



**SARAWAK CONSOLIDATED INDUSTRIES BERHAD**

(Registration No.: 197501003884 (25583-W))

(Incorporated in Malaysia)

**1. INTRODUCTION**

Reference is made to the previous announcements made by Sarawak Consolidated Industries Berhad (“**SCIB**” or “**the Company**”) on 15 March 2021 and 22 September 2021 in relation to Engineering, Procurement, Construction and Commissioning (“**EPCC**”) contract awarded to its wholly owned subsidiary company, SCIB Properties Sdn. Bhd. (Registration No.: 200101019135 (554892-V)) (“**SCIBP**”) for the project as follows (“**Project**”): -

<b>Contract title</b>	<b>Client</b>	<b>Country</b>	<b>Announcement Reference date</b>
<p>Proposed development of Malaysia civil servants housing program or the Program Perumahan Penjawat Awam (“PPAM”) For overall earthwork, infrastructure and building, mechanical &amp; engineering works and all ancillary works such as main entrance road, guard house, street lighting, TNB substations, reservoir, sewerage treatment plant, intermediate pumping station, hydrants, road &amp; drain, landscaping works, water &amp; sewer reticulation works, playground and any other related works and services required by the local authority for Phase 1 on Lot 3452, 3453, 3457, 3480, 3481, 3482, 3483, 3484 3485, 3493 and 3494, Mukim Hulu Bernam Timur, Daerah Muallim, Perak comprising of the following:-</p> <p>I. 345 units of single storey affordable Type B terrace houses;</p> <p>II. 455 units of double storey affordable Type A terrace houses and</p> <p>III. 28 units of double storey shop lot</p>	<p>Puncak Gemilang Melati Sdn. Bhd. (Nullified by the Developer of the Project, Awana JV Suria Saga Sdn. Bhd. (“<b>AJVS</b>”))</p>	Malaysia	15 March 2021
	<p>Awana JV Suria Saga Sdn. Bhd. (Change in Client)</p> <p>Remark: The developer for the said Project, Awana JV Suria Saga Sdn. Bhd. (“<b>AJVS</b>”) has since nullified Puncak Gemilang Melati Sdn. Bhd. as the main contractor. <b>AJVS</b> had subsequently appointed SCIB Properties Sdn. Bhd. as the main contractor for the said Project.</p>	Malaysia	22 September 2021

The Board of Directors of SCIB wishes to announce that SCIBP had on 6 July 2023 signed the Settlement Agreement with the above Client (referred to as “**Party**”), to mutually terminate the Contract as listed above, confirm the obligation on the full and final settlement of debts and establish the term and payment schedule for the amount owing between the Party.

SCIBP had prior and subsequent to its appointment advanced various sums to and/or on behalf of AJVS totalling RM18,715,249.52 (referred to as “**the Debt**”).

## **2. INFORMATION OF THE SETTLEMENT AGREEMENT FOR THE TERMINATION OF THE CONTRACT**

The termination of the Contract is based on mutual agreement between SCIBP and the Client, after taking into consideration to protect of SCIB’s interests in mitigating the risks arising from the non-movement of project progress.

The key salient terms of the Settlement Agreement are as follows:

### **2.1. Acknowledgment of Indebtedness**

- 2.1.1 The Parties expressly irrevocably and unconditionally acknowledge, admit, confirm, and agree that as at the date of the Settlement Agreement, AJVS shall now be indebted to SCIBP for the debt of **RM18,715,249.52** only (“Debt”) and AJVS shall assume the sole obligation and responsibility to reimburse the Debt to SCIBP. AJVS shall settle the Debt to SCIBP in accordance to the Payment Schedule in the Settlement Agreement;
- 2.1.2 The Parties accept that from the date of the Settlement Agreement, unless otherwise stated in the Settlement Agreement, the Debt shall be the final and conclusive figure determined between the Parties. No further penalty agreed and/or punitive damages, and/or Liquidated Ascertained Damages and/or interests whatsoever shall be imposed on AJVS by SCIBP;
- 2.1.3 SCIBP agrees to accept the Debt as the full and final settlement sum owing to them in accordance with the terms and conditions of the Settlement Agreement and save for the Debt, SCIBP covenants and declares that it has no further claims, demands or sums owing by AJVS to SCIBP;
- 2.1.4 The Parties mutually acknowledge and agree that upon the full payment of the Debt, both parties unconditionally release and forever discharge each other from all claims, liens, and obligations of every nature arising out of or in connection with the performance of the works, monies disbursed or released.

## 2.2. Settlement of Indebtedness

2.2.1 The Parties acknowledge and confirm their obligations on the settlement of the Debt upon the following terms and AJVS shall reimburse the Debt to SCIBP in accordance with the terms enumerated in the Payment Schedule.

## 2.3. Representations, Warranties, And Undertaking

2.3.1 The Parties represent and warrant to each other as follows:

- a) Mutual Agreement and confirmation by the Parties that SCIBP is released from its obligation and responsibility as the main contractor to AJVS appointed under SCIBP Letter of Award and pursuant thereto, SCIBP confirms that it has no cross claims, counterclaims or demands in respect thereof against AJVS, and that the Debt owed by AJVS shall be reimbursed to SCIBP in accordance with this Agreement between AJVS and SCIBP.
- b) Each has the power or capacity to execute, deliver and perform the terms of the Settlement Agreement and all documents required to be delivered under the Settlement Agreement.
- c) Each of them is not insolvent or is adjudicated or found to be bankrupt or there are no winding-up petitions or proceedings threatened or pending against any of the Parties prior to the execution of the Settlement Agreement, as applicable.
- d) AJVS hereby undertakes and warrants with SCIBP that as and when the Debt or any part thereof is due for payment in accordance with the provisions of the Settlement Agreement and the Payment Schedule, AJVS shall pay to SCIBP, in the manner specified under the Settlement Agreement. AJVS acknowledges and agrees that SCIBP shall be entitled to exercise its rights and powers under the Settlement Agreement upon default by AJVS.

## 2.3 Termination

2.4.1 The Settlement Agreement shall be terminated in the event that:

- a) there is a default in any of the payments as per the agreed Payment Schedule; or
- b) a breach by the Parties of any of its representations and warranties or any other obligations under the Settlement Agreement

## **3. RATIONALE OF THE SETTLEMENT AGREEMENT FOR THE TERMINATION OF THE CONTRACT**

The Company is enforcing its rights under the Contract and taking the necessary measures to protect SCIB's interests in mitigating the risks arising from the non-movement of project progress.

#### **4. FINANCIAL EFFECTS**

As of the announcement date, the final claims stated in the Settlement agreement has not been impaired, The outstanding balances will be subject to impairment review in the next reporting quarter, in any event should the outstanding balances be fully impaired, the group gearing will be increased and earnings per share as well as net assets of SCIB will be reduced as a result of the impairment loss for the financial year ending 30 June 2023. Any impairment loss will be written back upon subsequent recovery of the debts.

The Settlement Agreement will not have any effect on the issued share capital and the shareholdings of substantial shareholders of the Company.

#### **5. RISK FACTORS**

The Settlement Agreement may expose the Company on Financial Risk, in line with Financial Effects as deliberated on Paragraph 4 above, in any event should the outstanding balances be fully impaired.

#### **6. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST**

None of the Directors and/or major shareholders of the Company and/ or persons connected with them have any interest, direct and/or indirect, in the Contract and the Settlement Agreement.

#### **7. STATEMENT BY DIRECTORS**

The Board, having taken into consideration all aspects of the termination of the Contract, is of the opinion that the entering of the aforesaid Settlement Agreement is in the best interest of the Company.

#### **8. APPROVALS REQUIRED**

The Settlement Agreement for the termination of the Contract is not subject to the approvals of any authority and/or the shareholders of SCIB.

This announcement is dated 6 July 2023