

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

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

(Unless stated otherwise, abbreviations and definitions used throughout this announcement shall be the same as the announcement of the Company in relation to the Proposed Private Placement dated 11 January 2023 (“Initial Announcement”))

Reference is made to the Initial Announcement.

On behalf of the Board, Malacca Securities wishes to furnish the following additional information in relation to the Proposed Private Placement.

1. Historical financial information of SCIB Group

The summary of financial information of the SCIB Group for the audited 12-month FYE 31 December 2019, 18-month FPE 30 June 2021 and 12-month FYE 30 June 2022 as well as the unaudited 3-month FPE 30 September 2022 are as follows:

	Audited 12-month FYE 31 December 2019	Audited 18-month FPE 30 June 2021	Audited 12-month FYE 30 June 2022	Unaudited 3-month FPE 30 September 2022
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Revenue	86,048	198,964	128,429	30,331
(Loss)/Profit before tax (“LBT”/“PBT”)	3,193	5,722	(53,439)	(942)
(Loss)/Profit after tax (“LAT”/“PAT”)	3,150	(4,209)	(43,757)	(942)
LAT/PAT attributable to:				
- Owners of the Company	3,150	(4,188)	(43,599)	(871)
- Non-controlling interest	-	(21)	(158)	(71)
Share capital	85,913	152,269	153,624	153,624
Shareholders equity/NA	52,001	98,304	95,255	93,580
Total equity	52,001	98,372	95,166	93,685
Total assets	116,109	761,860	193,596	189,334
Loans and borrowings	37,426	44,035	49,016	48,322
No. of shares in issue ('000)	85,883	490,610	582,038	582,038
Weighted average no. of shares in issue ('000)	343,530	445,666	559,248	582,038
NA per share (sen) ⁽¹⁾	0.15	0.22	0.17	0.16
(Loss)/Earnings per share (sen) ⁽²⁾	0.92	(0.94)	(7.80)	(0.15)
Gearing (times) ⁽³⁾	0.72	0.45	0.51	0.52

Notes:

(1) Calculated by shareholders equity/NA divided by weighted average no. of shares in issue.

(2) Calculated by LAT/PAT attributable owners of the Company divided by weighted average no. of shares in issue.

(3) Calculated by loans and borrowings divided by shareholders equity/NA.

Commentaries:

12-month FYE 31 December 2019

The Group had shown an increase of 13.3% in revenue at RM86.0 million for the FYE 31 December 2019 as compared to the RM76.0 million recorded for the preceding FYE 31 December 2018 mainly contributed by the rolling out of Sarawak’s state infrastructure project which include water and power supply, Sarawak’s coastal road and bridges. The increase in supply of IBS components in public schools and health clinics construction also contributed to the increase in revenue.

The Group had managed to turn around the business by recording a PBT of RM3.2 million in the FYE 2019 compared to the LBT of RM9.9 million in the corresponding year of 2018 mainly attributable to contributions from manufacturing division. Lower impairment loss and depreciation had brought down the overall expenses for the FYE 2019 as compared to the corresponding year of 2018.

18-month FPE 30 June 2021

The Group had changed the financial year end from 31 December to 30 June. The FPE 30 June 2021 covers the period under review from 1 January 2020 to 30 June 2021 over eighteen (18) months whereas the previous FYE 31 December 2019 covered twelve (12) months and therefore the financial results cannot be entirely compared.

The Group had shown an increase of 131.4% in revenue at RM199.0 million for FPE 2021 as compared to the RM86.0 million of revenue recorded for FYE 2019 mainly contributed by the rolling out of overseas construction projects in Qatar, Oman and also Indonesia.

The Group's PBT grew 78.1% from RM3.2 million in FYE 2019 to RM5.7 million in FPE 2021. The PBT was derived after the impairment losses on trade receivables and other receivables of RM63.5 million and RM3.6 million respectively. The impairment on trade receivables is due mainly to the long outstanding debts from overseas projects, and the projects' net outstanding balance were fully impaired in compliance with MFRS 9.

12-month FYE 30 June 2022

For better comparison, FPE 2021 figures have been annualised in the below analysis to illustrate the Group's financial performance.

The Group's revenue showed a decrease of 3.2% at RM128.4 million for FYE 2022 as compared with the RM132.6 million of annualised revenue recorded for FPE 2021 mainly due to the termination of overseas projects.

The Group also recorded a LBT of RM53.4 million as compared with an annualised PBT of RM3.8 million in FPE 2021, representing a decrease of RM57.3 million. The LBT was mainly attributed to the net impairment loss on trade and other receivables, and contract assets of RM24.8 million and expenditure incurred in consultation fees on project related activities of RM26 million.

3-month FPE 30 September 2022

The Group recorded revenue of RM30.3 million and LBT of RM0.94 million for the FPE 30 September 2022, compared to revenue of RM26.3 million and LBT of RM47.4 million in the immediate preceding quarter, representing a 15.2% increase in revenue and 98% decrease in LBT.

The Group's revenue had improved as compared to the immediate preceding quarter mainly due to higher sales volume of its foundation piles for the roads upgrading, extension of factories and school projects in Sarawak. This in turn has led to enhanced PBT as compared to preceding quarter. Higher loss before tax in the immediate preceding quarter was mainly attributable to the expenses related to secure tendered projects or investments, feasibility studies and consultant fees for project related advisory services.

2. Value creation to the Company and its shareholders

Despite the expected dilution in the EPS of the Group, the Proposed Private Placement is expected to generate the benefits as disclosed in section 2.5 of the Initial Announcement when the utilisation of the proceeds from the Proposed Private Placement are realised. This will aid the Company in its effort to continuously improve its financial performance and to enhance value for its shareholders moving forward.

3. Impact of the Proposed Private Placement to the Group and its shareholders

The Proposed Private Placement will enable the Group to raise funds without incurring additional interest expense, thereby minimising any potential cash outflow in respect of interest servicing costs and preserving the Group's cashflow. As set out in section 2.5 of the Initial Announcement, the proceeds will be primarily used to repay the Group's bank borrowings and supplement the existing working capital of the Group.

Notwithstanding the above, the consolidated EPS of the Group shall be correspondingly diluted as a result of the increase in the number of Shares arising from the issuance of Placement Shares in the future. Further details on the effects of the Proposed Private Placement on the NA and gearing as well as the earnings and EPS of the Group are set out in sections 5.2 and 5.4 of the Initial Announcement.

As set out in section 2.5 of the Initial Announcement, the proceeds to be raised from the Proposed Private Placement are intended to be utilised mainly to repay the borrowings of the Group. The repayment of borrowings is expected to ease the Group's cash flow for its day-to-day operations and the interest savings are expected to contribute positively to the future earnings of the Group.

4. Adequacy of the Proposed Private Placement in addressing the financial requirements of the Group

Premised on the rationale of the Proposed Private Placement, the prospects of SCIB and the utilisation of proceeds from the Proposed Private Placement, the Board is of the view that the Proposed Private Placement is adequate to address the Group's financial requirements at this juncture. The Group will continuously assess its financial position and condition moving forward and address its financial requirements at the relevant points in time.

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5. Details of fund-raising exercises undertaken in the past 5 years

The fund-raising exercises undertaken by SCIB in the past 5 years prior to this announcement are as follows:

Date of announcement	Date of completion	Description of the fund-raising exercise	Total proceeds raised (RM)	Proceeds utilised as at 11 January 2023 (RM)	Outstanding proceeds yet to be utilised (RM)
7 April 2020	16 June 2020	Proposed private placement of up to 36,750,000 new ordinary shares in SCIB Shares, representing up to approximately 30.0% of the enlarged total number of issued SCIB Shares.	66,885,000.00	66,885,000.00 ⁽¹⁾	-
3 May 2021	14 October 2021	Proposed private placement of up to 20% of the total number of issued shares of SCIB to third party investor(s) to be identified later at an issue price to be determined later, pursuant to Sections 75 and 76 of the Companies Act 2016.	41,763,206.52	41,763,206.52 ⁽²⁾	-

Notes:

(1) The gross proceeds from the private placement of RM66.9 million was utilised in the following manner:

Description	Proposed utilisation (RM'000)	Actual utilisation (RM'000)	Balance (RM'000)
Working capital for on-going projects	6,806	6,806	-
Estimated expenses for future projects	59,408	59,408	-
Estimated expenses in relation to the proposal	671	671	-
Total	66,885	66,885	-

(2) The gross proceeds from the private placement of RM41.76 million was utilised in the following manner:

Description	Proposed utilisation (RM'000)	Actual utilisation (RM'000)	Balance (RM'000)
Capital expenditure for current operations	4,173	4,173	-
Partial settlement of a new business	3,431	3,431	-
Working capital for on-going projects	25,809	25,809	-
Estimated expenses for upcoming projects	5,150	5,150	-
Estimated expenses in relation to the proposal	3,200	3,200	-
Total	41,763	41,763	-