

# SARAWAK CONSOLIDATED INDUSTRIES BERHAD (“SCIB” OR “COMPANY”)

## PROPOSED PRIVATE PLACEMENT OF UP TO 10% OF THE ORDINARY SHARES OF SCIB

### 1. INTRODUCTION

On behalf of the board of directors of SCIB (“**Board**”), Malacca Securities Sdn. Bhd. (“**Malacca Securities**”) wishes to announce that the Company proposes to undertake a private placement of up to 10% of the issued ordinary shares of SCIB (“**SCIB Share(s)**” or “**Share(s)**”) (“**Placement Share(s)**”) at an issue price to be determined later (“**Proposed Private Placement**”).

The Proposed Private Placement will be undertaken in accordance with the approval obtained from the shareholders of the Company at the 46<sup>th</sup> Annual General Meeting (“**AGM**”) of the Company convened on 8 December 2022, whereby pursuant to Sections 75 and 76 of the Companies Act 2016 (“**Act**”), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**Listing Requirements**”) and subject always to the approval of relevant regulatory authorities (if any), the Board was empowered to:

- (i) issue and allot new SCIB Shares from time to time and upon such terms and conditions and for such purposes as the Board may in their absolute discretion deem fit, provided that the aggregate number of SCIB Shares issued, when aggregated with the total number of such shares issued during the preceding 12 months, does not exceed 10% of the total number of issued shares of the Company (excluding treasury shares) for the time being; and
- (ii) obtain the approval for the listing of and quotation for the new SCIB Shares to be issued on Bursa Securities,

and that such authority shall continue in force until the conclusion of the next AGM of the Company (“**General Mandate**”). Furthermore, pursuant to Section 85 of the Act to be read together with Article 8 of the Constitution of SCIB, approval was also given to waive the statutory pre-emptive rights of the shareholders of SCIB to be offered new SCIB Shares ranking equally to the existing issued SCIB Shares arising from any issuance of new SCIB Shares pursuant to Sections 75 and 76 of the Act.

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

### 2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

As at 30 December 2022, being the latest practicable date preceding the date of this announcement (“**LPD**”), SCIB has:

- (a) a share capital of RM153,623,689 comprising 582,037,532 SCIB Shares; and
- (b) 245,184,997 outstanding warrants 2021/2024 (“**Warrants**”).

In view of the above, for illustrative purposes throughout this announcement, the effects of the Proposed Private Placement shall be illustrated based on the following two (2) scenarios:

<b>Minimum Scenario</b>	Assuming none of the 245,184,997 outstanding Warrants are exercised prior to the implementation of the Proposed Private Placement.
<b>Maximum Scenario</b>	Assuming all the 245,184,997 outstanding Warrants are exercised prior to the implementation of the Proposed Private Placement.

The Proposed Private Placement will entail the issuance of up to 82,722,252 Placement Shares representing not more than 10% of the issued SCIB Shares as at the LPD based on the Maximum Scenario, at an issue price to be determined by the Board and announced at a later date.

However, the actual number of SCIB Shares to be placed to investors and issued pursuant to the Proposed Private Placement will be determined at a later date, after obtaining Bursa Securities' approval for the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities ("**Bursa's Approval**").

Subject to the prevailing market conditions, the Proposed Private Placement may be implemented in multiple tranches, if required, within six (6) months from Bursa's Approval (depending on investors' interests at the point of implementation) or any extended period as may be approved by Bursa Securities, until the conclusion of the next AGM of the Company, to provide the Company with the flexibility to secure interested investors and to maximise the number of Placement Shares to be placed out. As such, there could potentially be several price-fixing dates depending on the number of tranches and timing of implementation.

The details of placees and the number of Placement Shares to be placed to each placee in accordance with Paragraph 6.15 of the Listing Requirements will be submitted to Bursa Securities before the listing of the Placement Shares to be issued pursuant to the Proposed Private Placement.

## **2.1. Basis and justification on arriving at the issue price of the Placement Shares**

The issue price of each tranche of the Placement Shares, where applicable, shall be determined separately and fixed by the Board on a later date after the receipt of Bursa's Approval.

The Board will take into consideration amongst others, the prevailing market conditions and the provisions of Paragraph 6.04(a) of the Listing Requirements, in determining the issue price(s) of the Placement Shares at a discount of not more than 10% to the volume weighted average market price ("**VWAP**") of SCIB Shares for the five (5) market days immediately preceding the price fixing date(s).

For illustrative purposes, the Company has assumed that the Placement Shares are issued at an indicative issue price of RM0.1327 per Placement Share ("**Indicative Placement Issue Price**") representing a discount of approximately 9.97% to the 5-day VWAP of SCIB Shares up to the LPD of RM0.1474. Based on the Indicative Placement Issue Price, the Proposed Private Placement is expected to raise gross proceeds of up to approximately RM10.98 million.

## **2.2. Placement arrangement**

The Placement Shares are proposed to be placed to independent third-party investor(s) ("**Placee(s)**") to be identified at a later date. In accordance with Paragraph 6.04(c) of the Listing Requirements, the Placement Shares will not be placed to the following parties:

- (i) a director, major shareholder or chief executive of SCIB or a holding company of SCIB (if applicable), or person(s) connected with such director, major shareholder or chief executive; and
- (ii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

Placees shall be person(s) or party(ies) who/which qualify under Schedules 6 and 7 of the Capital Markets and Services Act 2007.

## **2.3. Ranking of the Placement Shares**

The Placement Shares shall, upon allotment and issuance, rank equally in all respects with the existing SCIB Shares, save and except that the Placement Shares shall not be entitled to any dividends, rights, allotment and/or distributions, which may be declared, made or paid to the shareholders of the Company, the entitlement date of which is prior to the date of allotment and issuance of the Placement Shares.

## 2.4. Listing of and quotation for the Placement Shares

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

## 2.5. Utilisation of proceeds

For illustration purposes, based on the proposed placement size of up to 82,722,252 Placement Shares at the Indicative Placement Issue Price, the Proposed Private Placement is expected to raise total gross proceeds of up to approximately RM10.98 million which is intended to be utilised in the following manner:

	Notes	Minimum Scenario	Maximum Scenario	Expected timeframe for utilisation of proceeds*
		RM'000	RM'000	
Working capital	(i)	3,500	3,500	Within 12 months
Repayment of bank borrowings	(ii)	3,824	7,077	Within 12 months
Estimated expenses for the Proposed Private Placement	(iii)	400	400	Within 3 months
<b>Total proceeds</b>		<b>7,724</b>	<b>10,977</b>	

Notes:

\* From the date of listing of the Placement Shares.

(i) Part of the proceeds will be utilised as general working capital for SCIB and its subsidiaries ("SCIB Group" or "Group") as follows:

Description/details	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)
Payroll (staff salary)	3,500	3,500
<b>Total</b>	<b>3,500</b>	<b>3,500</b>

(ii) The Company proposes to utilise up to approximately RM7.08 million of the proceeds to reduce the bank borrowings (banker's acceptance) of SCIB Group. The outstanding amount of banker's acceptance of SCIB Group as at the LPD amounted to approximately RM12.98 million.

The details of the bank borrowings that SCIB proposes to repay are as follows:

Description/type of bank facilities	Interest rate for the financing facility (%)	Outstanding amount as at the LPD (RM'000)	Amount proposed to repay	
			Minimum Scenario (RM'000)	Maximum Scenario (RM'000)
Banker's acceptance	4.55 – 5.05	12,979	3,824	7,077

The repayment of bank borrowings of RM3.82 million and RM7.08 million under the Minimum Scenario and Maximum Scenario respectively, is expected to result in an estimated saving in interest payment of approximately RM0.18 million and RM0.34 million per annum based on the respective interest rates.

(iii) This includes payment of fees to Bursa Securities, adviser and placement agent. Any deviation in the actual amount of expenses for the Proposed Private Placement will be adjusted accordingly to/from the working capital of SCIB Group.

Pending the full utilisation of the proceeds raised from the Proposed Private Placement, the Company intends to place these proceeds (including accrued interest, if any) or the balance thereof in interest-bearing deposit accounts with licensed financial institution(s) or in short term money market instruments. The interest derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used as working capital of the SCIB Group, including but not limited to servicing of interest payment for the borrowings of SCIB Group.

The actual proceeds to be raised from the Proposed Private Placement is dependent on the issue price and actual number of Placement Shares issued. In the event of a variation in the actual gross proceeds raised due to differences in the issue price(s) and/or the number of Placement Shares to be issued, the amount proposed to be allocated for repayment of bank borrowings will be varied accordingly.

### **3. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSED PRIVATE PLACEMENT**

The rationale and justifications for the Proposed Private Placement are as follows:

- (i) to allow SCIB to raise funds expeditiously as opposed to a pro-rata issuance of securities such as a rights issue;
- (ii) to provide an avenue for SCIB to tap into the equity market to raise additional funds effectively without incurring interest costs as compared to funding via bank borrowings;
- (iii) to reduce the gearing of the Group due to the repayment of bank borrowings and the increase in the net assets (“NA”) of the Group; and
- (iv) to strengthen the Group’s financial and capital position and may potentially improve the liquidity of SCIB Shares in the market.

The Board is of the opinion that the Proposed Private Placement is a cost-effective source of capital to raise additional funds and an expeditious way of fundraising from the capital market (pursuant to the General Mandate) as opposed to other forms of fundraising based on the following:

- (i) the Proposed Private Placement is a less risky avenue to raise the required quantum of funds as opposed to other forms of equity raising methods such as a rights issue exercise. Although a rights issue is a pro-rated issuance of securities to all shareholders, there is no certainty of successful full subscription and may require underwriting to be undertaken;
- (ii) a rights issue will also require the Company to identify certain shareholders to provide irrevocable undertakings to subscribe for a minimum number of rights shares or, alternatively, procure underwriting arrangements (which will incur additional cost), in order to achieve a minimum subscription level to raise the requisite funds. In addition, a rights issue exercise is likely to take a longer time to complete as compared to a private placement exercise; and
- (iii) the Proposed Private Placement also enables SCIB to raise funds to pare down the outstanding bank borrowings. This allows SCIB Group to utilise its cash reserves for the Group’s operational purposes. The Proposed Private Placement will improve SCIB’s capital base (i.e. increase in shareholders’ equity) and will provide the flexibility for future fundraising from financial institutions for committed capital expenditures as and when the need arises.

The Proposed Private Placement is undertaken for the purposes as set out in Section 2.5 of this announcement. The proceeds raised to be utilised for working capital and repayment of bank borrowings will help to facilitate the Group’s existing day-to-day operations as a whole by providing more flexibility in terms of cash flow management amid the prospects of the Group as set out in Section 6.4 of this announcement.

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#### 4. THE DETAILS OF EQUITY FUND-RAISING EXERCISES UNDERTAKEN IN THE PAST 12 MONTHS

As at the LPD, the Company has not undertaken any equity fund-raising exercises in the past 12 months before the announcement of the Proposed Private Placement.

#### 5. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

The pro forma effects of the Proposed Private Placement are illustrated based on the Minimum Scenario and Maximum Scenario as set out in Section 2 of this announcement.

##### 5.1 Share capital

The pro forma effects of the Proposed Private Placement are as follows:

	Minimum Scenario		Maximum Scenario	
	No. of Shares	(RM'000)	No. of Shares	(RM'000)
Share capital of SCIB as at the LPD	582,037,532	153,623,689	582,037,532	153,623,689
To be issued assuming full exercise of all outstanding Warrants	-	-	245,184,997	433,977,445 <sup>(1)</sup>
	582,037,532	153,623,689	827,222,529	587,601,134
Placement Shares to be issued pursuant to the Proposed Private Placement	58,203,753	7,723,638 <sup>(2)</sup>	82,722,252	10,977,243 <sup>(2)</sup>
<b>Enlarged share capital of SCIB</b>	<b>640,241,285</b>	<b>161,347,327</b>	<b>909,944,781</b>	<b>598,578,377</b>

Notes:

(1) Assuming all outstanding Warrants are exercised at RM1.77 per Warrant.

(2) Calculated based on the Indicative Placement Issue Price.

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## 5.2 NA, NA per SCIB Share and gearing

The pro forma effects of the Proposed Private Placement on the NA, NA per SCIB Share and gearing of the SCIB Group are as follows:

### Minimum Scenario

	Audited as at 30 June 2022 (RM'000)	After the Proposed Private Placement (RM'000)
Share capital	153,623	161,347 <sup>(1)</sup>
Foreign exchange translation reserve	(849)	(849)
Accumulated losses	(57,519)	(57,919) <sup>(2)</sup>
<b>Shareholders' funds/NA</b>	<b>95,255</b>	<b>102,579</b>
Number of Shares issued ('000)	582,038	640,241
Number of Warrants ('000)	245,185	245,185
NA per SCIB Share (RM)	0.16	0.16
Borrowings (RM'000)	49,016	45,192 <sup>(3)</sup>
Gearing (times)	0.51	0.44

Notes:

- (1) After incorporating the issuance of approximately 58.20 million Placement Shares at the Indicative Placement Issue Price.
- (2) After deducting the estimated expenses for the Proposed Private Placement of RM400,000.
- (3) Assumed after repayment of bank borrowings of approximately RM3.82 million.

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## Maximum Scenario

	<b>Audited as at 30 June 2022</b>	<b>(I) After assuming full exercise of Warrants</b>	<b>After (I) and the Proposed Private Placement</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
Share capital	153,623	587,601 <sup>(1)</sup>	598,578 <sup>(2)</sup>
Foreign exchange translation reserve	(849)	(849)	(849)
Accumulated losses	(57,519)	(57,519)	(57,919) <sup>(3)</sup>
<b>Shareholders' funds/NA</b>	<b>95,255</b>	<b>529,233</b>	<b>539,810</b>
Number of Shares issued ('000)	582,038	827,223	909,945
Number of Warrants ('000)	245,185	-	-
NA per SCIB Share (RM)	0.16	0.64	0.59
Borrowings (RM'000)	49,016	49,016	41,939 <sup>(4)</sup>
Gearing (times)	0.51	0.09	0.08

Notes:

- (1) Assuming all outstanding Warrants are exercised at RM1.77 per Warrant.
- (2) After incorporating the issuance of approximately 82.72 million Placement Shares at the Indicative Placement Issue Price.
- (3) After deducting the estimated expenses for the Proposed Private Placement of RM400,000.
- (4) Assumed after repayment of bank borrowings of approximately RM7.08 million.

### **5.3 Substantial shareholders' shareholdings**

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

It is assumed that none of the Placees will emerge as a substantial shareholder of SCIB.

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## 5.4 Earnings and earnings per share (“EPS”)

The Proposed Private Placement is not expected to have any immediate material effect on the earnings of the Group for the financial year ended (“FYE”) 30 June 2023. However, it is expected to contribute positively to the future earnings of the Group when the benefits from the utilisation of the proceeds from the Proposed Private Placement are realised.

The EPS will be diluted accordingly as a result of the increase in the number of the SCIB Shares issued in relation to the Proposed Private Placement. The effects of the Proposed Private Placement on the future earnings and/or EPS of the Group would depend on, among others, the actual number of new SCIB Shares issued in relation to the Proposed Private Placement as well as the benefits derived from the utilisation of the proceeds from the Proposed Private Placement.

## 5.5 Convertible securities

The Proposed Private Placement will not have any effect on the outstanding Warrants.

In accordance with the provisions of the deed poll governing the Warrants, the Proposed Private Placement will not result in any adjustment to the exercise price and number of outstanding Warrants.

## 6. INDUSTRY OUTLOOK AND PROSPECTS OF SCIB

### 6.1 Overview of the Malaysian economy

The Malaysian economy registered a strong growth of 14.2% in the third quarter of 2022 (2Q 2022: 8.9%). Apart from the sizeable base effects from negative growth in the third quarter of 2021, the high growth was underpinned by continued expansion in domestic demand. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.9% (2Q 2022: 3.5%). Overall, the Malaysian economy expanded by 9.3% in the first three quarters of 2022.

All economic sectors expanded in the third quarter of 2022. The services sector strengthened further by 16.7% (2Q 2022: 12.0%), primarily supported by consumer-related subsectors. Better labour market conditions and the continued recovery in tourism provided strong impetus to retail and leisure-related activities. Policy measures such as the increase in minimum wage further supported domestic spending

During the quarter, domestic demand expanded by 13.1% (2Q 2022: 13.0%), driven by firm private sector expenditure.

Private consumption growth remained robust at 15.1% (2Q 2022: 18.3%). This was attributed to the continued recovery in labour market conditions with higher employment and income growth. The strong performance was driven by spending across both necessities and discretionary items. Policy support, including the increase in minimum wage and Bantuan Keluarga Malaysia also spurred consumer spending. Public consumption expanded at a faster pace of 4.5% (2Q 2022: 2.6%), attributable to higher growth in spending on supplies and services.

Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), rose to 4.5% during the quarter (2Q 2022: 2.8%). As expected, the increase was largely driven by the base effect from the discount on electricity bills implemented in the third quarter of 2021, as well as sustained increases in core and price-volatile inflation. The inflationary pressures reflected the confluence of stronger demand conditions and elevated cost pressures, particularly for food-related items.

*(Source: Developments in the Malaysian Economy, Quarterly Bulletin 3Q 2022, Bank Negara Malaysia)*

## 6.2 Overview of the manufacturing industry in Malaysia

The manufacturing sector grew by 13.2% (2Q 2022: 9.2%). The E&E cluster continued to record strong growth (17.3%; 2Q 2022: 15.5%), while the primary sector expanded at a faster pace (6.0%; 2Q 2022: 1.3%) due to the resumption of operations at an existing oil refinery that was previously under maintenance. The consumer cluster registered double-digit growth, lifted by the ramp up of production in the motor vehicle and transport equipment segment to meet the high backlog in orders.

*(Source: Developments in the Malaysian Economy, Quarterly Bulletin 3Q 2022, Bank Negara Malaysia)*

## 6.3 Overview of the construction industry in Malaysia

The construction sector recorded a higher growth of 15.3% (2Q 2022: 2.4%) as all subsectors recorded improvements in activities. Commercial real estate, mixed-development and small-scale projects continued to support activities in the non-residential and special trade subsectors.

*(Source: Developments in the Malaysian Economy, Quarterly Bulletin 3Q 2022, Bank Negara Malaysia)*

## 6.4 Prospects of SCIB

Following the accelerated pace of vaccination rollout, Malaysia's economy has been gradually rejuvenated through the four phases of National Recovery Plan ("NRP"), aiming for full reopening with the upliftment of containment measures, normalisation of economic activities, betterment in labour market, and expansion in exports and activities ramp-up in 2022.

SCIB remains resilient and committed in creating value and optimising performance for the Group in year ahead. SCIB has re-strategised its geographical positioning by taking a closer look at potential emerging markets especially in the home and neighbouring countries. This is considering the accessibility of affordable manpower for localised developments. The focus of Budget 2022 is also on Sabah and Sarawak where SCIB has built its base at, with RM5.2 billion and RM4.6 billion of funds allocated. Being the leading precast concrete and Industrialised Building System ("IBS") manufacturer in East Malaysia, the Group has been and will continue supporting the state-initiated people centric construction projects with its three integrated manufacturing factories and wharf facility for shipment across Borneo to supply 500,000 tonnes of building materials annually.

Riding along the country's expected economic recovery, SCIB has been aggressive in its participation of engineering, procurement, construction and commissioning ("EPCC") and construction tendering activities both in the government and private sector. As such, the EPCC and construction segment has been growing rapidly especially so in the Peninsular Malaysia. SCIB will continue its participation in the development of affordable housing scheme like PR1MA and PPAM projects, securing roadwork construction and maintenance projects as well as EPCC and construction of hospitals and schools both in the Peninsular Malaysia and East Malaysia.

SCIB is strengthening its capabilities and capacities through the establishment of internal construction execution team for smoother project control, expansion of building materials manufacturing facilities to support Peninsular Malaysia projects, and adoption of advanced technology to achieve automation with higher cost- and time efficiency, lower risk of human errors as well as to solve the labour shortage issue. The Group is currently installing and commissioning its first 3D printing system from COBOD International, a 3D construction specialist based in Denmark after the printer arrived in Malaysia in September 2021. Subsequently, the Group will construct an IBS sample house with the technology and collaborate with Construction Industry Development Board (CIDB) to explore further on its application in domestic landscape. On top of this, SCIB has incorporated a lightweight system plant to enhance the existing IBS offerings and is adopting the Artificial Intelligence (AI) as well as other software to level up the overall operational efficiency.

*(Source: Management of SCIB)*

## **7. APPROVALS REQUIRED**

The Proposed Private Placement is subject to Bursa's Approval.

SCIB has obtained its shareholders' approval for the General Mandate at the 46<sup>th</sup> AGM of the Company convened on 8 December 2022.

The Proposed Private Placement is not conditional upon any other corporate proposal undertaken or to be undertaken by SCIB.

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

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

## **9. DIRECTORS' RECOMMENDATION**

The Board, after having considered all aspects of the Proposed Private Placement (including but not limited to the rationale set out in Section 3 of this announcement, the pro forma effects set out in Section 5 of this announcement) and the proposed utilisation of proceeds, is of the opinion that the Proposed Private Placement is in the best interests of the Group and its shareholders.

## **10. ADVISER AND PLACEMENT AGENT**

Malacca Securities has been appointed as the Adviser and the Placement Agent to the Company for the Proposed Private Placement.

## **11. ESTIMATED TIMEFRAME FOR APPLICATION TO BURSA SECURITIES AND COMPLETION**

Barring any unforeseen circumstance, the application to Bursa Securities in relation to the Proposed Private Placement is expected to be made within one (1) month from the date of this announcement.

The Board expects the Proposed Private Placement to be completed within 6 months from the date of approval from Bursa Securities.

This announcement is dated 11 January 2023.