

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, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad has not perused this Statement (Part B) in relation to the Proposed Renewal of Authority for Purchase of Own Shares by the Company prior to its issuance and takes no responsibility for the contents of this Circular (Part A) and Statement (Part B), makes no representation as to its accuracy or completeness, and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular and Statement.

The Notice of the AGM, to be held at the Board Room, 2nd Floor, SCIB Building, Jalan Utama, Pending Industrial Estate, 93450 Kuching, Sarawak on Monday, 30 May 2016 at 12.00 noon and at any adjournment thereof together with the Form of Proxy are enclosed in the 2015 Annual Report. You are entitled to attend and vote at our meeting or to appoint a proxy or proxies to attend and vote on your behalf. You should complete and deposit the Form of Proxy at our Registered Office at Lot 1258, Jalan Utama, Pending Industrial Estate, 93450 Kuching, Sarawak not later than forty-eight (48) hours before the time set for our AGM or any adjournment thereof. If you have lodged the Form of Proxy, you may also attend and vote in person at our AGM should you subsequently wish to do so.



SARAWAK CONSOLIDATED INDUSTRIES BERHAD

(Company No.: 25583-W)

(Incorporated in Malaysia)

PART A

**CIRCULAR TO SHAREHOLDERS
in relation to**

**PROPOSED RENEWAL OF SHAREHOLDER MANDATE FOR RECURRENT RELATED
PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

PART B

**STATEMENT TO SHAREHOLDERS
in relation to**

**PROPOSED RENEWAL OF AUTHORITY FOR PURCHASE OF OWN SHARES BY THE
COMPANY**

IMPORTANT DATES AND TIMES:-

Last day and time for lodging the Form of Proxy	: Saturday, 28 May 2016 at 12.00 noon
Date and time of the Annual General Meeting	: Monday, 30 May 2016 at 12.00 noon

This Circular/ Statement is dated 29 April 2016

DEFINITIONS

This table sets out the definitions used throughout this Circular/Statement:

Act	: Companies Act, 1965 (as may be amended, modified or re-enacted from time to time)
AGM	: Annual General Meeting
Audit Committee	: Audit Committee of SCIB
Board	: The Board of Directors of SCIB
Bursa Securities	: Bursa Malaysia Securities Berhad
Code	: Malaysian Code on Take-Over and Merger 2010, as amended from time to time and any enactment thereof.
Directors	: The Directors for the time being of SCIB and shall have the same meaning given in Section 2(1) of the Capital Markets and Services Act 2007 and include any person who is or was within the preceding six (6) months from the date on which the terms of the transaction were agreed upon – (i) a director of the Company or its subsidiary or holding company; or (ii) a chief executive of the Company, its subsidiary or holding company.
EPS	: Earnings per share
LPD	: 29 March 2016, being the latest practicable date prior to printing of the Circular/ Statement.
Listing Requirements	: The Main Market Listing Requirements of Bursa Securities (as may be amended or modified from time to time) and any enactment thereof.
Major Shareholder(s)	: Means a person, including any person who is or was within the preceding six (6) months of the date on which the terms of the transactions were agreed upon, who has an interest or interests in one (1) or more voting shares in the Company (or any other company which is its subsidiary or holding company) and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is:- (a) 10% or more of the aggregate of the nominal amounts of all the voting shares in the Company; or (b) 5% or more of the aggregate of the nominal amounts of all the voting shares in the Company where such person is the largest shareholder of the Company. For the purpose of this definition, “interest in shares” shall have the same meaning given in Section 6A of the Act.
Person(s) Connected	: This shall have the same meaning given in Chapter 1, Paragraph 1.01 of the Listing Requirements.
Proposed Share Buy-Back	: Proposed renewal of shareholder mandate for the purchase of Shares on the Bursa Securities by SCIB of up to 10% of its issued and paid-up share capital of the Company
Proposed Shareholder Mandate	: Proposed Shareholder Mandate for the existing RRPT

DEFINITIONS (Cont'd)

Related Party(ies)	: Means a director, major shareholder or person connected with such director or major shareholder of the Group. For the purpose of this definition, 'director', 'major shareholder' and their persons connected shall have the same meanings given in Paragraph 10.02 of the Listing Requirements.
Related Party Transaction	: A transaction entered into by SCIB Group which involves the interest, direct or indirect, of a Related Party.
RM	: Ringgit Malaysia
RRPTs	: A Related Party Transaction which is recurrent, of a revenue or trading nature and which is necessary for the day-to-day operations of SCIB Group and which has been made or will be made by SCIB Group at least once in three (3) years in the ordinary course of business of SCIB Group.
SCIB or the Company	: Sarawak Consolidated Industries Berhad
SCIB Group or the Group	: SCIB and its subsidiaries
Share(s)	: Ordinary share(s) of RM1.00 each in the capital of SCIB
Shareholder Mandate	: Shareholder Mandate pursuant to Paragraph 10.09 of the Listing Requirements for the RRPT.
Tan Sri Hamid	: YBhg. Tan Sri Datuk Amar (Dr.) Hamid Bin Bugo
Tuan Haji Zaidi	: Tuan Haji Zaidi bin Haji Ahmad, Chief Executive Officer of the Company
ZECON	: Zecon Berhad
ZECON Group	: Zecon Berhad Group of Companies
Rewi Hamid Bugo	: Rewi Hamid Bugo is the son of Tan Sri Hamid and the Director of the Company

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PART A

PROPOSED RENEWAL OF SHAREHOLDER MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

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SARAWAK CONSOLIDATED INDUSTRIES BERHAD

(Company No. 25583-W)
(Incorporated in Malaysia)

Registered Office:

Lot 1258, Jalan Utama
Pending Industrial Estate
93450 Kuching
Sarawak

29 April 2016

Board of Directors:

YBhg. Tan Sri Datuk Amar (Dr.) Hamid Bin Bugo (*Chairman/ Non-Independent Non-Executive Director*)
YBhg. Datu Haji Mohidin Bin Haji Ishak (*Independent Non-Executive Director*)
Tuan Haji Soedirman Bin Haji Aini (*Non-Independent Non-Executive Director*)
Mr. Lim Nyuk Foh (*Non-Independent Non-Executive Director*)
Encik Shamsul Anuar Bin Ahamad Ibrahim (*Independent Non-Executive Director*)
Encik Rewi Hamid Bugo (*Non-Independent Non-Executive Director*)

To: Our Shareholders

Dear Sir/Madam

PROPOSED RENEWAL OF SHAREHOLDER MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

1. INTRODUCTION

At the Company's Annual General Meeting held on 30 June 2015, the Company obtained from its shareholders a mandate for the RRPT pursuant to Paragraph 10.09 of the Listing Requirements.

The mandate from the shareholders shall, in accordance with the Listing Requirements, expire at the conclusion of the forthcoming AGM scheduled to be held on 30 May 2016, unless by a resolution passed at the forthcoming AGM, the mandate is renewed.

Accordingly, on 4 April 2016, the Company announced that the Board proposes to seek for renewal of shareholder mandate from its shareholders at the forthcoming AGM, for the RRPT as outlined in Sections 2.2 and 2.3 of this circular.

In this respect, any authority conferred by the Proposed Shareholder Mandate at the forthcoming AGM of our Company will continue to be in force until:-

- a) the conclusion of the next AGM of SCIB at which the Proposed Shareholder Mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- b) the expiration of the period within which the next AGM after the date is required to be held pursuant to Section 143(1) of the Act (but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

The purpose of this circular is to provide you with details, rationale and effects of the Proposed Shareholder Mandate and to seek your approval for the resolution, to be tabled at the forthcoming AGM to be convened on 30 May 2016. The Notice of the AGM together with the Form of Proxy are enclosed in the 2015 Annual Report of the Company.

We advise you to read and carefully consider the contents of this circular before voting on the resolution pertaining to the Proposed Shareholder Mandate.

2. DETAILS OF THE PROPOSED SHAREHOLDER MANDATE

2.1 Principal activities of the SCIB Group

The principal activities of SCIB are that of investment holding and provision of management services. The principal activities of its subsidiaries are as follows:-

Name of Company	Effective Equity Interest (%)	Principal Activities
<u>Subsidiaries of SCIB</u> SCIB Holdings Sdn Bhd	100	Investment holding
SCIB Industrialised Building System Sdn. Bhd.	100	Supply and installation of industrialized building system components
<u>Subsidiaries of SCIB Holdings Sdn Bhd</u> SCIB Properties Sdn Bhd	100	Property trading, investment and development
SCIB Infraworks Sdn Bhd	100	Infrastructure business and other related business- Dormant
SCIB Concrete Manufacturing Sdn Bhd	100	Trading of construction materials, manufacturing and sale of concrete products

2.2 Classes of Related Parties

	Related Parties	Principal Activities	Names of Interested Directors, Interested Major Shareholders of SCIB and its subsidiaries and Interested Persons Connected and their relationships with the Related Parties
1	ZECON Group	Foundation engineering, civil engineering, building contracting works, property sales and development and other related activities.	(a) Tan Sri Hamid, common shareholders of SCIB and ZECON. (b) Tuan Haji Zaidi, is the brother to YBhg Datuk Haji Zainal Abidin bin Haji Ahmad, the Managing Director and substantial shareholder of ZECON. ZECON Group are persons connected with YBhg Datuk Haji Zainal Abidin bin Haji Ahmad by virtue of his substantial shareholdings in ZECON pursuant to Section 6A of the Act.
2	Reignvest Corporation Sdn. Bhd.	Investment holding	(a) Rewi Hamid Bugo, a substantial shareholder of Reignvest Corporation Sdn. Bhd. (b) Tan Sri Hamid is deemed interested by virtue of his substantial interest in Reignvest Corporation Sdn. Bhd. via Sego Holdings Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965. (c) Tan Sri Hamid is the father of Rewi Hamid Bugo.
3	Rekaruang Sdn. Bhd.	Investment holding and Property development and as Contractor	(a) Rewi Hamid Bugo, a substantial shareholder of Rekaruang Sdn. Bhd. (b) Tan Sri Hamid is deemed interested by virtue of Rewi Hamid Bugo's substantial interest in Rekaruang Sdn. Bhd. (c) Tan Sri Hamid is the father of Rewi Hamid Bugo.
4	Oricon Sdn. Bhd.	Investment Holding and Property development	(a) Tuan Haji Zaidi, a substantial shareholder of Oricon Sdn. Bhd.
5	Petra Jaya Properties Sdn. Bhd.	Property development and Management	(a) Tan Sri Hamid and Rewi Hamid Bugo, are substantial shareholders of Petra Jaya Properties Sdn. Bhd.

2.3 Nature of the RRPT and Estimated Value

2.3.1 Existing RRPT

Name of Related Party	Nature of RRPT	Existing Shareholder Mandate		Proposed Shareholder Mandate
		Estimated value for validity period of the mandate (Estimated Value)	Actual value transacted during the validity period of the mandate (Actual Value)	Estimated value
		(i) RM '000	(ii) RM '000	(iii) RM '000
ZECON Group	Sales of precast Reinforced Concrete Products, Industrialised Building System components, Concrete Roofing Tiles, Concrete Ready Mix and other concrete products and the installation of Industrialised Building System components (“ Products and Services ”) by SCIB Group	20,000	67	20,000
Reinvest Corporation Sdn. Bhd.	Payment of cost of rental of all that parcel of industrial land together with the buildings thereon situate at Sejingkat Industrial Park, containing an area of 2.793 hectares, more or less and described as Lot 830, Block 7, Muara Tebas Land District by SCIB Group at a monthly rental of RM60,000. The land and building are used for manufacturing of precast concrete products and roofing tiles.	1,000	540	1,000
Rekaruang Sdn. Bhd.	Sales of precast Reinforced Concrete Products, Industrialised Building System components, Concrete Roofing Tiles, Concrete Ready Mix and other concrete products and the installation of Industrialised Building System components (“ Products and Services ”) by SCIB Group.	5,000	892	5,000
Oricon Sdn. Bhd.	Sales of precast Reinforced Concrete Products, Industrialised Building System components, Concrete Roofing Tiles, Concrete Ready Mix and other concrete products and the installation of Industrialised Building System components (“ Products and Services ”) by SCIB Group	1,000	-	1,000

Name of Related Party	Nature of RRPT	Existing Shareholder Mandate		Proposed Shareholder Mandate
		Estimated value for validity period of the mandate (Estimated Value)	Actual value transacted during the validity period of the mandate (Actual Value)	Estimated value
		(i) RM '000	(ii) RM '000	(iii) RM '000
Petra Jaya Properties Sdn. Bhd.	Sales of precast Reinforced Concrete Products, Industrialised Building System components, Concrete Roofing Tiles, Concrete Ready Mix and other concrete products and the installation of Industrialised Building System components (“Products and Services”) by SCIB Group	1,000	504	1,000
TOTAL		28,000	2,003	28,000

Note:-

- (i) The estimated value is as disclosed in the preceding year’s Circular to Shareholders dated 27 May 2015.
- (ii) The actual value transacted from the date on which the existing mandate was obtained up to 29 March 2016, being the latest practicable date before the printing of this Circular to Shareholders.
- (iii) The proposed estimated value from the forthcoming AGM until the conclusion of the next AGM of the Company are based on management best estimates of the value of transactions. These estimates have been arrived by SCIB Group after taking into consideration both historical data and the best estimate for these transactions. The price of the Products and Services are conducted at market rate which is at arm’s length and under normal commercial term on terms not more favourable to the Related Party than those generally available to the public and not to the detriment of the minority shareholders.

There was no deviation of 10% or more where the Actual Value exceeds the Estimated Value of RRPT comprised under the existing Shareholder Mandate.

2.4 Ageing Report for Recurrent Related Party Transactions

Mandated Related Parties	Normal Credit term	Outstanding RRPT Receivables as at 31 December 2015 which has exceeded the credit term for the following periods							
		Less than 1 year		More than 1 year less than 3 years		More than 3 years less than 5 years		More than 5 years	
		Principal sum RM'000	Interest RM'000	Principal sum RM'000	Interest RM'000	Principal sum RM'000	Interest RM'000	Principal sum RM'000	Interest RM'000
ZECON Group (Note (i),(ii), (iii))	90 days	1,099	587	3,982	-	-	-	-	-
Rekaruang Sdn. Bhd.	90 days	201	-	-	-	-	-	-	-
Oricon Sdn. Bhd.	90 days	-	-	-	-	-	-	-	-
Petra Jaya Properties Sdn. Bhd.	90 days	142	-	-	-	-	-	-	-
Total		1,442	587	3,982	-	-	-	-	-

- (i) *Late payment charges of eight (8) per centum per annum were imposed effective January 2015 in regards to the outstanding RRPT amount due.*
- (ii) *Actions taken to recover the outstanding RRPT amount due are as follows:*
 - a) *Reminder and demand letters were sent out to related party*
 - b) *Follow up session through visits to related party*
 - c) *Proposed settlement through separate arrangements are under consideration*
- (iii) *Total principal sum which has exceeded 180 days were impaired but not written off. Having reviewed the outstanding RRPT receivables, the Board and Audit Committee were of the opinion that these outstanding RRPT amount due are recoverable as indicated in Section 2.4(ii)(c).*

2.5 Rationale and Benefit

The transactions to be entered into with Related Parties by the Group are in the ordinary course of business and will enhance the revenue of the SCIB Group.

They are recurring transactions of revenue or trading nature which are likely to occur with some degree of frequency and arise at any time and from time to time. These transactions may be constrained by the time-sensitive nature and it may be impractical to seek your approval on a case to case basis before entering into such related party transactions.

The Proposed Shareholder Mandate would also reduce substantial administrative time, inconvenience and expense of having to frequently convene a separate general meeting for approval of each transaction while still maintaining the objective of keeping you informed of the extent of the related party transactions occurring within the Group. This would have the benefit of reducing administrative time and costs to the Company, which could be better utilised towards pursuing our corporate objectives.

2.6 Review Procedures

To ensure that such RRPT are conducted at arm's length and on normal commercial terms consistent with the Group usual business practices and policies, as well as on terms not more favourable to the Related Party than those generally available to the public and are not to the detriment of our minority shareholders, the management will ensure that the RRPT will only be entered into after taking into consideration the pricing, level of service and quality of product.

The review and disclosure procedures shall include the following:-

- (a) Records of RRPT will be maintained and shall be made available to the external auditors, internal auditors and Audit Committee for their review;
- (b) The internal auditors will review the RRPT as part of the internal audit programme and report their findings to the Audit Committee and the Board;
- (c) Terms of the Related Party Transactions 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, the management and the 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 the Group's usual business practices and policies and will not be prejudicial to the shareholders. The 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;
- (d) Wherever possible, at least two (2) other contemporaneous transactions 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 other unrelated third 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;
- (e) 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;
- (f) There are no specific thresholds for approval as all RRPT are reviewed and approved by the Chief Internal Auditor. The Audit Committee and the Board will review and approve the RRPT that are required under the Listing Requirements;
- (g) Further, where any Directors or Persons Connected have an interest (direct or indirect) in the RRPT, such Director (and his alternate) shall abstain from deliberation and voting on the matter. Where any member of the 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

- (h) Disclosure will be made in the annual report of the Company of the aggregate value of the RRPT conducted pursuant to the Proposed Shareholder Mandate during the financial year, amongst others, based on the type of the RRPT and the names of the Related Parties involved in each type of the RRPT made and their 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.

2.7 Statement by Audit Committee

The Audit Committee has seen and reviewed the procedures mentioned in Section 2.6 above and is of the view that the said procedures are sufficient to ensure that the RRPT are not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders. The Audit Committee is of the view that the SCIB Group has in place adequate procedures, guidelines and processes to monitor, track and identify RRPT in a timely and orderly manner, and such procedures, guidelines and processes are reviewed once a year.

2.8 Directors' and Major Shareholders' Interests

The direct and indirect interest of interested Director, interested Major Shareholder and/or Person Connected with them in SCIB as at 29 March 2016 are as follows:-

	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Interested Directors				
Tan Sri Hamid	3,429,200	4.66	11,369,900 ^a	15.45
Rewi Hamid Bugo	2,088,300	2.84	9,281,600 ^b	12.61
Interested Director of Subsidiary/ Chief Executive Officer				
Tuan Haji Zaidi	190,800	0.26	135,715 ^c	0.18
Interested Major Shareholder				
Pacific Unit Sdn. Bhd. ^d	9,281,600	12.61	-	-
Tan Sri Hamid	3,429,200	4.66	11,369,900 ^a	15.45
Persons Connected				
Oricon Sdn. Bhd. ^e	135,715	0.18	-	-

Note:-

- a By virtue of his interest in Pacific Unit Sdn. Bhd. pursuant to Section 6A of the Act and through his son, Rewi Hamid Bugo pursuant to Section 134(12)(c) of the Act
b By virtue of his interest in Pacific Unit Sdn. Bhd. pursuant to Section 6A of the Act
c By virtue of his interest in Oricon Sdn. Bhd.
d Deemed Person Connected with Tan Sri Hamid and Rewi Hamid Bugo
e Deemed Person Connected with Tuan Haji Zaidi

The abovementioned interested Director of Subsidiary or Chief Executive Officer, Major Shareholder and Person Connected (namely, Tuan Haji Zaidi, Pacific Unit Sdn. Bhd. and Oricon Sdn. Bhd.) will abstain from voting on the resolution approving the Proposed Shareholder Mandate in the forthcoming AGM in respect of their shareholdings in SCIB. Tan Sri Hamid, Tuan Haji Zaidi and Rewi Hamid Bugo being the Directors interested in the Proposed Shareholder Mandate have abstained and will continue to abstain from all Board deliberation and voting on the Proposed Shareholder Mandate. Tan Sri Hamid, Tuan Haji Zaidi and Rewi Hamid Bugo will abstain from voting in respect of their direct and indirect shareholdings on the resolution pertaining to the Proposed Shareholder Mandate for RRPT.

In addition, the above interested Directors and interested Major Shareholder undertake to ensure that their Persons Connected will also abstain from voting in respect of their direct and indirect shareholdings on the resolution deliberating or approving the Proposed Shareholder Mandate.

Save as disclosed above, none of the other Directors, Major Shareholders and/or Persons Connected with them have any interests (direct or indirect) in the Proposed Shareholder Mandate.

3. EFFECTS OF THE PROPOSED SHAREHOLDER MANDATE

The Proposed Shareholder Mandate will not have any impact on our issued and paid-up share capital and substantial shareholders' shareholdings and will not have any significant impact on the net assets per share and earnings per share of our Group for the year ending 31 December 2016.

However, the Proposed Shareholder Mandate is expected to contribute positively to the net assets and earnings of our Group during the period that the Proposed Shareholder Mandate is in force.

4. CONDITIONS OF THE PROPOSED SHAREHOLDER MANDATE

The Proposed Shareholder Mandate is subject to the approval of shareholders at the forthcoming AGM to be convened.

5. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Directors, save and except for Tan Sri Hamid and Rewi Hamid Bugo who have abstained from expressing an opinion, are of the opinion that the Proposed Shareholder Mandate is in the best interest of SCIB and as such, recommend that you vote in favour of the resolution in relation to the Proposed Shareholder Mandate to be tabled at our forthcoming AGM.

6. AGM

We will hold our AGM at the Board Room, 2nd Floor, SCIB Building, Jalan Utama, Pending Industrial Estate, 93450 Kuching, Sarawak on Monday, 30 May 2016 at 12.00 noon. for the purpose of considering and if thought fit, passing the ordinary resolution to give effect to the Proposed Shareholder Mandate, as set out under the item of Special Business at the forthcoming AGM.

If you are unable to attend and vote in person at our forthcoming AGM, you should complete and return the Form of Proxy as attached in the 2015 Annual Report of the Company in accordance with the instructions therein as soon as possible and in any event so as to arrive at our registered office at Lot 1258, Jalan Utama, Pending Industrial Estate, 93450 Kuching, Sarawak not later than forty-eight (48) hours before the time set for holding the AGM or any adjournment thereof. The lodging of the Form of Proxy will not, however, preclude you from attending and voting in person at our forthcoming AGM should you subsequently wish to do so.

7. FURTHER INFORMATION

We advise you to refer to Appendix I for further information.

Yours faithfully
for and on behalf of the Board

Shamsul Anuar Bin Ahamad Ibrahim
Independent Non-Executive Director

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PART B

PROPOSED RENEWAL OF AUTHORITY FOR PURCHASE OF OWN SHARES BY THE COMPANY STATEMENT TO SHAREHOLDERS OF SCIB CONTAINING:

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SARAWAK CONSOLIDATED INDUSTRIES BERHAD

*(Company No.: 25583-W)
(Incorporated in Malaysia)*

STATEMENT TO SHAREHOLDERS

in relation to the

PROPOSED RENEWAL OF AUTHORITY FOR PURCHASE OF OWN SHARES BY THE COMPANY

1. INTRODUCTION

At the **AGM** of SCIB held on 30 June 2015, SCIB obtained the shareholders' approval for the Company to purchase and/or hold its own shares of an amount not exceeding ten per cent (10%) of the total issued and paid-up ordinary share capital of SCIB through Bursa Securities. In accordance with the Main Market Listing Requirements, this authority will expire at the conclusion of the forthcoming AGM of the Company, which has been scheduled to be held on 30 May 2016.

On 4 April 2016, the Company announced its intention to seek shareholders' approval to renew the authority for the Company to purchase its own Shares.

The purpose of this Statement is to provide you with details, rationale and effects of the Proposed Share Buy-Back and to seek your approval for the resolution, which is to be tabled at the forthcoming AGM to be convened on 30 May 2016. The Notice of the AGM together with the Form of Proxy are enclosed in the 2015 Annual Report of the Company.

We advise you to read and carefully consider the contents of this Statement before voting on the resolution pertaining to the Proposed Share Buy-Back.

2. DETAILS OF THE PROPOSED SHARE BUY-BACK

2.1 Maximum Number of Shares

The Proposed Share Buy-Back involves the purchase of up to 10% of our issued and paid-up share capital, subject to compliance with Section 67A of the Act and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities.

We will appoint a stockbroker(s) to purchase our Shares through Bursa Securities.

2.2 Source of Funds

The maximum amount of funds to be allocated by the Company for the purchase of our Shares shall not exceed the aggregate of our share premium account at the time of purchase. Our audited share premium account as at 31 December 2015 stood at RM5,096,668.

SCIB will fund the Proposed Share Buy-Back by using its internally generated funds and/or borrowings. In the event SCIB purchases its own Shares by using external borrowings, the Board will ensure that SCIB has sufficient funds to repay the external borrowings when due without materially affecting its working capital requirement.

The proposed Share Buy-Back Statement is not expected to have an adverse effect on the cash flow position of the Company. However, the effect on the cash flow would depend on, inter alia, the purchase price and quantum of SCIB Shares purchased at any point of time.

2.3 Public Shareholding Spread

Based on the Record of Depositors as at 29 March 2016, the public shareholding spread of SCIB was 40.19%. The Board undertakes that any proposed purchase of the Shares would only be conducted in accordance with laws prevailing at the time of the purchase including compliance with the 25% public shareholding spread as required by the Listing Requirements.

3. PURCHASE OF OWN SHARES DURING THE PAST FINANCIAL YEAR

SCIB has not purchase any of its own shares during the financial year ended 31 December 2015 and currently, it does not hold any treasury shares.

4. REASONS FOR THE PROPOSED SHARE BUY-BACK

We seek your approval to purchase our Shares to enable us to have an additional option of utilising our financial resources more efficiently. All things being equal, any purchase of our Shares, whether the Shares so purchased are retained as treasury shares or cancelled, would result in a lower number of our Shares being used for computing EPS.

5. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK

The potential advantages from our purchase of our Shares are set out below:

- (i) we will be able to take preventive measures against market speculation (particularly when our Shares are undervalued) which would help to stabilise the share price and enhance investors' confidence;
- (ii) we will have the flexibility to achieve our desired capital structure, in terms of our debt and equity composition; and
- (iii) we will have the flexibility to distribute the treasury shares as dividends to you, in addition to the normal cash dividends.

However, the potential disadvantages from our purchase of our Shares are set out below:

- (i) we may have to forego better investment opportunities that may emerge in future because we have to use our financial resources to purchase our Shares; and
- (ii) our share premium will reduce following our purchase of our Shares and this can reduce our ability to utilise such balances in the future.

Nevertheless, we will be mindful of your interest as well as that of the Company when we undertake any purchase of our Shares and any sale of treasury shares on the Bursa Securities.

6. FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK

6.1 Share Capital

The effects of our purchase of our Shares on our share capital will depend on whether the Shares so purchased are cancelled or retained as treasury shares.

The Proposed Share Buy-Back will not have any effect on our issued and paid-up share capital if all the Shares purchased are to be retained as treasury shares, re-sold or distributed to you.

The Proposed Share Buy-Back will however, result in the reduction of our issued and paid-up share capital if the Shares so purchased are cancelled. The proforma effects of the Proposed Share Buy-Back based on our issued and paid-up ordinary share capital as at 29 March 2016 and assuming the Shares so purchased are cancelled are set out below:

	No. of Shares
Existing as at 29 March 2016	73,582,500
Cancellation of Shares purchased pursuant to the Proposed Share Buy-Back ⁽ⁱ⁾	(7,358,250)
	<hr/> <u>66,224,250</u>

Note:

(i) Assuming the purchase of maximum number of 7,358,250 Shares under the Proposed Share Buy-Back.

6.2 Earnings

The effects of the Proposed Share Buy-Back on the EPS of our Group will depend on the purchase price for such Shares, the effective funding cost to finance the purchase of the said shares or any loss in interest income to our Group. Depending on the price paid for the purchase of each Share and its impact on earnings of our Group, the purchase of our Shares may improve the EPS of our Group. If the EPS of our Group is improved, it is expected to have a positive impact on the market price of our Shares. The Proposed Share Buy-Back will increase the EPS of our Group provided that the income foregone and interest expense incurred on the shares

purchased (on a per share basis) is less than the EPS of our Group before the share buy-back.

Assuming that any Shares so purchased and retained as treasury shares are sold, the effects on the earnings of our Group will depend on the actual selling price, the number of treasury shares sold and the effective gain or interest savings arising from the exercise.

If the Shares so purchased are cancelled, the EPS of our Group will increase provided the income foregone and interest expense incurred on the shares purchased is less than the EPS of our Group before the share buy-back.

6.3 Net assets

The effects of the Proposed Share Buy-Back on the net assets of our Group will depend on the purchase price for such Shares and whether the Shares purchased are cancelled or retained as treasury shares.

(i) Shares purchased under the Proposed Share Buy-Back are retained as treasury shares.

The net assets of our Group would decrease if the Shares purchased are retained as treasury shares due to the requirement for treasury shares to be carried at cost and be offset against equity, resulting in a decrease in the net assets of our Group by the cost of the treasury shares.

If the Shares purchased were sold on Bursa Securities, the net assets of our Group would increase if the Company realises a gain from the sale, and vice-versa.

If the Shares purchased were distributed as share dividends, the net assets of our Group will decrease by the cost of the treasury shares.

(ii) Shares purchased under the Proposed Share Buy-Back are subsequently cancelled

If the Shares so purchased are cancelled, the Proposed Share Buy-Back will reduce the net assets per share if the purchase price per share exceeds the net assets per share at the relevant point in time, and vice-versa.

6.4 Dividends

Barring unforeseen circumstances, any future dividends which we may declare would depend on, amongst others, the profitability and cash flow position of our Group. As such, the Proposed Share Buy-Back will not affect our dividend policy. When we purchase our Shares, we will have the flexibility to distribute future dividends in the form of Shares.

6.5 Working Capital

The Proposed Share Buy-Back will reduce the working capital of our Group, the quantum of which will depend on the purchase prices of the Shares and the number of Shares so purchased. However, we believe that the Proposed Share Buy-Back will not have any material effect on the working capital requirement of our Group.

7. CONDITIONS OF THE PROPOSED SHARE BUY-BACK

The Proposed Share Buy-Back is subject to the approval of our shareholders at the forthcoming AGM.

8. IMPLICATION RELATING TO THE CODE

We do not expect the Proposed Share Buy-Back will result in any of our Directors, Major Shareholders and any person acting in concert with them as at 29 March 2016 triggering any obligation to undertake a mandatory offer under the Code.

The Company will only buy-back the Shares to the extent that it will not contravene the limit as provided under the Code.

9. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

None of our Directors and Substantial Shareholders and/or Persons Connected with them has any interest, direct or indirect, in the Proposed Share Buy-Back.

10. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Directors are of the opinion that the Proposed Share Buy-Back is in the best interest of SCIB and as such, recommend that you vote in favour of the resolution in relation to the Proposed Share Buy-Back to be tabled at our forthcoming AGM.

11. DIRECTORS' RESPONSIBILITY STATEMENT

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

12. ACTION TO BE TAKEN BY SHAREHOLDERS

If a shareholder is unable to attend the forthcoming AGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the form of proxy in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the Company's registered office at Lot 1258, Jalan Utama, Pending Industrial Estate, 93450 Kuching, Sarawak, Malaysia not later than 12.00 noon on 28 May 2016. The completion and return of the form of proxy by a shareholder will not prevent him from attending and voting at the forthcoming AGM in person, if he so wishes.

Yours faithfully
for and on behalf of the Board

Shamsul Anuar Bin Ahamad Ibrahim
Independent Non-Executive Director

FURTHER INFORMATION

1. RESPONSIBILITY STATEMENT

Our Directors have seen and approved this Circular/ Statement and they collectively and individually accept full responsibility for the accuracy of the information given 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. MATERIAL CONTRACTS

Saved as disclosed below, neither we nor our subsidiaries have entered into any material contracts (not being contracts entered into in our ordinary course of business or any of our subsidiaries' businesses) within the two (2) years preceding the date of this Circular/ Statement.

Nature of Contract	Date	Parties	Consideration	Particulars
Sales & Purchase Agreement	29 April 2014	SCIB Concrete Manufacturing Sdn. Bhd. ("SCMSB") (Co. no: 554888-U) and Zecon Land Sdn. Bhd. ("Zecon Land") (Co. no. : 311338-U)	The Purchase price of the Shophouse is RM1,600,000.00 (Ringgit Malaysia: One Million Six Hundred Thousand only) at a discount of 6% of the listed price to be satisfied by way of offsetting and settlement of outstanding amounts due and owing by Zecon Berhad and its subsidiaries ("Zecon Group") to SCMSB	- To purchase all the one (1) unit of Four (4) Storey Shophouse described as Sublot 13 measuring approximately 564 square metres, more or less, in area (hereinafter referred as "Shophouse") in Vista Tunku (Phase One) together with the land on which the Shophouse is built for a purchase price of Ringgit Malaysia One Million Six Hundred Thousand (RM1,600,000.00) only at a discount of 6% of the listed price to be satisfied by way of offsetting and settlement of outstanding amounts due and owing by Zecon Group to SCMSB.

3. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

SCIB Group is not engaged in any material litigation, claims or arbitration either, as plaintiff or defendant, which has a material effect on the financial position or the business of SCIB Group and the Directors of SCIB do not have any knowledge of any proceedings pending or threatened against the SCIB Group or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the SCIB Group.

4. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at our registered office at Lot 1258, Jalan Utama, Pending Industrial Estate, 93450 Kuching, Sarawak during normal business hours from Monday to Friday (except for public holidays) from the date of this Circular/ Statement up to and including the date of the AGM:

- (i) The Memorandum and Articles of Association of SCIB;
- (ii) The audited consolidated financial statements of the Group for the past two (2) financial years ended 31 December 2014 and 2015; and
- (iii) The material contracts referred to in Section 2 above.