy proceedings;
 - (bb) is employed by SCIB Group on a full-time basis or serving in a specific designation under an employment contract with SCIB Group for a fixed duration (or any other contract as may be determined by the LTIP Committee) and is on the payroll of any company within SCIB Group and has not served a notice of resignation or received notice of termination;
 - (cc) must have been in employment of the SCIB Group for a period of at least 6 months prior to the LTIP Award Date;
 - (dd) is confirmed in writing as a full-time Employee of SCIB Group prior to and up to the LTIP Award Date; and
 - (ee) fulfils any other criteria and/or falls within such category as may be determined by the LTIP Committee from time to time.
- (ii) in respect of an executive Director, the executive Director must fulfil the following criteria as at the LTIP Award Date:

- (aa) is at least 18 years of age and is not an undischarged bankrupt nor subject to any bankruptcy proceedings;
 - (bb) is appointed as an executive Director of the Company and/or any company within the SCIB Group for such periods as may be determined by the LTIP Committee prior to and up to the LTIP Award Date; and
 - (cc) fulfils any other criteria and/or falls within such category as may be determined by the LTIP Committee from time to time.
- (iii) in respect of a non-executive Director, the non-executive Director must fulfil the following criteria as at the date of which SOP is awarded to the Eligible Persons under the SOP ("**SOP Award Date**"):
- (aa) is at least 18 years of age and is not an undischarged bankrupt nor subject to any bankruptcy proceedings;
 - (bb) is appointed as a non-executive Director of the Company or any company within SCIB Group for such periods as may be determined by the LTIP Committee prior to and up to SOP Award Date; and
 - (cc) fulfils any other criteria and/or falls within such category as may be determined by the LTIP Committee from time to time.

For avoidance of doubt, the non-executive Directors are not eligible to participate in the Proposed SGP.

Notwithstanding the above, the LTIP Committee may, at its absolute discretion, waive any of the eligibility conditions as set out above. The eligibility and number of LTIP Award(s) to be awarded to an Eligible Person under the Scheme shall be at the sole and absolute discretion of the LTIP Committee and the decision of the LTIP Committee shall be final and binding.

Subject to the above, the LTIP Committee may from time to time at its own discretion decide on the performance targets to be achieved by the LTIP participants before the LTIP Awards can be vested.

Eligibility under the Scheme does not confer on an Eligible Person any claim or right to participate in or any right whatsoever under the Scheme, and the Eligible Person does not acquire or has any right over or in connection with the LTIP Award(s) unless the LTIP Award(s) has been made by the LTIP Committee to the Eligible Person and the Eligible Person has accepted the LTIP Award(s) in accordance with the provisions of the By-Laws.

(d) Duration and termination of the Scheme

The Scheme, when implemented, shall be in force for a period of 5 years from the effective date of the Scheme ("**Effective Date**"). The Company may, if the Board deems fit and upon the recommendation of the LTIP Committee, extend the Scheme for a period of up to a maximum of 5 years, commencing from the day after the date of expiration of the original 5 years period, and shall not in aggregate exceed 10 years from the Effective Date or such longer period as may be permitted by Bursa Securities or any other relevant authorities. Such extended Scheme shall be implemented in accordance with the terms of the By-Laws, save for any amendment and/or change to the relevant statutes and/or regulations then in force. Unless otherwise required by the relevant authorities, no further approvals from the shareholders of the Company shall be required for the extension of the Scheme and the Company shall serve

appropriate notices on each LTIP participant(s) and/or make any necessary announcements to any parties and/or Bursa Securities (if required) within 30 days prior to the date of expiry or such other period as may be stipulated by Bursa Securities.

The Scheme may be terminated by the LTIP Committee at any time before the date of expiry of the Scheme provided that an announcement is released to Bursa Securities on the following:

- (i) the effective date of termination ("**Termination Date**");
- (ii) the number of the SCIB Shares vested pursuant to the SGP and/or number of SOP Option(s) exercised pursuant to the SOP; and
- (iii) the reasons and justification for termination.

In the event of termination as stipulated in the above, the following provisions shall apply:

- (i) no further LTIP Award(s) shall be awarded by the LTIP Committee from the Termination Date;
- (ii) all LTIP Award(s) which have yet to be accepted by the Eligible Persons, shall automatically lapse and become null and void on the Termination Date; and
- (iii) any LTIP Award(s) which have yet to be vested or exercised (as the case may be and whether fully or partially) awarded under the Scheme shall be deemed cancelled and be null and void.

Subject to the requirements under the Listing Requirements, approval or consent of the shareholders of the Company by way of a resolution in a general meeting and written consent of LTIP participant(s) who have yet to be vested their LTIP Awards and/or exercise their vested SOP Options are not required to effect a termination of the Scheme.

(e) Rights attaching to SCIB Shares

The new SCIB Shares arising upon vesting of SGP Awards and/or exercising of the SOP Options shall, upon allotment and issuance, rank equally in all respects with the existing SCIB Shares and shall:

- (i) be subject to the provisions of the Constitution; and
- (ii) rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing SCIB Shares, the record date for which is on or after the date on which the SCIB Shares are credited into the Central Depository System Account ("**CDS Account**") of the LTIP participant(s) and shall in all other respects rank equally with other existing SCIB Shares then in issue.

Notwithstanding any provision in the By-Laws, the LTIP participant(s) shall not be entitled to any rights, dividends or other distributions attached to the Shares prior to the date on which such SCIB Shares are credited into their respective CDS Accounts.

(f) Retention period

The new SCIB Shares arising upon vesting of SGP Awards and/or exercising of the SOP Options will not be subjected to any retention period or restriction on transfer unless otherwise as stated in the LTIP Award(s) as determined by the LTIP Committee from time to time. However, LTIP participant(s) are encouraged to hold the SCIB Shares as a long-term investment and not for any speculative and/or realisation of any immediate gain. The expression “**retention period**” shall mean the period in which the SCIB Shares awarded and issued pursuant to the Scheme must not be sold, transferred, assigned or otherwise disposed of by the LTIP participant(s).

Notwithstanding to the above, the LTIP Committee shall be entitled, at its discretion, to prescribe or impose, in relation to any LTIP Award(s), any condition relating to any retention period or restriction on transfer (if applicable) as the LTIP Committee sees fit.

An eligible Director who is a non-executive Director in the Group shall not sell, transfer or assign the Shares obtained through the exercise of the SOP Options granted to him within 1 year from the SOP Award Date.

(g) Alteration in share capital and adjustment

Subject to the adjustment provisions of the By-Law, in the event of any alteration in the capital structure of the Company during the duration of the Scheme, whether by way of capitalisation of profits or reserves, rights issue, bonus issue, consolidation or subdivision of the SCIB Shares or reduction in share capital (save for set-off against accumulated losses) or any other variation of capital shall take place during the duration of the Scheme, the Company shall cause such adjustment to be made:

- (i) in relation to the SGP:
 - (aa) the number of Shares comprised in the SGP Award(s) to the extent not yet vested; and/or
 - (bb) the method and/or manner in the vesting of the Shares comprised in the SGP Award(s).
- (ii) in relation to the SOP:
 - (aa) the Option Price and/or number of SOP Options comprised in the SOP Award(s) to the extent not yet vested or exercised; and/or
 - (bb) the method and/or manner in the vesting of the SOP Options comprised in the SOP Awards.

Any adjustments must be confirmed in writing by the Company’s external auditors or principal adviser (acting as experts and not as arbitrators), upon reference to them by the LTIP Committee, to be in their opinion, fair and reasonable.

(h) Listing of and quotation for the new SCIB Shares

SCIB shall make an application to Bursa Securities for the listing of and quotation for such number of new SCIB Shares, representing up to 15.0% of the total number of issued SCIB Shares (excluding treasury shares, if any) to be issued pursuant to the Proposed LTIP on the Main Market of Bursa Securities.

(i) Utilisation of proceeds

The proceeds arising from the exercise of the SOP Options will depend on, amongst others, the number of SOP Options granted and exercised at the relevant point in time as well as the Option Price. As such, the actual amount of proceeds arising from the exercise of the SOP Options as well as the timeframe for the utilisation of proceeds cannot be determined at this juncture.

Nevertheless, the Company intends to utilise the proceeds arising from the exercise of the SOP Options, if any, as working capital for the Group which commensurate with the business operations of the Group. The working capital raised to be from the exercise of the SOP Options will be utilised to finance the Group's general working capital requirements which shall include administrative expenses such as staff salaries, group overhead expenses (i.e. utilities, upkeep of office premise), Directors' remuneration, employer's statutory contribution, purchase of raw materials and other miscellaneous operating expenses.

3. RATIONALE OF THE PROPOSALS

3.1 Proposed Capitalisation

The purpose of the Proposed Capitalisation is to settle the Capitalisation Amount. The Board is of the view that the settlement of the Capitalisation Amount via the issuance of Capitalisation Shares to the Creditor is the most appropriate method as it would enable the Group to:

- (a) settle the indebtedness without incurring additional debt obligation/ interest expenses by the Group;
- (b) strengthen the Company's equity base as well as the net assets ("NA") and gearing ratio of the Company as a result of the increase in the share capital of the Company; and;
- (c) preserve its cash for other purposes, such as working capital requirements.

3.2 Proposed LTIP

The implementation of the Proposed LTIP primarily serves to align the interests of Eligible Persons to the corporate goals of the SCIB Group. The Proposed LTIP will provide Eligible Persons with an opportunity to have equity participation in the Company and help achieve the positive objectives as set out below:

- (a) to recognise the contribution of the Eligible Persons whose services are valued and considered vital to the operations and continued growth of the SCIB Group;
- (b) to reward the Eligible Persons by allowing them to participate in the Group's profitability and eventually realise any potential capital gains arising from possible appreciation in the value of SCIB Shares;
- (c) to make the Group's remuneration scheme more competitive to attract more skilled and experienced individuals to join the Group and contribute to its continued growth;
- (d) to motivate the Eligible Persons towards achieving improved performance through greater productivity and loyalty; and
- (e) to inculcate a greater sense of belonging and dedication as the Eligible Persons are given the opportunity to participate directly in the equity of the Company.

The Proposed SOP is also extended to the Non-Executive Directors of SCIB to recognise their contribution to the Company and enable them to participate in the Company's future growth.

3.3 Details of fund-raising exercises undertaken in the past 12 months

Save as disclosed below, the Board confirms that the Company has not implemented any other fund-raising exercises within the 12 months preceding the date of this announcement.

On 6 September 2023, the Company had completed a private placement exercise via the issuance of 58,203,753 new SCIB Shares and raised total gross proceeds of RM12.76 million ("**Private Placement 2023**"). The details and status of the utilisation of proceeds from the Private Placement 2023 as at LPD are as follows:

Details of utilisation proceeds	of of	Actual proceeds raised	Actual utilisation up to the LPD	Balance for utilisation	Estimated timeframe for utilisation from the listing of placement shares
		RM'000	RM'000	RM'000	
Working capital		3,753	3,753	-	Within 12 months
Repayment of bank borrowings		8,859	8,859	-	Within 12 months
Estimated expenses		147	147	-	Within 3 months
Total		12,759	12,759	-	

4. PROSPECTS AND OUTLOOK

4.1 Overview and outlook of the Malaysian Economy

The Malaysian economy further expanded in the first quarter of 2023 (5.6%; 4Q 2022: 7.1%; 1Q 2011 - 4Q 2019 average: 5.1%), driven mainly by domestic demand. Further improvement in the labour market, with strong growth in employment and continued expansion in wages, have supported private consumption spending. Meanwhile, investment activity was underpinned by capacity expansion and continued implementation of multi-year projects. Inbound tourism continued to recover, lifting services exports and partially offsetting the slower goods export growth. On the supply side, the services and manufacturing sectors continued to drive growth. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 0.9% (4Q 2022: -1.7%).

Headline inflation during the quarter trended lower to 3.6% (4Q 2022: 3.9%). This was due mainly to the moderation in core inflation and lower RON97 price. The decline in core inflation (1Q 2023: 3.9%; 4Q 2022: 4.2%) was largely contributed by selected services. These include telephone and telefax service, food away from home, and personal transport repair and maintenance. Even as cost pressures, particularly global commodity prices, continued to ease, core inflation remained elevated during the quarter amid continued strength in demand. Price pressures remained pervasive. The share of Consumer Price Index (CPI) items recording monthly price increases rose to 56.0% during the quarter (4Q 2022: 51.2%). This in part reflected price adjustments by firms typically done at the beginning of the year (1Q average from 2011 - 2019: 52.2%; Overall average from 2011 - 2019: 45.6%), as well as continued price increases for some food-related items.

Domestic financial conditions remained broadly stable despite uncertainties surrounding the global economic outlook. Financial market expectations for US monetary policy were affected

by evolving concerns over the US economy. These include the pace of disinflation and sustainability of its economic momentum. By the end of the quarter, risks from banking sector stress in the US and Europe weighed further on these expectations. As a result, the US dollar broadly depreciated amid shifting sentiments surrounding these developments, reversing its appreciation gains during first half of the quarter.

Against this backdrop, the ringgit continued to exhibit two-way movements with an overall marginal appreciation of 0.1% against the US dollar during the quarter. Moving forward, Bank Negara Malaysia will continue to closely monitor the global and domestic financial conditions while ensuring orderly financial market adjustments.

Credit to the private non-financial sector expanded by 4.2% (4Q 2022: 4.7%). This was accounted mainly by slower growth in outstanding loans (1Q 2023: 4.7%; 4Q 2022: 5.7%) and outstanding corporate bonds (1Q 2023: 4.4%, 4Q 2022: 4.6%). Outstanding business loans grew by 2.4%, following slower growth in working capital loans. Nonetheless, investment-related loans remained forthcoming, especially in the SME segment. For households, outstanding loan growth expanded by 5.2%. This was supported by sustained growth in outstanding loans for the purchase of big-ticket items, with higher growth recorded particularly for car purchases.

Despite global headwinds, the Malaysian economy is projected to expand by 4.0% to 5.0% in 2023, driven by firm domestic demand. Improving employment and income as well as continued implementation of multi-year projects would support consumption and investment activity. Moreover, higher inbound tourism activity would lift high-touch services industries. Governor Tan Sri Nor Shamsiah Mohd Yunus said, "Risks to Malaysia's growth outlook are relatively balanced. Upside risks stem mainly from domestic factors. These include stronger-than-expected tourism activity and implementation of projects including those from the re-tabled Budget 2023. Meanwhile, downside risks could emanate from lower exports due to weaker-than-expected global growth and more volatile global financial market conditions."

Headline and core inflation are expected to moderate but would remain above historical average in 2023. The moderation reflects lower global cost factors amid easing supply chain disruptions and lower commodity prices. However, core inflation will remain at elevated levels amid firm demand conditions. Existing price controls and fuel subsidies will continue to partly contain the extent of upward inflationary pressures. The balance of risk to the inflation outlook is tilted to the upside and remains highly subject to any changes in domestic policy, financial market developments and global commodity prices.

(Source: Economic and Financial Developments in Malaysia in the First Quarter of 2023, BNM, 12 May 2023)

4.2 Overview building and construction industry in Malaysia

Between 2016 and 2019, Malaysia's total property transaction value increased from RM113.5 billion to RM116.2 billion at a compound annual growth rate ("CAGR") of 0.8%. From this, the residential property transactions rose from RM65.6 billion to RM72.4 billion at a CAGR of 3.3%, while the industrial property segment increased from RM12.0 billion to RM14.8 billion at a CAGR of 7.3%. Comparatively, the commercial property segment declined at a rate of 6.9%, from RM35.9 billion to RM29.0 billion during the same period.

Total property transaction value in 2020 was RM98.2 billion, a 15.5% drop from the RM116.2 billion recorded in 2019. Correspondingly in the same year, residential property transactions dropped to RM65.9 billion (from RM72.4 billion in 2019).

Construction activities in the residential and non-residential subsectors remained subdued following extended periods of lockdown and reduced operating capacity. Nevertheless, the easing of the containment measures since August 2021 and the reopening of the economy

supported gradual improvement in construction activities towards the end of 2021. The further recovery of the economy as well as ongoing construction activity in large infrastructure projects and implementation of small-scale projects under Budget 2022 positively impact the construction sector in 2022.

In 2021, the property market began showing signs of recovery as total property transactions rose to RM121.8 billion at a year-on-year growth rate of 24.0%. Correspondingly, industrial property transactions rose to RM17.0 billion (2020: RM12.8 billion) at a year-on-year growth rate of 32.8%, while commercial property transactions rose to RM27.9 billion (2020: RM19.5 billion) at a year-on-year growth rate of 43.1%.

In 2022, total property transactions rose further to RM148.1 billion at a year-on-year growth rate of 21.6%. During the year, industrial property transactions rose to RM21.2 billion (2021: RM17.0 billion) at a year-on-year growth rate of 24.7%, while commercial property transactions rose to RM32.6 billion (2021: RM27.9 billion) at a year-on-year growth rate of 16.8%.

Bank Negara Malaysia reiterated that the Malaysian economy will expand between 4.0% and 5.0% in 2023, supported by firm domestic demand amid continued improvements in the labour market. Growth would also benefit from the realisation of large infrastructure projects as well as higher tourist arrivals.

Under the Budget 2024, several allocations have been made in relation to the property sector, among which include:

- In 2023, the Government has mobilised a special team under the Ministry of Local Government Development (KPKT) to address issues on delayed, sick and abandoned private housing projects that have burdened homebuyers. As of August 2023, 256 sick projects involving over 28,000 housing units have been restored, with a GDV of RM23.37 billion;
- Overall, a total of RM2.47 billion will be allocated to implement housing projects for the rakyat in 2024:
 - i. A special guarantee fund of RM1.0 billion has been allocated to encourage reputable developers to revive identified abandoned projects;
 - ii. A total of RM546 million is allocated to continue the implementation of 36 Program Perumahan Rakyat (PPR), including a new project in Kluang, Johor. 15 PPR projects are expected to be completed in 2024 to benefit 5,100 potential new residents;
 - iii. 14 Program Rumah Mesra Rakyat will continue, with the construction of 3,500 housing units with an allocation of RM358.0 million;
 - iv. The Government will allocate RM460.0 million to aid approximately 65,000 impoverished rural residents for the construction of new homes or the renovation of their existing dilapidated houses;
 - v. A sum of RM100.0 million is allocated for the maintenance of low and medium-cost public and private strata housing projects nationwide. This includes repairing water tanks, roofs, and electrical systems, as well as installing closed-circuit television cameras;
- The Government will provide guarantees of up to RM10 billion under Skim Jaminan Kredit Perumahan (SJKP) that will benefit 40,000 borrowers;

- As a measure to control property prices, the Government intends to impose a flat rate stamp duty of 4% on the transfer of land ownership documents by non-citizens and foreign-owned companies, except for individuals with permanent residency status in Malaysia;
- The wellbeing of uniformed members and retirees will continue to be preserved:
 - i. RM400.0 million is provided for the maintenance and refurbishment of all Armed Forces Family Homes;
 - ii. RM20.0 million to upgrade the sewerage system of Malaysian army camp sewerage in phases; and
- In 2024, the Federal allocation for the development of Sarawak will increase to RM5.8 billion from RM5.6 billion. Meanwhile, for Sabah, the allocation will increase to RM6.6 billion compared to RM6.5 billion. To increase the effectiveness of the allocation, the Federal Government has also delegated the authority to implement development projects valued under RM50.0 million to technical agencies in Sabah and Sarawak.

The construction sector improved steadily by 6.8% in the first half of 2023 mainly driven by the civil engineering and special construction activities subsectors. The civil engineering subsector rebounded, supported by the acceleration of ongoing infrastructure and utilities projects, which include East Coast Rail Link and Large Scale Solar 4 projects. The non-residential buildings and residential buildings subsectors also registered positive growth in line with vibrant economic activities.

The construction sector is forecast to expand by 5.9% in the second half of 2023 supported by growth in all subsectors. The residential buildings subsector is anticipated to remain encouraging on the back of Government's initiatives such as i-MILIKI and Housing Credit Guarantee Scheme in assisting first-time home buyers, spurring demand for home ownership. Similarly, the non-residential buildings subsector is envisaged to increase, particularly with the realisation of approved private investments. The continuous implementation of strategic infrastructure and utilities projects will further support the civil engineering subsector. For 2023, performance of the construction sector is expected to remain steady and grow by 6.3%.

In pursuing the development of Sabah and Sarawak, a total of RM6.5 billion and RM5.6 billion, respectively were assigned under the development allocation for 2023. Efforts are underway to accelerate the construction of public infrastructure projects in Sabah and Sarawak including the Sabah Pan-Borneo Highway and Sarawak-Sabah Link Road. Moreover, public amenities in Sabah and Sarawak particularly in rural area have also been improved with the expansion of road and street lighting; improving water and electricity supply as well as increasing of healthcare facilities and schools. As of July 2023, a total of RM1.9 billion and RM2.2 billion has been spent on development in Sabah and Sarawak, respectively.

Under Budget 2024, initiatives that aim to support the construction industry include:

- To ensure stability and reduce electricity supply disruptions in Sabah, especially in the eastern area, the Federal Government will support the implementation of hybrid solar energy generation as well as the construction of a network of electricity transmission lines in southern Sabah;
- In 2024, 26 new preschools under the Ministry of Education will be built involving a cost of RM82.0 million. This includes the construction of preschools at Sekolah Kebangsaan Abang Kadir Gedong, Simunjan, Sarawak; Sekolah Kebangsaan Bunut Rendang, Kuantan, Pahang; and Sekolah Jenis Kebangsaan Cina Chabau, Melaka;

- In 2024, RM1.9 billion will be allocated to upgrade and maintain schools nationwide. This includes RM930 million for the upgrading of dilapidated buildings and infrastructure in 450 schools, comprising 185 projects in Sarawak and 155 projects in Sabah. A total of RM1.0 billion is allocated for the maintenance of all types of schools such as national, religious, and vernacular schools, including special education schools with a focus on the needs of students with autism;
- In 2024, the construction of 26 new schools will commence with a total cost of RM2.5 billion, including SMK Laya-Laya, Tuaran Sabah; SMK Baie, Bintulu, Sarawak; SMK Seri Melati, Kuantan, Pahang; SMK Bandar Universiti, Bandar Seri Iskandar, Perak; and SMK Binjai, Kota Bharu, Kelantan;
- The Government will continue to empower and protect the wellbeing of students with special needs. In 2024, 18 new special education blocks will be built with a total cost of RM180.0 million. This includes SMK Kubang Rotan, Kedah; SK Bandar Baru Perda, Pulau Pinang and SMK Dato' Ali Ahmad, Perlis;
- To increase the level of comfort and safety in institutes of higher education (IPT), RM300.0 million is provided to maintain and repair infrastructure as well as replace dilapidated equipment. This includes RM50.0 million for the procurement of equipment at four technical universities in Malaysia;
- Malaysia has yet to meet the ratio of one doctor to 400 patients. To this end, the accessibility to health facilities will continue to be increased to minimise congestion. In 2024, several new development projects will be implemented including:
 - i. Universiti Sains Islam Malaysia (USIM) Teaching Hospital Complex (USIM) Phase 1 in Kota Tinggi, Johor at a cost of RM938.0 million;
 - ii. Preliminary work for the construction of Hospital Sultanah Aminah 2, Johor Bahru, Johor;
 - iii. Additional Pathology Block at Hospital Raja Perempuan Zainab II, Kelantan at a cost of RM175.0 million;
 - iv. Additional building for the Emergency and Trauma Department at Hospital Sultan Abdul Aziz Shah, Universiti Putra Malaysia, Serdang, Selangor; and
 - v. Five new health clinics including Rantau, Negeri Sembilan; Kuala Tahan, Jerantut, Pahang; Kuala Jengal, Dungun, Terengganu; and Pulau Mantanani, Kota Belud, Sabah at a cost of RM150.0 million;
 - vi. The Government also supports the establishment of a Cancer Institute in Sarawak;
- The commitment of the Unity Government to refurbish dilapidated clinics will be intensified. A total of RM300 million is allocated to refurbish 400 rundown clinics with wooden structures and dilapidated wiring;
- To bridge the gap between regions, the improvement of rural infrastructure will continue to be a top priority:
 - i. RM1.63 billion is allocated for the construction and upgrading of roads in villages and rural areas including in Bachok, Kelantan; Tambun Tulang, Perlis; and Kuala Lukut to Chuah, Port Dickson, Negeri Sembilan;

- ii. A total of RM939.0 million is allocated to provide water supply to 5,150 households and electricity supply to 2,200 households;
- iii. RM134.0 million is allocated for the installation of 60,000 units of streetlights in villages and the maintenance of over 500,000 units of village streetlights;
- iv. RM57.0 million for the implementation of 115 projects, including 54 new projects to upgrade deteriorated bridges and construct new bridges;
- v. RM100.0 million is allocated for the upgrading, construction and repair of basic facilities such as community halls, town halls, paved walkways and covered pathways in villages and rural and remote areas under the Social Amenities Project;
- A total of RM1.1 billion will be allocated, to implement solutions for water supply issues:
 - i. For the State of Kelantan, the construction project of the Machang Water Treatment Plant Phase 1 with a capacity of 250 million litres per day will be implemented to enhance the water supply reserve;
 - ii. To address the water supply issue, especially in Kota Kinabalu, Sabah, the focus will be on restoring and replacing infrastructure and equipment to enhance the capacity of water treatment plants; and
- For the Federal Territory of Labuan, efforts are directed towards replacing dilapidated pipes and repairing existing infrastructure.

Providence expects the building and construction industry to perform relatively better in 2024, premised on the following:

- The real estate and business services subsector is poised to grow by 5.4% in 2024, attributed to sustained demand for professional services, particularly in the field of engineering following vigorous construction activities. In addition, the real estate segment is projected to improve owing to the increase in non-residential and residential property transactions; and
- The construction sector is forecast to increase by 6.8% in 2024 following better performance in all subsectors. The civil engineering subsector continues to be bolstered by strategic infrastructure and utilities projects which include ongoing projects such as the Central Spine Road, the Pan Borneo Sabah Highway and acceleration of projects under the Twelfth Malaysia Plan (2021 – 2025) (“**12MP**”). Furthermore, a new solar power plant project under the Corporate Green Power Programme will support the subsector’s growth. The implementation of the New Industrial Masterplan 2030 is expected to further strengthen the performance of non-residential buildings subsector as it will provide a platform to attract more investments into the country. In addition, the residential buildings subsector is projected to improve further in line with the Government’s effort to increase more affordable houses as outlined under the mid-term review of the 12MP and the MADANI Neighbourhood scheme, as well as new launching by the private sector.

(Source: Independent Market Research Report prepared by Providence Strategic Partners Sdn Bhd)

4.3 Prospects of SCIB Group

The Board is of the view that the Proposed Capitalisation will enable SCIB Group to settle the Capitalisation Amount without incurring additional debt obligation or interest expenses, thereby strengthening SCIB Group's equity base as well as NA through the capitalisation of debt into equity and improve the overall financial position of SCIB Group immediately after the settlement of Capitalisation Amount. In addition, the Proposed Capitalisation will allow SCIB to preserve its cash and bank balances, which can instead be used for other purposes including the financing of the general working capital requirements for SCIB Group's business.

During FYE 30 June 2024, SCIB Group intends to focus on the following strategies to grow its business:

(a) Supporting Sarawak's development plans through the supply of building materials

SCIB Group manufactures precast concrete products such as concrete spun pipes, prestressed spun concrete piles, reinforced concrete ("RC") square piles, RC box culverts, prestressed girder beams, precast concrete Industrialised Building System ("IBS") products, which are building materials for the construction of buildings, social amenities and infrastructure. Presently, SCIB Group has 3 factories with wharf facility and capacity to supply 500,000 tonnes of building materials annually across Borneo.

Further, SCIB Group is certified with International Organization for Standardization ("ISO") 9001:2015 Quality Management System by SIRIM QAS International Sdn Bhd, ISO 45001:2018 Occupational Health & Safety Management System certification and ISO 14001:2015 Environmental Management System certification by National Institute of Occupational Safety and Health (NIOSH) Certification.

In pursuing the development of Sabah and Sarawak, the Government of Malaysia has allocated a total of RM6.5 billion and RM5.6 billion, respectively, under the development allocation for 2023. As of July 2023, a total of RM1.9 billion and RM2.2 billion has been spent on development in Sabah and Sarawak, respectively. The Government of Malaysia is accelerating the construction of public infrastructure projects in Sabah and Sarawak including the Sabah Pan-Borneo Highway and Sarawak-Sabah Link Road. Further in 2024, Malaysia's construction sector is forecast to increase by 6.8% supported by several ongoing projects such as the Central Spine Road, the Pan Borneo Sabah Highway and acceleration of projects under the 12MP.

SCIB Group's range of precast concrete and IBS products, quality certifications as well as its production capacity position it favourably to support the building materials requirements for large public infrastructure projects as well as building schools and social amenities projects in Sarawak and the wider Borneo region. Thus, SCIB Group will focus on continuously enhancing the manufacturing capabilities as this will position it favourably to capture opportunities to be appointed as a supplier of precast concrete and IBS products for large public infrastructure projects as well as building, and social amenities projects.

(b) Focus on completing its current ongoing EPCC contracts and secure more EPCC projects

As at the LPD, SCIB Group is involved in 7 EPCC contracts in Peninsular Malaysia as well as Sarawak for infrastructure, schools, social amenities and residential building projects with total contract value of RM353.26 million. As Malaysia has transitioned into the endemic phase of COVID-19, SCIB Group does not foresee pandemic-related manpower limitations or capacity restrictions that would materially affect the progress of its ongoing projects.

The Government anticipates that the implementation of the New Industrial Masterplan 2030 will further strengthen the construction of non-residential buildings as it will provide a platform to attract more investments into Malaysia. Further, the Government's effort to increase more affordable houses under the mid-term review of the 12MP and the MADANI Neighbourhood scheme as well as launches by the private sector will boost the construction of residential building

As a supplier of building materials, SCIB is positioned favourably to bid for and secure EPCC contracts for large public infrastructure projects as well as building schools and social amenities projects especially in Sarawak. Coupled with the upcoming development plans announced by the Government for the state of Sarawak, SCIB Group will endeavour to secure more EPCC contracts to grow its order book and diversify its revenue.

(Source: Management of SCIB)

5. RISK FACTOR

5.1 Risk relating to the Proposed Capitalisation

5.1.1 Non-completion risk of the Proposed Capitalisation

The completion of the Proposed Capitalisation is subject to, amongst others, the fulfilment of the conditions precedent within the conditions precedent period, failing which may result in termination of the Capitalisation Agreement. As a result of such termination, the debts shall immediately become due and payable by SCIB Properties. In this respect, SCIB will take reasonable steps that are within its control to ensure completion of the Proposed Capitalisation, including but not limited to closely monitoring the progress of the Proposed Capitalisation and ensuring timely fulfilment of the conditions precedent within the conditions precedent period as stipulated in the Capitalisation Agreement.

6. EFFECTS OF THE PROPOSALS

6.1 Issued share capital

The pro forma effects of the Proposals on the issued share capital of SCIB are set out below:

	Minimum Scenario		Maximum Scenario	
	No. of Shares	RM	No. of Shares	RM
Issued share capital as at the LPD	640,241,285	166,258,892	640,241,285	166,258,892
Assuming full exercise of Warrants	-	-	245,184,997	⁽¹⁾ 433,977,445
	640,241,285	166,258,892	885,426,282	600,236,337
Capitalisation Shares to be issued pursuant to the Proposed Capitalisation	18,496,345	⁽²⁾ 11,301,267	18,496,345	⁽²⁾ 11,301,267
	658,737,630	177,560,159	903,922,627	611,537,604
New Shares to be issued pursuant to the Proposed LTIP	⁽³⁾ 98,810,600	⁽⁴⁾ 48,486,361	⁽³⁾ 135,588,300	⁽⁴⁾ 66,533,179
Enlarged issued share capital	757,548,230	226,046,520	1,039,510,927	678,070,783

Notes:

- (1) Assuming full exercise of 245,184,997 outstanding Warrants at RM1.77 each into 245,184,997 new SCIB Shares.
- (2) Based on the issuance of 18,496,345 Capitalisation Shares at the Issue Price.
- (3) Based on 15.0% of total number of issued shares and paid-up share capital of the Company.
- (4) For illustrative purposes only, calculated based on RM0.4907, being approximately 10.0% discount to the 5D-VWAMP of SCIB Shares up to and including the last trading day preceding the LPD of RM0.5452 per Share.

For the avoidance of doubt, the Proposed LTIP are not expected to have an immediate effect on the Company's share capital. The issued share capital of the Company will increase progressively depending on the number of new SCIB Shares to be issued arising from the exercise of the SOP Options that may be granted under the Proposed SOP and/or pursuant to the vesting of the new SCIB Shares under the SGP Awards.

6.2 NA and gearing

For illustration purposes only, based on SCIB latest audited consolidated financial statements for FYE 30 June 2023, the proforma effects of the Proposed Capitalisation on the consolidated NA and gearing of SCIB Group are shown below:

Minimum Scenario

	Audited as at 30 June 2023	(1) Proposed Capitalisation
	RM	RM
Share capital	166,258,892	⁽¹⁾ 177,560,159
Foreign exchange translation reserves	(1,620,774)	(1,620,774)
Accumulated losses	(81,980,231)	⁽²⁾ (82,380,231)
Shareholders' fund / NA	82,657,887	93,559,154
Non-controlling interest	864,955	864,955
Total equity	83,522,842	94,424,109
No. of Shares	640,241,285	658,737,630
NA per Share	0.13	0.14
Borrowings	48,903,545	48,903,545
Gearing (times)	0.59	0.52

Notes:

- (1) After the issuance of 18,496,345 Capitalisation Shares at the Issue Price.
- (2) After adjusting for the estimated expenses relating to the Proposals of approximately RM0.40 million.

Maximum Scenario

	Audited as at 30 June 2023	(I) ⁽¹⁾ After assuming full exercise of Warrants	(II) After (I) and the Proposed Capitalisation
	RM	RM	RM
Share capital	166,258,892	600,236,337	⁽²⁾ 611,537,604
Foreign exchange translation reserves	(1,620,774)	(1,620,774)	(1,620,774)
Accumulated losses	(81,980,231)	(81,980,231)	⁽³⁾ (82,380,231)
Shareholders' fund / NA	82,657,887	516,635,332	527,536,599
Non-controlling interest	864,955	864,955	864,955
Total equity	83,522,842	517,500,287	528,401,554
No. of Shares	640,241,285	885,426,282	903,922,627
NA per Share	0.13	0.58	0.58
Borrowings	48,903,545	48,903,545	48,903,545
Gearing (times)	0.59	0.09	0.09

Notes:

- (1) Assuming full exercise of 245,184,997 outstanding Warrants at RM1.77 each into 245,184,997 new SCIB Shares.
- (2) After the issuance of 18,496,345 Capitalisation Shares at the Issue Price.
- (3) After adjusting for the estimated expenses relating to the Proposals of approximately RM0.40 million.

Save for the potential impact of the Malaysian Financial Reporting Standards 2, on "Share Based Payment" ("**MFRS 2**") issued by the Malaysian Accounting Standards Board as elaborated in Section 6.3 of this announcement, the Proposed LTIP is not expected to have an immediate effect on the NA, NA per Share and gearing of SCIB Group until such time when the Shares are issued and/or transferred arising from the vesting of the SGP Awards and/or exercise of the SOP Options pursuant to the Proposed LTIP.

Any potential effect on the NA, NA per Share and gearing of the SCIB Group in the future would depend on factors such as the method of satisfaction of the LTIP Awards, actual number of Shares to be issued and/or transferred which can only be determined at the point of the vesting of the SGP Awards and/or the exercise of the SOP Options and Option Price.

Upon the vesting of the SGP Awards pursuant to the Proposed LTIP, the NA per Share of the Group will decrease when the Shares are vested in satisfaction of the SGP Awards. Upon exercise of the SOP Options, the NA per Share is expected to:

- (a) increase if the Option Price is higher than the NA per Share; or
- (b) decrease if the Option Price is lower than the NA per Share,

at such point of exercise.

6.3 Losses and losses per share (“LPS”)

The Proposed Capitalisation is not expected to have any material effect on the earnings of the Group for the financial year ended (“**FYE**”) 30 June 2023. However, the LPS of the Group is expected to be diluted as a result of the increase in the number of existing SCIB Shares upon issuance of the Capitalisation Shares.

The Proposed LTIP is not expected to have a material effect on the earnings of the Group. However, the LPS of the Group may be diluted, depending on the number of Shares issued and/or transferred to the LTIP participants pursuant to the vesting of the LTIP Awards.

In accordance with MFRS 2, the potential cost arising from the awarding of the LTIP Awards pursuant to the Proposed LTIP is required to be measured at fair value as at the LTIP Award Date and recognised as an expense in the consolidated statements of comprehensive income of the Company over the vesting period of such LTIP Awards, and may therefore reduce the future earnings of the Group, the quantum of which can only be determined at the LTIP Award Date.

The potential effects of the Proposed LTIP on the losses and LPS of the Group in the future, as a consequence of the recognition of the expense cannot be determined at this juncture as it would depend on various factors, which may include, amongst others, the actual number of SGP Awards vested and/or SOP Options exercised, the Option Price, the prevailing market price of SCIB Shares and the volatility of SCIB Share price, which will affect the fair value of the LTIP Awards awarded under the Proposed LTIP as at the LTIP Award Date.

It should be noted that such potential cost of awarding the LTIP Awards does not represent a cash outflow but only an accounting treatment. The Board has taken note of the potential impact of MFRS 2 on the Group’s future earnings and will take into consideration such impact in the awarding and vesting of the LTIP Awards under the Proposed LTIP.

6.4 Substantial shareholders’ shareholdings

As at the LPD, SCIB does not have any substantial shareholders based on the Company’s record of depositors.

6.5 Convertible Securities

As at the LPD, save for the outstanding Warrants, the Company does not have any convertible securities. For avoidance of doubt, the Proposals would not result in any adjustments to the number and exercise price of Warrants.

7. APPROVALS REQUIRED

The Proposals are subject to the following approvals being obtained:

- (a) Bursa Securities, for the listing of and quotation for the Capitalisation Shares and up to 15.0% of the total number of issued shares of SCIB Shares to be issued pursuant to the exercise of the SOP Options and SGP Awards pursuant to the Proposed LTIP, on the Main Market of Bursa Securities; and
- (b) SCIB shareholders’ approval at the forthcoming extraordinary general meeting (“**EGM**”) to be convened for the following:
 - (i) the Proposals;

- (ii) waiver of their statutory pre-emptive rights under Section 85(1) of the Act to be offered new SCIB Shares to be issued pursuant to the Proposed Capitalisation and Proposed LTIP, which will result in a dilution of their shareholding percentage in the Company.

Section 85(1) of the Act states that:

"Subject to the constitution, where a company issues shares which rank equally to existing shares as to voting or distribution rights, those shares shall first be offered to the holders of existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders."

Article 8 of the Constitution of the Company states that:

"Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those shares or securities in such manner as they think most beneficial to the Company. The Directors may likewise also dispose of any new share or security which (by reason of the ratio which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Directors, be conveniently offered under this Constitution."

Pursuant to Section 85(1) of the Act read together with Article 8 of the Constitution of the Company, the shareholders have a statutory pre-emptive right to be offered any new Shares which rank equally to the existing Shares.

By approving resolutions in relation to the following:

- (aa) the Proposed Capitalisation which entail the allotment and issuance of the Capitalisation Shares to the Creditor; and
- (bb) the Proposed LTIP which entail the allotment and issuance of new SCIB Shares arising from the exercise of the SOP Options and SGP Awards in the Company,

which will rank equally with the existing issued Shares in the Company, the shareholders of the Company are deemed to have waived their pre-emptive rights pursuant to Section 85(1) of the Act to be first offered the Capitalisation Shares which will result in a dilution to their shareholding percentage in the Company.

Save as disclosed above, the Proposals are not subject to any approvals from the relevant government authorities.

8. INTER-CONDITIONALITY

The Proposed Capitalisation and Proposed LTIP are not inter-conditional upon each other.

The Proposals are not conditional upon any other corporate exercises undertaken or to be undertaken by SCIB.

9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED TO THEM

Proposed LTIP

Save as disclosed below, none of the Directors, major shareholders, chief executive of the Company and/or persons connected with them have any interest, direct or indirect, in the Proposed LTIP.

Executive Directors of SCIB are entitled to participate in the Proposed LTIP and are therefore deemed interested in the Proposed LTIP to the extent of their respective allocations, if any, as well as allocations to persons connected with them, if any, under the Proposed LTIP. Whereas, non-executive Directors of SCIB are entitled to participate in the Proposed SOP and are therefore deemed interested in the Proposed SOP to the extent of their respective allocations, if any, as well as allocations to persons connected with them, if any, under the Proposed SOP.

As at the LPD, the shareholdings of the Directors, major shareholders and/or persons connected with them are as follows:

<u>Directors</u>	<u>Direct</u>		<u>Indirect</u>	
	<u>No. of Shares</u>	<u>%</u>	<u>No. of Shares</u>	<u>%</u>
Abang Abdillah Izzarim Bin Datuk Patinggi Tan Sri Abang Haji Abdul Rahman Zohari	-	-	-	-
Ku Chong Hong	1,156,000	0.18	-	-
Shamsul Anuar Bin Ahamad Ibrahim	-	-	-	-
Sr. Mohd Nazri Bin Mat Noor	-	-	-	-
Toh Beng Suan	-	-	-	-
Dr. Dang Nguk Ling	-	-	-	-
Kang Wei Luen	-	-	-	-
Liaw Way Gian	3,910,100	0.61	-	-

Accordingly, the SGP Interested Directors and SOP Interested Directors have abstained and will continue to abstain from deliberating and voting, in respect of their direct and/or indirect shareholdings in SCIB, if any, on the resolutions pertaining to their respective allocations, if any, as well as the allocations to persons connected with them, if any, under the Proposed LTIP at the relevant board meetings and general meetings. Further, the SGP Interested Directors and SOP Interested Directors will also abstain and have undertaken to ensure that persons connected with him (if any) shall abstain from voting in respect of his direct and/or indirect shareholdings in the Company on the resolutions pertaining to any specific allocations, as well as the specific allocations to any persons connected with him (if any) under the Proposed LTIP at the EGM to be convened.

10. ADVISERS

M&A Securities has been appointed as the Principal Adviser for the Proposals.

11. DIRECTORS' STATEMENT

The Board, after having considered all aspects of the Proposed Capitalisation and Proposed LTIP, is of the opinion that the Proposed Capitalisation and Proposed LTIP are in the best interest of the Group and its shareholders.

12. ESTIMATED TIMEFRAME

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

Barring any unforeseen circumstances and subject to all approvals being obtained, the Proposals is expected to be completed in the first quarter of 2024.

13. OUTSTANDING PROPOSALS ANNOUNCED BUT PENDING IMPLEMENTATION

As at the LPD, there is no other corporate proposal which has been announced but is pending implementation by the Company.

14. DOCUMENTS AVAILABLE FOR INSPECTION

The Capitalisation Agreement will be made available for inspection at SCIB's registered office at Lot 1258, Jalan Utama, Pending Industrial Estate, 93450 Kuching, Sarawak during normal business hours from Monday to Friday (except for public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 30 November 2023.

APPENDIX I – SALIENT TERMS OF CAPITALISATION AGREEMENT

The salient terms for the Capitalisation Agreement are summarised as follows:

- Agreement** : The parties of the Capitalisation Agreement as set out under section 2.1 of this announcement agree for the capitalisation of the Capitalisation Amount as set out in the Capitalisation Agreement, via the issuance of such number of Capitalisation Shares as set out in section 2.1 of this announcement in accordance with the terms and subject to the conditions as stated in the Capitalisation Agreement.
- Conditions Precedent** : The Capitalisation Agreement shall be conditional upon the following being obtained and/or fulfilled within six (6) months from the date of the Capitalisation Agreement or such extended period as the parties may mutually agree in writing:-
- (a) the approval of the Board of Directors of the Company in respect of the Proposed Capitalisation and the execution of the Capitalisation Agreement upon the terms and conditions contained therein;
 - (b) the Company shall have procured the approval of its shareholders at an EGM for the Proposed Capitalisation, allotment and the issue, of the relevant Capitalisation Shares. In the event such approval(s) is obtained subject to any conditions and/or amendments, such conditions and/or amendment being reasonably acceptable to the Creditor, and to the extent that any such conditions are required to be fulfilled on or before the completion of the Proposed Capitalisation, they are fulfilled. In addition, such approval(s) shall not be amended, withdrawn, revoked, rescinded or cancelled on and before the date for the issuance of the relevant Capitalisation Shares;
 - (c) the Company shall have procured all necessary approvals and/or consents of the Bursa Securities or any other regulatory authorities for the allotment and issue of all the relevant Capitalisation Shares, the listing of and quotation for all the relevant Capitalisation Shares on the Main Market of the Bursa Securities and such other relevant approvals in relation thereto and in connection therewith for the transactions contemplated under the Capitalisation Agreement and such approvals shall not be amended, withdrawn, revoked, rescinded or cancelled and, where approvals are obtained subject to any conditions and/or amendments, such conditions and/or amendment being acceptable to the Creditor, and to the extent that any such conditions are required to be fulfilled on or before the date for the issuance of the relevant Capitalisation Shares, they are fulfilled;
 - (d) without affecting the rights and obligations of the Creditor under the Capitalisation Agreement, all other necessary approvals, consents and waivers (including any governmental, regulatory and/or corporate approvals and consents), for the transactions contemplated under the Capitalisation Agreement (in particular but without limitation the issue by the Company and the subscription by the respective Creditor of the relevant Capitalisation Shares,

APPENDIX I – SALIENT TERMS OF CAPITALISATION AGREEMENT

including any other regulatory and/or corporate approvals and consents having been obtained and remaining valid and subsisting as at the date for the issuance of the relevant Capitalisation Shares;

- (e) the completion of the proof of debt exercise to be carried out by the external auditor of the Company to ascertain and verify the transactions relating to the respective total debt owing by the relevant subsidiary to the Creditor ("**Debt**"), the relevant Debt amount, to the satisfaction of the Board of Directors of the Company; and

In the event that the conditions precedent set out above are not fulfilled or have not been waived within six (6) months from the date of the Capitalisation Agreement or such extended period as the parties may mutually agree in writing, then the Capitalisation Agreement shall automatically terminate and be deemed to be of no further legal effect whatsoever, and none of the parties to the Capitalisation Agreement shall have any claims against the other parties in respect of the Capitalisation Agreement. SCIB Properties shall then settle the Capitalisation Amount in a way and manner as may be mutually agreed in writing.

Subject to the terms and conditions of the Capitalisation Agreement, the Company and SCIB Properties unconditionally and irrevocably agree that the respective Capitalisation Amount shall be settled by way of issuance of the Capitalisation Shares to the Creditor within a period of one (1) month from the date on which all the conditions precedent have been fulfilled or such extended period as the parties may mutually agree in writing ("**Unconditional Date**") as settlement of the Debt owing to the Creditor by the Company and/or SCIB Properties.

- Manner of Repayment** : Subject to the terms and conditions of the Capitalisation Agreement, the Company and SCIB Properties unconditionally and irrevocably agree that the respective Capitalisation Amount shall be settled by way of issuance of the Capitalisation Shares to the Creditor within a period of one (1) month from the Unconditional Date as settlement of the Debt owing to the Creditor by the Company and/or SCIB Properties.
- Issue Price** : RM0.6110 per Capitalisation Share
- Ranking of Capitalisation Shares** : The Capitalisation Shares shall, upon allotment and issuance, rank pari passu in all respects with the Company's shares, save and except that the Capitalisation Shares shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment of the Capitalisation Shares.
- Completion of the Proposed Capitalisation** : For the purpose of the Capitalisation Agreement, the completion of the Proposed Capitalisation shall be on the date of actual receipt by the Creditor or its nominees and the listing of the relevant Capitalisation Shares on the Main Market of Bursa Securities ("**Completion Date**"), whereupon SCIB Properties and the Creditor shall cease to be liable to each other for all further claim of

APPENDIX I – SALIENT TERMS OF CAPITALISATION AGREEMENT

damages, losses and/or liabilities in relation to the relevant Capitalisation Amount save and except for any antecedent breaches.

Early Repayment of Capitalisation Amount : Without prejudice to any clauses in the Capitalisation Agreement, SCIB Properties may settle the Capitalisation Amount (or any portion remaining outstanding) partially or in full at anytime provided a written notice had been served on the Creditor irrespective of the Capitalisation Agreement.

Nomination : (a) The parties to the Capitalisation Agreement agree that the Creditor shall be entitled to, within three (3) working days from the Unconditional Date or such other date as may be mutually agreed between the parties in writing, provide a written notice to irrevocably and unconditionally nominate its nominees in accepting the relevant Capitalisation Shares from the Company.

(b) Where applicable, the Creditor authorises and instructs the Company to execute such necessary documents in favour of its nominee(s) or do any act to implement and complete the abovementioned nomination and issuance of the relevant Capitalisation Shares.

The Company shall be entitled to deem that the abovementioned nominees have been granted with power of attorney by the Creditor to undertake any dealing involving the relevant Capitalisation Shares and the Company shall not be required to monitor any dealing by the nominees of the relevant Capitalisation Shares.

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