

SARAWAK CONSOLIDATED INDUSTRIES BERHAD

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Type	REPLY TO QUERY
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Subject	OTHERS
Description	SARAWAK CONSOLIDATED INDUSTRIES BERHAD (“SCIB” OR “THE COMPANY”) - STATUS UPDATE ON THE SETTLEMENT AGREEMENT ENTERED BETWEEN SCIB PROPERTIES SDN. BHD., A WHOLLY-OWNED SUBSIDIARY OF SCIB AND AWANA JV SURIA SAGA SDN. BHD.

*Unless otherwise stated, all abbreviations used herein shall have the same meaning as those mentioned in the announcement dated 13 January 2025 in relation to the status update on the settlement agreement entered between SCIB Properties Sdn. Bhd., a wholly-owned subsidiary of SCIB and Awana JV Suria Saga Sdn. Bhd. (“**Announcement**”).*

The Board of Directors of Sarawak Consolidated Industries Berhad (“**SCIB**” or “**the Company**”) wishes to inform that the Company has received Bursa Malaysia Securities Berhad’s request on 15 January 2025 for additional information in relation the status update on the settlement agreement entered between SCIB Properties Sdn. Bhd. (“**SCIBP**”), a wholly-owned subsidiary of SCIB and Awana JV Suria Saga Sdn. Bhd. (“**Awana**”). The additional information is as follows:-

1) The details of events leading to the lapse of the Contract and the Settlement cum Appointment of Contractor Agreement;

Under the Settlement cum Appointment of Contractor Agreement, it is a condition precedent that a person nominated by SCIBP is to be appointed into Awana’s Board of Directors within the Conditional Period. The conditional period is for a period of 3 months from the date of the Settlement cum Appointment of Contractor Agreement i.e 15 April 2024 subject to an automatic extension of 3 months. To date, the condition precedent has yet to be fulfilled and the conditional period has not been renewed by either party. As the Settlement cum Appointment of Contractor Agreement has lapsed and was never intended to be enforced independently of the Contract, the Contract has also lapsed.

2) In view that the Contract and the Settlement cum Appointment of Contractor Agreement had lapsed, SCIB cannot be the Corporate Guarantor in favour of MBSB Bank Berhad for the loan facilities granted to AWANA in compliance with Paragraph 8.23(1) of the Main Market Listing Requirements. In this regard, to state the steps taken by SCIB to be discharged from being the Corporate Guarantor and the specific timeline for completion;

SCIBP is currently working together with its external lawyer on the discharge of the Corporate Guarantor from MBSB Bank Berhad (“**MBSB**”). SCIBP had via a written notice on 15 January 2025 informing MBSB on the lapse of the Contract and the Settlement cum Appointment of Contractor Agreement and thus, there is no basis for SCIB to remain as the Corporate Guarantor as SCIBP is no longer the main contractor for Awana. The Company will provide a definitive timeline for the completion of the discharge once MBSB responding of the same.

3) *The total amount of indebtedness due and owing by AWANA to SCIBP including the financial assistance provided to AWANA as announced on 28 August 2024 and 27 November 2024;*

The financial assistances provided to Awana as announced on 28 August 2024 and 27 November 2024 are RM232,542.95 and RM350,842.48 respectively, which the total amount of indebtedness as of current date is RM19,716,067.67.

4) *The relevant termination and penalty clauses following the lapse of the Contract and the Settlement cum Appointment of Contractor Agreement;*

We have been advised by our Lawyer that termination and penalty clauses can only be enforced if AWANA has breached the Contract and the Settlement cum Appointment of Contractor Agreement. In this case, there is no breach. The condition precedents required for both the Contract and the Settlement cum Appointment of Contractor Agreement were not fulfilled, which effectively means that the agreements were never entered into at all. Therefore, under these circumstances, there are no applicable termination and penalty clauses to rely on.

5) *The proposed actions to be taken by SCIB Group to recover the total amount of indebtedness due and owing by AWANA to SCIBP after the lapse of the Contract and the Settlement cum Appointment of Contractor Agreement;*

Since the Contract and the Settlement cum Appointment of Contractor Agreement had lapsed, the indebtedness remains to be governed by the Settlement Agreement dated 6 July 2023.

Due to the lapse, AWANA has been behind their obligation to pay the indebtedness under the Settlement Agreement dated 6 July 2023. As such, SCIBP's has caused its solicitors to issue a letter on 15 January 2025 seeking AWANA to remedy its breach within 14 working days from the date of the said letter.

6) *The effects on the net assets and net profits of SCIB Group in the event that the total amount of indebtedness is fully impaired; and*

Due to the lapse of the Settlement cum Appointment of Contractor Agreement and the Contract, which are no longer enforceable, the amount owed by Awana totals RM19,716,067.67 is subject to an impairment review. In the event the total amount of indebtedness is fully impaired, it will decrease the net assets of SCIB Group for the financial year ending 30 June 2025, and will also reduce profits for that year by the impaired amount.

Currently, the total amount of indebtedness of RM19,716,067.67 is 12.95% of the group's net assets as of 30 June 2024.

7) *Further justification that there is a strong possibility of recovering the total amount of indebtedness due and owing by AWANA to SCIBP.*

Awana's lawyer has acknowledged the total amount of indebtedness in a correspondence dated 6 January 2025. Based on a preliminary assessment, our external lawyer views that there is a strong possibility of recovering the total amount of indebtedness as Awana has sufficient assets in its books to settle the debt owed to SCIBP. Nevertheless, SCIB, along with the lawyer, will explore mutually agreeable terms to ensure a smooth resolution for both parties.

This announcement is dated 16 January 2025.