

SARAWAK CONSOLIDATED INDUSTRIES BERHAD

Type:	Announcement: REPLY TO QUERY
Description	Acceptance of Letter of Award by Indirect Wholly-Owned Subsidiary of Sarawak Consolidated Industries Berhad ("SCIB" "The Company")), SCIB Properties Sdn. Bhd. ("SCIBP") for Securing Engineering, Procurement, Construction and Commissioning Contract.
Subject:	REPLIES to BURSA MALAYSIA SECURITIES BERHAD'S QUERIES TO SARAWAK CONSOLIDATED INDUSTRIES BERHAD ("SCIB") DATED 29 JULY 2024

A. Query Letter Contents:

Bursa Malaysia Securities Berhad had on 29 July 2024 issued a query to the announcement made by the Company on 25 July 2024 concerning the Acceptance of Letter of Award by Indirect Wholly-Owned Subsidiary of Sarawak Consolidated Industries Berhad ("SCIB"), SCIB Properties Sdn. Bhd. ("SCIBP") for Securing Engineering, Procurement, Construction and Commissioning Contract ("Project"). The contents of the query is as follows:-

- 1) *The rationale for SCIB (the holding company of SCIBP as the main contractor) to be the Corporate Guarantor in favour of MBSB Bank Berhad for the loan facilities granted to AWANA (as the project owner that awarded the contract).*
- 2) *Whether the appointment of SCIB as the Corporate Guarantor is in compliance with Paragraph 8.23(1) of the Main Market Listing Requirements and the justification.*
- 3) *Further clarification/reconciliation as to how the Total Indebtedness of RM19,132,682.24 will be settled by AWANA via the awarding of the contract to SCIBP with an estimated contract value of RM162,000,000.00.*

B. REPLY TO BURSA QUERY

Reference is made to the letter dated 29 July 2024 from Bursa Malaysia Securities Berhad ("Bursa Securities") pertaining to announcement made by the Company on 25 July 2024.

(Unless otherwise stated, the words and abbreviations used herein shall have the same meaning as those defined in the Announcements.)

The Board wishes to announce the following additional information as required by Bursa Securities via its letter (ref no: IQL-29072024-00001) dated 29 July 2024.

- 1) ***The rationale for SCIB (the holding company of SCIBP as the main contractor) to be the Corporate Guarantor in favour of MBSB Bank Berhad for the loan facilities granted to AWANA (as the project owner that awarded the contract).***

The rationale for SCIB acting as the Corporate Guarantor is to secure the necessary financing for AWANA, the developer/project owner to ensure the smooth execution of the Project.

SCIBP had on 15 April 2024 entered into a Settlement cum Appointment of Contractor Agreement ("**The Agreement**") with AWANA to appoint SCIBP as the exclusive Main Contractor for the construction of the Project.

In the Agreement, to safeguard the interest of SCIBP, the Parties agreed to appoint one director from SCIBP to sit on the Board of Directors of AWANA, strengthening SCIBP's position to participate in decision-making processes. AWANA also agreed to grant SCIBP the power of attorney to oversee and execute the construction works associated with the Project, entrusting SCIBP to handle all the related business affairs.

The Bank views SCIBP to be a strong partner of AWANA in successfully delivering the project. As a result, the Bank has imposed a condition that SCIB, being a listed entity and a turnkey contractor for the Project, must act as the corporate guarantor for the bank facility granted to AWANA in favor of the Bank. The main purpose of the banking facilities was to provide additional working capital for the Project, facilitating the timely completion of the Project. Through this commercial dealing, as the main contractor, SCIBP is deemed to benefit from the banking facilities, which mitigates potential financial risks and enhances the project's overall credibility.

2) *Whether the appointment of SCIB as the Corporate Guarantor is in compliance with Paragraph 8.23(1) of the Main Market Listing Requirements and the justification.*

Yes, the appointment of SCIB as the Corporate Guarantor is in compliance with Paragraph 8.23(1) of the Main Market Listing Requirements. The justification for this compliance is that the financial assistance provided by SCIB is essential for the successful completion of the contract awarded to SCIBP and for facilitating the ordinary course of business of the Group.

We also made reference to the examples provided by Bursa Malaysia Securities Berhad under the Practice Note 11, of what is necessary to facilitate the ordinary course of business, which includes provision of corporate guarantee to a third party in favour of main contractor in order for a listed issuer to secure work as a sub-contractor.

Additionally, this corporate guarantee does not adversely affect the financial health of SCIB group, as the expected returns from the project outweigh the risks involved.

3) *Further clarification/reconciliation as to how the Total Indebtedness of RM19,132,682.24 will be settled by AWANA via the awarding of the contract to SCIBP with an estimated contract value of RM162,000,000.00.*

With reference to the Announcement dated 15 April 2024 under Section 2.2(ii), the Total Indebtedness of RM19,132,682.24 will be settled by AWANA through AWANA's development proceeds derived from or in relation to the Project.

This announcement is dated 30 July 2024.