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

PROPOSED PRIVATE PLACEMENT OF UP TO 65,873,763 NEW ORDINARY SHARES IN SCIB ("SCIB SHARES" OR "SHARES"), REPRESENTING 10% OF THE TOTAL NUMBER OF ISSUED SHARES OF THE COMPANY (EXCLUDING TREASURY SHARES, IF ANY) PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016 ("PROPOSED PRIVATE PLACEMENT")

This announcement is dated 28 October 2024 ("**Announcement**").

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 65,873,763 new SCIB Shares ("**Placement Shares**"), representing 10% of the total number of issued SCIB Shares, excluding treasury shares, if any.

Further details in relation to the Proposed Private Placement are set out in the ensuing sections of this Announcement.

2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

The Proposed Private Placement will be undertaken in accordance with the general mandate pursuant to Sections 75 and 76 of the Companies Act, 2016 ("**Act**"), which was obtained from the shareholders of SCIB at its 47th annual general meeting ("**AGM**") convened on 11 December 2023, whereby the Board had been authorised to issue and allot new SCIB Shares not exceeding 10% of the total number of issued SCIB Shares ("**General Mandate**"). The General Mandate is in force until the Company's next AGM (unless revoked or varied by the shareholders at the general meeting prior to the next AGM). For information, the Proposed Private Placement may be undertaken under the existing General Mandate or a new mandate to be obtained at the Company's next AGM.

Furthermore, the Company had also obtained its shareholders' approval to waive their statutory pre-emptive rights to be offered new Shares ranking equally to the existing issued Shares arising from any issuance of new Shares under the General Mandate pursuant to Section 85 of the Act ("**Pre-emptive Rights**") and Article 8 of the Company's Constitution. The Company proposes to seek shareholders' approval for a new mandate and to waive their Pre-emptive Rights at its forthcoming AGM.

2.1 Placement size

As at 22 October 2024, being the latest practicable date prior to the date of this Announcement ("**LPD**"), SCIB has a total issued share capital of RM177,560,159 comprising 658,737,630 issued Shares. The Company does not hold any treasury shares as at LPD.

For information, as at LPD, SCIB has 88,110,139 outstanding options granted under the Company's Long Term Incentive Plan ("**LTIP**") ("**LTIP Options**") which have yet to be exercised. The exercise price for the LTIP Options is RM0.2205 each.

The Company proposes to fix the maximum number of SCIB Shares to be issued under the Proposed Private Placement based on its issued share capital as at LPD. Accordingly, based on the total number of 658,737,630 issued Shares, the Proposed Private Placement entails the issuance of up to 65,873,763 Placement Shares, representing 10% of the total number of issued Shares. For avoidance of doubt, any increase in the number of issued Shares arising from the exercise of the LTIP Options will not affect the number of Placement Shares to be issued under the Proposed Private Placement.

2.2 Placement arrangement

The Placement Shares will only be placed out to independent third-party investor(s), to be identified at a later stage. The placee(s) shall be person(s) or party(ies) who/which qualify under Schedules 6 and 7 of the Capital Markets and Services Act 2007.

In accordance with Paragraph 6.04(c) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**"), the Placement Shares will not be placed to the following parties:-

(i) a director, major shareholder, chief executive of SCIB or a holding company of SCIB ("**Interested Person**");

(ii) a person connected with the Interested Person; and

(iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

Subject to the prevailing market conditions and timing of identification of the investor(s), the Proposed Private Placement may be implemented in tranches within 6 months from the date of approval of Bursa Securities for the Proposed Private Placement or any extended period as may be approved by Bursa Securities, subject always to the expiry of the General Mandate or a new mandate being obtained from the shareholders of SCIB, as the case may be, so as to provide the Company with the flexibility to secure investor(s) and to maximise the number of Placement Shares to be issued. As such, there could potentially be several price fixing dates depending on the number of tranches of the Proposed Private Placement.

The investor(s) may be identified and procured simultaneously or over a period of time. The details of investor(s) and the number of Placement Shares to be placed to each investor in accordance with Paragraph 6.15 of the Listing Requirements will be submitted to Bursa Securities before the listing of the Placement Shares.

2.3 Basis of determining and justification for the issue price of the Placement Shares

The issue price of the Placement Shares for each tranche of the Proposed Private Placement will be determined and fixed by the Board at later date(s) after the receipt of all relevant approvals for the Proposed Private Placement based on the prevailing market conditions and the 5-day volume weighted average market price ("**VWAP**") of SCIB Shares.

The Placement Shares will be priced at a discount of not more than 10% to the 5-day VWAP of SCIB Shares immediately preceding the price-fixing date(s).

For illustration purpose, the Company has assumed that the Placement Shares are issued at an indicative issue price of RM0.2156 per Placement Share ("**Indicative Issue Price**"), representing a discount of approximately 9.90% to the 5-day VWAP of SCIB Shares up to and including LPD of RM0.2393.

2.4 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, allotments and/or other distributions that may be declared, made or paid for which the entitlement date precedes the date of issuance and allotment of the said Placement Shares.

2.5 Listing and quotation of the Placement Shares

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

3. UTILISATION OF PROCEEDS

For illustration purposes, based on the Indicative Issue Price, the Proposed Private Placement is expected to raise gross proceeds of up to approximately RM14.20 million. The proceeds are intended to be utilised by SCIB and its subsidiaries ("**SCIB Group**" or the "**Group**") in the following manner:-

Details of utilisation	**Notes**	**Estimated timeframe for utilisation from the receipt of proceeds**	**Amount**
			RM'000
Repayment of bank borrowings	(i)	Within 12 months	10,000
General working capital	(ii)	Within 12 months	3,902
Defrayment of estimated expenses for the Proposed Private Placement	(iii)	Within 1 month	300
Total estimated proceeds			**14,202**

Notes:-

(i) Repayment of bank borrowings

As at 30 September 2024, the total bank borrowings of the Group are approximately RM54.52 million.

The Group has allocated RM10.00 million of the proceeds from the Proposed Private Placement for the partial repayment of its existing bank borrowings in the following manner:-

Type of facility	**Purpose of borrowing**	**Effective interest rate per annum**	**Amount outstanding as at 30 September 2024**	**Proposed repayment amount ***	**Estimated interest savings per annum after repayment**
		%	RM'000	RM'000	RM'000
Overdrafts	Working capital	8.00	3,000	3,000	240
Banker's acceptance	Working capital	5.00	11,655	7,000	350
			14,655	**10,000**	**590**

Note:-

* After taking into consideration of the estimated additional interest charges that may be incurred as at 30 September 2024 up to the proposed repayment date.

The effective interest rate of the above bank borrowings ranges between 5.00% to 8.00% per annum, the repayment of the bank borrowings amounting to RM10.00 million is expected to result in an estimated annual interest savings of approximately RM0.59 million based on the respective interest rates.

Any deviation in actual repayment of bank borrowings will be adjusted to/from the amount allocated for the general working capital of the Group as stated in Note (ii) of Section 3 below.

(ii) General Working capital

The Group intends to utilise RM3.90 million of the proceeds from the Proposed Private Placement for the Group's general working capital, which are intended to be utilised as follows:-

	Percentage of utilisation
	%
Purchase of raw materials such as cement, aggregates, steel bars and other manufacturing supplies	60
Staff costs which include staff salaries, Directors' remuneration and other statutory payments which includes contributions to the Employees Provident Fund Board and the Social Security Organisation, and deductions to be paid to the Inland Revenue Board	20
General administrative expenses such as rental, utilities, office maintenance, maintenance of property, plant and equipment, printing costs, postages, marketing expenses and compliance expenses such as audit (internal & external), company secretarial and share registrar expenses	20
Total	**100**

Any deviation in the allocation for each component of the general working capital as set out above will be adjusted to/from other components.

(iii) Defrayment of estimated expenses for the Proposed Private Placement

The Company has earmarked RM0.30 million for estimated expenses for the Proposed Private Placement which includes professional fees, placement fees, fees to relevant authorities and other incidental expenses.

Any deviation in the amount allocated for the estimated expenses for the Proposed Private Placement will be adjusted to/from the amount allocated for the general working capital of the Group as stated in Note (ii) of Section 3 above.

The actual proceeds to be raised from the Proposed Private Placement is dependent on the actual issue price of the Placement Shares and the actual number of Placement Shares issued. As the Proposed Private Placement may be implemented in multiple tranches, the proceeds will first be utilised to defray the expenses for the Proposed Private Placement and to repay the bank borrowings, with the balance to be utilised for the general working capital of the Group.

In the event the gross proceeds raised is less than RM14.20 million, the proceeds will be utilised in the same proportion as disclosed in Section 3 of this Announcement.

Pending the utilisation of proceeds from the Proposed Private Placement, the proceeds will be placed in interest-bearing bank accounts, as deposits with licensed financial institution(s) and/or in short-term money market instruments, as the Board deems fit. The Group proposes to utilise such interest/profits arising from the deposits/financial instruments for the Group's general working capital purposes within 24 months from the date proceeds are received.

4. DETAILS OF FUND RAISING EXERCISES UNDERTAKEN BY THE COMPANY IN THE PAST 12 MONTHS

The Company has not undertaken any other fund raising exercises in the past 12 months prior to the date of this Announcement.

For information, on 6 September 2023, the Company had completed a private placement of 58,203,753 new SCIB Shares, which raised total gross proceeds of approximately RM12.76 million ("**Private Placement 2023**").

A summary of the placement exercise is as follows:-

Tranche	**Date of listing**	**Shares issued**	**Issue price**	**Amount raised**
			RM	RM'000
First tranche	13 April 2023	25,000,000	0.1078	2,695
Second tranche	20 June 2023	33,203,753	0.3031	10,064
		58,203,753		**12,759**

As at LPD, the proceeds from the Private Placement 2023 were fully utilised as follows:-

Details of utilisation	**Proposed utilisation**	**Actual utilisation up to LPD**	**Balance of proceeds**
	RM'000	RM'000	RM'000
Working capital	3,753	(a)(3,753)	-
Repayment of bank borrowings	8,859	(b)(8,859)	-
Expenses related to Private Placement 2023	147	(c)(147)	-
Total	**12,759**	**(12,759)**	**-**

Notes:-

(a) The proceeds allocated for the Group's working capital had been utilised for the payment of the Group's staff costs which include staff salaries, Directors' remuneration and other statutory payments which includes contributions to the Employees Provident Fund Board and the Social Security Organisation, and deductions to be paid to the Inland Revenue Board.

(b) The Group had partially repaid its bank borrowings (banker's acceptance) of RM8.86 million.

(c) This includes professional fees, fees payable to authorities and other incidental expenses for the Private Placement 2023.

5. RATIONALE FOR THE PROPOSED PRIVATE PLACEMENT

The Proposed Private Placement is undertaken for the Group to raise funds for the proposed utilisation as set out in Section 3 of this Announcement, which include reducing the Group's bank borrowings and working capital requirements. Both of these are expected to contribute positively to the Group.

The Board is of the opinion that the repayment of bank borrowings of RM10.00 million from the proceeds raised via the Proposed Private Placement will reduce the Group's annual interest expenses by approximately RM0.59 million and lower the Group's gearing ratio from 0.38 times to 0.29 times based on the unaudited consolidated financial statements for financial year ended ("**FYE**") 30 June 2024 (as set out in Section 7.3 of this Announcement).

After due consideration of the various methods of fund raising, the Board is of the view that the Proposed Private Placement is the most appropriate avenue of fund raising despite the dilutive effect on the existing shareholders' shareholdings as a result of the issuance of new Shares pursuant to the Proposed Private Placement, after considering, amongst others, the following:-

(i) the Proposed Private Placement will allow the Group to raise funds more expeditiously as opposed to other equity fund raising options i.e. rights issue which typically entails a longer timeframe for implementation and are significantly dependent upon the market sentiment;

(ii) the Proposed Private Placement will allow the Group to raise funds without incurring additional interest costs or having to service principal repayments as opposed to bank borrowings which may affect the Group's bottom line; and

(iii) the Proposed Private Placement will strengthen the financial position of the Group by increasing the capital base of the Company.

5.1 Value creation and impact of the Proposed Private Placement to the Group and shareholders of SCIB

Upon issuance of the Placement Shares, the shareholdings percentage of SCIB's existing shareholders in the Company and the earnings per Share ("**EPS**") will be immediately diluted as a result of the increase in the number of issued Shares arising from the Proposed Private Placement.

Notwithstanding the above, the Group has earmarked RM10.00 million of the total proceeds to be raised from the Proposed Private Placement to repay its bank borrowings which is expected to result in interest savings of approximately RM0.59 million per annum. This enables the Group to lower its annual cash outflow and contribute positively to the Group's earnings.

5.2 Steps or actions which have been taken/will be taken to improve the financial condition of the Group

The Group recorded losses for 3 consecutive financial years, in the 18-month financial period ended ("**FPE**") 30 June 2021, FYE 30 June 2022 and FYE 30 June 2023. The Group had turnaround in FYE 30 June 2024 with an unaudited profit after tax of RM4.49 million. The Group had undertaken actions to improve its financial condition, including but not limited to:-

(i) Private Placements

The Company had undertaken private placements in 2020, 2021 and 2023 and raised total proceeds of RM121.41 million, of which RM97.17 million and RM8.86 million had been utilised for the Group's projects and repayment of bank borrowings, respectively.

(ii) Capital reduction

The Company had on 15 November 2021 lodged the sealed order to effect the capital reduction exercise with the Registrar of Companies. Pursuant thereto, the reduction of RM40.00 million of the issued share capital of SCIB which is lost and unrepresented by available assets pursuant to Section 116(1)(b) of the Act ("**Capital Reduction**") had taken effect and deemed completed on 15 November 2021.

The corresponding credit of RM40.00 million arising from the Capital Reduction was used to eliminate the accumulated losses of the Company pursuant to Section 116 of the Act, which had improved the overall financial position of the Company and enhanced the credibility and financial profile of the Group with its bankers, customers, suppliers, investors and other stakeholders.

(iii) Acquisition of 5 plots of land

The Company had on 4 January 2024 received an offer from Jabatan Tanah dan Survei, Bahagian Kuching ("**Land and Survey Department of Sarawak**") for the acquisition of 5 plots of land known as Lot 787, 788, 789, 790 and 791, Block 4, Muara Tebas Land District (Plot 11, 12, 13, 14 and 15) at Taman Perindustrian Demak Laut Phase IIb (Stage 2), Kuching, Sarawak ("**Demak Laut Industrial Park**"), each with a tenure of 60 years with a total area of approximately 21.88 acres, for a total purchase consideration of RM21.62 million ("**Offer**") ("**Land Acquisition I**"). Subsequently, the Company had on 26 January 2024 announced that it had accepted the Offer and made the first payment of RM5.68 million to the Land and Survey Department of Sarawak, subject to the terms and conditions of the letter of Offer. The remaining purchase consideration for the Land Acquisition I shall be paid in yearly instalments up to calendar year 2028.

The Group intends to construct an industrial factory at Demak Laut Industrial Park and relocate its factory from its existing headquarter located at Lot 1258, Jalan Utama, Pending Industrial Estate, 93450 Kuching, which will enable the Group to increase its existing production capacity by up to 30% due to a larger land size, allowing the Group to meet the increasing market demand for its products and contribute positively to the earnings of the Group.

As at LPD, the Land Acquisition I is yet to be completed. Barring any unforeseen circumstances, the Land Acquisition I is expected to be completed in stages by March 2028.

(iv) Capitalisation of debt owing to creditor

The Company had on 9 April 2024 completed the capitalisation of an aggregate amount of RM11.30 million debt owing to Goh Hardware & Construction Sdn Bhd ("**Creditor**") by SCIB Properties Sdn Bhd, a wholly-owned subsidiary of SCIB via the issuance of 18,496,345 new SCIB Shares ("**Capitalisation Shares**") at an issue price of RM0.6110 per Capitalisation Share ("**Debt Capitalisation**").

The Debt Capitalisation has enabled the Group to settle the outstanding debt owing to the Creditor without incurring additional debt obligation or interest expenses, while preserving the Group's cash reserves which can instead be utilised for general working capital purposes of the Group and/or undertaking new or existing projects. Further, the Debt Capitalisation allows for the strengthening of the Group's equity base through the capitalisation of debt to equity, thereby improving the overall financial position of the Group.

(v) Acquisition of land

The Company had on 18 September 2024 announced that SCIB Properties Sdn Bhd, an indirect wholly-owned subsidiary of SCIB, had entered into a sale and purchase agreement with Ginteck Sdn Bhd to acquire all that parcel of land and appurtenances thereof situated at Bintulu Sibiu Road, Bintulu containing an area of approximately 2.49 hectares described as Lot 1673 Block 32 Kemena Land District for a cash consideration of RM9.23 million ("**Land Acquisition II**").

The Land Acquisition II is expected to contribute positively to all business segments of the Group, i.e. Property Trading, Manufacturing and Engineering, Procurement, Construction and Commissioning ("**EPCC**") segments, through collaboration with developers to jointly develop and construct residential housing projects by leveraging on the Group's products and construction expertise.

As at LPD, the Land Acquisition II is yet to be completed. Barring any unforeseen circumstances, the Land Acquisition II is expected to be completed by the end of calendar year 2024.

5.3 Adequacy of the Proposed Private Placement in addressing SCIB Group's financial concerns

The primary financial concerns of the Group at this juncture relates primarily to the funding requirement for the repayment of the Group's bank borrowings to reduce the interest expenses, and for the Group's working capital as set out in Section 3 of this Announcement. The Board is of the view that the Proposed Private Placement is an expeditious way to address the Group's funding needs.

The Board believes that, barring any unforeseen circumstances, the proposed utilisation of proceeds from the Proposed Private Placement will adequately address the Group's current financial concerns.

6. INDUSTRY OVERVIEW AND PROSPECTS

6.1 Overview and outlook of the Malaysian economy

Overview

The Malaysian economy advanced by 5.9% in the second quarter of 2024 (1Q 2024: 4.2%). The growth is driven by stronger domestic demand and further expansion in exports. Household spending increased amid sustained positive labour market conditions and larger policy support. Investment activity was underpinned by continued progress in multi-year projects and capacity expansion by firms. Exports improved amid higher external demand and positive spillovers from the global tech upcycle. Most supply-side sectors registered higher growth. The manufacturing sector was supported by broad-based improvement across all clusters, particularly in electrical and electronics (E&E). The services sector recorded strong growth, driven by consumer and business-related subsectors. On a quarter-on-quarter seasonally-adjusted basis, the economy expanded by 2.9% (1Q 2024: 1.5%).

Headline and core inflation averaged 1.8% in the first half of 2024. During the quarter, both headline and core inflation edged higher to 1.9% (1Q 2024: 1.7% and 1.8% respectively). This was largely driven by higher housing and utilities inflation at 3.1% (1Q 2024: 2.6%). The share of Consumer Price Index (CPI) items recording monthly price increases was higher at 49.4% during the quarter (1Q 2024: 44.2%; second quarter average from 2011-2019: 43.9%), reflecting in part the price adjustments during the festive season and several policy measures by the Government during the period.

Outlook

On the domestic front, household spending will be underpinned by continued employment and wage growth as well as policy measures. Investment activities will be driven by progress in multi-year projects across private and public sectors. Catalytic initiatives announced in national master plans and the higher realisation of approved investments are also key drivers for investment activities. Externally, the ongoing global tech upcycle and continued strong demand for non-electrical and electronics goods are expected to lift exports. Improvement in tourist arrivals and spending are expected to continue. Upside risks to growth include greater spillover from the tech upcycle, robust tourism activities, and faster implementation of existing and new investment projects. Downside risks to Malaysia's growth prospects stem from a downturn in external demand, an escalation in geopolitical conflicts and lower-than-expected commodity production.

Headline and core inflation are expected to edge higher in 2H 2024 mainly due to the rationalisation of diesel subsidies. However, the impact will remain manageable given mitigation measures by the Government to minimise cost impact to businesses. For the rest of the year, upside risks to inflation depend on the extent of the spillover effects from further domestic policy measures on subsidies and price controls to broader price trends, as well as global commodity prices and financial market developments. Overall, headline and core inflation for the year are projected to remain within the forecast ranges of 2.0% – 3.5% and 2.0% – 3.0% respectively.

(Source: Economic and Financial Developments in Malaysia in the Second Quarter of 2024, Bank Negara Malaysia)

6.2 Overview and outlook of the manufacturing industry in Malaysia

Overview

The manufacturing sector expanded by 3.3% during the first half of 2024 on the back of higher growth of domestic-oriented industries and a stronger performance of export-oriented industries. The domestic-oriented industries saw a steady growth of 5.9%, fuelled by rising demand, mainly in non-metallic mineral products, basic metal and fabricated products subsector, backed by robust performance in construction activities. Meanwhile, export oriented industries recorded a growth of 2.1%, supported by an upturn in demand of the E&E segment, attributed to positive market momentum in the global semiconductor industry.

Outlook

The sector is projected to grow by 4.9% in the second half of 2024, owing to strengthening domestic demand and improving performance of the external sector. Within the domestic oriented industries, growth is expected to remain resilient propelled by consumer-related activities, particularly in food and beverages as well as transportation segments resulting from flourishing tourism activities. In addition, output for construction-related materials such as metals and cement is anticipated to rise, following acceleration of ongoing infrastructure projects and upcoming development activities. Meanwhile, within the export-oriented industries, the E&E segment is expected to further improve in line with the uptrend in global electronics demand, supported by evolving innovation as well as improvement in the consumer electronics market. In addition, increasing demand for AI chips, data centres, next-generation computing and high-performance computing application will further boost Malaysia's semiconductor industry. Overall, the manufacturing sector is forecast to register a strong growth of 4.1% in 2024.

(Source: Economic Outlook 2025, Budget 2025, Ministry of Finance Malaysia)

6.3 Overview and outlook of the construction industry in Malaysia

Overview

The construction sector posted a significant growth of 14.6% in the first half of 2024, driven by expansion in all subsectors. The civil engineering subsector continues its stellar performance, benefitting from the acceleration of ongoing infrastructure projects including the East Coast Rail Link (ECRL), Rapid Transit System Link (RTS Link) between Johor Bahru and Singapore as well as Pan Borneo Highway Sabah. Moreover, residential buildings and non-residential buildings subsectors also contributed to the performance on the back of increasing demand for affordable houses as well as vibrant economic activities, respectively. Meanwhile, the Penang South Reclamation project and the installation of electrical and piping systems supported the specialised construction activities subsector.

Outlook

The sector is expected to continue its positive momentum in the second half of 2024, with projected double-digit growth of 13.7%. The acceleration of public infrastructure projects towards the final year of the Twelfth Malaysia Plan, 2021 – 2025 (Twelfth Plan) will further support the civil engineering subsector. In addition, the construction of data centres mainly in Johor and Selangor as well as industrial buildings is anticipated to further strengthen the non-residential buildings subsector. The residential buildings subsector is projected to grow, supported by increasing demand for affordable houses in line with the Government's initiatives under Budget 2024. This encompases, among others, the implementation of 36 Program Perumahan Rakyat, including 15 existing projects, which will benefit 5,100 residents, 14 Program Rumah Mesra Rakyat to construct 3,500 housing units and new housing MADANI projects. Furthermore, private sector led projects continue to provide additional support to the residential buildings subsector. Overall, the sector is anticipated to grow further by 14.1% in 2024.

(Source: Economic Outlook 2025, Budget 2025, Ministry of Finance Malaysia)

6.4 Prospects of the Group

SCIB Group is an established manufacturer of precast concrete products such as concrete spun pipes, prestressed spun concrete piles, reinforced concrete square piles, RC box culverts, prestressed girder beams, precast concrete Industrialised Building System ("**IBS**") products, which are building materials used for the construction of buildings, social amenities and infrastructure. The Group is also principally involved in the provision of construction and EPCC services as well as property trading business.

Given the anticipated growth in Malaysia's construction and infrastructure sectors as detailed in Section 6.3 above and the acceleration of public infrastructure projects towards the final year of the Twelfth Malaysia Plan (12MP), the Group is well-positioned to capitalise on the increasing demand for building materials through its range of precast concrete and IBS products. As at 30 September 2024, the Group's manufacturing segment has a remaining order book in the region of RM98.00 million.

As at 30 September 2024, the Group operates 3 factories and a wharf facility which have a combined production capacity of 500,000 tonnes of building materials annually, with plans to increase its existing production capacity by up to 30% through the construction of a new industrial factory at Demak Laut Industrial Park (as detailed in Section 5.2(iii) of this Announcement). The Group is committed to strengthening its manufacturing capabilities in Sarawak and Sabah to enable the Group to be a major supplier of building materials to undertake larger and more intricate projects.

As at 30 September 2024, the Group's construction, EPCC and project management segment has 10 on-going construction projects with remaining order book in the region of RM413.00 million, which will provide earnings visibility over the next 3 financial years. Such contracts comprise of construction contracts for residential buildings, schools, road maintenance and infrastructure projects. The Group is actively pursuing tenders for new contracts for large public infrastructure, residential building, schools as well as social amenities projects to expand and replenish its construction order book, which is envisaged to contribute positively to the earnings of the Group.

Premised on the above and coupled with the positive outlook of the manufacturing and construction industry in Malaysia as set out in Sections 6.2 and 6.3 above, SCIB Group remains optimistic of its growth prospects which will augur well for the Group.

(Source: Management of SCIB)

7. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

7.1 Issued share capital

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

	No. of Shares	RM
Issued share capital as at LPD	658,737,630	177,560,159
Placement Shares to be issued pursuant to the Proposed Private Placement	65,873,763	[(a)]14,202,383
Enlarged issued share capital after the Proposed Private Placement	**724,611,393**	**191,762,542**

Note:-

(a) Assuming the issuance of all the Placement Shares at the Indicative Issue Price of RM0.2156 per Placement Share, derived based on the 5-day VWAP of SCIB Shares up to and including LPD of RM0.2393 less an approximate 9.90% discount.

7.2 Earnings and EPS

The Proposed Private Placement is not expected to have a material effect on the earnings of the Group for FYE 30 June 2024. 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 Proposed Private Placement will result in an immediate dilution in SCIB's EPS as a result of the increased number of SCIB Shares in issue upon completion of the Proposed Private Placement.

7.3 Net assets ("NA") per Share and gearing

The pro forma effects of the Proposed Private Placement on the NA per Share and gearing of the Group based on the latest audited consolidated financial statements of the Group for the FYE 30 June 2023 and unaudited consolidated financial statements of the Group for the FYE 30 June 2024 are set out as follows:-

Based on the audited consolidated financial statements for FYE 30 June 2023

	Audited as at FYE 30 June 2023	(I) Subsequent events[(a)]	(II) After (I) and the Proposed Private Placement
	RM'000	RM'000	RM'000
Share capital	166,259	177,560	[(b)]191,762
Foreign exchange translation reserves	(1,621)	(1,621)	(1,621)
Accumulated losses	(81,980)	(81,980)	[(c)](82,280)
Equity attributable to owners of the Company / NA	**82,658**	**93,959**	**107,861**
Non-controlling interests	865	865	865
Total Equity	**83,523**	**94,824**	**108,726**
No. of issued Shares	640,241	658,738	724,611
NA per Share (RM)	0.13	0.14	0.15
Total borrowings	48,445	48,445	[(d)]38,445
Gearing ratio (times) *	0.58	0.51	0.35

Note:-

* Computed based on total borrowings over total equity.

(a) After taking into consideration the issuance and allotment of 18,496,345 Capitalisation Shares at the issue price of RM0.6110 each on 9 April 2024 pursuant to the Debt Capitalisation.

(b) Assuming the issuance of all the Placement Shares at the Indicative Issue Price of RM0.2156 per Placement Share, derived based on the 5-day VWAP of SCIB Shares up to and including LPD of RM0.2393 less an approximate 9.90% discount.

(c) After deducting estimated expenses for the Proposed Private Placement of RM0.30 million.

(d) Assuming repayment of bank borrowings of RM10.00 million from the proceeds of the Proposed Private Placement.

Based on the unaudited consolidated financial statements for FYE 30 June 2024

	Unaudited as at FYE 30 June 2024	**After the Proposed Private Placement**
	RM'000	RM'000
Share capital	177,560	[(a)]191,762
Foreign exchange translation reserves	(1,783)	(1,783)
Revaluation reserve	53,418	53,418
Accumulated losses	(78,430)	[(b)](78,730)
Equity attributable to owners of the Company / NA	**150,765**	**164,667**
Non-controlling interests	1,089	1,089
Total equity	**151,854**	**165,756**
No. of issued Shares	658,738	724,611
NA per Share (RM)	0.23	0.23
Total borrowings	57,383	[(c)]47,383
Gearing ratio (times) *	0.38	0.29

Note:-

* Computed based on total borrowings over total equity.

(a) Assuming the issuance of all the Placement Shares at the Indicative Issue Price of RM0.2156 per Placement Share, derived based on the 5-day VWAP of SCIB Shares up to and including LPD of RM0.2393 less an approximate 9.90% discount.

(b) After deducting estimated expenses for the Proposed Private Placement of RM0.30 million.

(c) Assuming repayment of bank borrowings of RM10.00 million from the proceeds of the Proposed Private Placement.

7.4 Substantial shareholders' shareholding

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

7.5 Convertible securities

As at LPD, save for the 88,110,139 outstanding and vested LTIP Options, the Company does not have any outstanding convertible securities.

In accordance with the provisions of the by-laws governing the LTIP, the Proposed Private Placement will not result in any adjustments to the number and exercise price of the outstanding LTIP Options.

8. APPROVALS REQUIRED AND CONDITIONALITY

The Proposed Private Placement is subject to the approval of Bursa Securities for the listing and quotation of the Placement Shares on the Main Market of Bursa Securities.

The Proposed Private Placement is not conditional upon any other proposals undertaken or to be undertaken by the Company.

9. INTEREST OF DIRECTORS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM

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

10. DIRECTORS' STATEMENT

The Board, having considered all aspects of the Proposed Private Placement, including but not limited to the utilisation of proceeds, rationale and effects of the Proposed Private Placement, is of the opinion that the Proposed Private Placement is in the best interest of the Company.

11. APPLICATION TO AUTHORITIES

The application to the relevant authorities for the Proposed Private Placement is expected to be submitted within 2 months from the date of the Announcement.

12. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all the approvals/consents being obtained, the Proposed Private Placement is expected to be completed by the 1st quarter of calendar year 2025.

13. ADVISER

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

The summary of the historical financial performance and financial position of SCIB Group based on the audited financial statements for the 18-month FPE 30 June 2021, FYE 30 June 2022, FYE 30 June 2023 and the unaudited financial statements for the FYE 30 June 2024 are as follows:-

	Audited			**Unaudited**
	18-month FPE 30 June 2021[(a)]	**FYE 30 June 2022**	**FYE 30 June 2023**	**FYE 30 June 2024**
	RM'000	RM'000	RM'000	RM'000
Revenue	198,964	128,429	132,045	166,879
Gross profit	86,829	16,051	22,003	35,000
Profit before tax / (Loss before tax)	5,722	(53,439)	(22,082)	7,200
(Loss after tax ("**LAT**")) / Profit after tax ("**PAT**")	(4,209)	(43,757)	(23,641)	4,490
(LAT) / PAT attributable to:				
- Owners of the Company	(4,188)	(43,599)	(24,330)	4,266
- Non-controlling interests	(21)	(158)	689	224
	(4,209)	**(43,757)**	**(23,641)**	**4,490**
Share capital	152,269	153,624	166,259	177,560
NA	98,304	95,255	82,658	150,765
Total equity	98,372	95,166	83,523	151,854
Total bank borrowings	44,035	47,387	48,445	57,383
Current assets	715,302	137,950	139,484	147,887
Current liabilities	646,542	71,930	82,308	82,112
Weighted number of ordinary shares ('000)	445,666	559,248	588,358	644,436
Basic EPS / (Loss per Share ("**LPS**")) (sen)	(0.94)	(7.80)	(4.14)	0.66
Diluted EPS / (LPS) (sen)	(0.94)	(7.80)	(4.14)	0.66
Number of ordinary shares ('000)	490,610	582,038	640,241	658,738
NA per share (RM)	0.20	0.16	0.13	0.23
Current ratio (times)	1.11	1.92	1.69	1.80
Gearing ratio (times)	0.45	0.50	0.58	0.38

Notes:-

(a) The Group had changed its financial year end from 31 December to 30 June as announced on 24 May 2021.

Commentaries

Audited 18-month FPE 30 June 2021 ("FPE 2021")

Due to a change in the financial year end from 31 December to 30 June, the FPE 2021 covers the period under review from 1 January 2020 to 30 June 2021 over a period of 18 months. As such, there is no comparative figures for the FPE 2021.

The Group recorded a revenue of RM198.96 million in FPE 2021, of which the manufacturing segment contributed RM105.69 million or 53.12% while the construction, EPCC and project management segment contributed RM93.27 million or 46.88% to the total revenue.

The Group recorded a LAT of RM4.21 million in FPE 2021 which was mainly due to a net impairment loss on trade and other receivables made amounting to RM67.05 million due to long outstanding debts from the Group's overseas projects. However, the impairment loss was partially offset by the net proceeds amounting to RM22.78 million from the termination of the share sale agreement dated 28 December 2016 entered into between SCIB and Gaya Belian Sdn Bhd and two other individuals . As at LPD, the above matter had been fully settled.

Audited FYE 30 June 2022 ("FYE 2022")

Due to a change in the financial year end from 31 December to 30 June, there is no comparative figures for the FYE 2022.

The Group recorded a revenue of RM128.43 million in FYE 2022, of which the manufacturing segment contributed RM85.86 million or 66.85%, the construction, EPCC and project management segment contributed RM41.86 million or 32.60% while the property trading segment contributed the remaining RM0.71 million or 0.55% to the total revenue.

The Group recorded a LAT of RM43.76 million in FYE 2022 which was mainly due to the following:-

(i) net impairment loss on trade and other receivables and contract assets made amounting to RM24.83 million; and

(ii) expenditure incurred in consultation fees on project related activities amounting to RM26.44 million which includes expenses related to secure tendered projects or investments, feasibility studies and consultant fees for project related advisory services.

These projects include the 3 hydropower projects at Nepal, namely the Middle Hongu Khola A Hydro Power Plant, Middle Hongu Khola B Hydro Power Plant and the Myagdi Khola Hydropower Project ("**Hydropower Projects**"). During FYE 2022, SCIB had decided not to pursue the Hydropower Projects as the Group is not ready to venture into long-term projects with high capital expenditure requirements.

Audited FYE 30 June 2023 ("FYE 2023")

The Group's revenue increased by RM3.62 million or 2.81% from RM128.43 million in FYE 2022 to RM132.04 million in FYE 2023, which was mainly attributable to the increase in revenue from the manufacturing segment driven by Sarawak state government's initiatives in infrastructures as well as school renovation and construction projects. The manufacturing segment remains the largest contributor to the Group's revenue, which contributed RM90.58 million or 68.60% to the total revenue.

The Group's LAT had decreased by RM20.12 million or 45.98% from RM43.76 million in FYE 2022 to RM23.64 million in FYE 2023 which was mainly due to the following:-

(i) higher revenue generated in FYE 2023;

(ii) lower net impairment loss on trade and other receivables and contract assets made amounting to RM19.07 million; and

(iii) one-off expenditure incurred in consultation fees on project related activities amounting to RM26.44 million in FYE 2022 which does not recur in FYE 2023.

Unaudited FYE 30 June 2024 ("FYE 2024")

The Group's revenue increased by RM34.84 million or 26.38% from RM132.04 million in FYE 2023 to RM166.88 million in FYE 2024, which was mainly attributable to higher revenue contribution from the manufacturing segment of RM115.43 million or 69.17%, primarily driven by increased sales volume of foundation piles and IBS products during FYE 2024. Revenue contribution from the construction, EPCC and project management segment was also higher at RM51.45 million or 30.83% due to increase in the recognition of construction works done, completion of school projects and revenue recognition from the new PRIMA Kelantan project towards end of the FYE 2024.

The Group recorded a PAT of RM4.49 million in FYE 2024 as compared to a LAT of RM23.64 million in FYE 2023, which was mainly due to the following:-

(i) higher revenue generated in FYE 2024;

(ii) reversal of impairment loss on trade and other receivables and contract assets made amounting to RM2.43 million; and

(iii) lower impairment loss on trade and other receivables and contract assets in FYE 2024.