

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, solicitor, accountant, bank manager or other professional adviser immediately.

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SARAWAK CONSOLIDATED INDUSTRIES BERHAD

Registration No.: 197501003884 (25583-W)

(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO

- I. **PROPOSED NEW RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE AND/ OR TRADING NATURE ENTERED INTO BETWEEN SARAWAK CONSOLIDATED INDUSTRIES BERHAD ("SCIB") GROUP OF COMPANIES AND SERBA DINAMIK HOLDINGS BERHAD GROUP OF COMPANIES; AND**
- II. **PROPOSED PRIVATE PLACEMENT OF UP TO 36,750,000 NEW ISSUED SHARES OF SCIB ("SHARES"), REPRESENTING UP TO APPROXIMATELY 42.8% OF THE TOTAL NUMBER OF SHARES, TO THE FOLLOWING PARTIES:**
 - A. **YBHG. DATO' DR. IR TS MOHD ABDUL KARIM BIN ABDULLAH OF 6,100,000 SHARES;**
 - B. **ENCIK ROSLAND BIN OTHMAN OF 5,750,000 SHARES; AND**
 - C. **THIRD PARTY INVESTOR(S), WHO QUALIFY UNDER SCHEDULES 6 AND 7 OF THE CAPITAL MARKETS AND SERVICES ACT 2007, TO BE IDENTIFIED LATER OF THE REMAINING SHARES,**

AT AN ISSUE PRICE TO BE DETERMINED LATER

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser

UOB Kay Hian

UOB Kay Hian Securities (M) Sdn Bhd

Registration No.: 199001003423 (194990-K)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting of SCIB ("EGM"), which will be conducted entirely through live streaming from the broadcast venue at Tricor Business Centre, Manuka 2 & 3 Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia on Wednesday, 3 June 2020 at 11.30 a.m. or at any adjournment thereof, together with the Form of Proxy is enclosed herein.

A member entitled to attend, participate, speak and vote remotely at the EGM via the Remote Participation and Voting facilities provided, is entitled to appoint a proxy or proxies to attend, participate, speak and vote on his/ her behalf. In such event, the completed and signed Form of Proxy must be deposited at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, alternatively, at the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, or by electronic lodgement via TIIH Online website at <https://tiih.online>, not less than 48 hours before the time set for holding the EGM or at any adjournment thereof. The lodging of the Form of Proxy shall not preclude you from attending, participating, speaking and voting at the EGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy : Monday, 1 June 2020 at 11.30 a.m.

Date and time of the EGM : Wednesday, 3 June 2020 at 11.30 a.m.

This Circular is dated 18 May 2020

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

Act	:	The Companies Act 2016
Board	:	The Board of Directors of SCIB
Bursa Securities	:	Bursa Malaysia Securities Berhad
Circular	:	This Circular dated 18 May 2020
CMSA	:	Capital Markets and Services Act 2007
Dato' Dr. Karim	:	YBhg. Dato' Dr. Ir Ts Mohd Abdul Karim Bin Abdullah, being the Interested Director in relation to the Proposals
Director(s)	:	The director(s) of SCIB and shall have the meaning given in Section 2(1) of the CMSA, and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon:- <ul style="list-style-type: none">(i) a director of the listed issuer, its subsidiary or holding company; or(ii) a chief executive of the listed issuer, its subsidiary or holding company
EGM	:	Extraordinary General Meeting of the Company
Encik Rosland	:	Encik Rosland Bin Othman, who is the Interested Director in relation to the Proposals
EPS	:	Earnings per Share
FYE	:	Financial year ended/ ending
Interested Director(s)	:	Dato' Dr. Karim and Encik Rosland
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	30 April 2020, being the latest practicable date prior to the printing and despatch of this Circular
Major Shareholder(s)	:	Any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon:- <ul style="list-style-type: none">(i) a major shareholder of a listed company as defined under Paragraph 1.01 of the Listing Requirements or any other corporation, which is its subsidiary or holding company;(ii) in relation to a business trust, a major shareholder of the trustee-manager, its subsidiary or holding company;(iii) in relation to a closed-end fund, in addition to a major shareholder of the closed-end fund, a major shareholder of the Managers, its subsidiary or holding company; and(iv) in relation to a real estate investment trust (REIT), a major shareholder of the management company

DEFINITIONS (CONT'D)

Market Day(s)	:	Any day from Mondays to Fridays (inclusive of both days), which is not a public holiday and on which Bursa Securities is open for trading of securities
NA	:	Net assets attributable to the owners of the Company
PAT/ LAT	:	Profit after taxation/ Loss after taxation
Placement Share(s)	:	Up to 36,750,000 new SCIB Shares, representing up to approximately 42.8% of the total number of SCIB Shares to be issued pursuant to the Proposed Private Placement
Proposals	:	Collectively, the Proposed RRPTs and Proposed Private Placement (including resolutions on the Placement Shares, which will be placed out to the Interested Directors)
Proposed Private Placement	:	Proposed private placement of up to 36,750,000 new SCIB Shares, representing up to approximately 42.8% of the total number of SCIB Shares to the following parties: (i) Dato' Dr. Karim of 6,100,000 Placement Shares; (ii) Encik Rosland of 5,750,000 Placement Shares; and (iii) Third party investor(s), who qualify under Schedules 6 and 7 of the CMSA, to be identified later of the remaining Placement Shares, at an issue price to be determined later. For shareholders' information, separate resolutions on the Placement Shares to be placed out to the Interested Directors will be tabled to seek for shareholders' approvals at the same EGM
Proposed RRPTs	:	Proposed new recurrent related party transactions of a revenue and/ or trading nature entered into between SCIB Group and SDHB Group
RM and sen	:	Ringgit Malaysia and sen, respectively
RRPT(s)	:	Recurrent related party transaction(s)
SCIB or the Company	:	Sarawak Consolidated Industries Berhad
SCIB Group or the Group	:	SCIB and its subsidiaries, collectively
SCIB Share(s) or the Share(s)	:	Ordinary share(s) in SCIB
SDHB	:	Serba Dinamik Holdings Berhad
SDHB Group	:	Serba Dinamik Holdings Berhad and its subsidiaries, collectively
UOB Kay Hian or the Adviser or the Placement Agent	:	UOB Kay Hian Securities (M) Sdn Bhd
VWAP	:	Volume weighted average market price

DEFINITIONS (CONT'D)

Unless otherwise stated and wherever applicable, the amount represented in this Circular has been rounded to the nearest whole cent, for ease of reference.

Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

References to "**you**" or "**your(s)**" in this Circular are made to shareholders of SCIB and references to "**our Company**" or "**the Company**" or "**we**" or "**us**" or "**our**" or "**ourselves**" are made to our Company, and where the context requires, our Company and our subsidiaries. Unless the context otherwise requires, references to "**Board**" are to our Board of Directors and "**Management**" are to our Directors and key management personnel as at the LPD of this Circular.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

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EXECUTIVE SUMMARY

This Executive Summary highlights only the salient information of the Proposals. The shareholders of SCIB are advised to read the Circular in its entirety for further details and not to rely solely on this Executive Summary in forming a decision on the Proposals before voting at the EGM.

Key information	Description	Reference to Circular
Summary of the Proposals	<u>Proposed RRPTs</u> <ul style="list-style-type: none">SCIB Group is expected to secure several projects to be awarded by SDHB Group for the provision of construction and project management services, and the supply of precast products and construction materials for overseas and local projects, the tenure of which, varies between a period of 24 to 36 months and the estimated total contract sum of these projects is approximately RM1.37 billion.Dato' Dr. Karim is the Director and Major Shareholder of SCIB, who is also the Director and Major Shareholder of SDHB.Pursuant to the above, the awards of the projects, which are forthcoming, are considered as related party transactions that are recurrent of a revenue and/ or trading nature, and are in the ordinary course of day-to-day operations of SCIB.	Section 2
	<u>Proposed Private Placement</u> <ul style="list-style-type: none">SCIB proposes for a private placement of up to 36,750,000 new SCIB Shares, representing up to approximately 42.8% of the total number of SCIB Shares to the Interested Directors and placee(s) to be identified later, at an issue price to be determined later.	Section 3
Implementation of the Proposals	<u>Proposed RRPTs</u> <p>The Proposed RRPTs, if approved by the majority shareholders of SCIB at the EGM, shall take immediate effect and subject to annual renewal at the annual general meeting of the Company.</p>	Section 2.4
	<u>Proposed Private Placement</u> <p>The Proposed Private Placement will 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.</p> <p>The Board intends to implement the first tranche of the Proposed Private Placement within the first 3 months from the date of Bursa approval, i.e. 15 May 2020 ("First Tranche Placement"). Under the First Tranche Placement, Dato' Dr. Karim and Encik Rosland have provided their respective undertaking that, should the Proposed Private Placement and the allocation of Placement Shares to them be approved by the majority shareholders of SCIB, they will subscribe for a total of 11,850,000 Placement Shares, of which 6,100,000 Placement Shares will be subscribed by Dato' Dr. Karim while 5,750,000 Placement Shares will be subscribed by Encik Rosland.</p>	Section 3.2
Rationale for the Proposals	<u>Proposed RRPTs</u> <ul style="list-style-type: none">The acceptance of projects to be awarded by SDHB Group is expected to increase the order book and earnings of the construction and manufacturing business segments of SCIB Group.	Section 5.1

EXECUTIVE SUMMARY

Key information	Description	Reference to Circular
	<ul style="list-style-type: none"> The acceptance of these projects and the award of future projects on recurrent basis would enable the Group to gradually expand its geographical presence to other regions for instance, the Middle East region. Further, the construction-related projects are in the ordinary course of business of SCIB Group and the revenue nature of these contracts will directly generate revenue to SCIB over the contracts period. The terms of the RRPTs will be fair, reasonable and on normal commercial terms and not detrimental to the interests of the minority shareholders of SCIB as the RRPTs will not be more favourable to the related party than those generally available to the public. 	
	<p><u>Proposed Private Placement</u></p> <ul style="list-style-type: none"> To raise the requisite funds to meet the Group's immediate funding requirements, which include, amongst others, to finance the upcoming projects, which are the RRPTs. However, in the event the projects are not secured due to the non-completion of the Proposed RRPTs, the Company may use the funds to explore other business/ investment opportunities within the same business activities of the Group. The Board is of the view that the Proposed Private Placement is the most appropriate avenue of fundraising as the Proposed Private Placement will enable the Company to raise the requisite funds to finance the existing projects and future projects without incurring interest costs as compared to conventional bank borrowings. Further, the Proposed Private Placement serves as an expeditious fundraising alternative from the capital market as opposed to other forms of fundraising. 	Section 5.2
Conditionality of the Proposals	The Proposed RRPTs and the Proposed Private Placement are not inter-conditional upon each other. The Proposals are not conditional upon any other proposals undertaken or to be undertaken by the Company.	Section 9
Interested parties and any conflict of interest from the Proposals	<p>Save for the Interested Directors, none of the other Directors and/ or Major Shareholder of SCIB and/ or persons connected with them have any interest, whether direct or indirect, in the Proposals.</p> <p>UOB Kay Hian is an independent party, which has no conflicts of interest or potential conflicts of interest arising from its roles as the Principal Adviser for the Proposals and the Placement Agent for the Proposed Private Placement.</p>	Section 10 and Appendix I
Approvals required	<p>The Proposals are subject to the following approvals being obtained:</p> <ul style="list-style-type: none"> (i) Bursa Securities for the listing and quotation for the Placement Shares on the Main Market of Bursa Securities; (ii) The shareholders of SCIB at the forthcoming EGM; and (iii) Any other relevant authority and/ or third parties, if required. 	Section 9
Board's recommendation	The Board (save for the Interested Directors) recommends that you vote FOR the resolutions pertaining to the Proposals, which will be tabled at the forthcoming EGM, the details of which are set out in the cover page of this Circular, or the Notice of EGM as enclosed.	Section 13



SARAWAK CONSOLIDATED INDUSTRIES BERHAD

Registration No.: 197501003884 (25583-W)
(Incorporated in Malaysia)

Registered Office

Lot 1258, Jalan Utama
Pending Industrial Estate
93450 Kuching, Sarawak

18 May 2020

Board of Directors

YBhg. Dato' Dr. Ir Ts Mohd Abdul Karim Bin Abdullah (*Chairman/ Non-Independent Non-Executive*)
Encik Rosland Bin Othman (*Group Managing Director/ Chief Executive Officer*)
Datu Ir Haji Mohidden Bin Haji Ishak (*Independent Non-Executive Director*)
Datu Haji Soedirman Bin Haji Aini (*Independent Non-Executive Director*)
Encik Shamsul Anuar Bin Ahamad Ibrahim (*Independent Non-Executive Director*)
Encik Sr. Mohd Nazri Bin Mat Noor (*Independent Non-Executive Director*)
Tuan Haji Abdul Hadi Bin Datuk Abdul Kadir (*Non-Independent Non-Executive Director*)

To: The shareholders of Sarawak Consolidated Industries Berhad

Dear Sir/ Madam,

I. PROPOSED RRPTs; AND II. PROPOSED PRIVATE PLACEMENT

1. INTRODUCTION

On 7 April 2020, UOB Kay Hian had, on behalf of our Board, announced that the Company proposes to undertake the following corporate exercises:-

- (i) proposed recurrent related party transactions of a revenue and/ or trading nature entered into between our Group and SDHB Group; and
- (ii) proposed private placement of up to 36,750,000 new SCIB Shares, representing up to approximately 30.0% of the enlarged total number of SCIB Shares (equivalent to approximately 42.8% of the total current number of SCIB Shares) to the Interested Directors and placee(s) to be identified later.

On 15 May 2020, UOB Kay Hian had, on behalf of our Board, announced that Bursa Securities had vide its letter dated 15 May 2020, resolved to approve the listing and quotation of up to 36,750,000 Placement Shares on the Main Market of Bursa Securities, subject to the conditions as set out in **Section 9** of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSALS AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE EGM. THE NOTICE OF EGM AND THE FORM OF PROXY ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDIX CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE EGM.

2. DETAILS OF THE PROPOSED RRPTs

On 7 April 2020, UOB Kay Hian had, on behalf of our Board, announced that our Group is expected to secure several projects to be awarded by SDHB Group for the provision of construction and project management services, as well as the supply of precast products and construction materials for overseas and local projects, the tenure of which, varies between a period of 24 to 36 months. The estimated total contract sum of these projects is approximately RM1.37 billion.

For information purpose, as at the LPD, Dato' Dr. Karim is the Non-Independent Non-Executive Chairman of SCIB holding 40,820,055 SCIB Shares, representing approximately 47.53% equity interest in SCIB. Dato' Dr. Karim is also the Group Managing Director/ Chief Executive Officer of SDHB holding 665,505,870 shares in SDHB, representing approximately 21.71% equity interest in SDHB.

Pursuant to the above, the awards of the projects, which are forthcoming, are considered as related party transactions, which are recurrent of a revenue and/ or trading nature and are in the ordinary course of day-to-day operations of SCIB.

2.1 Provision under the Listing Requirements

Paragraph 10.09(1)(a) of the Listing Requirements states that "Notwithstanding Paragraph 10.08(1)(b), a listed issuer must immediately announce a Recurrent Related Party Transaction as follows:-

- (i) in relation to a listed issuer with a share capital of RM60 million and above:-
 - (a) the consideration, value of the assets, capital outlay or costs of the Recurrent Related Party Transactions is RM1 million or more; or
 - (b) the percentage ratio of such Recurrent Related Party Transaction is 1% or more,

whichever is the higher."

Paragraph 10.09(2) of the Listing Requirements provides that a listed issuer may seek a mandate from its shareholders for related party transactions which are recurrent, of a revenue or trading nature, and which are necessary for the day-to-day operations of a listed issuer or its subsidiaries subject to, inter-alia, the following:-

- (i) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
- (ii) the shareholder mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholder mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under Paragraph 10.09(1) of the Listing Requirements;
- (iii) the listed issuer's circular to shareholders for the shareholder mandate includes the information as may be prescribed by Bursa Securities. The draft circular must be submitted to Bursa Securities together with a checklist showing compliance with such information;

- (iv) in a meeting to obtain shareholder or unit holder mandate, the relevant related party must comply with the requirements set out in Paragraph 10.08(7) of the Listing Requirements (*the interested director, interested major shareholder or person connected with an interested director or interested major shareholder; and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder, must not vote on the resolution to approve the transactions. An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transaction*); and
- (v) the listed issuer immediately announces to Bursa Securities when the actual value of a RRPT entered into by the listed issuer, exceeds the estimated value of the RRPT disclosed in the circular by 10.0% or more and must include the information as may be prescribed by Bursa Securities in its announcement.

2.2 Principal activities of SCIB Group

The principal activities of SCIB are investment holding, the provision of management services to its subsidiaries, and the provision of general construction activities. Our subsidiaries are principally engaged in the manufacturing and sale of precast concrete, pipes, pre-stressed spun concrete piles and other related concrete products, business of property dealing and trading of properties, and the construction and installation of industrialised building system components and construction contracts.

Set out below are the principal activities of our subsidiaries as at the LPD, which are expected to be involved in the RRPTs:-

Name of subsidiaries	Effective equity interest held by SCIB	Principal activities
SCIB Industrialised Building System Sdn Bhd	100.0%	Supply and installation of industrialised building system components
SCIB Properties Sdn Bhd	100.0%	Property investment and development, and engineering, procurement, construction and commissioning projects
SCIB Concrete Manufacturing Sdn Bhd	100.0%	Investment holding, trading of construction materials, manufacturing and sale of precast concrete pipes, pre-stressed spun concrete pipes and other related concrete products
SCIB International (Labuan) Ltd	100.0%	Engineering, procurement, construction and commissioning projects, general contractors for civil, structural, mechanical and electrical projects, and the provision of experimental, development and commercial works

2.3 Nature of RRPTs and information of the related party

SDHB is a public listed company listed on the Main Market of Bursa Securities. It is principally involved in investment holding activity and the provision of management services. Together with its subsidiaries, SDHB Group is involved in the following business activities:

- (i) **operations and maintenance**, which include maintenance, repair and overhaul of rotating equipment, inspection, repair and maintenance of static equipment and structure, maintenance of process control and instrumentation and other related services;

- (ii) **engineering, procurement, construction and commissioning**, which includes, amongst others, piping system, process control and instrumentation, equipment installation, power generation plant, gas compression plant, auxiliary power generation and fire-fighting system, as well as other related services; and
- (iii) technical training, ICT solutions and supply of products and parts.

Set out below are the projects, which are the subject matters of the Proposed RRPTs:

Transacting related party	Nature of RRPTs	Interested party	Estimated contract sum/ transaction value**1	Expected contract period
SDHB Group	(i) Provision of construction and project management services by SCIB Group for projects to be awarded by SDHB Group (predominantly in Malaysia).	Dato' Dr. Karim, who is the common Director and common Major Shareholder of SCIB and SDHB	RM550 million	June 2020 – May 2023
	(ii) Provision of construction and project management services by SCIB Group for projects to be awarded by SDHB Group (in overseas market i.e. Middle East region).		RM820 million	June 2020 – May 2023
			<u>RM1,370 million</u>	

Note:

*1 *The estimated contract value also represents the estimated transaction value from the LPD to the upcoming annual general meeting to be convened. As set out in **Section 2.4** of this Circular, the RRPTs are subject to renewal at the upcoming annual general meeting with the new transacted value for the relevant period.*

The aggregate amount of the RRPTs will exceed RM1.00 million and will be more than 1.0% of the consolidated NA of SCIB Group. As such, pursuant to Paragraphs 10.09(1)(a) and 10.09(2) of the Listing Requirements, our Board proposes to seek for shareholders' mandate for the RRPTs to be entered into between SCIB Group and SDHB Group, provided that such transactions are entered into at arm's length and on normal commercial terms, which are not more favourable to the related party than those generally available to the public and are not detrimental to the minority shareholders of SCIB.

The RRPTs to be entered into by our Group are of revenue and/ or trading nature and are within the ordinary course of business of the Group. The RRPTs are recurring transactions of a revenue nature transacted from time to time and will be entered into on normal commercial terms, which are not more favourable to the related party than those generally available to the public.

Such mandate will enable our Group to enter into the RRPTs without the necessity to make announcement or to convene meetings in order to procure specific prior approval of our shareholders. Notwithstanding the above, the RRPTs will be subject to review procedures as set out in **Section 2.5** of this Circular below and will be subject to annual renewal at our annual general meeting, based on the revised estimated contract sum/ transaction value for the relevant period.

2.4 Validity period of the Proposed RRPTs

The Proposed RRPTs, if approved by the majority shareholders of SCIB at the EGM, shall take immediate effect and subject to annual renewal. In this respect, any authority conferred by the shareholders' mandate shall continue to be in force until:

- (i) the conclusion of the next annual general meeting of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
 - (ii) the expiration of the period within which the next annual general meeting of the Company after that date is required to be held pursuant to Section 340(2) of the Act (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
 - (iii) revoked or varied by resolution passed by the shareholders in general meeting,
- whichever is the earlier.

2.5 Review procedures for RRPTs

Our Group has in placed an internal control system, which includes review of methods or procedures to ensure that such RRPTs are conducted at arm's length and are on normal commercial terms consistent with our Group's usual business practices and policies, as well as on terms which are not more favourable to the related party than those generally available to the public and are not to the detriment of our minority shareholders.

Our Management will ensure that the RRPTs will only be entered into, after taking into consideration the pricing, level of service and quality of product. The review and procedures shall include the following:

- (i) Records of RRPT will be maintained and shall be made available to the external auditors, independent consultant and Audit Committee for their review;
- (ii) The independent consultant will review the RRPTs as part of the internal audit programme and report their findings to the Audit Committee and the Board;
- (iii) Terms of the RRPTs relating to the price or sales/ distribution margins shall not be subject to substantial change during the period that the Shareholder Mandate is in force. Where such change is deemed necessary, our Management and our Audit Committee shall review the new terms to ensure that they are consistent with a transaction conducted at arm's length and on normal commercial terms consistent with our Group's usual business practices and policies and will not be prejudicial to the shareholders. Our Management shall ensure that the new terms are not more favourable to the related party than those generally available to the public and are not to the detriment of our minority shareholders;

- (iv) Wherever possible, at least 2 other contemporaneous transactions and/ or quotations with unrelated third parties for similar products/ services and/ or quantities will be used as comparison, to determine whether the price and terms offered to/ by the related parties are fair and reasonable and comparable to those offered to/ by other unrelated third parties for the same or substantially similar type of produces/ services and/ or quantities, if applicable;
- (v) In the event that quotation or comparative pricing from unrelated third parties cannot be obtained (for instance, if there are no unrelated third party vendors/ customers of similar products or services, or if the product/ service is a proprietary item), the transaction price will be determined and approved by the Board to ensure the RRPT is not detrimental to the SCIB Group, wherever applicable;
- (vi) There are no specific thresholds for approval as all RRPTs are reviewed and approved by our Audit Committee. Our Audit Committee together with our Board will review and approve the RRPTs that are required under the Listing Requirements;
- (vii) Further, where any Directors or persons connected have an interest (direct or indirect) in the RRPTs, such Director (and his alternate) shall abstain from deliberation and voting on the matter. Where any member of our Audit Committee is interested in any transaction, that member shall abstain from deliberation and voting on any matter relating to any decisions to be taken by the Audit Committee with respect to such transactions; and
- (viii) Disclosure will be made in the annual report of our Company of the aggregate value of the RRPTs conducted pursuant to the shareholder mandate during the financial year, amongst others, based on the type of the RRPTs and the names of the related parties involved in each type of the RRPT made and the relationship with SCIB. Disclosure will also be made in the annual reports for the subsequent financial years during which the shareholder mandate remain in force.

2.6 Statement by Audit Committee

Our Audit Committee has reviewed the RRPTs and, having considered the nature and the rationale for the RRPTs and all aspects of the RRPTs, is of the view that the RRPTs are in the best interests of our Company, and the terms of the RRPTs will be fair, reasonable and on normal commercial terms and not detrimental to the interests of the minority shareholders of SCIB as the RRPTs will be entered into in the ordinary course of business on normal commercial terms, which will not be more favourable to the related party than those generally available to the public.

Our Audit Committee has also reviewed the procedures and processes as set out in **Section 2.5** of this Circular and is of the view that our Group has in place adequate procedures and processes to monitor, track and identify RRPTs in a timely and orderly manner as well as to ensure that RRPTs are entered into on normal commercial terms, which are not more favourable to the related party than those generally available to the public and are not detrimental to minority shareholders. Our Audit Committee shall continue to review and ascertain the adequacy of the procedures and processes set out in **Section 2.5** of this Circular on an annual basis and whenever the need arises.

2.7 Outstanding amount due from and owing to the related party(ies) under the RRPTs

Since the latest audited FYE 31 December 2019 up to the LPD, there was no amount due from or owing to SDHB Group or Dato' Dr. Karim by our Group under the Proposed RRPTs.

3. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

3.1 Details of the Proposed Private Placement and placement size

The Proposed Private Placement involves an issuance of up to 36,750,000 Placement Shares, representing up to approximately 42.8% of the total number of SCIB Shares.

As at the LPD, the total issued share capital of SCIB was RM85,913,168 comprising 85,882,500 SCIB Shares. Assuming a total of 36,750,000 Placement Shares are issued pursuant to the Proposed Private Placement (after receipt of all relevant approvals for the Proposed Private Placement as set out in **Section 9** of this Circular, where applicable), the Company's enlarged total number of SCIB Shares will be 122,632,500 SCIB Shares. Hence, the indicative total number of Placement Shares represents approximately 30.0% of such enlarged total number of SCIB Shares.

The maximum number of 36,750,000 Placement Shares was arrived at, after taking into consideration the estimated funds required for the intended utilisation as set out in **Section 4** of this Circular. As set out in **Section 5.1** of this Circular, our Group's order book as at the LPD stood at approximately RM1.09 billion. With the new contracts expected to be secured from SDHB Group, our Group's current order book is expected to increase by the contract sum to be awarded in the near term. Therefore, it is the intention of our Board and our Management to raise sufficient funds to finance and support the execution of our on-going and upcoming construction projects, which may potentially contribute positively to the earnings of our Group over the medium to long run.

Our Board is of the view the successful Proposed Private Placement will raise adequate financial resources to meet the aforesaid capital requirements of our Group's projects, and the anticipated benefits arising from the Proposed Private Placement such as, amongst others, improved Group's earnings, may enhance our shareholders' values.

For the avoidance of doubt, as at the LPD, SCIB did not retain any treasury shares.

3.2 Implementation of the Proposed Private Placement and the allocation of the Placement Shares

The Placement Shares pursuant to the Proposed Private Placement will be placed to our Directors, namely Dato' Dr. Karim and Encik Rosland, who are also the shareholders of our Company (the allocation is set out in the table below), and third party investors, who qualify under Schedules 6 and 7 of the CMSA, to be identified at a later stage, subject to our Board's review and decision as well as our shareholders' approval.

In any event the Board is unable to identify sufficient placee(s) to subscribe for the entire portion of the Placement Shares at one time, the Proposed Private Placement will 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.

For avoidance of doubt, our Board intends to place out the first tranche of the Proposed Private Placement within the first 3 months from the date of Bursa approval, i.e. 15 May 2020. Under the First Tranche Placement, Dato' Dr. Karim and Encik Rosland have provided their respective undertaking that should the resolutions pertaining to the Proposed Private Placement and the allocation of Placement Shares to them be approved by the majority shareholders of SCIB, they will subscribe for a total of 11,850,000 Placement Shares, the allocation of which is as follows:

	Number of Placement Shares to be subscribed units	Shareholding in SCIB as at the LPD units	Resultant equity interest in SCIB based on the enlarged number of Shares post-First Tranche Placement units	%^{*1}
Dato' Dr. Karim	6,100,000	40,820,055	46,920,055 ^{*2}	48.01
Encik Rosland	5,750,000	4,075,785	9,825,785 ^{*2}	10.05
Total	11,850,000	44,895,840	56,745,840^{*2}	58.06

Notes:

^{*1} Based on the enlarged 97,732,500 SCIB Shares, assuming that only Dato' Dr. Karim and Encik Rosland subscribed the Placement Shares under the First Tranche Placement.

^{*2} Assuming the shareholding in SCIB as at the LPD remains unchanged until the completion of the First Tranche Placement.

Save for the aforesaid conditions that the approvals from the majority shareholders of SCIB for the Proposed Private Placement and the allocation of Placement Shares to the Interested Directors are obtained, the undertaking provided by the respective Interested Directors is not subject to any other conditions in respect of the Proposed Private Placement.

The issue price of the Placement Shares under the First Tranche Placement will be determined by the Board (save for the Interested Directors) upon the conclusion of the EGM to be convened pertaining to the Proposed Private Placement.

Dato' Dr. Karim and Encik Rosland have confirmed that they have sufficient financial resources to subscribe for their respective number of Placement Shares pursuant to the First Tranche Placement. The said confirmations have been verified by UOB Kay Hian, being the Adviser for the Proposals. Furthermore, their respective subscriptions of the Placement Shares will not result in them triggering mandatory take-over offer obligation in SCIB pursuant to the Rules of Take-overs, Mergers and Compulsory Acquisitions as issued by Securities Commission Malaysia.

The remaining Placement Shares will be placed out to third party investor(s) or placee(s), who qualify under Schedules 6 and 7 of the CMSA, to be identified at a later stage. Save for Dato' Dr. Karim and Encik Rosland, none of other Directors and/ or major shareholders of our Company will subscribe for the Placement Shares under the Proposed Private Placement.

The final selection of the placee(s) will be determined by the Board, in its own discretion.

3.3 Basis of determining the issue price of the Placement Shares

The issue price of the Placement Shares will be determined and fixed by the Board at a later date after receipt of all relevant approvals for the Proposed Private Placement. The Placement Shares will be issued at a price of not more than 10.0% discount to the 5-day VWAP of SCIB Shares immediately preceding the price-fixing date.

The issue price of the Placement Shares will be determined for each tranche of the Proposed Private Placement, and an announcement will be made on the price fixing date once the issue price has been determined for each tranche of the Placement Shares. Pursuant to Paragraph 6.13 of the Listing Requirements, the payments for the Placement Shares shall be made by the placees to our Company within 5 market days from the price-fixing date for each tranche of the Proposed Private Placement. For the avoidance of doubt, the Board (save for the Interested Directors) will price-fix the Placement Shares issued under the First Tranche Placement immediately upon the conclusion of the EGM pertaining to the Proposals.

For illustrative purpose only, the indicative issue price of the Placement Shares is assumed at RM1.930 per Placement Share, which represents a discount of approximately 9.75% to the 5-day VWAP of SCIB Shares up to and including the LPD of RM2.1384 per SCIB Share.

3.4 Ranking of the Placement Shares

The Placement Shares will, upon allotment and issuance, rank equally and carry the same rights with the existing SCIB Shares, save and except that the Placement Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution where the entitlement date of such distributions precedes the relevant date of allotment and issuance of the Placement Shares.

3.5 Listing and quotation for the Placement Shares

The Placement Shares to be issued will be listed and quoted on the Main Market of Bursa Securities. Approval for the listing and quotation for the Placement Shares on the Main Market of Bursa Securities has been obtained via Bursa Securities' approval letter dated 15 May 2020.

4. UTILISATION OF PROCEEDS

As set out in **Sections 3.2 and 3.3** of this Circular, the issue price of the Placement Shares will be determined by the Board at a later stage, and will be priced at a discount of not more than 10.0% to the 5-day VWAP of SCIB Shares immediately preceding the price-fixing date. Furthermore, the Proposed Private Placement may be implemented in tranches over a period of 6 months from the date of Bursa approval, hence the receipts of the placement funds are expected to be received in different timeframes (in tranches) by our Company.

Notwithstanding the above, purely for illustration purpose, based on the indicative issue price of RM1.930 per Placement Share, and the indicative number of Placement Shares of 36,750,000, the Proposed Private Placement is expected to raise gross proceeds of approximately RM70.93 million. The proceeds are intended to be utilised by SCIB Group in the manner as set out below:-

Details of utilisation	Timeframe for utilisation	Amount of proceeds RM'000
Working capital for on-going projects ¹	Within 12 months from the receipt of placement funds	10,520
Estimated expenses for future projects ²	Within 24 to 36 months from the date of award of projects	59,408
Estimated expenses in relation to the Proposals ³	Upon completion of the Proposals	1,000
Total		70,928

Notes:

¹ The proceeds of up to approximately RM10.52 million are earmarked to partially finance the day-to-day operational and/ or general working capital expenses of the on-going projects of the Group as listed below. The expenses include, amongst others, the purchase of necessary construction materials, payment to subcontractors, staff-related overheads and other project overheads:-

Contract/ Project Title	Contract Period	Percentage of completion up to the LPD	Estimated allocation from the proceeds in percentage
(i) Construction, completion and maintenance of 6 villas (ground floor, 1 st floor and penthouse including external majlis, ancillary block and external block works) at Al-Qutaiyya, Qatar	10 October 2019 – 17 October 2020 (Expected completion date: 17 October 2020)	16.85%	5.6%
(ii) Construction and completion of 9 residential villas at Street 47, Block 327, Al Hayl, Muscat, Oman	16 October 2019 – 15 October 2020 (Expected completion date: 15 October 2020)	14.84%	4.6%
(iii) Construction, completion and maintenance of the proposed 18 units of 5-storey buildings, new boundary wall, guard house and car park bays located at Doha, Qatar	30 March 2020 – 31 March 2021 (Expected completion date: 31 March 2021)	2.15%	21.3%
(iv) Construction and completion of 2 units of service centres located at the region of Al Khor, State of Qatar	4 April 2020 – 3 April 2021 (Expected completion date: 3 April 2021)	1.50%	35.1%
(v) Construction and completion of 20 villas at Street 14, Block 112, Ruwi, Muscat Sultanate of Oman, Oman	5 April 2020 – 4 April 2021 (Expected completion date: 4 April 2021)	1.50%	33.4%

As the Proposed Private Placement will be implemented in tranches, the issue price as well as the number of Placement Shares to be issued are not determinable at this juncture. As such, the Board is unable to determine the exact allocation amount from the gross proceeds for the above on-going projects at current stage. Upon the determination of the gross proceeds raised from the Proposed Private Placement, the Board shall have the absolute discretion to decide on the allocation of the proceeds for the on-going construction projects of the Group, guided by the estimated percentage of allocation from the gross proceeds as disclosed above. This include any claw back of funds among the projects depending on the working capital requirements at the relevant point in time.

² The Group expects to secure several projects from SDHB Group, which involve the supply of precast concrete products and the provision of construction and project management services, the total contract sum of which, is estimated to be approximately RM1.37 billion over a period of 24 to 36 months. The Board is confident that the Group is able to secure these projects and in view of the project size and capital requirements of these projects, the Board intends to earmark approximately RM59.41 million to partially finance the initial operating expenses of these projects. Such expenses include, but are not limited to, regulatory and/ or administrative costs, procurement of raw materials (e.g. steel bars, cement, sand and timber) and site office overheads. Should the Proposed RRPTs not be approved by the majority shareholders of SCIB, the allocated funds will cater for the same purpose of utilisation, whereby SCIB may utilise the funds to identify other business opportunities within the same business activities of the Group. On this note, SCIB will make relevant announcement on the breakdown of the proposed utilisation of proceeds should SCIB intends to utilise the proceeds for other business opportunities.

³ The estimated expenses in relation to the Proposals consist of professional fees, placement fees, fees payable to the relevant authorities and other expenses for the Proposals. Any variation to the actual amount of the expenses will be adjusted accordingly against the allocation for the working capital for the on-going projects of the Group.

The actual gross proceeds to be raised from the Proposed Private Placement is dependent on the issue price and the number of Placement Shares to be issued. Any variance in the actual gross proceeds raised and the intended gross proceeds to be raised will be adjusted against the amount allocated for general working capital for our Group's on-going projects.

Pending the utilisation of proceeds from the Proposed Private Placement for the above purposes, the proceeds will be placed as deposits with licensed financial institutions or short-term money market instruments, as our Board may deem fit. Any interest income earned from such deposits or instruments will be used to fund the working capital requirements of our Group.

5. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSALS

5.1 Proposed RRPTs

The acceptance of projects to be awarded by SDHB Group is expected to increase the order book and earnings of the construction and manufacturing business segments of our Group. As at the LPD, our Group's order book stood at approximately RM1.09 billion, of which approximately 95.6% is contributed by our construction segment.

The acceptance of these projects will increase the revenue of our construction segment, and our Group's manufacturing segment can also be leveraged on, by providing complementary products i.e. the industrialised building system precast concrete components and reinforced concrete products in the construction-related projects, and the provision of civil construction and project management services. Additionally, the acceptance of these projects and the award of future projects on recurrent basis will enable the Group to gradually expand its geographical presence to other regions for instance, the Middle East region.

Further, the construction-related projects are in the ordinary course of business of SCIB Group and the revenue of these contracts will directly generate revenue to SCIB, which as mentioned above, would increase the consolidated revenue of our Group over the contracts period. The terms of the RRPTs will be fair, reasonable and on normal commercial terms and not detrimental to the interests of the minority shareholders of SCIB as the RRPTs will not be more favourable to the related party than those generally available to the public.

5.2 Proposed Private Placement

The Proposed Private Placement was undertaken by our Company to raise the requisite funds to meet our Group's immediate funding requirements as set out in **Section 4** of this Circular. These include, amongst others, to finance the upcoming projects, which are the RRPTs. The proceeds earmarked for the upcoming projects are intended to finance any capital requirement at the initial stage of the projects. However, in the event the projects are not secured due to the non-completion of the Proposed RRPTs, our Company may use the funds to explore other business/ investment opportunities within the same business activities of our Group.

After due consideration of the amount intended to be raised, optimal timing and various methods of fundraising, our Board is of the view that the Proposed Private Placement is the most appropriate avenue of fundraising as the Proposed Private Placement will enable our Company to raise the requisite funds to finance the existing construction projects (the list is provided in **note 1 of Section 4** of this Circular) and future projects without incurring interest costs as compared to conventional bank borrowings. The Proposed Private Placement also serves as an expeditious fundraising alternative from the capital market as opposed to other forms of fundraising, such as rights issue, which generally take a longer period to raise funds as compared to private placement, the funds of which will be paid within 5 market days from the relevant price-fixing date.

In conjunction with the Proposed Private Placement, the Interested Directors have provided undertakings to subscribe for a total of 11,850,000 Placement Shares, which represents approximately 32.24% of the total maximum number of Placement Shares. Our Board considers these undertakings provide greater certainty on the outcome of the fund raising exercise. Additionally, as the Proposed Private Placement will be implemented in tranches, it allows our Board the flexibility to allocate and manage the funds against the funding requirements of the on-going and upcoming projects to be awarded to our Group over the relevant timeframe of utilisation.

The Proposed Private Placement is also expected to improve our Group's cash flow and liquidity position as the proceeds raised will be used to fund the working capital requirements of our Group for its on-going and upcoming projects.

6. INDUSTRY OVERVIEW AND OUTLOOK AND FUTURE PROSPECTS OF OUR GROUP

6.1 Overview and outlook for the Malaysian economy

"At 0.7%, this was the lowest growth since 3Q 2009 (-1.1%), reflecting the early impact of measures taken both globally and domestically to contain the spread of the COVID-19 pandemic, including the introduction of the Movement Control Order (MCO) in Malaysia.

On the supply side, the services and manufacturing sectors moderated, while the other sectors contracted. From the expenditure side, domestic demand moderated, while exports of goods and services recorded a sharper decline. On a quarter-on-quarter seasonally-adjusted basis, the economy declined by 2.0% (4Q 2019: 0.6%).

Following two months of steady expansion, economic activity experienced a sharp downshift in March as a result of MCO (18 – 31 March). This was evidenced by the decline in the Industrial Production Index and Index of Wholesale and Retail Trade which recorded an average growth of 3.4% and 5.5%, respectively, in January-February before contracting to -4.9% and -6.1% in March (1Q 2020: 0.4% and 1.5% respectively). The MCO comprised government closure of schools, universities and non-essential services, border closures and restrictions on public movement, work and operating hours, as well as mandatory social distancing and personal protection measures. Essential services include telecommunications, finance, production and the provision of food supplies, healthcare, utilities, electrical and electronics (E&E), as well as selected industries in the primary and consumer clusters in the manufacturing sector. Sectors, which were more labour intensive and require face-to-face interaction were more impacted by the MCO. In particular, construction activity was completely prohibited during the MCO phase. In contrast, the production capacity in industries which were more capital intensive, such as mining and the E&E manufacturing sub-sector, were affected to a lesser extent. The MCO also led to weaker private sector activity given mobility restrictions, closures of non-essential services, such as retail sub-sectors, and a temporary halt in ongoing investments.

Malaysia's economic prospects for 2020 is being severely affected by the COVID-19 pandemic. Strict measures to contain the spread of the pandemic, both globally and domestically, will weigh considerably on both external demand and domestic growth.

Domestically, the economic impact of the MCO is expected to be broad-based, with the largest impact likely felt by the consumer-oriented and labour intensive industries. This includes the services sector, particularly consumer services and construction sectors. Capital-intensive sectors such as mining and E&E are expected to be the least impacted. In terms of employment, the impact from the slowdown would be larger on the self-employed and those working in small and medium enterprises. However, under the Conditional MCO that was effective 4 May 2020, most sectors of the economy were allowed to operate, albeit in a controlled and prudent setting and by observing stringent Standard Operating Procedures (SOPs). Notwithstanding the lifting of movement restrictions, international travel restrictions and social distancing measures are expected to continue for the remainder of the year.

Reflecting the longer duration of the MCO, followed by the Conditional MCO from 4 May to 9 June 2020, the Malaysian economy is expected to contract in the second quarter. However, economic activity is expected to gradually pick up in 2H 2020, following the lifting of the MCO, support from fiscal, monetary and financial measures and progress in transport-related projects by the public sector. The Malaysian economy is expected to register a positive recovery in 2021, in line with the projected improvement in global growth.

The growth outlook is subject to significant downside risks. This arises mainly from the uncertainties surrounding the spread of COVID-19 and the duration of containment measures globally. This uncertainty may also result in delays in household spending and business investments. In addition, the risks of commodity supply shocks remain."

(Source: Economic and Financial Developments in the Malaysian Economy in the First Quarter of 2020, Bank Negara Malaysia)

"2020 is an exceptionally challenging year for the global economy. Confronted with an unprecedented health crisis, global growth is expected to contract. As an open economy, Malaysia will not be spared. Malaysia's GDP growth is projected to be between -2.0% and +0.5% in 2020, affected by weak global demand, supply chain disruptions and COVID-19 containment measures both abroad and domestic. While the Movement Control Order and measures to promote social distancing will dampen economic activity temporarily, they are necessary to contain the spread of the virus. The Government's stimulus package will help to cushion the economic fallout. Both Pakej Rangsangan Ekonomi 2020 and Pakej Rangsangan Ekonomi Prihatin Rakyat as well as the Bank's financial measures will provide sizable support to households and businesses. These measures are expected to add 2.8 percentage points to 2020 GDP growth. Also supporting growth is the ongoing large-scale infrastructure projects, which are expected to provide an additional 1 percentage point lift to growth in 2020.

There remains significant uncertainties surrounding the growth outlook, with both upside and downside risks to the outlook. Downside risks stems from more prolonged and wider spread of COVID-19 globally and domestically, recurring commodities supply disruptions and tighter financial conditions following heightened volatility in financial markets. However, there are also upside risks, emanating from potentially larger-than-expected impact from the pro-growth measures, faster normalisation in activity amid pent-up demand and better-than-expected global economy, arising from the various stimulus measures. The Bank expects the Malaysian economy to rebound in 2021, in line with the projected global recovery. The health crisis is rapidly evolving and the Bank will continue to monitor and assess the development of the pandemic and its economic impact.

Beyond the 2020 economic outlook, the Economic Monetary Review also includes a Box Article on Securing Future Growth Through Quality Investments. The Article outlines practical strategies to attract quality investments that generate high-skilled employment and high value-added activities. It is imperative that policymakers continue to undertake efforts to lift potential growth of the Malaysian economy.

The factors that have enabled Malaysia to weather past episodes of shocks are expected to continue to serve the Malaysian economy well. Malaysia will continue to benefit from having diversified sources of growth, economic flexibility, adequate buffers, a strong financial system and robust policy frameworks that have been built over the years."

(Source: Press release from Bank Negara Malaysia, 3 April 2020 extracted from: https://www.bnm.gov.my/index.php?rp=ar2019_en)

6.2 Overview and economic outlook of the Middle East Region

"The COVID-19 pandemic has presented unprecedented costly challenges on human and health, live and livelihood. According to the World Economic Outlook updated by International Monetary Fund (IMF) in April 2020, the global growth is projected to be -3% in 2020 and +5.8% in 2021. This is referring to a baseline assumption in which the pandemic will fade out in the second half of this year followed by the gradual unwind of containment measures. The economy is expected to recover next year as commercial activities resume with the supports from government in terms of monetary and fiscal policies.

The latest 2020 outlook projection by IMF reflected an improved view on the global output as compared to the -6.3% reported in the publication of Jan 2020. Nevertheless, the latest publication also highlighted that the timing and shape of future recovery remains uncertain. There are multiple interactive factors that shall take into consideration yet hard to forecast, including the infection pathway of pandemic, intensity and efficacy of containment measures, the severity of supply disruptions, the consequence of tightened financial conditions, the shifts in consumer spending patterns or behaviours, market confidence levels, as well as volatile commodity prices.

The COVID-19 crawls across the globe with no escape for Middle East. The pandemic onset has reached the doorstep of every Gulf state. In attempts to slow the virus spreading, all Gulf countries have taken critical counteractions including but not limited to border closures, travel restrictions and lockdowns. For instance, Qatar and Oman halted all public transportation services until further notice and ban tourist entry. In the case of United Arab Emirates ("**UAE**"), most of the country is under strict curfew during the disinfection campaign. Saudi Arabia took its boldest move to place the holy cities of Makkah and Medinah on 24-hour curfew to avoid large gatherings, followed by Riyadh capital and other cities.

Remarkably, swift protective actions put forward by Gulf countries to control the virus intrusion from hot spots have been praised by the World Health Organisation ("**WHO**"). As commented by Dr Ahmed Al Mandhari, WHO regional director for the Eastern Mediterranean, "A lot of states, for example, Gulf countries, they have from day one started preparing their system at points of entry in the airports or other points of entry to their country."

Several saving steps have been set by the Middle East countries to combat the economic impact inflicted from COVID era. For instance, conventional monetary policy is being combined with stimulus packages to provide additional liquidity, custom duty exemptions, rent relief, loan deferment, lower utility charges and credit guarantees for SMEs. The central banks in Gulf have also slashed the cost of borrowing. Market activities are expected to strengthen in the second half of 2020 as both demand and supply disruptions diminish.

In the latest release of World Economic Outlook, the real GDP for Middle East and Central Asia is predicted to record at -2.8% in 2020 but +4.0% in 2021. Although most of the country prospects are affected by COVID-19 in the coming months, yet inspiring rebound is anticipated ahead. In the region, UAE, Qatar and Oman are projected to have +3.3%, +5.0% and +3.0% growth respectively, in 2021. The growth rates are faster than their 2019 achievement.

Amid the current challenging times, IMF nonetheless voiced out reasons for optimism. "In countries with major outbreaks, the number of new cases has come down, after strong social distancing practices were put in place. The unprecedented pace of work on treatments and vaccines also promises hope. The swift and substantial economic policy actions taken in many countries will help shield people and firms, preventing even more severe economic pain and create the conditions for the recovery."

(Source: *World Economic Outlook, International Monetary Fund, April 2020.* & *Coronavirus in the Gulf: everything you need to know about Covid-19 in the GCC, The National, April 12, 2020* extracted from <https://www.thenational.ae/world/gcc/coronavirus-in-the-gulf-everything-you-need-to-know-about-covid-19-in-the-gcc-1.994534>, & *Economic Update: Middle East, The Institute of Chartered Accountants in England and Wales, March 23, 2020* extracted from <https://www.icaew.com/technical/economy/economic-insight/economic-insight-middle-east>. & *Gulf states praised for response to coronavirus crisis, The National, March 4, 2020* extracted from <https://www.thenational.ae/world/gcc/gulf-states-praised-for-response-to-coronavirus-crisis-1.987045>)

6.3 Overview and outlook of the general construction industry and manufacturing industry in Malaysia

"Construction sector is expected to remain lacklustre (2020F: -1.9%; 2019: 0.1%) due to the glut situation though fiscal initiatives to continue with infrastructure spending may give the sector a lifeline. The RM15billion fiscal expenditure involving infrastructure projects are expected to lift the 2020 GDP growth by 1%. Projects like MRT2, LRT3, LRT Extension and Pan Borneo Highway will see a continuation in activities on top of green lights for new projects like the ECRL, Tekai Hydroelectric and Pasir Gudang combined cycle-gas turbine (Budget 2020).

Construction projects rollouts may have been dragged by the seismic shifts in Malaysia's political landscape and nationwide implementation of Mandatory Control Order (MCO) and could spark further delays to the original timeline. Tender progress for ECRL might have stumbled as land acquisition has not been up to speed. Given the multiple moving parts, ECRL jobs could only come about in 2H20.

Prospects for the sector looks fairly muted due to earnings risks from weaker progress billings and cash flow pressure. Additional sector uncertainty emanates from delays in project rollout owing to the changes in political landscape.

With fewer sizeable job opportunities in Peninsular Malaysia in the meantime, it is going to be challenging for contractors to replenish their order-books going forward. One bright spot may be in Sarawak, where the state has budgeted to spend RM22 billion on infrastructure projects including the Second Trunk Road (RM6 billion), coastal road upgrades (RM5 billion), water grid programs (RM2.8 billion), rural electrification projects (RM2.4 billion) and telco towers (RM1 billion). Timing-wise, it would probably make political sense to roll out these projects to stimulate economic activity ahead of the Sarawak state election, which must be held by September 2021.

(Source: *Economic Update, BNM 2019 Annual Report, PublicInvest Research, HLIB Research dated 7 April 2020, Kenanga Research dated 11 March 2020*)

The manufacturing sector moderated further to 1.5% (4Q 2019: 3.0%). The lockdown in PR China to contain the pandemic disrupted the global supply chain for a broad range of products including electrical and electronics (E&E) and transport equipment. This resulted in a shortage of intermediate input for some domestic industries. Nevertheless, the impact was mitigated through a drawdown of inventory, which largely sustained domestic production activities. Manufacturing activity was however impacted by the imposition of the MCO. While the production of essential items and its supply chain were allowed to operate, it did so at significantly reduced capacity due to the 50% cap on labour utilisation to ensure sufficient social distancing at workplaces."

(Source: *Economic and Financial Developments in the Malaysian Economy in the First Quarter of 2020, Bank Negara Malaysia*)

During the first half of 2019, the manufacturing sector expanded by 4.2% mainly supported by domestic-oriented industries. Meanwhile, export-oriented industries grew at a slower pace due to modest expansion in the electrical & electronics subsector in line with softer global demand for electronic products. In 2020, the manufacturing sector is estimated to grow 4.1% driven by steady improvement in the export-oriented industries coupled with sustained expansion in the domestic-oriented industries.

In 2020, the performance of the export-oriented industries is anticipated to improve in tandem with the uptick in electronics cycle, especially during the second half of the year. Manufacturers in Malaysia are also expected to benefit from the changes in the global electronics supply chain following the US-China trade and technology dispute. Furthermore, expanding demand for artificial intelligence, internet of things, big-data analytics and 5G is anticipated to support the electrical & electronics subsector. Likewise, production of petrochemicals and oleochemicals is expected to increase with the commencement of RAPID. The domestic-oriented industries are expected to be driven by both consumer and construction-related clusters.

Outlook for the construction-related cluster is expected to rebound with higher demand for non-metallic mineral products, basic metal and fabricated metal products. The higher production will be supported by the implementation of new and on-going infrastructure projects such as East Coast Rail Link, MRT2, LRT3, Klang Valley Double Tracking 2 as well as Pan Borneo Highway and Central Spine Road. "

(Source: Macroeconomic Outlook, Economic Outlook 2020, Ministry of Finance Malaysia)

6.4 Overview and outlook for the general construction industry in Middle East region

"GlobalData, the world leading data and analytics center, forecasted an accelerated pace of growth in the global construction industry for 2020, which is at 3.1% from 2.6% in 2019, prior to the onset of COVID-19 pandemic. Given the China and other major economies being plagued by the pandemic, the forecast for worldwide growth has been eased to 0.5%. Striving to revive the industry development, governments and public authorities are looking to advance the expenditure on infrastructure projects across all areas, with the financial strength available at respective countries, as soon as the market activities restart and normalize.

From the perspective of Middle East, the Gulf Cooperation Council (GCC) is confident to survive through the COVID-19 challenge. In February 2020, construction works in the region remained on track and posted strong growth in terms of new project announcements. Out of the new projects announced, UAE is taking a lion's share. Backed by its resilient macro-economic fundamentals with continued infrastructure development works and aspiration of delivering the best World Expo in Dubai, UAE's construction industry is considerably healthier than other countries. Having said that, as COVID-19 spreads, the postponement of Expo to 2021 could be positive for construction companies to have more time in completing the projects.

For short-term support, the Central Bank of UAE has launched an AED100 billion (\$27 billion) worth of credit and capital relief measures to help relaxing the repercussions of COVID-19 pandemic. The relief measures are expected to benefit the local construction players in which most of them are SMEs in the design, contracting and fit-out industries. On top of this, the UAE cabinet has also stepped up with AED16 billion (\$4.4 billion) economic stimulus package which includes the efforts to expediate major infrastructure projects across the country as the main part of UAE's economic expansion.

Colin Foreman, the Deputy Editor at GlobalData noted that: "So far, UAE authorities have managed to implement social activity suspensions without severely affecting economic output" Based on the projects tracked by GlobalData, there are more than 600 high-value projects currently in execution, with an aggregated value of \$938.9 billion. The total value of projects covering entire pipeline, including projects at the early stages of development, is amount to \$1.12 trillion.

Moving to the construction landscape of Qatar, one of its industry drivers will be hosting the FIFA World Cup in 2022. In spite of volatile oil price which potentially renders adverse impacts, Qatar is standing strong on the ground of relatively low central government debt with substantial external assets that the country has accumulated over the years, which now laying them an exceptional buffer during financial shock. S&P Global Ratings affirmed Qatar's stable outlook with its long- and short-term foreign and local currency sovereign credit ratings at 'AA-/A-1+'. This will likely facilitate the sustainable growth of market and economic activity in various sectors, especially the real estate sector.

The prospects of construction industry in Qatar appear to be robust. There are double-digit increase month-on-month in the number of building permits issued in March, especially in Umm Slal, Al Khor and Shahaniya, as reported by the Planning and Statistics Authority ("PSA"). The data on building permits reflects the performance of construction industry which constituting the key national economic indicators. In addition, the PSA revealed a 30% impressive increase month-on-month in the overall building completion certificates issued, especially in Al Khor, Al Shamal, Al Shahaniya and Doha.

Shifting towards Oman, the country has showed the lowest number of COVID-19 infected cases among countries in the Gulf thus far. Oman sets out its Vision 2040 to become a developed country with focuses on reshaping the roles of and relation between the public, private and civil sectors to ensure effective economic management and achieve a developed, diversified and sustainable national economy. Investments are committed in the areas of infrastructure and logistics. New infrastructure projects will also be geared towards green economy, green strategies and renewable energy production. Hence, construction opportunities are handy to foster the country development under this vision.

(Source: COVID-19 coronavirus, Worldometer, April 17, 2020. & Construction sector prospects upbeat; Umm Slal, Al Khor, Shahaniya see jump in building permits, Gulf Times, April 10, 2020. & Qatar's robust economic performance to overpower COVID-19 out-turn: Ezdan, The Peninsular, April 6, 2020. & UAE construction sector gets financial boost amid Covid-19 pandemic, Kable Intelligence Limited, April 2, 2020. & Global Construction Outlook to 2024 (COVID-19 Impact), GlobalData, March, 2020. & Construction to survive Covid-19 challenge, Khaleej Times, March 29, 2020. & COVID-19 set to reshape UAE construction, Construction Global, March 23, 2020. & UAE moves to accelerate major infrastructure schemes, MEED, March 23, 2020. & Vision Document, Oman Vision 2040, September 11, 2019.)

6.5 Future prospects of our Group

Since the new Management came on board in September 2019, it is the intention and strategies of the new Management to enhance the business performance and to widen the geographical areas of our Group.

The Proposed RRPTs involves the acceptance of several construction-related projects by SCIB Group, with a total contract value of approximately RM1.37 billion, span over a period of 24 to 36 months. As mentioned in **Section 5.1** of this Circular, our acceptance of these projects awarded by SDHB Group will increase our Group's order book, which is expected to strengthen the underlying fundamental of our Group in respect of financial resources, revenue and earnings. Additionally, the acceptance of these projects accords our Group's current business strategy to expand our presence geographically so as to enhance our corporate profile in the construction and manufacturing industries in both Malaysia and overseas markets.

The Proposed Private Placement on the other hand, is to facilitate our funds raising approach for the purpose to finance our on-going and new projects while conserving our existing cash for other business capital requirements. As the Proposed Private Placement will be implemented in tranches, it allows our Board the flexibility to allocate and manage the funds against the funding requirements of the on-going and upcoming projects to be awarded to our Group over the relevant timeframe of utilisation.

The recent ongoing COVID-19 outbreak, which has led to the implementation of national lockdown policies in many countries worldwide, including Malaysia, has restricted many businesses from operating as usual, which include our Group's construction and manufacturing activities both in Malaysia and other countries. This has affected us operationally and financially as there is a fall in demand as a result of the disruption in raw materials supply, stopped operations and restriction in logistics and transportation movements in response to the MCO enforced by the Government.

Notwithstanding the above, our Group was able to resume our construction business during the Conditional MCO, which was implemented in early May 2020. This has allowed us to gradually recover from the adverse operational and financial impacts due to the COVID-19 outbreak and the MCO.

Notwithstanding the current economic condition and the ongoing COVID-19 outbreak, our Board and Management are of the view that after having considered all other relevant aspects, with the business strategies in place and barring any unforeseen circumstances, the Proposals will improve the financial performance of our Group and will enhance our shareholders' value in the long run.

7. EFFECTS OF THE PROPOSALS

The RRPTs will not have any material effect on the issued share capital, NA per share and gearing level of SCIB for the FYE 31 December 2020. Further, the RRPTs are not expected to have any effect on the substantial shareholders' shareholding of SCIB.

For illustration purpose, the effects of the Proposed Private Placement on the issued share capital, NA per Share and gearing level of SCIB, substantial shareholders' shareholding of the Company and earnings and earnings per Share are set out below:-

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 the LPD	85,882,500	85,913,168
Placement Shares to be issued pursuant to the Proposed Private Placement	36,750,000	69,927,500 ^{*1}
Enlarged issued share capital	122,632,500	155,840,668

Note:

^{*1} Assuming Placement Shares are issued at the indicative issue price of RM1.93 per Placement Share and after deducting the estimated expenses of approximately RM1.00 million for the Proposals.

7.2 NA per Share and gearing level

Based on the latest audited consolidated statements of financial position of the Group as at 31 December 2019, the pro forma effects of the Proposed Private Placement on the NA per Share and gearing level of the Group are set out as follows:-

	Audited FYE 31 December 2019	After the Proposed Private Placement
	RM	RM
Share capital	85,913,168	155,840,668 ^{*1}
Foreign exchange translation reserves	98	98
Accumulated losses	(33,912,548)	(33,912,548)
Shareholders' fund/ NA	52,000,718	121,928,218
No. of Shares in issue (unit)	85,882,500	122,632,500
NA per Share (RM)	0.61	0.99
Total borrowings (RM)	37,425,499	37,425,499
Gearing ratio (times)	0.72	0.31

Note:

^{*1} Assuming 36,750,000 Placement Shares are issued at the indicative issue price of RM1.93 per Placement Share and after deducting the estimated expenses of approximately RM1.00 million for the Proposals.

7.3 Earnings and EPS

The Proposed Private Placement, which is expected to be completed before the third quarter of 2020, is not expected to have any material effect on the earnings of SCIB Group for the FYE 31 December 2020. However, barring any unforeseen circumstances, the Proposals are expected to contribute positively to the future earnings of SCIB Group when the benefits from the utilisation of proceeds as set out in **Section 4** of this Circular are realised. Additionally, there will be a dilution in the EPS of the Group for the FYE 31 December 2020 due to the increase in the number of SCIB Shares arising from the Proposed Private Placement.

Purely for illustration purpose, assuming that the Proposed Private Placement had been completed on 1 January 2019, being the beginning of the latest audited FYE 31 December 2019, the pro forma effects of the Proposed Private Placement on the EPS of our Group are set out below:

	Audited FYE 31 December 2019	Pro forma I After the Proposed Private Placement
PAT attributable to owners of the Company (RM'000)	3,150	3,150
Weighted average number of SCIB Shares in issue ('000)	85,883	122,633
Basic EPS/ (LPS) (RM)	0.04	0.03

7.4 Shareholders' shareholding structure

The Proposed Private Placement will result in the dilution of our existing shareholders' shareholding in the Company as the Proposed Private Placement will be placed to the Interested Directors and third party investor(s) to be identified later.

The effect of the Proposed Private Placement on our Company's shareholding structure is illustrated as follows:

	As at the LPD		Post-Proposed Private Placement	
	No. of Shares	%	No. of Shares	%
Non-public shareholding	60,294,686	70.21	72,144,686	58.83
Public shareholding				
• Existing shareholders of SCIB	25,587,814	29.79	25,587,814	20.87
• Third party investors	-	-	24,900,000	20.30
Total	85,882,500	100.00	122,632,500	100.00

As shown above, despite the equity dilution of our existing shareholders in the Company from approximately 29.79% to approximately 20.87%, our Company's public shareholders' shareholding will increase from the existing 29.79% to 41.17%, as a result of the Proposed Private Placement.

Our Board takes cognizance of the potential equity dilution effect of our existing shareholders' shareholding in the Company as a result of the Proposed Private Placement. However, the gross proceeds from the Proposed Private Placement was intended to raise sufficient financial resources to meet the capital requirements of our upcoming projects, and to provide financial flexibility to fund the working capital requirements of our Group's existing projects. As set out in **Section 3.1** of this Circular, our Board envisages that the Proposed Private Placement will bring positive impacts on our financial performance and business operations, and may eventually improve our shareholders' values in the near future.

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7.5 Substantial shareholder's shareholding structure

The pro forma effects of the Proposed Private Placement on the substantial shareholders' shareholding of the Company as at the LPD are set out below:-

Substantial shareholders	Shareholdings as at the LPD				After the First Tranche Placement				After the Proposed Private Placement			
	<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
	No. of Shares	% ^{*1}	No. of Shares	% ^{*1}	No. of Shares	% ^{*2}	No. of Shares	% ^{*2}	No. of Shares	% ^{*3}	No. of Shares	% ^{*3}
Dato' Dr. Karim	40,820,055	47.53	-	-	46,920,055	48.01	-	-	46,920,055	38.26	-	-
Sarawak Economic Development Corporation	6,481,250	7.55	-	-	6,481,250	6.63	-	-	6,481,250	5.29	-	-
Gaya Belian Sdn Bhd	6,878,496	8.01	-	-	6,878,496	7.04	-	-	6,878,496	5.61	-	-
Marinah Binti Harris	-	-	6,878,496 ^{*4}	8.01	-	-	6,878,496 ^{*4}	7.04	-	-	6,878,496 ^{*4}	5.61
Halijah Binti Harris	-	-	6,878,496 ^{*4}	8.01	-	-	6,878,496 ^{*4}	7.04	-	-	6,878,496 ^{*4}	5.61
Encik Rosland	4,075,785	4.75	-	-	9,825,785	10.05	-	-	9,825,785	8.01	-	-

Notes:

^{*1} Based on total issued shares of 85,882,500 in SCIB.

^{*2} Based on total issued shares of 97,732,500 in SCIB.

^{*3} Based on total enlarged issued shares of 122,632,500 in SCIB.

^{*4} Deemed interested by virtue of her substantial shareholding in Gaya Belian Sdn Bhd pursuant to Section 8 of the Act.

The completion of the Proposals will neither result in the change of controlling shareholder nor the emergence of new controlling shareholder, who is entitled to exercise or control the exercise of more than 33.0% of the voting shares in SCIB, or who is in a position to control the composition of a majority of our Board leading to mandatory take-over offer implication as stipulated under the provisions of the Rules on Takeovers, Mergers and Compulsory Acquisitions.

7.6 Convertible securities

As at the LPD, the Company does not have any existing convertible securities.

8. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of SCIB Shares as traded on Bursa Securities for the past 12 months from May 2019 to April 2020 are set out below:-

	High RM	Low RM
2019		
May	1.05	0.56
June	1.17	0.835
July	1.11	0.88
August	1.27	0.98
September	1.11	1.07
October	1.83	1.05
November	1.88	1.55
December	1.92	1.71
2020		
January	2.65	1.84
February	3.49	2.25
March	3.05	0.90
April	1.80	2.55
Last transacted market price of SCIB Shares as at 6 April 2020 (being the latest trading day prior to the announcement on the Proposals)		RM2.19
Last transacted market price on the LPD		RM2.12

(Source: Bloomberg)

9. APPROVALS REQUIRED/ OBTAINED

The Proposals are subject to the following approvals being obtained:-

- (i) Bursa Securities, the approval for the listing and quotation for the Placement Shares on the Main Market of Bursa Securities was obtained vide its letter dated 15 May 2020, subject to the following conditions:-
 - a) SCIB and UOB Kay Hian must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Private Placement;
 - b) SCIB and UOB Kay Hian to inform Bursa Securities upon the completion of the Proposed Private Placement;
 - c) SCIB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Private Placement is completed;
 - d) SCIB to furnish Bursa Securities with a certified true copy of the resolution passed by the shareholders in general meeting approving the Proposed Private Placement; and
 - e) SCIB to furnish Bursa Securities with details of the placees in accordance with Paragraph 6.15 of the Listing Requirements as soon as practicable after each tranche of placement and before the listing of new shares to be issued pursuant to the Proposed Private Placement,
- (ii) the approval of the shareholders of SCIB at the EGM; and
- (iii) any other relevant authority, if required.

The Proposed RRPTs and the Proposed Private Placement are not inter-conditional upon each other. The Proposals are not conditional upon any other proposals undertaken or to be undertaken by the Company.

10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/ OR PERSONS CONNECTED WITH THEM

Save for the below, none of the Directors and/ or Major Shareholders of SCIB and/ or persons connected with them have any interest, whether direct or indirect, in the Proposals:

- (i) **Dato' Dr. Karim** is currently the Non-Independent Non-Executive Chairman of SCIB. As at the LPD, Dato' Dr. Karim holds 40,820,055 SCIB Shares, representing approximately 47.53% equity interest in SCIB. He is also the Group Managing Director/ Chief Executive Officer of SDHB holding 665,505,870 shares in SDHB, representing approximately 21.71% equity interest in SDHB. As such, he is deemed interested in the Proposed RRPTs. Further, Dato' Dr. Karim has provided undertaking to our Company for the subscription of 6,100,000 Placement Shares pursuant to the Proposed Private Placement. Accordingly, he has abstained and will continue to abstain from all deliberations and voting at board meetings and/ or general meeting in relation to the Proposals. Dato' Dr. Karim has also undertaken to ensure that person(s) connected with him will abstain from voting in respect of his/ their respective direct and/ or indirect shareholdings in SCIB, if any, on the resolutions pertaining to the Proposals at the forthcoming EGM; and
- (ii) **Encik Rosland** is currently the Group Managing Director/ Chief Executive Officer of SCIB. As at the LPD, Encik Rosland holds 4,075,785 SCIB Shares, representing approximately 4.75% equity interest in SCIB. Due to his undertaking to our Company for the subscription of 5,750,000 Placement Shares pursuant to the Proposed Private Placement and premised on good corporate governance, he has abstained and will continue to abstain from all deliberations and voting at board meetings and/ or general meeting in relation to the Proposals. Encik Rosland has also undertaken to ensure that person(s) connected with him will abstain from voting in respect of his/ their respective direct and/ or indirect shareholdings in SCIB, if any, on the resolutions pertaining to the Proposals at the forthcoming EGM.

11. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposed Private Placement is expected to be completed before the third quarter of 2020, whilst the RRPTs will take immediate effect after the approval from the shareholders of SCIB is obtained at the EGM.

12. PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals, which are the subject matters of this Circular, our Board is not aware of any other outstanding proposals, which have been announced but not yet completed as at the LPD.

13. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, save for the Interested Directors, having considered all aspects of the Proposals, including the rationale and justification of the Proposals, the effects of the Proposals and the future prospects of the Group is of the opinion that the Proposals are in the best interest of the Company and are not detrimental to the interests of the minority shareholders of SCIB. Accordingly, the Board (save for the Interested Directors) recommends that you **vote in favour** of the resolutions pertaining to the Proposals at the EGM.

14. EGM

Our EGM, the notice of which is enclosed in this Circular, will be conducted entirely through live streaming from the broadcast venue at Tricor Business Centre, Manuka 2 & 3 Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia on Wednesday, 3 June 2020 at 11.30 a.m. or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modification, the resolutions to give effect to the Proposals.

A member entitled to attend, participate, speak and vote remotely at the EGM via the Remote Participation and Voting facilities provided, is entitled to appoint a proxy or proxies to attend, participate, speak and vote on his/ her behalf. As such, you are requested to complete, sign and return the enclosed Form of Proxy in accordance with the instructions contained therein, to be deposited at the Poll Administrator of SCIB at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, alternatively, at the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time set for holding the EGM or any adjournment thereof. In the case of electronic appointment, the Form of Proxy must be deposited via TIH Online at <http://tiih.online> not less than 48 hours before the time set for holding the EGM or any adjournment thereof. The lodging of the Form of Proxy shall not preclude you from attending, participating, speaking and voting at the EGM should you subsequently wish to do so.

15. FURTHER INFORMATION

Shareholders are advised to refer to the appendix set out in this Circular for further information.

Yours faithfully,
For and on behalf of the Board
SARAWAK CONSOLIDATED INDUSTRIES BERHAD

ENCIK SR. MOHD NAZRI BIN MAT NOOR
Independent Non-Executive Director

APPENDIX I - FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board, and the Directors collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

2. CONSENT

UOB Kay Hian, being the Adviser for the Proposals and the Placement Agent for the Proposed Private Placement, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

3. DECLARATION OF CONFLICT OF INTERESTS

UOB Kay Hian has given its written confirmation that there is no situation of conflict of interests that exists or is likely to exist in relation to its role as the Adviser or Placement Agent to SCIB for the Proposals.

4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

Save as disclosed below, as at the LPD, the Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board is not aware and has no knowledge of any proceedings pending or threatened against the Group, or of any facts likely to give rise to any proceedings, which might materially or adversely affect the Group's financial position or business:-

There is an ongoing dispute between SCIB and Asgari Bin Mohd Fuad Stephens, Brian Francis Ticcioni and Gaya Belian Sdn Bhd (collectively referred to as the "**Vendors**") arising from the share sale agreement dated 28 December 2016 entered into between SCIB and the Vendors ("**SSA**") in relation to the disposal of the entire equity shareholdings in Carlton Gardens Sdn Bhd ("**CGSB**") by the Vendors to SCIB. Pursuant to the SSA, the Vendors have made representations concerning CGSB as to the profitability of contract and plant capacity of CGSB in relation to several contracts entered into by the Vendors separately with CGSB, such representations of which had turned out to be false and did not reflect the correct state of affairs of CGSB and its related activities. SCIB had relied upon the representations made by the Vendors in entering into the SSA for the acquisition of the entire equity shareholdings in CGSB from the Vendors.

Arising from the dispute, SCIB seeks to claim against the Vendors for a full refund of the purchase consideration of RM9,500,000 consisting a cash sum of RM5,266,000 paid to the Vendors, as well as a re-transfer of the remaining undisposed 7,121,000 ordinary shares in SCIB ("**Consideration Shares**"), which were allotted and issued to the Vendors as part of the purchase consideration, for the acquisition of the entire equity shareholdings in CGSB under the SSA and also damages and losses incurred.

In accordance with the SSA, SCIB had on 25 May 2018 issued a notice of dispute to the Vendors, to refer the dispute to a mutually appointed arbitrator but there has been no response received from the Vendors agreeing to such appointment.

APPENDIX I - FURTHER INFORMATION

In order to maintain the status quo and preserve the Consideration Shares, SCIB had applied for an injunction from the Kota Kinabalu High Court vide Originating Summons No. BKI-24NCC(ARB)-2/7-2018 restraining the Vendors jointly and severally from selling, transferring or otherwise dealing with the Consideration Shares as part of the purchase consideration under the SSA. The Court had on 28 November 2018, granted an inter parte injunction against the Vendors. The Vendors had on 21 December 2018, filed an appeal to the Court of Appeal against the injunction granted. As at the LPD, no date has been fixed for the hearing of the appeal.

SCIB and the Vendors have since agreed to refer the dispute for mediation, and at the hearing of the mediation on 29 January 2019, it was agreed that a further meeting be held at a date to be fixed to facilitate a better understanding of the basis and reasoning of the matters arising under the dispute to enable the parties to reach an amicable settlement. However, as the mediation has failed and the parties were unable to reach a mediated settlement, further Notice to commence arbitration with reference to the Notice of Dispute dated 25 May 2018 has been issued by a letter dated 18 February 2020. Having received no response from the proposed Respondents, yet another Notice of Arbitration was issued in the 28th February 2020.

In the interim, there are several claims under section 5 of the Construction Industry Payment & Adjudication Act 2012 ("**CIPAA 2012**") made by, and against CGSB. The board of directors of CGSB, having considered the affairs of CGSB and taking into account the legal advice by its solicitors, has determined that CGSB cannot by reasons of its liabilities, continue its business. Consequently, on 11 January 2019, an interim liquidator was appointed under section 440 of the Act thereby marking the commencement of a voluntary winding up of CGSB. The appointment of a liquidator was then resolved at the meeting of the creditors of CGSB on 31 January 2019 and a committee of inspection was set up to administer the liquidation process of CGSB. With the commencement of the voluntary winding up, no further legal actions or proceedings can be brought against CGSB except with the leave of court and upon such terms as the court may impose. The appointed liquidator has finalised the verification of the proofs of debts filed to determine the liabilities payable by CGSB and the liquidator has taken steps to liquidate some of the assets of CGSB.

As at the LPD, SCIB and the Vendors are in the midst of appointing an Arbitrator. Nevertheless, the interparte injunction is still valid at this juncture.

5. MATERIAL CONTRACTS

Save as disclosed below, as at the LPD, SCIB Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the 2 years immediately preceding the date of this Circular:-

- (i) On 22 January 2019, SCIB Concrete Manufacturing Sdn. Bhd. ("**SCIBCM**") entered into a sale and purchase agreement with Zecon Land Sdn. Bhd. for the purchase of 4-Storey shophouses described as "**Sublot 24**" measuring approximately 459 square metres in area in Vista Tunku (Phase One) together with the land, on which the shophouses are built, for a purchase price of RM1,300,000.00 only, to be satisfied by way of offsetting and partial settlement of outstanding amounts due and owing by Zecon group to SCIBCM. As at the LPD, the acquisition has been completed; and
- (ii) On 24 January 2019, SCIBCM entered into a conditional sale and purchase agreement with Reignvest Corporation Sdn. Bhd. for the acquisition of a parcel of land together with 2 units of industrial buildings erected thereon, situated at Sejingkat Industrial Park, Kuching measuring approximately 2.793 hectares and described as "**Lot 830 Block 7, Muara Tebas Land District**" for a cash consideration of RM8,236,000. This acquisition has been completed on 29 November 2019.

APPENDIX I - FURTHER INFORMATION

6. MATERIAL COMMITMENTS

Save as disclosed below, as at the LPD, the Board is not aware of any material commitments incurred or known to be incurred by the Group that has not been provided for which, upon becoming enforceable, may have a material impact on the Group's financial results/ position:-

Property, plant and equipment:	RM'000
Contracted but not provided for	59
Authorised but not contracted for	<u>2,838</u>
Total	<u>2,897</u>

7. CONTINGENT LIABILITIES

Save as disclosed below, as at the LPD, the Board is not aware of any contingent liabilities incurred or known to be incurred which, upon becoming enforceable, may have a material impact on the Group's financial results/ position:-

Unsecured: Corporate guarantee given to licensed banks for credit facilities granted to subsidiaries	RM'000
	<u>36,123</u>

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at Lot 1258, Jalan Utama, Pending Industrial Estate, 93450 Kuching, Sarawak during the normal business hours from Monday to Friday (except public holidays) from the date hereof up to the time stipulated for the holding of the EGM:-

- (i) Constitution of SCIB;
- (ii) Audited consolidated financial statements of the Group for the past 2 financial years up to the FYE 31 December 2019;
- (iii) Cause papers referred to in Section 4 above;
- (iv) Material contracts referred to in Section 5 above; and
- (v) The letter of consent and declaration of conflict of interests referred to in Sections 2 and 3 above, respectively.

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SARAWAK CONSOLIDATED INDUSTRIES BERHAD

Registration No.: 197501003884 (25583-W)
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of Sarawak Consolidated Industries Berhad ("**SCIB**" or the "**Company**") ("**EGM**") will be conducted entirely through live streaming from the broadcast venue at Tricor Business Centre, Manuka 2 & 3 Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur on Wednesday, 3 June 2020 at 11.30 a.m. or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications the following resolutions:-

ORDINARY RESOLUTION 1

PROPOSED NEW RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE AND/ OR TRADING NATURE ENTERED INTO BETWEEN SCIB GROUP OF COMPANIES AND SERBA DINAMIK HOLDINGS BERHAD GROUP OF COMPANIES ("SDHB GROUP")

"**THAT** subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**"), approval be and is hereby given to the Company and its subsidiaries ("**Group**") to enter into and give effect to the recurrent related party transactions of a revenue and/ or trading nature with SDHB Group as set out in the Circular to Shareholders of SCIB dated 18 May 2020 ("**Circular**"), provided that such arrangements and/ or transactions, which are necessary for the Group's day-to-day operations are undertaken in the ordinary course of business, at arm's length basis, on normal commercial terms and transaction prices, which are not more favourable to the related party than those generally available to the public and not to the detriment of the minority shareholders of the Company (hereinafter referred to as the "**Proposed RRPTs**").

THAT the approval for the Proposed RRPTs shall only continue to be in full force until:-

- (i) the conclusion of the next Annual General Meeting of the Company ("**AGM**") at which time it will lapse, unless by a resolution passed at the said AGM, such authority is renewed;
- (ii) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("**Act**") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (iii) revoked or varied by a resolution passed by the shareholders of the Company in a general meeting,

whichever is the earlier.

AND THAT the Board of Directors of SCIB be and is hereby authorised to sign and execute all documents, do all things and acts as may be required to give effect to the Proposed RRPTs with full power to assent to any conditions, variations, modifications and/ or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps to enter into all such agreement, arrangement, undertaking, indemnities, transfer, assignment and guarantee with any party or parties and to do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed RRPTs."

ORDINARY RESOLUTION 2

PROPOSED PRIVATE PLACEMENT OF UP TO 36,750,000 NEW ISSUED SHARES OF SCIB ("SHARES"), REPRESENTING UP TO APPROXIMATELY 42.8% OF THE TOTAL NUMBER OF SHARES, TO INTERESTED DIRECTORS AND PLACEE(S) TO BE IDENTIFIED LATER AT AN ISSUE PRICE TO BE DETERMINED LATER

"**THAT**, subject to the approvals of all relevant authorities being obtained, approval be and is hereby given to the Board of Directors of the Company ("**Board**") to allot and issue up to 36,750,000 new ordinary shares in SCIB ("**SCIB Share(s)**") ("**Placement Share(s)**"), representing up to approximately 42.8% of the total number of issued shares of SCIB ("**Proposed Private Placement**").

THAT the Placement Shares will, upon allotment and issuance, rank equally and carry the same rights with the existing SCIB Shares, save and except that the Placement Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution ("**Distributions**") where the entitlement date of such Distributions precedes the relevant date of allotment and issuance of the Placement Shares.

THAT the proceeds of the Proposed Private Placement be utilised for the purpose as set out in the Circular to Shareholders of SCIB dated 18 May 2020 ("**Circular**"), and the Board be and is hereby authorised with full power to vary the manner and/ or purpose of utilisation of such proceeds in such manner as the Board deems fit, necessary and/ or expedient or in the best interest of the Company, subject (where required) to the approval of the relevant authorities.

THAT the Placement Shares shall be listed on the Main Market of Bursa Securities.

AND THAT the Board be and is hereby authorised to sign and execute all documents, do all things and acts as may be required, and as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Private Placement with full power to assent to any conditions, variations, modifications and/ or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps to enter into all such agreement, arrangement, undertaking, indemnities, transfer, assignment and guarantee with any party or parties."

ORDINARY RESOLUTION 3

PROPOSED ALLOCATION OF 6,100,000 PLACEMENT SHARES TO YBHG. DATO' DR. IR TS MOHD ABDUL KARIM BIN ABDULLAH PURSUANT TO THE PROPOSED PRIVATE PLACEMENT

"**THAT**, subject to the passing of the Ordinary Resolution 2 and the approvals of the relevant authorities for the Proposed Private Placement, including the approval from Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the listing and quotation for the new SCIB Shares on the Main Market of Bursa Securities having been obtained, approval be and is hereby given to the Board to offer and grant to YBhg. Dato' Dr. Ir Ts Mohd Abdul Karim Bin Abdullah, who is a Director of SCIB, 6,100,000 Placement Shares pursuant to the Proposed Private Placement, provided always that:-

- (a) he must not participate in the deliberation or discussion pertaining to the Proposed Private Placement; and
- (b) subject always to such terms and conditions and/ or any adjustments, which may be made in accordance with the provisions of the Main Market Listing Requirements, or any prevailing guidelines issued by Bursa Securities or any other relevant authority, as amended from time to time.

ORDINARY RESOLUTION 4

PROPOSED ALLOCATION OF 5,750,000 PLACEMENT SHARES TO ENCIK ROSLAND BIN OTHMAN PURSUANT TO THE PROPOSED PRIVATE PLACEMENT

"**THAT**, subject to the passing of the Ordinary Resolution 2 and the approvals of the relevant authorities for the Proposed Private Placement, including the approval from Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the listing and quotation for the new SCIB Shares on the Main Market of Bursa Securities having been obtained, approval be and is hereby given to the Board to offer and grant to Encik Rosland Bin Othman, who is a Director of SCIB, 5,750,000 Placement Shares pursuant to the Proposed Private Placement, provided always that:-

- (a) he must not participate in the deliberation or discussion pertaining to the Proposed Private Placement; and
- (b) subject always to such terms and conditions and/ or any adjustments which may be made in accordance with the provisions of the Main Market Listing Requirements, or any prevailing guidelines issued by Bursa Securities or any other relevant authority, as amended from time to time.

By Order of the Board

Voon Jan Moi (MAICSA 7021367)
SSM Practicing Certificate No.: 202008001906
Company Secretary

Kuching, Sarawak
18 May 2020

Notes:

- 1) *The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016, which requires the Chairperson of the meeting to be present at the main venue of the EGM. Shareholders will NOT be physically present at the Broadcast Venue on the day of the EGM;*
- 2) *Shareholders are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the EGM via the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn. Bhd. ("Tricor") via its TIIH Online website at <https://tiih.online>. Please follow the Procedures for RPV in the Administrative Guide;*
- 3) *A proxy or attorney or a duly authorised representative may, but need not be a Member. There shall be no restriction as to the qualification of the proxy;*
- 4) *A Member of the Company who is entitled to attend and vote at the EGM via RPV may appoint not more than 2 proxies to attend and vote instead of the Member at the meeting;*
- 5) *Where a Member of the Company is an authorised nominee as defined in the Depositories Act, which is exempted from compliance with the provisions of subsection 25A(1) of the Depositories Act, it may appoint not more than 2 proxies in respect of each securities account it holds;*
- 6) *Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds;*
- 7) *Where a member or the authorised nominee appoints 2 proxies, or where an exempt authorised nominee appoints 2 or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies; and*
- 8) *A proxy appointed to attend and vote at the EGM via RPV shall have the same rights as the Member to speak at the meeting;*
- 9) *To be valid, the duly completed Form of Proxy must be deposited at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or by electronic lodgement via TIIH Online website at <https://tiih.online> not less than 48 hours before the time set for holding the meeting or any adjournment thereof;*
- 10) *A member who has appointed a proxy or authorised representative to attend, participate, speak and vote at this EGM via RPV must request his/her proxy or authorized representative to register himself/herself for RPV at **TIIH Online** website at <https://tiih.online>. Please follow the Procedures for RPV in Administrative Guide; and*
- 11) *A depositor whose name appears in the Record of Depositors as at 27 May 2020 shall be regarded as a member of the Company entitled to attend this EGM via RPV or appoint a proxy to attend, speak and vote on his behalf.*



SARAWAK CONSOLIDATED INDUSTRIES BERHAD

Registration No.: 197501003884 (25583-W)
(Incorporated in Malaysia)

CDS Account No.	
No. of shares held	

FORM OF PROXY

*I/We (full name)

*NRIC No./Passport No./Company No..... of (full address).....

being a member of **SARAWAK CONSOLIDATED INDUSTRIES BERHAD (the "Company")** hereby appoint (full name)..... *NRIC No./Passport No./Company No.

of (full address)

and (full name)..... *NRIC No./Passport No./Company No.

of (full address)

as *my/ our proxy to attend, speak and vote for *my/ our behalf at the Extraordinary General Meeting ("**EGM**"), which will be conducted entirely through live streaming from the broadcast venue at Tricor Business Centre, Manuka 2 & 3 Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia on Wednesday, 3 June 2020 at 11.30 a.m. or at any adjournment thereof.

*My/ our proxy is to vote as indicated below:-

RESOLUTION		FOR	AGAINST
1.	ORDINARY RESOLUTION: PROPOSED RRPTs		
2.	ORDINARY RESOLUTION: PROPOSED PRIVATE PLACEMENT		
3.	ORDINARY RESOLUTION: PROPOSED ALLOCATION OF 6,100,000 PLACEMENT SHARES TO DATO' DR. IR TS MOHD ABDUL KARIM BIN ABDULLAH PURSUANT TO THE PROPOSED PRIVATE PLACEMENT		
4.	ORDINARY RESOLUTION: PROPOSED ALLOCATION OF 5,750,000 PLACEMENT SHARES TO ENCIK ROSLAND BIN OTHMAN PURSUANT TO THE PROPOSED PRIVATE PLACEMENT		

*Strike out whichever is not applicable

Please indicate with an "X" in the appropriate box against each resolution how you wish your vote to be cast. If you do not indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he thinks fit, or at his discretion, abstain from voting.

The proportions of *my/ our holdings to be presented by *my/our proxies are as follows:

Proxy 1	%
Proxy 2	%
Total	100%

Dated this.....day of.....2020.

.....
Signature of shareholder(s)/ Common Seal

Notes:

- 1) *The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016, which requires the Chairperson of the meeting to be present at the main venue of the EGM. Shareholders will NOT be physically present at the Broadcast Venue on the day of the EGM;*
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- 3) *A proxy or attorney or a duly authorised representative may, but need not be a Member. There shall be no restriction as to the qualification of the proxy;*
- 4) *A Member of the Company who is entitled to attend and vote at the EGM via RPV may appoint not more than 2 proxies to attend and vote instead of the Member at the meeting;*
- 5) *Where a Member of the Company is an authorised nominee as defined in the Depositories Act, which is exempted from compliance with the provisions of subsection 25A(1) of the Depositories Act, it may appoint not more than 2 proxies in respect of each securities account it holds;*
- 6) *Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds;*
- 7) *Where a member or the authorised nominee appoints 2 proxies, or where an exempt authorised nominee appoints 2 or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies; and*
- 8) *A proxy appointed to attend and vote at the EGM via RPV shall have the same rights as the Member to speak at the meeting;*
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- 11) *A depositor whose name appears in the Record of Depositors as at 27 May 2020 shall be regarded as a member of the Company entitled to attend this EGM via RPV or appoint a proxy to attend, speak and vote on his behalf.*

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AFFIX
STAMP

To: The Poll Administrator
Tricor Investor & Issuing House Services Sdn. Bhd.,
Unit 32-01, Level 32
Tower A, Vertical Business Suite, Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia

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