

## SARAWAK CONSOLIDATED INDUSTRIES BERHAD

Type:	Announcement: REPLY TO QUERY
Subject:	Transactions (Chapter 10 of Listing Requirements) Non-Related Party Transactions
Description	SARAWAK CONSOLIDATED INDUSTRIES BERHAD (“SCIB” OR “THE COMPANY”) – REPLY TO QUERY ON PROPOSED ACQUISITION OF FIVE (5) PLOTS OF LAND KNOWN AS LOT 787,788,789, 790 AND 791, BLOCK 4, MUARA TEBAS LAND DISTRICT (PLOTS 11,12,13,14 AND 15) AT TAMAN PERINDUSTRIAN DEMAK LAUT, PHASE IIB (STAGE 2), KUCHING, SARAWAK WITH A TOTAL AREA OF APPROXIMATELY 8.8544 HA (ABOUT 21.879 ACRES) (“ <b>the Land</b> ”)

### A. Query Letter Contents:

Bursa Malaysia Securities Berhad had on 29 January 2024 issued a query to the announcement made by the Company on 26 January 2024 concerning the Proposed Acquisition of five (5) plots of land known as Lot 787,788,789, 790 and 791, Block 4, Muara Tebas District at Taman Perindustrian Demak Laut, Phase IIB (Stage 2), Kuching Sarawak (hereinafter referred to as “**the Land**”).

The contents of the query is as follows:-

- 1) *Further clarification on how the Board is satisfied that the Purchase Consideration is fair and reasonable, given that the Purchase Consideration was fixed by the Land and Survey Department of Sarawak and no valuation was carried out by SCIB.*
- 2) *Whether the Company has considered any other sites prior to accepting the offer for the Land.*
- 3) *All the salient terms and conditions of the agreement for the Land Acquisition and the date of said agreement.*
- 4) *Further clarification on the nature and reason for the Land and Survey Department of Sarawak to grant the exemption from the fourth and fifth instalment payments in the event that the factory is completed within 3 years.*
- 5) *The expiry date of the lease of the Land.*
- 6) *Further clarification that the Land Acquisition is expected to increase the gearing of SCIB Group for the financial year ending 30 June 2024, in view that the first instalment will be funded via internally generated funds and the subsequent instalments which will be funded by bank borrowings will only commence in year 2025.*
- 7) *Further clarification on the basis that the construction of the new factory can be completed within 1 year (i.e. by first quarter of 2025).*

### **B. REPLY TO BURSA QUERY**

Reference is made to the letter dated 29 January 2024 from Bursa Malaysia Securities Berhad (“Bursa Securities”) pertaining to announcement made by the Company on 26 January 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-29012024-00003) dated 29 January 2024.

- 1) *Further clarification on how the Board is satisfied that the Purchase Consideration is fair and reasonable, given that the Purchase Consideration was fixed by the Land and Survey Department of Sarawak and no valuation was carried out by SCIB.*

SCIB did not conduct a valuation of the Land, but the Board has determined that the Purchase Consideration is fair and reasonable. This decision was made after conducting an internal review and taking into account the sales prices and asking prices of comparable properties in the same location within the Demak Laut area, as well as other factors that affect the value of the Land, such as its accessibility and suitability.

For information, in September 2023, the Company engaged a professional valuer firm, VPC Alliance (Sarawak) Sdn. Bhd. to conduct a valuation on a parcel of leasehold land located within the same Muara Tebas Land. This land is known as the Lot No. 1166, Jalan Demak Indah, Demak Laut Industrial Park Phase IIA, Jalan Bako, Kuching Sarawak, measuring 10 acres and about 11.3 km north-east of Kuching City Centre (hereinafter referred to as "**Lot 1166**"). Lot 1166 is located about 1 km from the Land offered by the Sarawak Government.

The land Lot 1166 was valued at RM1,350,000 per acres (or RM31 per sq ft) which is higher than the rate offered by the State Government of approximately RM988,224 per acres (or RM22.69 per sq ft).

Considering the above, the Board is satisfied that the Purchase Consideration is fair and reasonable.

- 2) *Whether the Company has considered any other sites prior to accepting the offer for the Land.*

The Company has submitted the application for industrial land to Kementerian Pembangunan Bandar Dan Sumber Asli (the Ministry of Urban Development and Natural Resources) for the state land in the Demak Laut Industrial Park.

The Company has not considered sites other than Demak Laut Industrial Park, as the State Government offers it according to their plan to relocate all heavy industry factories to Demak Laut Industrial Park, which is designated explicitly for heavy industry.

- 3) *All the salient terms and conditions of the agreement for the Land Acquisition and the date of said agreement.*

The Salient terms and conditions of the Land, as stated in the respective letter of offer dated 4 January 2024, are as follows:

- i. This land is to be used only for industrial purposes;
- ii. The industrial activity to be carried out on this land shall not be of a type which is obnoxious in nature as prescribed under the Natural Resources Environment (Prescribed Activities) Order, 1994;
- iii. The development or re-development of this land shall be in accordance with plans, sections and elevations approved by the Superintendent of Lands and Surveys, Kuching Division;
- iv. The erection of a building or buildings on this land shall be in accordance with detailed drawings and specifications approved by The Commission of the City of Kuching North and shall be completed within three (3) years from the date of registration of this lease;

- v. In the event that the lessee completed the erection of the building or buildings on the said land and commence operation within three (3) years from the date of registration of the lease, the Director of Lands and Surveys may exempt or waive the payment of the 4th and 5th instalments of premium payable by the lessee on the said land if he is satisfied that the lessee has fulfilled the intention and the purpose for which the land was alienated;
  - vi. Without prejudice to (iv) above, in the event that such building or buildings is not completed within three (3) years from the date of registration of this Lease, the Government will take back and re-enter the Land. Eighty percent (80%) of land premium paid will be refunded without interest for land taken back by the Government;
  - vii. No residential accommodation other than accommodation for a watchman with a maximum floor area of 37.2 square metres may be permitted for land; and
  - viii. No dealing and transfer affecting this land may be effected without the consent in writing of the Minister for the time being responsible for land; and
  - ix. No sublease affecting this land may be effected without the consent in writing of the Director of Lands and Surveys during the initial period of five (5) years from the date of registration of this lease.
  - x. The premium shall be paid by five(5) annual instalments subject to the interest 8% per annum.
  - xi. Annual instalments for year 2 until 5 is to be paid on or before the anniversary date of the registration of the title.
- 4) *Further clarification on the nature and reason for the Land and Survey Department of Sarawak to grant the exemption from the fourth and fifth instalment payments in the event that the factory is completed within 3 years.*

The Company has no authority to issue a response on this query, on behalf of the Land and Survey Department and the State Government.

Nevertheless, as stated in the respective letter of offer dated 4 January 2024, the exemption and waive shall be given if the Director of Lands and Surveys satisfied that the lessee has fulfilled the intention and the purpose for which the land was alienated.

The Company viewed this exemption as an encouragement for industry players who intend to relocate their manufacturing operations for capacity expansion.

- 5) *The expiry date of the lease of the Land.*

The land's expiry date is set at sixty (60) years from the date of its registration. However, the Land and Survey department has not issued the land title yet. The Company has paid for the first instalment of the Purchase Consideration and anticipates that it will take approximately two (2) weeks for the Land and Survey department to issue the provisional land title.

- 6) *Further clarification that the Land Acquisition is expected to increase the gearing of SCIB Group for the financial year ending 30 June 2024, in view that the first instalment will be funded via internally generated funds and the subsequent instalments which will be funded by bank borrowings will only commence in year 2025.*

*On 26<sup>th</sup> January 2024, the Company made the first payment to the State Government after obtaining the necessary approval from the Board.*

*The Company is applying for banking facilities to partially fund the Purchase Consideration, in which the drawdown is expected before 30 June 2024, and part of the drawdown shall be utilised to finance the construction of the new factory at Demak Laut Industrial Park. Thus, it is expected that the gearing of SCIB Group will slightly increase by the end of the financial year, ending 30 June 2024.*

- 7) *Further clarification on the basis that the construction of the new factory can be completed within 1 year (i.e. by first quarter of 2025).*

The Company has obtained major approvals from the State Planning Authority (SPA), which means that the construction of the factory can begin immediately. Barring any unforeseen circumstances, the Company anticipates that the new factory will be completed within one year (by the first quarter of 2025). The Company acknowledges the urgency to expedite the construction of the factory in order to increase its production capacity and take advantage of the expected surge in market demand for concrete-related products. This demand is expected to arise due to the Government's rapid development plan in the next few years.

This announcement is dated 30 January 2024