

THIS INDEPENDENT ADVICE CIRCULAR (“IAC”) IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. YOU SHOULD READ THIS IAC IN CONJUNCTION WITH THE OFFER DOCUMENT DATED 5 SEPTEMBER 2019 ISSUED BY UOB KAY HIAN SECURITIES (M) SDN BHD ON BEHALF OF THE OFFEROR (AS DEFINED HEREIN) WHICH HAS BEEN SENT TO YOU.

If you are in any doubt as to the action to be taken in relation to the Offer (as defined herein), please consult your stockbroker, solicitor, bank manager, accountant or other professional adviser immediately. If you have sold or transferred all your Offer Shares (as defined herein), you should at once hand this IAC to the purchaser or stockbroker or agent through whom you effected the sale or transfer for onward transmission to the purchaser or transferee of such Offer Shares.

Pursuant to Rule 11 of the Rules on Take-overs, Mergers and Compulsory Acquisitions (“Rules”), the Securities Commission Malaysia (“SC”) has notified that it has no further comments to the contents of this IAC. However, such notification shall not be taken to suggest that the SC agrees with our recommendations or assumes responsibility for the correctness of any statements made or opinions or reports expressed in the IAC.



SARAWAK CONSOLIDATED INDUSTRIES BERHAD

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

**INDEPENDENT ADVICE CIRCULAR TO THE HOLDERS OF OFFER SHARES
IN RELATION TO THE UNCONDITIONAL MANDATORY TAKE-OVER OFFER**

BY

DATO' DR. IR. MOHD ABDUL KARIM BIN ABDULLAH

(“OFFEROR”)

THROUGH

UOB KAY HIAN SECURITIES (M) SDN BHD

(Company No. 194990-K)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

TO ACQUIRE

**ALL THE REMAINING ORDINARY SHARES IN SARAWAK CONSOLIDATED INDUSTRIES BERHAD
NOT ALREADY HELD BY THE OFFEROR AND PERSONS ACTING IN CONCERT WITH THE OFFEROR
(“OFFER SHARE(S)”) AT A CASH CONSIDERATION OF RM1.10 PER OFFER SHARE**

INDEPENDENT ADVISER



INVESTMENT BANK BERHAD (20657-W)

THIS INDEPENDENT ADVICE CIRCULAR IS DATED 17 SEPTEMBER 2019

DEFINITIONS

Except where the context otherwise requires or where otherwise defined herein, words and expressions defined in the Rules (as defined hereunder) shall have the same meaning when used herein and the following definitions shall apply throughout this Independent Advice Circular:-

Acceptance Condition	: The condition that the Offeror having received Valid Acceptances (provided that such acceptances are not, where permitted, subsequently withdrawn) from the Holders, on or before the Closing Date which would result in the Offeror and the PACs holding in aggregate, together with such Shares that are already acquired, held or entitled to be acquired by the Offeror and the PACs, more than 50% of the voting shares or voting rights of SCIB
Accepting Holder(s)	: Holder(s) who accepts the Offer in accordance with the terms and conditions set out in the Offer Document
Acquisition	: The acquisition of 17,447,155 SCIB Shares, representing approximately 20.31% equity interest in SCIB effected by the Offeror on 15 August 2019 for RM19,191,870.50 at the price of RM1.10 for each Share from several shareholders of SCIB, namely Pacific Unit Sdn Bhd (9,281,600 Shares, representing approximately 10.80% equity interest in SCIB), Tan Sri Datuk Amar (Dr.) Hamid Bin Bugo (6,077,255 Shares, representing approximately 7.08% equity interest in SCIB) and Rewi Hamid Bugo (2,088,300 Shares, representing approximately 2.43% equity interest in SCIB) through direct business transactions fully satisfied by way of cash For information purpose only, the shareholders of Pacific Unit Sdn Bhd consist of Tan Sri Datuk Amar (Dr.) Hamid Bin Bugo and Rewi Hamid Bugo, who are presently the Directors of SCIB. Tan Sri Datuk Amar (Dr.) Hamid Bin Bugo is the father of Rewi Hamid Bugo
Act	: Companies Act 2016
Board	: The Board of Directors of SCIB
Bursa Securities	: Bursa Malaysia Securities Berhad (635998-W)
CGSB	: Carlton Gardens Sdn Bhd (1159779-U)
Closing Date	: First Closing Date or in the event the Offer is revised or extended in accordance with the Rules and the terms and conditions of the Offer Document, such other revised or extended closing date as the Offeror may decide and as may be announced by UOB Kay Hian on behalf of the Offeror, no later than 2 days before the closing date
CMSA	: Capital Markets and Services Act 2007
Dato' Dr. Karim or Offeror	: Dato' Dr. Ir. Mohd Abdul Karim Bin Abdullah, being the Offeror for the Offer
DCF	: Discounted cash flow
Dissenting Holder(s)	: Any Holder who does not accept the Offer and/ or any Holder who has failed or refused to transfer the Offer Shares to the Offeror in accordance with the terms and conditions as set out in the Offer Document
Distribution(s)	: Any dividends and/or other distributions of any nature whatsoever declared, made and/or paid by SCIB to its respective shareholders

DEFINITIONS

Encik Azhan	: Encik Azhan Bin Azmi, being the PAC with the Offeror in the Offer
Encik Rosland	: Encik Rosland Bin Othman, being the PAC with the Offeror in the Offer
FCFE	: Free cash flows to equity
First Closing Date	: 5.00 p.m. (Malaysian time) on Thursday, 26 September 2019, being 21 days from the Posting Date
FPE	: Financial period ended
FYE	: Financial year ended
GDP	: Gross domestic product
Holder(s)	: Holder(s) of the Offer Shares
Independent Advice Circular or IAC	: This independent advice circular dated 17 September 2019 in relation to the Offer
Independent Advice Letter or IAL	: Independent advice letter dated 17 September 2019 in Part B of this IAC issued by KAF IB in relation to the Offer
Interested Directors	: Dato' Dr. Karim, being the Offeror and collectively, Tan Sri Datuk Amar (Dr.) Hamid Bin Bugo and Rewi Hamid Bugo, following their disposal of SCIB Shares to the Offeror prior to the Offer
KAF IB or Independent Adviser	: KAF Investment Bank Berhad (20657-W), the independent adviser appointed by the Board (save for Dato' Dr. Karim, being the Offeror for the Offer) on 19 August 2019 to advise the Non-Interested Directors and the Holders in respect of the Offer
KLPRO	: Bursa Malaysia Industrial Production Index
LFTD	: 14 August 2019, being the last full trading day prior to the date of announcement of the Acquisition and the date of the Notice
Listing Requirements	: Main Market Listing Requirements of Bursa Securities
LPD	: 10 September 2019, being the latest practicable date of this IAC
Market Day(s)	: Any day on which Bursa Securities is open for trading of securities
Non-Interested Directors	: Board, excluding the Interested Directors
Notice	: Notice of the Offer dated 15 August 2019 issued by UOB Kay Hian on behalf of the Offeror, and served on the Board
Offer	: Unconditional mandatory take-over offer by the Offeror through UOB Kay Hian to acquire the Offer Shares at the Offer Price to be satisfied in cash in accordance with the terms and conditions as contained in the Offer Document and any revision thereof
Offer Document	: The document dated 5 September 2019, which sets out the details, terms and conditions of the Offer together with the form of acceptance and transfer

DEFINITIONS

Offer Document LPD	:	29 August 2019, being the latest practicable date of the Offer Document
Offer Period	:	Period commencing from 15 August 2019, being the date of the Notice in relation to the Offer to be undertaken by the Offeror in the Company, and ending on:- (i) the Closing Date; or (ii) the date on which the Offer lapses or is withdrawn with the written consent of the SC, whichever is earlier
Offer Price	:	Cash consideration for the Offer Shares, being RM1.10 per Offer Share, subject to any adjustment, where applicable, in the manner sets out in the Offer Document
Offer Share(s)	:	All the remaining SCIB Shares not already held by the Offeror and his PACs. As at the LPD, the Offer Shares comprise 42,888,960 SCIB Shares, representing approximately 49.94% of the total issued SCIB Shares
PAC(s)	:	The person(s) acting in concert with the Offeror in relation to the Offer in accordance with Section 216(2) of the CMSA and the provision of the Rules. As at the LPD, the PACs with the Offeror in relation to the Offer are Encik Azhan and Encik Rosland
Posting Date	:	5 September 2019, being the date of posting of the Offer Document
Public Spread Requirement	:	The requirement pursuant to Paragraph 8.02(1) of the Listing Requirements whereby a listed issuer must ensure that at least 25% of its total listed shares (excluding treasury shares) are in the hands of public shareholders to ensure its continued listing on the Main Market of Bursa Securities
RM and sen	:	Ringgit Malaysia and sen, respectively
Rules	:	Rules on Take-overs, Mergers and Compulsory Acquisitions, as issued by the SC
SCIB or Offeree or Company	:	Sarawak Consolidated Industries Berhad (25583-W)
SCIB Group or Group	:	Collectively, SCIB and its subsidiaries
SCIB Share(s) or the Share(s)	:	Ordinary share(s) in SCIB
SC	:	Securities Commission Malaysia
UOB Kay Hian or Principal Adviser	:	UOB Kay Hian Securities (M) Sdn Bhd (194990-K), being the Principal Adviser to the Offeror for the Offer
Valid Acceptance(s)	:	Acceptance(s) of the Offer by a Holder in accordance with the terms and conditions of the Offer Document, which acceptance is deemed by the Offeror to be valid and complete in all aspects
VWAP	:	Volume weighted average market price

DEFINITIONS

In this IAC, the words denoting the singular shall, where applicable, include the plural and vice versa. Words denoting the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include companies or corporations, unless otherwise specified.

Where a period specified in the Rules, as appearing in this IAC, ends on a day which is not a Market Day, the period is extended until the next Market Day.

All references to "**you**" or "**Holder**" in this IAC are to each Holder, being the person to whom the Offer is being made.

All references to "**we**", "**us**" and "**our**" in this IAC are to KAF IB, the Independent Adviser.

All references to dates and times in this IAC shall be references to Malaysian dates and times, unless otherwise indicated.

Any reference in this IAC to any enactment or guideline in this IAC is reference to that enactment or guideline as amended or re-enacted from time to time.

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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

This executive summary highlights the salient information of the Offer. We advise Holders to read carefully both Part A: Letter from the Board and Part B: IAL from KAF IB for their views and recommendations in relation to the Offer.

1. DETAILS OF THE OFFER

1.1 On 15 August 2019, the Offeror effected the Acquisition, resulted in the Offeror's direct shareholding in SCIB to increase from 19,350,000 SCIB Shares, representing approximately 22.53% equity interest in SCIB to 36,797,155 SCIB Shares, representing approximately 42.84% equity interest in SCIB thereby triggering a mandatory obligation to acquire all the remaining SCIB Shares not already held by the Offeror and his PACs pursuant to Section 218(2) of the CMSA and Paragraph 4.01(a) of the Rules.

1.2 Pursuant to Paragraph 9.10(1)(b)(i) of the Rules, UOB Kay Hian had on even date, on behalf of the Offeror, served the Notice on the Board, informing of the Offeror's mandatory obligation to undertake the Offer to acquire all the Offer Shares at a cash offer price of RM1.10 per Offer Share.

On 15 August 2019, the Board announced that SCIB had, on even date, received the Notice.

1.3 Subsequently on 16 August 2019, the Company received a press notice from UOB Kay Hian, on behalf of the Offeror, informing that as a result of an acquisition of additional 1,227,800 SCIB Shares by the Offeror on 16 August 2019, the Offeror and the PACs collectively hold 42,993,540 Shares, representing approximately 50.06% equity interest in SCIB. As the Offeror and the PACs hold in aggregate (together with such SCIB Shares that has been acquired, held or entitled to be acquired or held) more than 50% of the total voting shares of SCIB from the said acquisition, accordingly, the Offer has become **unconditional** as to the level of acceptances as at 16 August 2019.

1.4 On 19 August 2019, the Company announced that the Board (save for Dato' Dr. Karim, being the Offeror for the Offer) had appointed KAF IB as the Independent Adviser pursuant to Paragraph 3.06 of the Rules to advise the Non-Interested Directors and the Holders in respect of the fairness and reasonableness of the Offer.

1.5 You should have by now received a copy of the Offer Document dated 5 September 2019, which sets out the details, terms and conditions of the Offer as well as the procedures for acceptance and method of settlement of the Offer.

2. SALIENT TERMS AND CONDITIONS OF THE OFFER

The salient terms and conditions of the Offer are set out below:-

Consideration for the Offer	<p>The Offeror will pay a cash consideration of RM1.10 per Offer Share to the Accepting Holders.</p> <p>If you are entitled to retain any Distributions that SCIB may declare, make or pay on or after the date of the Notice but before the Closing Date, the Offeror will reduce the amount of the Offer Price by the quantum of the aforesaid Distributions per Offer Share.</p> <p>As at the LPD, SCIB has not declared any Distribution.</p>
Condition of the Offer	<p>The Offer is not conditional upon the receipt of any minimum level of acceptances of Offer Shares as the Offeror and the PACs, already hold in aggregate, more than 50% of the voting shares or voting rights of the Offeree.</p>

EXECUTIVE SUMMARY

Condition of the Offer (Continued)	<p>For clarity, as at the date of Notice i.e. 15 August 2019, the collective shareholding of the Offeror and the PACs in SCIB was 41,765,740 SCIB Shares, representing approximately 48.63% equity interest in SCIB. Hence, the Offer was conditional upon the fulfilment of the Acceptance Condition.</p> <p>Subsequently, on 16 August 2019, the Acceptance Condition has been fulfilled as a result of the acquisition of 1,227,800 SCIB Shares, representing approximately 1.43% equity interest in SCIB by the Offeror, which led to the increase in the collective shareholding of the Offeror and the PACs in SCIB from 41,765,740 SCIB Shares, representing 48.63% to 42,993,540 SCIB Shares, representing approximately 50.06%. Accordingly, the Offer has become unconditional as to the level of acceptances on even date i.e. 16 August 2019.</p>
Duration of the Offer	The Offer will remain open for acceptances until 5:00 p.m. (Malaysian time) on Thursday, 26 September 2019 , being the First Closing Date unless extended by the Offeror in accordance with the Rules.
Method of settlement	The Offeror will settle the consideration for the Offer Shares in the form of cheque(s), banker's draft(s) and/or cashier's order(s) within 10 days from the date of receipt of the Valid Acceptances.

3. DETAILS OF ACCEPTANCE

As at the Offer Document LPD, the Offeror and PACs have not received any irrevocable undertaking from any Holder to accept or reject the Offer.

As at the LPD, there is no announcement made by UOB Kay Hian on behalf of the Offeror of any acceptance of the Offer.

As disclosed in the Offer Document, the PACs namely, Encik Azhan and Encik Rosland have stated their intentions that they will not accept the Offer.

4. EVALUATION OF THE OFFER

In arriving at our opinion and recommendation in respect of the Offer, we have assessed the fairness and reasonableness of the Offer in accordance with Paragraphs 1 to 6 under Schedule 2: Part III of the Rules whereby:-

- (i) The term "fair and reasonable" should generally be analysed as two distinct criteria, i.e. whether the Offer is "fair" and whether the Offer is "reasonable", rather than as a composite term;
- (ii) The Offer is considered as "fair" if the Offer Price is equal to or higher than the market price and is also equal to or higher than the value of the Offer Shares. However, if the Offer Price is equal to or higher than the market price but is lower than the value of the Offer Shares, the Offer is considered as "not fair". In making the assessment, the value of the Offer Shares is determined based on the assumption that 100% of the issued share capital of the Offeree is being acquired; and
- (iii) In considering whether the Offer is "reasonable", we have taken into consideration matters other than the valuation of the Offer Shares.

4.1 Fairness of the Offer

(i) Valuation of the entire equity interest in SCIB

In arriving at the estimated value of SCIB Shares, KAF IB has adopted the DCF method of valuation as the sole valuation method. KAF IB views that the DCF method of valuation to be the most appropriate method to estimate the value of SCIB Shares for the reasons as set out in **Section 6.1 of Part B of this IAC**.

Based on the DCF method, KAF IB has derived an estimated value for the entire equity interest in SCIB of approximately RM97.62 million to RM105.69 million or an estimated value of between RM1.14 to RM1.23 per SCIB Share respectively.

Further information on the assessment on the valuation of SCIB Shares is set out in **Section 6.1 of Part B of this IAC**.

(ii) Historical market price performance of SCIB Shares

The Offer Price represents:-

- (a) a premium of 2.80% over the last traded market price of the SCIB Shares on the LFTD;
- (b) a premium of 2.61%, 5.86%, 17.69%, 35.85% and 42.78% against the 5-day, 1-month, 3-month, 6-month and 1-year VWAP of SCIB Shares up to and including the LFTD, respectively;
- (c) a premium of 0.92% over the last traded market price of the SCIB Shares as at the LPD; and
- (d) a discount of 0.27% and 3.17% against the 5-day and 1-month VWAP of SCIB Shares, respectively up to and including the LPD.

Although the Offer Price represents premiums ranging from 2.61% to 17.69% over the last closing price as at the LFTD, 5-day, 1-month and 3-month VWAP of SCIB Shares up to the LFTD, the Offer Price is **lower** than the estimated fair value per SCIB Share of **RM1.14 to RM1.23**, which represents a **discount** of **RM0.04** or **3.51%** to **RM0.13** or **10.57%** respectively.

Notwithstanding the Offer Price represents a marginal discount to our low range of fair value, we are of the view that the estimated fair value is closer to the high range of the fair value, taking into account:-

- growth potential of SCIB in light of the prospect of the Sarawak economy (as set out in Section 13.2 of Appendix I of the IAC);
- the magnitude of the existing infrastructure projects being undertaken in Sarawak;
- the position of SCIB as one of the main local suppliers of precast concrete products in Sarawak; and
- the background, experience and business acumen of the Offeror and his intention to diversify and drive the SCIB Group.

Furthermore, the Offer Price represents a **discount** of **0.27% and 3.17%** over the 5-day and 1-month VWAP of SCIB Shares, respectively up to the LPD.

Premised on the overall assessment of the Offer Price as set out in **Sections 6.1** and **6.2** of Part B of the IAC, we are of the opinion that the Offer is **NOT FAIR**.

Nevertheless, the Holders are advised to read the ensuing sections of this IAC for a comprehensive evaluation of the Offer.

4.2 Reasonableness of the Offer

Considering the Offeror's intention to **maintain the listing status** of SCIB on the Main Market of Bursa Securities, Holders who choose not to accept the Offer may continue to hold their Offer Shares and enjoy any potential capital gains or yield accretion in the future, in the event of better financial performance of the Group under the direction of the Offeror.

Although SCIB Shares are relatively illiquid based on the analysis above, Holders who hold small blocks of SCIB Shares may still have opportunity to dispose their shares in the open market subsequent to the Closing Date as the Offeror intends to maintain the listing status of SCIB on the Main Market of Bursa Securities.

Premised on the above, we view the Offer as **NOT REASONABLE**.

5. RECOMMENDATION

Premised on the above evaluation, KAF IB is of the opinion that the Offer is **NOT FAIR** and **NOT REASONABLE**.

Accordingly, KAF IB recommends that the Holders to **REJECT** the Offer.

Please refer to **Sections 6, 7 and 10 of Part B of this IAC** for further details.

The Non-Interested Directors, after careful assessment of the terms and conditions of the Offer as contained in the Offer Document and the evaluation as contained in this IAL, have **CONCURRED** with the opinion of the Independent Adviser that the Offer is **NOT FAIR** and **NOT REASONABLE**. Accordingly, the Non-Interested Directors also concur with the Independent Adviser's recommendation that you **REJECT** the Offer.

However, the decision to be made would rest entirely on the individual risk appetite and specific requirements of the Holders. The Holders should also be mindful that there may be continuous fluctuations in the market prices of the SCIB Shares prior to the Closing Date. As such, the Holders are advised to closely monitor the market prices and information/announcements in relation to the Offer before making decision as to whether to accept or reject the Offer.

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6. IMPORTANT DATES AND EVENT

The important dates pertaining to the Offer are as set out in the table below.

Event	Date
Date of Notice	Thursday, 15 August 2019
Posting of the Offer Document	Thursday, 5 September 2019
Last day for the Independent Adviser to issue the IAC ⁽¹⁾	Tuesday, 17 September 2019
Closing Date ⁽²⁾	Thursday, 26 September 2019

Notes:-

- ⁽¹⁾ As the 10th day from the posting of the Offer Document falls on a Sunday i.e. on 15 September 2019 and Monday is a public holiday i.e. on 16 September 2019, the IAC will be issued and dispatched to the Holders of the Offer Shares on 17 September 2019, being the next Market Day pursuant to Paragraph 2.02 of the Rules.
- ⁽²⁾ The Offer will remain open for acceptance for a period of not less than 21 days from the Posting Date, i.e. until 5.00 p.m. (Malaysian time) on the First Closing Date, unless the Offeror revises or extends the Offer, in which event an announcement will be made by UOB Kay Hian on behalf of the Offeror, no later than two (2) days before the Closing Date. Notice of such revision or extension will be posted to the Holders accordingly.

PLEASE READ THIS IAC IN ITS ENTIRETY TOGETHER WITH THE OFFER DOCUMENT AND CAREFULLY CONSIDER THE RECOMMENDATION CONTAINED HEREIN BEFORE TAKING ANY ACTION.

PART A

LETTER FROM THE BOARD



SARAWAK CONSOLIDATED INDUSTRIES BERHAD

(Company No.: 25583-W)

(Incorporated in Malaysia)

Registered Office:-

Lot 1258, Jalan Utama
Pending Industrial Estate
93450 Kuching
Sarawak

17 September 2019

Board of Directors:-

Tan Sri Datuk Amar (Dr.) Hamid Bin Bugo	<i>(Non-Independent Non-Executive Chairman)</i>
Dato' Dr. Ir. Mohd Abdul Karim Bin Abdullah	<i>(Non-Independent Non-Executive Director)</i>
Datu Ir. Haji Mohidden Bin Haji Ishak	<i>(Independent Non-Executive Director)</i>
Datu Haji Soedirman Bin Haji Aini	<i>(Independent Non-Executive Director)</i>
Shamsul Anuar Bin Ahamad Ibrahim	<i>(Independent Non-Executive Director)</i>
Haji Abdul Hadi Bin Datuk Abdul Kadir	<i>(Non-Independent Non-Executive Director)</i>
Rewi Hamid Bugo	<i>(Executive Director)</i>

To: The Holders

Dear Sir/Madam,

UNCONDITIONAL MANDATORY TAKE-OVER OFFER BY THE OFFEROR THROUGH UOB KAY HIAN TO ACQUIRE THE OFFER SHARES AT A CASH CONSIDERATION OF RM1.10 PER OFFER SHARE

1. INTRODUCTION

- 1.1 On 15 August 2019, the Offeror effected the Acquisition, resulted in the Offeror's direct shareholding in SCIB to increase from 19,350,000 SCIB Shares, representing approximately 22.53% equity interest in SCIB to 36,797,155 SCIB Shares, representing approximately 42.84% equity interest in SCIB thereby triggering a mandatory obligation to acquire all the remaining SCIB Shares not already held by the Offeror and his PACs pursuant to Section 218(2) of the CMSA and Paragraph 4.01(a) of the Rules.
- 1.2 Pursuant to Paragraph 9.10(1)(b)(i) of the Rules, UOB Kay Hian had on even date, on behalf of the Offeror, served the Notice on the Board, informing of the Offeror's mandatory obligation to undertake the Offer to acquire all the Offer Shares at a cash offer price of RM1.10 per Offer Share.

On 15 August 2019, the Board announced that SCIB had, on even date, received the Notice.

- 1.3 A copy of the Notice was dispatched to you on 22 August 2019.

- 1.4 Subsequently on 16 August 2019, the Company had received a press notice from UOB Kay Hian, on behalf of the Offeror, informing that as a result of an acquisition of 1,227,800 SCIB Shares by the Offeror on the same day, the Offeror and the PACs collectively hold 42,993,540 Shares, representing approximately 50.06% equity interest in SCIB. As the Offeror and the PACs hold in aggregate (together with such SCIB Shares that has been acquired, held or entitled to be acquired or held) more than 50% of the total voting shares of SCIB from the said acquisition, accordingly, **the Offer has become unconditional** as to the level of acceptances as at 16 August 2019.
- 1.5 On 19 August 2019, the Company announced that the Board (save for Dato' Dr. Karim, being the Offeror for the Offer) had appointed KAF IB as the Independent Adviser to advise the Non-Interested Directors and the Holders in respect of the fairness and reasonableness of the Offer.
- 1.6 In addition, you should have by now received a copy of the Offer Document dated 5 September 2019, which sets out the details, terms and conditions of the Offer as well as the procedures for acceptance and method of settlement of the Offer.
- 1.7 Pursuant to Section 216(2) of the CMSA, Encik Azhan and Encik Rosland are deemed as the PACs with the Offeror, for the purposes of the Offer.

The nature of their relationship is as follows:-

No.	PACs	Nature of relationship with the Offeror
1.	Encik Azhan	Encik Azhan is currently the Financial Controller of Serba Dinamik Holdings Berhad, in which the Offeror is the Group Managing Director/ Group Chief Executive Officer.
2.	Encik Rosland	Encik Rosland is currently the Senior Vice President of Special Projects and Business Development of Serba Dinamik Holdings Berhad, in which the Offeror is the Group Managing Director/ Group Chief Executive Officer.

- 1.8 As at the LPD, the shareholdings of the Offeror and his PACs in SCIB are as follows:-

	As at the LPD			
	Direct		Indirect	
	No. of SCIB Shares	%	No. of SCIB Shares	%
<u>Offeror</u>				
Dato' Dr. Karim	38,024,955	44.27	-	-
<u>PACs</u>				
Encik Azhan	2,359,700	2.75	-	-
Encik Rosland	2,608,885	3.04	-	-
Total Shareholding	42,993,540	50.06	-	-

The Offer is made to all Holders including the PACs equally, and in respect of all their Offer Shares, subject to the terms and conditions of the Offer.

- 1.9 The SC vide its letter dated 13 September 2019 notified that it has no further comments to the contents of this IAC. However, such notification shall not be taken to suggest that the SC agrees with the recommendations contained herein or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this IAC.

THE PURPOSE OF THIS IAC IS TO HIGHLIGHT THE RELEVANT INFORMATION IN RELATION TO THE OFFER AND TO PROVIDE YOU WITH THE VIEWS AND RECOMMENDATION OF THE NON-INTERESTED DIRECTORS ON THE OFFER TOGETHER WITH THE RECOMMENDATION OF KAF IB.

2. SALIENT TERMS AND CONDITIONS OF THE OFFER

The salient terms and conditions of the Offer are set out in **Section 2 of Part B of this IAC**.

Please refer to **Appendix I of the Offer Document** for the full terms and conditions of the Offer and **Appendix II of the Offer Document** for the procedures for acceptance and method of settlement of the Offer.

3. DETAILS OF ACCEPTANCES

As disclosed in the Offer Document, as at the Offer Document LPD, the Offeror and his PACs have not received any irrevocable undertaking from any Holder to accept or reject the Offer.

As at the LPD, there is no announcement made by UOB Kay Hian, on behalf of the Offeror, of any acceptance of the Offer.

As disclosed in the Offer Document, the PACs namely, Encik Azhan and Encik Rosland have stated their intentions that they will not accept the Offer.

4. NON-INTERESTED DIRECTORS' COMMENTS

4.1 Rationale for the Offer

The Non-Interested Directors have noted the rationale for the Offer as set out in **Section 3 of the Offer Document**. The Non-Interested Directors take cognisance that:-

- (i) Several acquisitions made by the Offeror from 27 May 2019 until 16 August 2019 coupled with the current Offer are in accordance with the Offeror's intention to increase his equity stake and to gain control over the equity interest and business operations of SCIB Group, which would translate to greater flexibility in implementing business strategy for SCIB in realising its future growth potential. These may include a diversification of the existing business segments of SCIB Group to include property development business, widening its current manufacturing portfolio which may include other industries and customers, and geographical expansion into other countries;
- (ii) Notwithstanding the above, at this juncture, the Offeror does not have any concrete and specific implementation plan for SCIB. However, only upon reviewing the business and operations of SCIB Group and the prevailing market environment will the Offeror be able to assess and recommend any new business strategies focusing on the aforesaid plans, to improve the operational efficiency and earnings visibility of the Group; and
- (iii) The Offer serves as an opportunity for the Holders to realise their investments in SCIB Shares for cash at the Offer Price which represents premium ranging from 2.61% to 42.78% over the last transacted price of SCIB Shares as at the LFTD, and the 5-day, 1-month, 3-month, 6-month and 1-year VWAPs of SCIB Shares up to and including the LFTD. Holders should note that prior to the period of the aforesaid acquisitions by the Offeror in SCIB Shares, the Shares were traded not higher than the Offer Price over the past three (3) years up to the LFTD.

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4.2 Future plans for SCIB Group and its employees

The Non-Interested Directors have noted the following current intentions of the Offeror in respect of the future plans for SCIB Group and its employees as stated in **Section 9 of the Offer Document**, where the Offeror:-

- (i) presently does not have any plan and/or intention to liquidate any companies within SCIB Group and intend to continue with the existing core business and operations of SCIB Group. As set out in **Section 3 of the Offer Document**, the Offeror will review the business and operations of SCIB Group as the Offeror and the Board deem fit, for the purposes of improving the performance and efficiency of the business operations. This may include, amongst others, a new business segment on property development into its current business portfolios and geographical expansion of its business activities;
- (ii) presently does not have any immediate plan to sell the assets or redeploy the fixed assets of SCIB Group or introduce major changes to SCIB Group. If the need arises, the Offeror may explore potential opportunities as the Offeror considers suitable, in accordance with the future direction of SCIB Group. These may include, but are not limited to, strategic investment and acquisitions as set out in **Section 3 of the Offer Document**, reorganisation and/ or integration of business operations of SCIB Group; and
- (iii) presently does not have any plan to dismiss or make redundant any of the employees of SCIB Group as a direct consequence of the Offer. However, changes in employees' employment and redeployment of employees may take place as a result of the Offeror's subsequent review to improve the efficiency of the operations of SCIB Group. Nevertheless, such changes will be carried out in accordance with the provisions of the relevant legislation and the terms of employment of the affected employees.

Premised on the above and rationale for the Offer, the Non-Interested Directors view that the businesses of SCIB Group will continue as a going concern supported by the existing management and experience of the Offeror in the corporate and various business sectors.

4.3 Listing status of SCIB

The Non-Interested Directors take note that the Offeror **intends to maintain the listing status** of SCIB on the Main Market of Bursa Securities.

Please refer to **Section 7.1 in Part B of this IAC** for further details.

4.4 Compulsory Acquisition and Rights of Dissenting Holders

The Non-Interested Directors take note that the Offeror **does not intend to invoke the provisions of Section 222(1) of the CMSA** to compulsorily acquire any remaining Offer Shares from the Dissenting Holders even if the Offeror receives Valid Acceptances from the Holders of not less than nine-tenths (9/10) in value of the Offer Shares on or before the Closing Date.

Please refer to **Section 8 in Part B of this IAC** for further details.

5. INDEPENDENT ADVICE LETTER

You are advised to read and consider the views and recommendation of KAF IB, the Independent Adviser appointed to advise the Non-Interested Directors and the Holders on the fairness and reasonableness of the Offer. The IAL is included in **Part B of this IAC**.

6. DISCLOSURE OF DIRECTORS' INTEREST

The directors and their respective interest in the SCIB Shares as at the LPD are as follows:-

	As at the LPD			
	Direct		Indirect	
	No. of SCIB Shares	%	No. of SCIB Shares	%
Tan Sri Datuk Amar (Dr.) Hamid Bin Bugo	-	-	-	-
Dato' Dr. Karim	38,024,955	44.27	-	-
Datu Ir. Haji Mohidden Bin Haji Ishak	50,100	0.06	-	-
Datu Haji Soedirman Bin Haji Aini	-	-	-	-
Shamsul Anuar Bin Ahamad Ibrahim	-	-	-	-
Haji Abdul Hadi Bin Datuk Abdul Kadir	-	-	-	-
Rewi Hamid Bugo	-	-	-	-

The Interested Directors have duly abstained from deliberations and making any recommendation in respect of the Offer.

Tan Sri Datuk Amar (Dr.) Hamid Bin Bugo, Datu Haji Soedirman Bin Haji Aini, Shamsul Anuar Bin Ahamad Ibrahim, Haji Abdul Hadi Bin Datuk Abdul Kadir and Rewi Hamid Bugo do not hold any SCIB Shares as at the LPD.

Datu Ir. Haji Mohidden Bin Haji Ishak being one of the Non-Interested Directors, has indicated his intention to **reject** the Offer in respect of his direct holding in SCIB Shares.

7. DIRECTORS' RESPONSIBILITY STATEMENT

The Board has seen and approved the contents of this IAC. The Board, jointly and severally, accepts full responsibility for the accuracy and completeness of the information contained in this IAC and confirms, after having made all reasonable enquiries, that to the best of their knowledge, the opinions expressed in this IAC have been arrived at after due and careful consideration and there are no other facts not contained in this IAC, the omission of which would make any statement in relation thereto false or misleading.

The responsibility of the Board in respect of:-

- (i) the information relating to the Offeror (as extracted from the Offer Document and other publicly available information) is limited to ensuring that such information is accurately reproduced in this IAC; and
- (ii) the independent advice and expression of opinion by KAF IB in relation to the Offer as set out in Part B of this IAC is limited to ensuring that accurate information in relation to the SCIB Group was provided to KAF IB for its evaluation of the Offer and to ensure that all information in relation to the SCIB Group that are relevant to KAF IB's evaluation of the Offer have been completely disclosed to KAF IB and that there is no material fact, the omission of which would make any information provided to KAF IB false or misleading.

8. NON-INTERESTED DIRECTORS' RECOMMENDATION

The Non-Interested Directors, after careful assessment of the terms and conditions of the Offer as contained in the Offer Document as well as the evaluation and recommendation by KAF IB as contained in **Part B of this IAC**, have concurred with the recommendation of KAF IB that the Offer is **NOT FAIR AND NOT REASONABLE**, and recommend that you **REJECT** the Offer.

The Non-Interested Directors wish to advise the Holders to take note of the market prices of SCIB Shares before arriving at a decision on whether to accept or reject the Offer.

If the market prices of SCIB Shares are above the Offer Price, it would be beneficial for a Holder to dispose of his/her SCIB Shares in the open market, if the liquidity permits, rather than accepting the Offer. However, it is important for the Holders to keep in mind of the transaction cost involved should they decide to sell their SCIB Shares through the open market.

YOU ARE ADVISED TO CONSIDER CAREFULLY THE INFORMATION CONTAINED IN THE OFFER DOCUMENT AND THIS IAC BEFORE MAKING A DECISION ON THE COURSE OF ACTION TO BE TAKEN.

THE NON-INTERESTED DIRECTORS HAS NOT TAKEN INTO CONSIDERATION ANY SPECIFIC INVESTMENT OBJECTIVES, FINANCIAL SITUATION AND PARTICULAR NEEDS OF ANY INDIVIDUAL HOLDER OR ANY SPECIFIC GROUPS OF HOLDERS.

THE NON-INTERESTED DIRECTORS RECOMMEND THAT ANY INDIVIDUAL HOLDER OR ANY SPECIFIC GROUP OF HOLDERS WHO REQUIRES ADVICE IN RELATION TO THE OFFER IN THE CONTEXT OF THEIR INDIVIDUAL INVESTMENT OBJECTIVES, RISK PROFILES, FINANCIAL AND TAX SITUATION OR PARTICULAR NEEDS, TO CONSULT THEIR RESPECTIVE STOCKBROKERS, BANK MANAGERS, ACCOUNTANTS, SOLICITORS OR OTHER PROFESSIONAL ADVISERS.

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

DATU HAJI SOEDIRMAN BIN HAJI AINI
Independent Non-Executive Director

PART B

INDEPENDENT ADVICE LETTER FROM KAF IB



INVESTMENT BANK BERHAD (20657-W)

Registered Office:-

Level 14 Chulan Tower
No. 3 Jalan Conlay
50450 Kuala Lumpur
Malaysia

17 September 2019

To:- Holders

Dear Sir/Madam,

UNCONDITIONAL MANDATORY TAKE-OVER OFFER BY THE OFFEROR THROUGH UOB KAY HIAN TO ACQUIRE THE OFFER SHARES AT A CASH CONSIDERATION OF RM1.10 PER OFFER SHARE

1. INTRODUCTION

Please refer to **Section 1 in Part A of this IAC** for the sequence of events in relation to the Offer.

The purpose of this IAL is to provide our independent evaluation of the Offer together with our recommendation thereon, subject to the scope of our role and limitation specified herein.

HOLDERS ARE ADVISED TO CAREFULLY CONSIDER THE INFORMATION AND RECOMMENDATION CONTAINED IN THIS IAL TOGETHER WITH PART A OF THIS IAC AND THE OFFER DOCUMENT, BEFORE MAKING A DECISION AS TO THE COURSE OF ACTION TO BE TAKEN. THIS IAL DOES NOT CONSTITUTE THE OFFER OR ANY PART THEREOF.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION YOU SHOULD TAKE IN RELATION TO THE OFFER, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

THIS IAL IS SOLELY FOR THE USE OF THE HOLDERS FOR THE PURPOSE OF CONSIDERING THE OFFER AND SHOULD NOT BE USED OR RELIED UPON BY ANY OTHER PARTY OR FOR ANY OTHER PURPOSE.

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2. SALIENT TERMS AND CONDITIONS OF THE OFFER

The salient terms and conditions of the Offer are set out below:-

<p>Consideration for the Offer</p>	<p>The Offeror will pay a cash consideration of RM1.10 per Offer Share to the Accepting Holders.</p> <p>If Holders are entitled to retain any Distributions that SCIB may declare, make or pay on or after the date of the Notice but before the Closing Date, the Offeror will reduce the amount of the Offer Price by the quantum of the aforesaid Distributions per Offer Share.</p> <p>As at the LPD, we note that SCIB has not declared any Distribution.</p> <p>You may accept the Offer for all or part of your Offer Shares. The Offeror will round down the cash consideration payable to an Accepting Holder down to the nearest whole sen. The Offeror will not pay fractions of a sen, if any, to Accepting Holders.</p>
<p>Condition of the Offer</p>	<p>The Offer is not conditional upon the receipt of any minimum level of acceptances of Offer Shares as the Offeror and the PACs, already hold in aggregate, more than 50% of the voting shares and voting rights of the Offeree.</p> <p>For clarity, as at the date of Notice i.e. 15 August 2019, the collective shareholding of the Offeror and the PACs in SCIB was 41,765,740 SCIB Shares, representing approximately 48.63% equity interest in SCIB. Hence, the Offer was conditional upon the fulfilment of the Acceptance Condition.</p> <p>Subsequently, on 16 August 2019, the Acceptance Condition has been fulfilled as a result of the acquisition of 1,227,800 SCIB Shares, representing approximately 1.43% equity interest in SCIB by the Offeror, which led to the increase in the collective shareholding of the Offeror and the PACs in SCIB from 41,765,740 SCIB Shares, representing 48.63% to 42,993,540 SCIB Shares, representing approximately 50.06%. Accordingly, the Offer has become unconditional as to the level of acceptances on even date i.e. 16 August 2019.</p>
<p>Duration of the Offer</p>	<p>The Offer will remain open for acceptances until 5:00 p.m. (Malaysian time) on Thursday, 26 September 2019, being the First Closing Date unless extended by the Offeror in accordance with the Rules.</p> <p>Please refer to Section 4 of Appendix I of the Offer Document for further details on the duration of the Offer.</p>
<p>Method of settlement</p>	<p>The Offeror will settle the consideration for the Offer Shares in the form of cheque(s), banker's draft(s) and/or cashier's order(s) within 10 days from the date of receipt of the Valid Acceptances.</p> <p>Please refer to Appendix I of the Offer Document for the full terms and conditions of the Offer and Appendix II of the Offer Document for the procedures for acceptance and method of settlement of the Offer.</p>

3. DETAILS OF ACCEPTANCES

As at the Offer Document LPD, the Offeror and PACs have not received any irrevocable undertaking from any Holder to accept or reject the Offer.

As at the LPD, there is no announcement made by UOB Kay Hian on behalf of the Offeror of any acceptance of the Offer.

As disclosed in the Offer Document, the PACs namely, Encik Azhan and Encik Rosland have stated their intentions that they will not accept the Offer.

4. SCOPE AND LIMITATIONS OF THE EVALUATION OF THE OFFER

KAF IB has evaluated the Offer and in rendering our advice, we have considered various factors which we believe are of relevance and general importance to an assessment of the Offer and which would be of general concerns to the Holders.

KAF IB's scope as the Independent Adviser is limited to expressing an independent opinion on the Offer as to whether the Offer is fair and reasonable insofar as the Holders are concerned based on information and documents provided to us or which are available to us and making reasonable enquiries in the circumstances.

In performing our evaluation, KAF IB has relied on and/or taken into consideration the following sources of information:-

- (i) information contained in the Notice and the Offer Document;
- (ii) audited consolidated financial statements of SCIB for the FYE 31 December 2016 until the FYE 31 December 2018 as well as the latest unaudited consolidated financial statements of SCIB Group for the 6-month FPE 30 June 2019;
- (iii) discussions with and representations made by the Board and management of SCIB;
- (iv) other relevant information, documents, confirmations and representation furnished to us by the Board and management of SCIB; and
- (v) other publicly available information which we deem to be relevant for our evaluation.

We have relied on the Board and the management of SCIB to take due care to ensure that all information, documents and representations provided by them to facilitate our evaluation of the Offer are accurate, valid and complete in all material aspects. Nonetheless, we have made reasonable enquiries and we are satisfied that the information provided or available to us is sufficient and have no reason to believe that the aforementioned information is unreliable, incomplete, misleading and/or inaccurate.

Our evaluation as set out in this IAL is rendered solely for the benefit of the Holders as a whole and not for any specific group of Holders. Hence, in carrying out our evaluation, we have not taken into consideration any specific investment objectives, financial situation, risk profile or particular needs of any individual Holder or any specific group of Holders. We recommend that any Holder who is in doubt as to action to be taken in relation to the Offer in the context of his/her individual investment objectives, financial situation, risk profile or particular needs should consult his/her respective stockbroker, bank manager, solicitor, accountant or other professional advisers.

Our advice should be considered in the context of the entirety of this IAL. Our views expressed in this IAL are, among others, based on the prevailing economic, market and other conditions, and the information and/or documents made available to us as at the LPD or such other period specified herein. Such conditions may change significantly over a short period of time.

We shall immediately disclose to the SC in writing and notify the Holders by way of announcement if, after despatching this IAC, as guided by Paragraph 11.07(1) of the Rules, we become aware that this IAC:-

- (i) contains a material statement which is false or misleading;
- (ii) contains a statement from which there is a material omission; or
- (iii) does not contain a statement relating to a material development.

If circumstances require, we shall send a supplementary IAC to the Holders in accordance with Paragraph 11.07(2) of the Rules.

5. EVALUATION OF THE OFFER

In arriving at our opinion and recommendation in respect of the Offer, we have assessed the fairness and reasonableness of the Offer in accordance with Paragraphs 1 to 6 under Schedule 2: Part III of the Rules whereby:

- (i) The term “fair and reasonable” should generally be analysed as two distinct criteria, i.e. whether the Offer is “fair” and whether the Offer is “reasonable”, rather than as a composite term;
- (ii) The Offer is considered as “fair” if the Offer Price is equal to or higher than the market price and is also equal to or higher than the value of the Offer Shares. However, if the Offer Price is equal to or higher than the market price but is lower than the value of the Offer Shares, the Offer is considered as “not fair”. In making the assessment, the value of the Offer Shares is determined based on the assumption that 100% of the issued share capital of the Offeree is being acquired;
- (iii) In considering whether the Offer is “reasonable”, we have taken into consideration matters other than the valuation of the Offer Shares that are subject to the take-over offer;
- (iv) Generally, the Offer would be considered “reasonable” if it is “fair”. Nevertheless, an independent adviser may also recommend for Holders to accept the Offer despite it being “not fair”, if the independent adviser is of the view that there are sufficiently strong reasons to accept the offer in the absence of a higher bid and such reasons should be clearly explained; and
- (v) In the event the independent adviser concludes that the Offer is “not fair but reasonable”, the independent adviser must clearly explain the following:-
 - (a) what is meant by “not fair but reasonable”;
 - (b) how has the independent adviser reached to this conclusion; and
 - (c) the course of action that the Holders are recommended to take pursuant to the conclusion.

Please refer to the following sections for further details pertaining to the fairness and reasonableness evaluation of the Offer:-

Fairness of the Offer

	Factors	Details in this IAL
(i)	Valuation of SCIB Shares	Section 6.1
(ii)	Historical Market Prices of SCIB Shares	Section 6.2

Reasonableness of the Offer

	Factors	Details in this IAL
(i)	Listing status	Section 7.1

6. FAIRNESS OF THE OFFER

6.1 Valuation of SCIB Shares

The Group is principally involved in manufacturing and sale of precast concrete, pipes, prestressed spun concrete piles and other related concrete products, and investment holding. Other business divisions include property trading and construction.

The segmental revenue and results of the SCIB Group for the past three (3) audited FYEs 31 December 2016 to 2018 and unaudited 6-month FPE 30 June 2019 are set out in the table below:-

Business segment	FYE 31 December 2016			FYE 31 December 2017			FYE 31 December 2018			FPE 30 June 2019		
	Revenue (RM'000)	Operating profit (RM'000)	Assets (RM'000)	Revenue (RM'000)	Operating profit (RM'000)	Assets (RM'000)	Revenue (RM'000)	Operating profit (RM'000)	Assets (RM'000)	Revenue (RM'000)	Operating profit (RM'000)	Assets (RM'000)
Manufacturing	56,883	5,586	92,023	61,243	2,977	97,763	75,957	(4,767)	88,330	35,098	1,371	103,322
Property trading	-	1,954	1,733	375	(32)	1,702	-	(79)	1,620	-	(25)	1,640
Construction	184	(2,123)	394	(2) 7,312	637	15,835	-	(11,226)	6,047	202	(3) 1,088	871
Others	-	-	-	-	-	-	-	-	-	-	(3)	54
Adjustments and eliminations	57,067 (39)	5,417 (2,084)	94,150 (1,259)	68,930 (145)	3,582 (1,909)	115,300 (6,681)	75,957 -	(16,072) 8,056	95,997 5,943	35,300 -	2,431 -	105,887 (8,621)
Adjusted EBITDA (1)	57,028	3,333	92,891	68,785	1,673	108,619	75,957	(8,016)	101,940	35,300	2,431	97,266
		2,370			5,089			2,041			1,576	

Notes:-

- (1) The adjusted EBITDA is derived after removing one-time, irregular and non-recurring items.
- (2) The segmental revenue contribution from construction business for FYE 31 December 2017 is mainly from CGSB, which is being liquidated.
- (3) Due to reversal of impairment loss on receivables and waiver of amount due to contract customer.

As shown in the table above, manufacturing business is the key revenue and profit contributor to the SCIB Group. At this juncture, the Company does not expect any material revenue and earnings contribution from the property trading and construction businesses. Hence our valuation shall be based on the manufacturing business solely.

DCF valuation model is the most appropriate method to estimate the value of the manufacturing business as the method is able to effectively factor in the earnings and cash flows potential of the business as well as the timing of such cash flows to be generated. The DCF valuation methodology considers both the time value of money and the future cash flows to be generated by the SCIB's business over a specified period of time. As the methodology entails the discounting of the future cash flows to be generated from the business at a specified discount rate to arrive at its value, the riskiness of generating such cash flows will also be taken into consideration.

Under the DCF valuation method, the FCFE projected to be generated from the manufacturing business is discounted at its cost of equity, to derive the present value of all future cash flows attributable to SCIB.

We have reviewed the future financial information of SCIB Group from FYE 31 December 2019 until FYE 31 December 2021 ("**Future Financials**"), which was provided by the management of the SCIB based on a best-effort basis.

We have considered and evaluated the key bases and assumptions adopted in the Future Financials and are satisfied that the key bases and assumptions used in the preparation of the Future Financials are reasonable given the prevailing circumstances and significant factors that are known as at the LPD.

The Future Financials, together with the bases and assumptions adopted therein, have been reviewed and approved by the Board. The key bases and assumptions adopted in the preparation of the Future Financials are as follows:-

- (i) SCIB will continue to operate on a going concern and is expected to sustain their operations in foreseeable future;
- (ii) SCIB is expected to continue to supply precast components to the Pan Borneo Highway project;
- (iii) SCIB is expected to capture a fair number of contracts which has been announced by Sarawak State Government such as:-
 - (a) The coastal road project (total allocation of RM6.0 billion);
 - (b) The Sarawak Water Supply Grid Programme – stress areas (total allocation of RM2.8 billion);
 - (c) State-wide roads, bridges and jetties (total allocation of RM1.1 billion); and
 - (d) Sekolah Daif rehabilitation projects (total allocation of RM81.00 million).

The management expects SCIB to secure the supply of precast concrete products to the above projects as the Company is one of the main suppliers in Sarawak;

- (iv) There will not be any material adverse decrease in revenue whether due to disruption in operation, inability to secure the forecasted revenue or delay in receipt of amounts billed which will have a material adverse effect on the financial results, cash flows and prospects of SCIB;
- (v) There will not be any significant or material increase in costs which is expected to have a material adverse effect on the financial results, cash flows or prospects of SCIB;
- (vi) There will not be any major capital expenditure to be incurred to expand the operations of SCIB;
- (vii) There will not be any significant or material changes to the agreements, licenses and regulations governing the business of SCIB;
- (viii) The current accounting policies adopted will remain relevant and there will not be any significant changes in the accounting policies which have a material adverse impact on the financial performance and financial position of SCIB;
- (ix) The expected tax computations and submission will remain relevant and accurate and there will not be any significant changes in the tax liabilities compared with those forecasted which will have a material adverse impact on the financial projections and financial position of SCIB; and
- (x) There will not be any significant or material changes in political, social and economic conditions, monetary and fiscal policies, inflation and regulatory requirements of the industries where SCIB operates in.

In order to derive at the fair value of the Group's businesses, we have discounted the FCFE projected to be generated from the manufacturing business at an appropriate discount rate to reflect the rate of return required by the shareholders of SCIB. Our valuation, together with the key bases and assumptions adopted, are as follows:-

No.	Key bases and assumptions		Descriptions
1.	FCFE	Based on the Future Financials from 31 December 2019 until FYE 31 December 2021	Free cash flows from operations available to the equity holders of a company after taking into consideration all operating expenses, movement in working capital, net investing cash flows and net financing cash flows.
2.	Cost of equity (K_e)	8.26%	Cost of equity represents the rate of return required by an investor on the cash flow streams generated given the risks associated with the cash flows. In deriving at the cost of equity, we have adopted the Capital Asset Pricing Model and derived an estimated cost of equity with the following inputs:- $K_e = R_f + \beta (R_m - R_f)$
3.	Risk free rate (R_f)	3.30%	Risk-free rate of return represents the expected rate of return from a risk-free investment. The closest available approximation of the risk-free rate of return is the yield of 10-year Malaysian Government Securities. As extracted from Bloomberg, the said yield is 3.30% per annum as at the LPD.
4.	Expected market rate of return (R_m)	10.11%	Expected market rate of return represents the expected rate of return for investing in a portfolio consisting of a weighted sum of assets representing the entire equity market. The historical rate of return for FTSE Bursa Malaysia Top 100 Index is a good indicator of the equity market return in Malaysia. Given the volatility of the stock market and market cycles, we view that a 10-year historical rate of return of the said index is an appropriate estimate of the expected market rate of return as it normalises the year-on-year fluctuations of the stock market and mitigates market bias. Based on the information sourced from Bloomberg, we have derived an average expected market rate of return in Malaysia of 10.11% per annum for the past ten (10) years.
5.	Beta (β)	0.73	Beta is the sensitivity of an asset's returns to the changes in market returns. It measures the correlation of systematic risk between the said asset and the market. A beta of more than 1 signifies that the asset is riskier than the market and <i>vice versa</i> . In deriving at the estimated beta of the respective businesses, we have relied on the 3-year historical beta up to the LPD of companies listed on Bursa Securities which are involved in the precast concrete manufacturing industry ⁽¹⁾ . As the historical beta extracted from Bloomberg is based on the capital structure of the respective comparable companies, we have un-levered the beta and re-levered it based on the expected capital structure of SCIB.

No.	Key bases and assumptions		Descriptions
			<p>Note:-</p> <p>(1) There is no company listed on Bursa Securities that may be considered identical to the Group in terms of, among others, composition of business activities, scale and size of operations, risk profile, track record and prospects. Nonetheless, we view that these companies are adequately comparable to the Group and are reasonable to be adopted as proxies for the purposes of deriving the estimated beta of the precast manufacturing industry in Malaysia. The comparable companies are as follows:-</p> <p>(i) Concrete Engineering Products Berhad (ii) Hume Industries Berhad (iii) OKA Corporation Bhd (iv) Leweko Resources Berhad</p>
6.	Statutory corporate income tax rate	24%	The latest statutory corporate income tax rate applicable to the SCIB Group is 24%.
7.	Perpetuity growth rate	2.5% to 3.0%	<p>For the period beyond the FYE 31 December 2021, we have adopted the perpetuity growth rate of between 2.5% and 3.0% on the Group's FCFE, which we view as prudent and reasonable after taking into consideration the following:-</p> <p>(i) long-term average inflation rate which has been hovering around 2.5% between 2010 and 2018 (Source: Ministry of Finance, Economic Outlook 2019);</p> <p>(ii) compounded annual growth rate ("CAGR") of the GDP of Sarawak for the past eight (8) years between 2010 and 2018 of 6.7%; and</p> <p>(iii) CAGR for the GDP for manufacturing sector in Sarawak for the past eight (8) years between 2010 and 2018 of 5.0%.</p> <p>(Source: https://www.dosm.gov.my)</p>

The formula used to derive at the fair value of SCIB's businesses is as follows:-

Estimated value of the SCIB Group's business attributable to shareholders = Present value of cash flows based on the Future Financials ⁽¹⁾ + Present value of terminal value ⁽²⁾

Notes:-

⁽¹⁾ Computed based on the following formula:-

$$\text{Present value of FCFE} = \frac{\text{FCFE}}{(1+K_e)^n}$$

whereby, *n* represents time, *n* years into the future.

⁽²⁾ Computed based on the following formula:-

$$\text{Present value of terminal value} = \frac{\text{Expected sustainable FCFE} \times (1+g)}{(K_e - g)} \times \frac{1}{(1+K_e)^n}$$

whereby, *n* = 3 years into the future.

The summary of the DCF valuation assuming the low and high terminal values as described above, is as follows:-

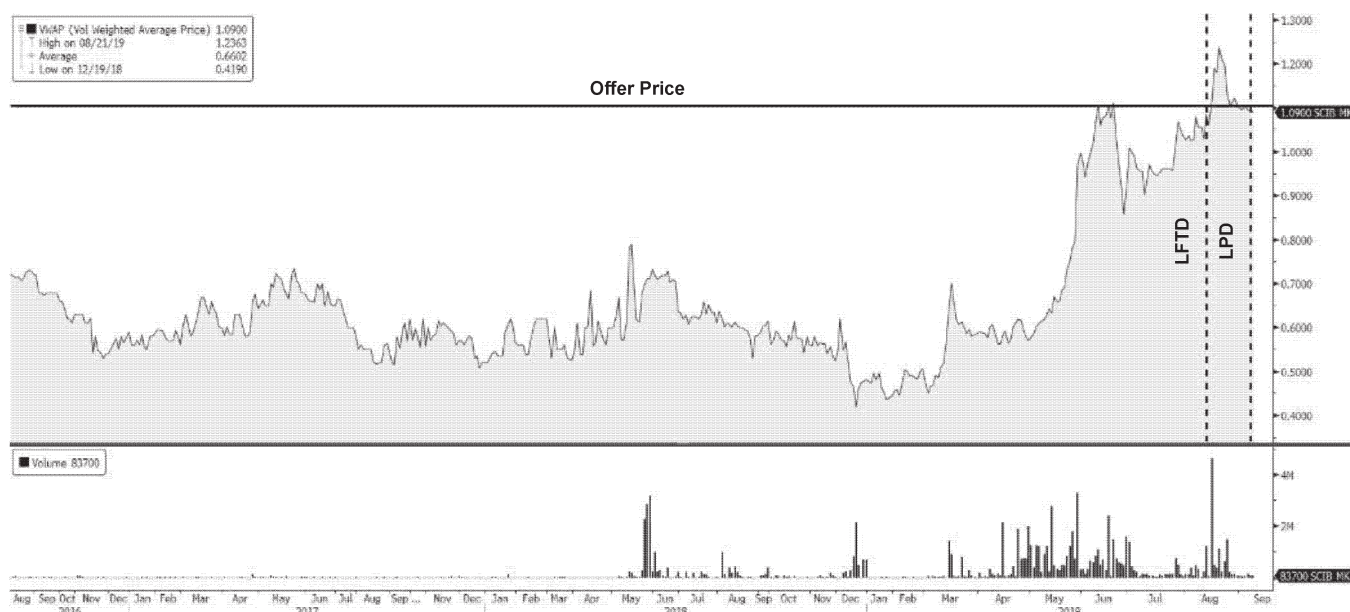
	(1) Low	(1) High
	(RM'000)	(RM'000)
Present value of the FCFE	15,015	15,015
Present value of the terminal value	80,384	88,451
Present value of SCIB cash flow	95,399	103,466
Surplus cash ⁽²⁾	2,223	2,223
Equity Value of SCIB	97,622	105,689
Per SCIB Share (RM)	1.14	1.23

Notes:-

- (1) The lower range and the higher range values are based on the range of perpetuity growth adopted of 2.5% to 3.0%, as stated in item 7 in the key bases and assumptions table above.
- (2) The surplus cash after taking into account the cash and bank balances as at 30 June 2019 net off the amount set aside for the SCIB Group's working capital requirements of RM5.00 million.

6.2 Historical Market Prices of SCIB Shares

In considering the Offer, you should take into consideration the movement of the market price and trading volume of SCIB Shares on Bursa Securities. The graph below sets out the historical daily VWAPs of SCIB Shares for the past three (3) years before the commencement of the Offer and up to the LPD:-



(Source: Bloomberg)

Based on the graph above, the Offer Price is higher than the daily VWAPs of the SCIB Shares for all market days for the past 3 years up to the LFTD. Save for the following, there is no significant event being announced for the past three (3) years before the LFTD and up to the LPD which may have impacted the historical market price performance of the SCIB Shares during the said period.

Date	Event
28 December 2016	Announcement of the following:- (i) Acquisition of the entire equity interest in CGSB ("Acquisition of CGSB"); (ii) Reduction of the issued and paid-up share capital of SCIB pursuant to Section 64 of the Companies Act 1965; (iii) Amendments to the Memorandum and Articles of Association of SCIB; and (iv) Private placement of up to 36,397,125 new SCIB Shares.
4 January 2017	The Company received purchase orders from several companies involved in the Pan Borneo Highway project totalling RM13 million for pipes and RM15 million for square piles with delivery period covering the next 24 months ending 31 December 2018.
24 April 2018	Termination of the share sale agreement dated 28 December 2016 in relation to the Acquisition of CGSB on 19 April 2018.
11 January 2019	Appointment of interim liquidator pursuant to Section 440 of the Act in respect of CGSB.
28 May 2019	Emergence of the Offeror as a substantial shareholder of SCIB.
30 May 2019	Quarterly report on consolidated results for the financial period ended 31 March 2019.
24 July 2019	Appointment of the Offeror on the board of SCIB effective 1 August 2019.
15 August 2019	Serving of the Notice on the Board of SCIB.
28 August 2019	Quarterly report on consolidated results for the financial period ended 30 June 2019.

The premium/(discount) represented by the Offer Price vis-a-vis the relevant VWAP of SCIB Shares is as follows:-

	VWAP	Offer Price	Premium/(discount) over the VWAP	
	(RM)	(RM)	(RM)	(%)
<u>Up to LPD</u>				
Last closing as at the LPD	1.090	1.10	0.010	0.92
Five (5)-day	1.103	1.10	(0.003)	-0.27
One (1)-month	1.136	1.10	(0.036)	-3.17
<u>Up to LFTD</u>				
Last closing as at the LFTD	1.070	1.10	0.030	2.80
Five (5)-day	1.072	1.10	0.028	2.61
One (1)-month	1.039	1.10	0.061	5.86
Three (3)-month	0.935	1.10	0.165	17.69
Six (6)-month	0.810	1.10	0.290	35.85
One (1)-year	0.770	1.10	0.330	42.78

(Source: Bloomberg)

Based on the table above, we noted the Offer Price represents the following:-

- (i) a premium of 2.80% over the last traded market price of the SCIB Shares as at the LFTD;
- (ii) a premium of 2.61%, 5.86%, 17.69%, 35.85% and 42.78% against the 5-day, 1-month, 3-month, 6-month and 1-year VWAP of SCIB Shares up to and including the LFTD, respectively;
- (iii) a premium of 0.92% over the last traded market price of the SCIB Shares as at the LPD; and
- (iv) a discount of 0.27% and 3.17% against the 5-day and 1-month VWAP of SCIB Shares, respectively up to and including the LPD.

The Offer Price represents a premium over historical daily VWAPs up to LFTD. It should be noted that the market prices of SCIB Shares has registered significant uptrend at the end of May 2019 coterminous with announcements of emergence of the Offeror as major shareholder as well as improved first quarter financial results. The Group registered PAT of RM1.59 million for the 3-month FPE 31 March 2019, an improvement of 646.5% from the PAT in the corresponding 3-month FPE 31 March 2018 of RM0.21 million. The uptrend of the market price continued subsequent to the announcement of the Notice to above the Offer Price in light of market perception of the Offer and the Offeror's intention to maintain the listing status of the Company and plan to drive the SCIB Group. We are of the view the market prices since May 2019 serves as a more meaningful reference of the market price of SCIB Shares to be used as part of our evaluation on the fairness of the Offer.

However, this may not be an indication of future market price of the SCIB Shares which may be influenced, by among others, performance and prospects of the SCIB Group, company-specific factors such as the prevailing economic outlook and conditions, stock market conditions, market sentiment and other general macroeconomic conditions. There can be no assurance that the market price of the SCIB Shares will sustain or continue to trade at the current price levels after the close of the Offer.

You are advised to monitor the market prices of SCIB Shares before arriving at a decision on whether to accept or reject the Offer. If the market prices of SCIB Shares are above the Offer Price, it would be beneficial for a Holder to dispose of his/her SCIB Shares in the open market, after taking into consideration the transaction cost involved.

6.3 Our view on the fairness of the Offer

Although the Offer Price represents premiums ranging from 2.61% to 17.69% over the last closing price as at the LFTD, 5-day, 1-month and 3-month VWAP of SCIB Shares up to the LFTD, the Offer Price is **lower** than the estimated fair value per SCIB Share of **RM1.14** to **RM1.23**, which represents a **discount** of **RM0.04** or **3.51%** to **RM0.13** or **10.57%** respectively.

Notwithstanding the Offer Price represents a marginal discount to our low range of fair value, we are of the view that the estimated fair value is closer to the high range of the fair value, taking into account:-

- growth potential of SCIB in light of the prospect of the Sarawak economy (as set out in Section 13.2 of Appendix I of the IAC);
- the magnitude of the existing infrastructure projects being undertaken in Sarawak;
- the position of SCIB as one of the main local suppliers of precast concrete products in Sarawak; and
- the background, experience and business acumen of the Offeror and his intention to diversify and drive the SCIB Group.

Furthermore, the Offer Price represents a **discount** of **0.27%** and **3.17%** over the 5-day and 1-month VWAP of SCIB Shares, respectively up to the LPD.

Premised on the overall assessment of the Offer Price as set out in **Sections 6.1** and **6.2** above, we are of the opinion that the Offer is **NOT FAIR**.

7. REASONABLENESS OF THE OFFER

7.1 Listing status

Please refer to **Section 4 of the Offer Document** for the intention of the Offeror in respect of the listing status of SCIB.

We noted that the Offeror **intends to maintain the listing status** of SCIB on the Main Market of Bursa Securities. Accordingly, in the event that SCIB does not comply with the Public Spread Requirement as a result of the Offer, the Offeror will procure SCIB to explore various options or proposals within three (3) months from the Closing Date, or such extended timeframe as the relevant authorities may allow, to facilitate SCIB's compliance with the Public Spread Requirement.

We have set out below the liquidity of SCIB Shares for the past 12-month up to July 2019 (being the last full trading month prior to the LFTD):-

Month	SCIB		KLPRO
	(1) Monthly volume traded	(2) Monthly volume traded over free float (%)	Monthly volume traded over free float (%)
2019			
July	5,303,900	18.19	9.89
June	10,088,500	* 34.61	6.19
May	17,405,400	* 59.70	7.79
April	9,848,200	* 33.78	15.10
March	4,130,000	14.17	16.56
February	134,300	0.46	10.87
January	106,000	0.36	13.12
2018			
December	5,690,000	19.52	8.83
November	555,000	1.90	10.08
October	593,000	2.09	14.74
September	766,400	2.63	11.76
August	2,540,000	8.71	14.25
Simple average ⁽³⁾	2,202,067	7.55	11.60

(Source: Bloomberg and announcements on Bursa Securities)

Notes:-

* Outliers

(1) Excluding the traded Shares of the Offeror and the PACs.

(2) Free float of SCIB Shares refers to the number of SCIB Shares held by public shareholders as defined under the Listing Requirements (excluding those SCIB Shares held by the Directors, substantial shareholders of SCIB and persons connected to them).

(3) Simple average excluding the outliers.

Although SCIB Shares are relatively illiquid compared to the average monthly trading liquidity of KLPRO, it should not be relied upon as an indication of the future trading liquidity of SCIB Shares as the evaluation is based on the historical trading volume of SCIB Shares as at the respective periods. There was an increase in the trading volume of the SCIB Shares in the month of May 2019, which may have been contributed by the news on the emergence of the Offeror as the substantial shareholder of SCIB.

We wish to highlight that the above evaluation is based on the historical trading volume of the SCIB Shares as at the respective periods as well as the free float as at the respective periods and should not be relied upon as an indication of the future trading liquidity of the SCIB Shares, which may be influenced by, among others, the performance and prospects of SCIB, prevailing economic conditions, economic outlook, stock market conditions, market sentiments and other general macroeconomic conditions as well as company specific factors. Further, there is no assurance that the market price of SCIB Shares will continue to trade at current price levels after the Closing Date.

7.2 Our view on the reasonableness of the Offer

Considering the Offeror's intention to **maintain the listing status** of SCIB on the Main Market of Bursa Securities, Holders who choose not to accept the Offer may continue to hold their Offer Shares and enjoy any potential capital gains or yield accretion in the future, in the event of better financial performance of the Group under the direction of the Offeror.

Although SCIB Shares are relatively illiquid based on the analysis above, Holders who hold small blocks of SCIB Shares may still have opportunity to dispose their shares in the open market subsequent to the Closing Date as the Offeror intends to maintain the listing status of SCIB on the Main Market of Bursa Securities.

Premised on the above, we view the Offer as **NOT REASONABLE**.

8. COMPULSORY ACQUISITION AND RIGHTS OF DISSENTING HOLDERS

Please refer to **Section 5 of the Offer Document** for the intention of the Offeror to invoke compulsory acquisition and the rights of Dissenting Holders.

We noted if the Offeror receives Valid Acceptances of not less than 9/10 in the value of the Offer Shares (excluding SCIB Shares already held by the Offeror and his PACs) on or before the Closing Date, the **Offeror does not intend to invoke the provisions of Section 222 (1) of the CMSA** to compulsorily acquire any remaining Offer Shares from the Dissenting Holders.

Notwithstanding the above and subject to Section 224 of the CMSA, Section 223 of the CMSA provides that if the Offeror receives Valid Acceptances resulting in him holding not less than nine-tenths (9/10) in the value of all SCIB Shares on or before the Closing Date, a Dissenting Holder may exercise his/ her rights under Section 223(1) of the CMSA, by serving a notice on the Offeror to require the Offeror to acquire his/ her Offer Shares on the same terms set out in this Offer Document or such terms as may be agreed between the Offeror and such Dissenting Holder.

If a Dissenting Holder invokes the provisions of Section 223(1) of the CMSA, the Offeror shall acquire such Offer Shares in accordance with the provisions of the CMSA, subject to the provisions of Section 224 of the CMSA. In accordance with Section 224(3) of the CMSA, when a Dissenting Holder exercises his/ her rights under Section 223(1) of the CMSA, the court may, on an application made by such Dissenting Holder or by the Offeror, order that the terms on which the Offeror shall acquire such Offer Shares shall be as the court thinks fit.

Section 223(2) of the CMSA requires the Offeror to give the Dissenting Holders a notice, in the manner prescribed under the Rules of the rights exercisable by the Dissenting Holders under Section 223(1) of the CMSA ("Notice to Dissenting Holders"), within one (1) month of the time the Offeror having acquired not less than nine-tenths (9/10) in the value of all SCIB Shares.

A Notice to Dissenting Holders under Section 223(2) of the CMSA may specify the period for the exercise of the rights of the Dissenting Holders and in any event, such period shall not be less than three (3) months after the Closing Date.

9. RATIONALE FOR THE OFFER AND FUTURE PLANS FOR THE GROUP AND ITS EMPLOYEES

We refer to the rationale for the Offer and future plans for the Group and its employees as set out in **Sections 3 and 9 of the Offer Document** respectively.

9.1 Rationale for the Offer

We note the series of acquisitions of SCIB Shares made by the Offeror from 27 May 2019 until 16 August 2019 which resulted in the mandatory offer obligation and subsequently fulfillment of the Acceptance Condition of the Offer. The acquisitions coupled with the current Offer are in line with the Offeror's intention to increase his equity stake and to gain control over the equity interest and business operations of SCIB Group. This accords the Offeror with greater flexibility in implementing business strategy in realising SCIB's future growth potential. The strategy may include diversification of the existing business segments to include property development business, widening its current manufacturing portfolio which may include other industries and customers, and geographical expansion into other countries.

Notwithstanding, at this juncture, the Offeror does not have any concrete and specific implementation plan for SCIB in respect of the above. The Offeror will only be able to assess and recommend any new business strategies, to improve the operational efficiency and earnings visibility of the Group upon reviewing the business and operations of SCIB Group and the prevailing market environment.

The Offer also serves as an opportunity for the Holders to realise their investments in SCIB Shares for cash at the Offer Price which represents premium ranging from 2.61% to 42.78% over the last transacted price of SCIB Shares as at the LFTD, and the 5-day, 1-month, 3-month, 6-month and 1-year VWAPs of SCIB Shares up to and including the LFTD. Holders should note that prior to the period of the aforesaid acquisitions by the Offeror in SCIB Shares, the Shares were traded not higher than the Offer Price over the past three (3) years up to the LFTD.

9.2 Future plans for the Group and its employees

The future plans of the Offeror for SCIB Group and its employees following the Offer are summarised below:-

- (i) The Offeror intends to continue with the existing core business and operations of SCIB Group and does not have any plan and/or intention to liquidate any companies within the Group. As set out in Section 9.1 above, the Offeror will review the business and operations of SCIB Group as the Offeror and the Board deem fit, for the purposes of improving the performance and efficiency of the business operations. This may include, amongst others, a new business segment on property development into its current business portfolios and geographical expansion of its business activities;
- (ii) The Offeror presently does not have any immediate plan to sell the assets or redeploy the fixed assets of SCIB Group or introduce major changes to SCIB Group. The Offeror may explore potential opportunities as set out in Section 9.1 above, as the Offeror considers fit and suitable, in accordance with the future direction of SCIB Group and may include, but are not limited to, strategic investment and acquisitions as set out in Section 9.1 above, reorganisation and/ or integration of business operations of SCIB Group; and
- (iii) The Offeror presently does not have any plan to dismiss or make redundant any of the employees of SCIB Group as a direct consequence of the Offer. Changes, if any, may take place as a result of the Offeror's subsequent review to improve the efficiency of the operations of SCIB Group in accordance with the provisions of the relevant legislation and the terms of employment of the affected employees.

We note that as at the Offer Document LPD, the Offeror has not entered into, and has no knowledge of any negotiation or arrangement or understanding whatsoever with any third party with regard to any significant change in SCIB Group's businesses, assets or SCIB's shareholding structure.

After taking into consideration of the rationale of the Offer as set out above and given the experience of the Offeror, the SCIB Group is envisaged to continue to grow its manufacturing business in the future. Further details on the prospects of SCIB Group is sets out in Section 13.3 of Appendix I of the IAC.

10. FURTHER INFORMATION

The Holders are advised to refer to the views and recommendation of the Non-Interested Directors as set out in Part A of this IAC as well as the attached appendices and other relevant information in the Offer Document for further details in relation to the Offer.

11. CONCLUSION AND RECOMMENDATION

In arriving at our opinion and recommendation in respect of the Offer, we have assessed the fairness and reasonableness of the Offer in accordance with Paragraphs 1 to 6 under Schedule 2: Part III of the Rules, whereby the term "fair and reasonable" should generally be analysed as 2 distinct criteria, i.e. whether the Offer is "fair" and whether the Offer is "reasonable", rather than as a composite term.

The Offer is considered as "fair" if the Offer Price is equal to or higher than the market price and is also equal to or higher than the value of the Offer Shares. However, if the Offer Price is equal to or higher than the market price but is lower than the value of the Offer Shares, the Offer is considered as "not fair".

In considering whether the Offer is "reasonable", we have taken into consideration matters other than the valuation of the Offer Shares.

Summarised below are the pertinent factors which you should carefully consider prior to making a decision whether to accept or reject the Offer:-

Assessment of the fairness of the Offer

Although the Offer Price represents premiums ranging from 2.61% to 17.69% over the last closing price as at the LFTD, 5-day, 1-month and 3-month VWAP of SCIB Shares up to the LFTD, the Offer Price is **lower** than the estimated fair value per SCIB Share of **RM1.14** to **RM1.23**, which represents a **discount** of **RM0.04** or **3.51%** to **RM0.13** or **10.57%**, respectively.

Notwithstanding the Offer Price represents a marginal discount to our low range of fair value, we are of the view that the estimated fair value is closer to the high range of the fair value, taking into account:-

- growth potential of SCIB in light of the prospect of the Sarawak economy (as set out in Section 13.2 of Appendix I of the IAC);
- the magnitude of the existing infrastructure projects being undertaken in Sarawak;
- the position of SCIB as one of the main local suppliers of precast concrete products in Sarawak; and
- the background, experience and business acumen of the Offeror and his intention to diversify and drive the SCIB Group.

Furthermore, the Offer Price represents a **discount** of **0.27%** and **3.17%** over the 5-day and 1-month VWAP of SCIB Shares, respectively up to the LPD.

Premised on the above and overall assessment of the Offer Price as set out in **Sections 6.1** and **6.2** herein, we are of the opinion that the Offer is **NOT FAIR**.

Assessment of the reasonableness of the Offer

Considering the Offeror's intention to **maintain the listing status** of SCIB on the Main Market of Bursa Securities, Holders who choose not to accept the Offer may continue to hold their Offer Shares and enjoy any potential capital gains or yield accretion in the future, in the event of better financial performance of the Group under the direction of the Offeror.

Although SCIB Shares are relatively illiquid based on the analysis above, Holders who hold small blocks of SCIB Shares may still have opportunity to dispose their shares in the open market subsequent to the Closing Date as the Offeror intends to maintain the listing status of SCIB on the Main Market of Bursa Securities.

Premised on the above, we view the Offer as **NOT REASONABLE**.

Premised on the above and our evaluation as a whole, KAF IB views that the Offer is **NOT FAIR** and **NOT REASONABLE**. Accordingly, KAF IB recommends that the Holders to **REJECT** the Offer. However, Holders who wish to immediately realise their investment in SCIB may consider disposing SCIB Shares in the open market during the Offer Period if the market price of SCIB Shares remains higher than the Offer Price, taking into consideration the transaction costs associated with such disposal in the open market.

The advice of KAF IB as contained in this IAL is addressed to the Holders at large and not to any particular Holder. Accordingly, in providing this advice, we have not taken into consideration any specific investment objectives, financial situation, risk profile and particular needs of any individual Holder or any specific group of Holders. KAF IB recommends that any individual Holder or any specific group of Holders who may require advice in the context of their investment objectives, financial situation, risk profile and particular needs should consult their respective stockbrokers, bank managers, solicitors, accountants or other professional advisers immediately.

Yours faithfully
For and on behalf of
KAF Investment Bank Berhad

Rohaizad Ismail
Chief Executive Officer

Ahmad Fazlee Aziz
Director
Corporate Finance

INFORMATION ON SCIB

1. HISTORY AND PRINCIPAL ACTIVITIES

The Company is a public limited liability company, incorporated on 10 December 1975 and domiciled in Malaysia, listed on the Main Market of the Bursa Malaysia Securities Berhad. Presently, its share capital is RM85,913,168 comprising 85,882,500 ordinary shares.

The principal activity of SCIB is in investment holdings and provision of management services to the subsidiaries, whilst its subsidiaries are involved in trading of construction materials, manufacturing and sale of precast concrete pipes, prestressed spun concrete pipes and other related concrete products, property investment and development, supply and installation of industrialised building system components.

2. SHARE CAPITAL**2.1 Issued share capital**

As at the LPD, the issued share capital of SCIB is as stated in the table below:-

	No. of SCIB Shares	Total (RM)
Issued share capital	85,882,500	85,913,168

As at the LPD, there is only 1 class of shares in SCIB. All the Shares rank *pari passu* in terms of voting rights and entitlements to any dividends, rights, allotments and/or distributions (including any distributions) which may declared, made or paid to the shareholders.

2.2 Changes in the issued share capital

Since the end of FYE 31 December 2018 up to the LPD, there are no changes in SCIB's issued share capital.

2.3 Convertible securities

As at the LPD, SCIB does not have any other convertible securities.

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INFORMATION ON SCIB

3. SUBSTANTIAL SHAREHOLDERS

Details of SCIB's substantial shareholders and their respective shareholdings in SCIB as at the LPD are as follow:-

Name	Place of incorporation / Nationality	Address	Direct		Indirect	
			No. of SCIB Shares	%	No. of SCIB Shares	%
Dato' Dr. Karim	Malaysian	No. 35, Jalan Hijau Pelangi U9/51 The Lake Garden Villas Cahaya SPK, Seksyen U9 40150 Shah Alam Selangor Darul Ehsan	38,024,955	44.27	-	-
Sarawak Economic Development Corporation	Malaysia	Menara SEDC Lot 2878, The Isthmus Off Jalan Bako 93050 Kuching, Sarawak	6,481,250	7.55	-	-
Gaya Belian Sdn. Bhd.	Malaysia	Central Foyer, 4 th Floor Wisma Sabah, Jalan Tun Razak PO Box 11577 Kota Kinabalu, Sabah	6,878,496	8.01	-	-
Marinah Binti Harris	Malaysian	1E, Wisma Likas, Jalan Teluk Likas 88400 Kota Kinabalu, Sabah	-	-	(¹) 6,878,496	8.01
Halijah Binti Harris	Malaysian	2E, Wisma Likas, Jalan Teluk Likas 88400 Kota Kinabalu, Sabah	-	-	(¹) 6,878,496	8.01

Note:-

(¹) Deemed interested by virtue of her interest in Gaya Belian Sdn Bhd pursuant to Section 8 of the Act.

INFORMATION ON SCIB
4. DIRECTORS OF SCIB

Details of SCIB's directors, and their respective shareholdings in SCIB as at the LPD are as follow: -

Name	Nationality	Address	Date of appointment	As at the LPD		
				Direct		Indirect
				No. of SCIB Shares	%	
Tan Sri Datuk Amar (Dr.) Hamid Bin Bуго	Malaysian	No. 325, Jalan Siol Kandis Petra Jaya 93050 Kuching, Sarawak	23 October 2001	-	-	-
Dato' Dr. Karim	Malaysian	No. 35, Jalan Hijau Pelangi U9/ 51 The Lake Garden Villas, Cahaya SPK, Seksyen U9 40150 Shah Alam, Selangor Darul Ehsan	1 August 2019	38,024,955	44.27	-
Datu Ir. Haji Mohidden Bin Haji Ishak	Malaysian	No. 5, Lorong 2 Jalan Abang Ali, Tg. Kidurong PO Box 146 97300 Bintulu, Sarawak	1 September 2015	50,100	0.06	-
Datu Haji Soedirman Bin Haji Aini	Malaysian	No. 76, Lorong 3A Jalan Pelita, Petra Jaya, 93050 Kuching, Sarawak	1 January 2013	-	-	-
Shamsul Anuar Bin Ahamad Ibrahim	Malaysian	No. 1499, Lorong E5 Taman Satria Jaya, BDC 93250 Kuching, Sarawak	1 September 2015	-	-	-
Haji Abdul Hadi Bin Datuk Abdul Kadir	Malaysian	No. 155, Lorong 5 Jalan Bunga Kamuning Off Jalan Matang Petra Jaya, 93050 Kuching, Sarawak	1 April 2019	-	-	-
Rewi Hamid Bуго	Malaysian	No. 41, Bampfyde Road 93200 Kuching, Sarawak	1 September 2015	-	-	-

INFORMATION ON SCIB

5. SUBSIDIARY AND ASSOCIATED COMPANY

Details of SCIB's subsidiaries as at the LPD are as follows:-

Name of company	Country of incorporation	Effective equity interest %	Principal activities
SCIB Holdings Sdn Bhd	Malaysia	100	Investment holding
SCIB Industrialised Building System Sdn Bhd	Malaysia	100	Supply and installation of industrialised building system components
SCIB Properties Sdn Bhd	Malaysia	100	Property investment and development
SCIB Infracore Sdn Bhd	Malaysia	100	Dormant
SCIB Concrete Manufacturing Sdn Bhd	Malaysia	100	Trading of construction materials, manufacturing and sale of precast concrete pipes, prestressed spun concrete pipes and other related concrete products
Carlton Gardens Sdn Bhd	Malaysia	100	Ceased operations. Currently under Creditors' Voluntary Winding Up proceedings pursuant to Section 440 of the Act.

As at the LPD, SCIB does not have any associate company.

6. PROFIT AND DIVIDEND RECORD

A summary of the Group's results based on the audited consolidated financial statements of SCIB for the FYE 31 December 2016 to FYE 31 December 2018 as well as the latest unaudited consolidated financial statements of SCIB for the 6-month FPE 30 June 2019 is as follows:-

	Audited			Unaudited
	FYE 31 December 2016 (RM'000)	FYE 31 December 2017 (RM'000)	FYE 31 December 2018 (RM'000)	6-month FPE 30 June 2019 (RM'000)
Revenue	57,028	68,784	75,957	35,300
Profit/(Loss) before tax	1,593	(118)	(9,928)	1,479
Profit/(Loss) after tax	1,593	(258)	(9,792)	1,479
Profit/(Loss) after tax attributable to:-				
Equity holders of SCIB	1,593	(258)	(9,792)	1,479
Weighted average number of SCIB Shares in issue ('000)	73,583	79,091	85,883	85,883
Earnings/(Loss) per Share (sen)	2.16	(0.33)	(11.40)	1.72
Dividends per Share	-	-	-	-

INFORMATION ON SCIB

Save as disclosed below, there is no exceptional item in the audited consolidated financial statements of SCIB for the three (3) financial years up to FYE 31 December 2018 and the latest unaudited consolidated financial statements of SCIB for the 6-month FPE 30 June 2019:-

(i) FYE 31 December 2016

- (a) Expected credit loss on trade receivables of RM2.11 million;
- (b) Reversal of impairment loss on trade receivables of RM3.78 million; and
- (c) Gain on disposal of associate of RM3.57 million.

(ii) FYE 31 December 2017

- (a) Expected credit loss on trade receivables of RM0.10 million;
- (b) Expected credit loss on other receivables of RM0.01 million;
- (c) Reversal of impairment loss on trade receivables of RM0.83 million; and
- (d) Reversal of impairment loss on other receivables of RM0.01 million.

(iii) FYE 31 December 2018

- (a) Expected credit loss on trade receivables of RM4.36 million;
- (b) Expected credit loss on other receivables of RM4,515;
- (c) Reversal of impairment loss on trade receivables of RM2.28 million;
- (d) Impairment of goodwill of RM0.28 million; and
- (e) Impairment of property, plant and equipment of RM3.32 million.

(iv) 6-month FPE 30 June 2019

- (a) Reversal of impairment loss on trade receivables of RM0.59 million;
- (b) Loss allowance on other receivables of RM0.27 million;
- (c) Waiver of amount due to contract customer of RM1.11 million; and
- (d) Gain from a subsidiary under creditors' voluntary liquidation of RM1.05 million.

Further details are set out in the Company's Annual Report 2017 and 2018 and interim financial statements for FPE 30 June 2019.

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INFORMATION ON SCIB

7. STATEMENT OF ASSETS AND LIABILITIES

The statements of assets and liabilities of the SCIB Group based on the audited consolidated statements of financial position of SCIB as at 31 December 2017 and 31 December 2018 and the latest unaudited consolidated statements of financial position of SCIB as at 30 June 2019 are as follows:

	Audited		Unaudited
	FYE 31 December 2017 (RM'000)	FYE 31 December 2018 (RM'000)	6-month FPE 30 June 2019 (RM'000)
ASSETS			
Non-current assets			
Property, plant and equipment	43,077	35,634	33,964
Intangible asset	284	-	-
Other assets	7,484	7,362	8,662
Total non-current assets	50,845	42,996	42,626
Current assets			
Inventories	23,261	21,756	24,643
Trade and other receivables	24,371	30,749	21,841
Other current assets	5,017	1,038	933
Cash and bank balances	5,125	5,402	7,223
Total current assets	57,774	58,945	54,640
TOTAL ASSETS	108,619	101,941	97,266
EQUITY AND LIABILITIES			
Current liabilities			
Loan and borrowings	13,603	10,015	11,543
Trade and other payables	25,575	26,622	20,302
Other current liabilities	94	-	-
Total current liabilities	39,273	36,637	31,845
Non-current liabilities			
Loan and borrowings	10,227	16,290	14,928
Other payables	146	163	163
Deferred tax liabilities	117	-	-
Total non-current liabilities	10,490	16,453	15,091
Total liabilities	49,763	53,090	46,936
Equity attributable to Owners of the Company			
Share capital	85,913	85,913	85,913
Accumulated losses	(27,057)	(37,062)	(35,583)
Total equity	58,856	48,851	50,330
TOTAL EQUITY AND LIABILITIES	108,619	101,941	97,266
NA per Share (RM)	0.69	0.57	0.59

INFORMATION ON SCIB

As at the LPD, there was no material change in the financial position of SCIB Group subsequent to the last published audited financial statements for the FYE 31 December 2018.

8. ACCOUNTING POLICIES

Based on the audited consolidated financial statements of SCIB for FYE 31 December 2017 and FYE 31 December 2018 and unaudited consolidated financial statements 6-month FPE 30 June 2019, the financial statements have been prepared based on approved Malaysian accounting standards and there was no audit qualification for SCIB's audited financial statements for FYE 31 December 2017 and FYE 31 December 2018.

There is no change in the accounting standards adopted by SCIB which would result in a material variation to the comparable figures for the audited consolidated financial statements of SCIB for FYE 31 December 2017 and FYE 31 December 2018 and unaudited consolidated financial statements 6-month FPE 30 June 2019.

9. BORROWINGS

As at 30 June 2019, which is not more than three (3) months preceding the LPD, SCIB Group had total outstanding borrowings of approximately RM26.47 million as set out below:-

Borrowings	RM'000
Secured:- Short term borrowings	11,543
Long term borrowings	14,928
	26,471

10. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

10.1 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 SCIB Group, which may, upon becoming enforceable, have a material impact on the SCIB Group's financial position or business:-

Material commitments	RM'000
Property, plant and equipment:-	
- Contracted but not provided for	452
- Authorised but not contracted for	10,444
	10,896

10.2 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 by the SCIB Group, which may, upon becoming enforceable, have a material impact on the ability of SCIB Group to meet its obligations, as and when they fall due:-

Contingent liabilities	RM'000
Unsecured: Corporate guarantee given to licensed banks for credit facilities granted to subsidiaries	25,036

INFORMATION ON SCIB

11. 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 of any proceeding, pending or threatened, against the Group or of any facts likely to give rise to any proceeding which may materially affect the business or financial position of the Group:-

- (i) There is an ongoing unresolved 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 CGSB by the Vendors to SCIB. In 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 all 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 of 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.

In order to return to the state of affairs prior to the execution of the SSA 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 have 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. The Board has considered that the mediation was not progressing the matter and agreed to close the mediation. The company is now seeking legal advice to pursue the matter either by way of arbitration proceedings or court proceedings.

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.

As at the LPD, the appointed liquidator has verified all the proofs of debts filed and has finalised the acceptance and rejection of the proof of debts. The Liquidator has rejected

INFORMATION ON SCIB

Gaya Belian Sdn. Bhd.'s Proof Of Debt of RM1,544,632.83 on the grounds that all the expenses were incurred before 1 June 2017 which was the completion date of the Share Sale Agreement dated 28 December 2016. The Liquidator has also rejected Stone EPC (Sabah) Sdn. Bhd.'s Proof Of Debt to the extent of RM25,248,198.81 on the grounds that there is no credible supporting accounting documents. The Liquidator took over the management of CGSB and will take steps to liquidate CGSB in an orderly manner. This includes taking steps to realize available assets and pay the outstanding debts.

- (ii) SCIB Concrete Manufacturing Sdn Bhd (SCIBCM") had issued letters of demand against Zecon Construction (Sarawak) Sdn Bhd, Zecon Dredging Sdn Bhd, Zecon Engineering & Construction Sdn Bhd and Zecon Berhad (collectively the "Zecon Group") on 4 November 2015 and 18 January 2016 to demand for the payment of the principal sum of RM5,081,369.60 together with the overdue interest of RM586,967.55 as at 31 December 2015 for concrete products sold and delivered by SCIBCM to the Zecon Group. Pursuant to the said letters of demand, the Zecon Group had paid a sum of RM3,500,000 to SCIBCM on 23 November 2016. To reduce the outstanding debt of RM2,288,448.46 as at 31 December 2018, Zecon Land Sdn Bhd, a wholly owned subsidiary of Zecon Berhad, has agreed to sell one (1) unit of 4-storey shophouse described as Sublot 24 measuring approximately 459 square metres in Vista Tunku, Kuching at the consideration sum of RM1,300,000 (which represents a discount of around of 3% of the listed price) to SCIBCM in accordance with a Sale and Purchase Agreement dated 22 January 2019 entered into between Zecon Land Sdn Bhd and SCIBCM. The said consideration sum is considered settled by SCIBCM, to offset against the outstanding debt, thereby leaving a balance debt of RM988,448.46. Such balance debt comprises overdue interests accrued from the late payment of the principal sum up to the LPD and is to be settled in cash by the Zecon Group. SCIBCM has written to the Zecon Group on 29 March 2019 to give them 14 days until 12 April 2019 to settle the said interest sum of RM988,448.46, failing which legal action shall be taken against the Zecon Group. There was no response from Zecon Group to settle the said interest sum.

The Writ and Statement of Claim against Zecon Berhad was filed on 1 August 2019 and the same was served on Zecon Berhad on 2 August 2019. The claim against Zecon Berhad is essentially for goods sold and delivered by SCIBCM, to its subsidiaries and / or associates together with overdue interest. The total sum claimed for against Zecon Berhad is RM988,448.46 together with interest and costs.

12. MATERIAL CONTRACTS

Save as disclosed below, as at the LPD, there were no material contracts (not being contracts entered into in the ordinary course of business) which has been entered into by SCIB Group during the past two (2) years before the commencement of the Offer Period and up to the LPD:-

- (i) Sale and purchase agreement dated 22 January 2019 between Zecon Land Sdn. Bhd. and SCIB Concrete Manufacturing Sdn. Bhd. ("SCIBCM") for the purchase of one (1) unit of the four (4) storey shophouses described as Sublot 24 measuring approximately 459 square metres, more or less, in area in Vista Tunku (Phase One) together with the land on which the Shophouse is built for a purchase price of RM1,300,000 only at a discount of around 3% of the listed price to be satisfied by way of offsetting and partial settlement of outstanding amounts due and owing by Zecon Group to SCIBCM. This sale and purchase agreement is deemed completed upon execution with the purchase price being fully satisfied by way of offsetting and partial settlement of outstanding amounts; and

INFORMATION ON SCIB

- (ii) Conditional sale and purchase agreement dated 24 January 2019 between SCIBCM and Reignvest Corporation Sdn. Bhd. (“Reignvest”) for the proposed acquisition of a parcel of land together with two (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. All the conditions precedents to this sale and purchase agreement have been fulfilled on 15 July 2019 and this sale and purchase agreement is now unconditional. Consequently, SCIBCM and Reignvest have three (3) months from 15 July 2019 to complete this sale and purchase agreement.

13. OVERVIEW AND PROSPECTS OF THE SCIB GROUP

13.1 Overview and Outlook of the Malaysian Economy

- Malaysia GDP registered a higher growth of 4.9% in the second quarter of 2019 (1Q 2019: 4.5%), supported by continued expansion in domestic demand. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.0% (1Q 2019: 1.1%).
- Domestic demand expanded by 4.6% in the second quarter (1Q 2019: 4.4%), supported by firm household spending and slightly higher private investment. Private consumption expanded by 7.8% (1Q 2019: 7.6%), supported by continued income growth and festive spending during the quarter. Selected government measures, such as the special *Aidilfitri* assistance and *Bantuan Sara Hidup*, also provided some lift to overall household spending. After a strong growth in the first quarter of 2019 (6.3%), public consumption expanded marginally by 0.3%, due to lower spending on supplies and services.
- Growth in gross fixed capital formation (GFCF) registered a smaller contraction of 0.6% (1Q 2019: -3.5%), driven by a slightly higher private investment growth amid a continued decline in public investment. By type of assets, investments in structures turned around to register a positive growth of 1.2% (1Q 2019: -1.3%), reflecting some improvement in the residential property segment. Capital expenditure on machinery and equipment recorded a smaller decline of 4.2% (1Q 2019: -7.4%), following higher spending on information and communications technology (ICT).
- Private investment expanded at a faster pace of 1.8% (1Q 2019: 0.4%), supported by increased capital spending in the services and manufacturing sectors. Nonetheless, uncertainty surrounding global trade tensions and prevailing weaknesses in the broad property segment continued to weigh on the investment growth performance. Public investment registered a smaller contraction of 9.0% (1Q 2019: -13.2%), mainly reflecting higher fixed asset spending by the Federal Government which partially offset the continued weak investment by public corporations.

(Source: Economic and Financial Developments in Malaysian Economy in the Second Quarter of 2019 of the Bank Negara Malaysia Quarterly Bulletin)

13.2 Overview and Prospect of Sarawak Economy

- The Sarawak economy experienced slower growth in the first half of 2018. Nevertheless, the major economic sectors, notably the services sector remains supportive to the economic growth that could bring a growth of 4.6% for the whole of 2018.
- Domestic demand from both consumption and investment are expected to grow encouragingly in 2018. Public consumption is anticipated to grow by 4.7% in 2018 due to spending on emoluments and supplies and services.

INFORMATION ON SCIB

- Growth in the construction sector is expected to remain strong at 5.1% in 2018 underpinned by the continuation in the implementation of projects under the Eleventh Malaysia Plan, particularly infrastructure projects, Rural Transformation Programmes, Rural Electricity Supply and Rural Water Supply projects at stressed areas, as well as property development. The effort to accelerate the implementation of infrastructure development in the State will continue to bring further growth to the construction sector in 2019.
- On public investment, a growth of 3.3% is expected in 2018 following the intensified effort by the State government to develop more infrastructures which include, among others, the implementation of road network, improvement of utilities coverage and services related projects such as public education and healthcare, with due emphasis given to the rural areas. Despite our effort, the Federal government decision for expenditure rationalization may affect expansion of public investment in 2019.
- The volatility created by the trade tensions between China and United States will weigh on Sarawak as the economy is strongly linked to the global markets. In addition, the current restructuring of the Malaysian economy, particularly in the cutting of spending by the Federal government would likely impact the economic growth of the State.
- However, the Sarawak State Government is ready to provide allocation to finance priority, high impact and people centric projects. It is expected that with injection of higher public investment would lift the Sarawak State economic growth. Hence, the State economy is projected to grow at 5.0% in 2019.
- The State is committed to spend about RM11.0 billion in the next two (2) years for the implementation of various projects including water and electricity supplies as well as road networks.
- The estimate for Development Expenditure for 2018 has been revised upwards from RM5.745 billion to RM9.317 billion, an increase of RM3.572 billion or 62%.
- The private sector has been the key driver of the Sarawak's economy. To facilitate private sector investment, the State will continue with the measures, among others, the provision of basic infrastructure to enhance connectivity, provision of basic amenities and establishment of training institutions as well as industrial estates.

(Source: Budget 2019 of the State of Sarawak)

13.3 Prospect of the Group

The Group is principally engaged in the manufacturing of concrete products for use in the construction and infrastructure sectors such as pre-stressed spun pile, reinforced concrete square pile, spun concrete pipe, reinforced concrete box culvert, pre-stressed beam, concrete roofing tiles and prefabricated concrete elements or industrialised building system components such as hollowcore slab, wall panel, column and beam.

Over the years, the SCIB Group had benefited from the various infrastructure projects in the State of Sarawak and the SCIB Group foresees that it will continue to benefit from infrastructure developments such as the Pan Borneo Highway and coastal road projects as the SCIB Group is one of the major suppliers of construction materials in the State of Sarawak.

(Source: The management of SCIB)

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

The SCIB Board has seen and approved this IAC. The SCIB Board jointly and severally accept full responsibility for the accuracy and completeness of the information contained in this IAC and confirm that, after making all enquiries as were reasonable in the circumstances and to the best of their knowledge and belief:-

- (i) no statement and/or information relating to the SCIB Group in the IAC is incomplete, false and/or misleading; and
- (ii) there are no other facts and/or information, the omission of which would render any statement, and/or information relating to the SCIB Group in the IAC incomplete, false and/or misleading; and
- (iii) all material facts and/or information in relation to the Offer (including those required under the Rules) have been accurately and completely disclosed in the IAC; and
- (iv) opinions expressed in the IAC have been arrived at after due and careful consideration.

The responsibility of the SCIB's Board in respect of:-

- (i) the information relating to the Offeror and the Offer (as extracted from the Offer Document) is to ensure that such information is accurately reproduced in this IAC; and
- (ii) the independent advice and expression of opinion by KAF IB in relation to the Offer as set out in Part B of this IAC, is to ensure that accurate information in relation to the SCIB Group was provided to KAF IB for its evaluation of the Offer and that all information in relation to the SCIB Group that is relevant to KAF IB's evaluation of the Offer has been accurately and completely disclosed to KAF IB and that there is no material fact, the omission of which would make any information provided to KAF IB is false or misleading.

2. CONSENTS

KAF IB and UOB Kay Hian have given and have not subsequently withdrawn their written consent for the inclusion of their names and all references thereto in the form and context in which they appear in this IAC.

3. DISCLOSURE OF INTERESTS AND DEALINGS**3.1 By SCIB**

- (i) Dealings in the securities of SCIB

SCIB had not dealt, directly or indirectly, in any of its own voting shares during the period commencing six (6) months before the commencement of the Offer Period and ending on the LPD.

3.2 By Directors of SCIB

- (i) Disclosure of interests in SCIB

Save as disclosed in **Section 6 of Part A of this IAC**, the Directors of SCIB do not have any interest, whether direct or indirect, in any voting shares of SCIB as at the LPD.

FURTHER INFORMATION

(ii) Dealings in the securities of SCIB

Saved as disclosed below, the directors of SCIB had not dealt, directly or indirectly, in any of its own voting shares during the period commencing six (6) months before the commencement of the Offer Period and ending on the LPD:-

Name	Date	Nature of transaction	Nature of interest	No. of SCIB Shares transacted	Percentage of shareholdings (%)	*Total consideration (RM)
Datu I. Haji Mohidden Bin Haji Ishak	04 March 2019	Acquisition via open market	Direct interest	10,000	0.012%	RM4,650 (RM0.465 per share)
	14 March 2019	Disposal via open market	Direct interest	10,000	0.012%	RM6,250 (RM0.625 per share)
	15 March 2019	Disposal via open market	Direct interest	9,500	0.011%	RM6,223 (RM0.655 per share)
	11 April 2019	Acquisition via open market	Direct interest	10,000	0.012%	RM5,700 (RM0.57 per share)
	31 May 2019	Disposal via open market	Direct interest	10,000	0.012%	RM10,000 (RM1.00 per share)
	31 May 2019	Disposal via open market	Direct interest	5,000	0.006%	RM4,950 (RM0.99 per share)
	26 July 2019	Disposal via open market	Direct interest	10,000	0.012%	RM10,300 (RM1.03 per share)
	26 July 2019	Disposal via open market	Direct interest	5,000	0.006%	RM5,150 (RM1.03 per share)

FURTHER INFORMATION

Name	Date	Nature of transaction	Nature of interest	No. of SCIB Shares transacted	Percentage of shareholdings (%)	*Total consideration (RM)
Tan Sri Datuk Amar (Dr.) Hamid Bin Bugo	15 August 2019	Disposal via direct business transaction	Direct Interest	6,077,255	7.076%	RM6,684,981 (RM1.10 per share)
	15 August 2019	Disposal via direct business transaction	Indirect interest (via Pacific Unit Sdn. Bhd.)	9,281,600	10.807%	RM10,209,760 (RM1.10 per share)
	16 August 2019	Disposal via direct business transaction	Direct Interest	1,227,800	1.430%	RM1,350,580 (RM1.10 per share)
Rewi Hamid Bugo	15 August 2019	Disposal via direct business transaction	Direct	2,088,300	2.432%	RM2,297,130 (RM1.10 per share)
	15 August 2019	Disposal via direct business transaction	Indirect interest (via Pacific Unit Sdn. Bhd.)	9,281,600	10.807%	RM10,209,760 (RM1.10 per share)
Dato' Dr. Karim	27 May 2019	Acquisition via direct business transaction	Direct interest	19,350,000	22.531%	RM13,545,000 (RM0.70 per share)
	15 August 2019	Acquisition via direct business transaction	Direct Interest	17,447,155	20.315%	RM19,191,871 (RM1.10 per share)
	16 August 2019	Acquisition via direct business transaction	Direct interest	1,227,800	1.430%	RM1,350,580 (RM1.10 per share)

* The total consideration excludes brokerage and other incidental costs.

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FURTHER INFORMATION

3.3 By the persons with whom SCIB or any persons acting in concert with it has any arrangement over the Offer Shares

As at the LPD, there is no person with whom SCIB or any persons acting in concert with it has entered into any arrangement including any arrangement involving rights over shares, any indemnity arrangement, and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or to refrain from dealing over the Offer Shares.

3.4 By the persons with whom SCIB or any persons acting in concert with it has borrowed or lent

As at the LPD, there is no person with whom SCIB or any persons acting in concert with it has borrowed or lent any voting shares of SCIB.

3.5 By KAF IB and funds whose investments are managed by KAF IB on a discretionary basis ("Discretionary Funds")**(i) Disclosure of interests in SCIB**

KAF IB and its Discretionary Funds do not have any interest, whether direct or indirect, in any voting shares or convertible securities of SCIB as at the LPD.

(ii) Dealing in the securities of SCIB

KAF IB and its Discretionary Funds have not dealt, directly or indirectly, in SCIB Shares during the period commencing six (6) months before the commencement of the Offer Period and ending on the LPD.

4. ARRANGEMENT AFFECTING DIRECTORS

(i) As at the LPD, no payment or other benefit will be made or given to any Director as compensation for loss of office or otherwise in connection with the Offer.

(ii) As at the LPD, there is no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the outcome of the Offer.

(iii) As at the LPD, the Offeror have not entered into any material contract in which any Director has a material personal interest.

5. SERVICE CONTRACTS

Saved as disclosed below, as at the LPD, neither SCIB nor its subsidiaries have any service contracts with any Directors or proposed Directors, which have been entered into or amended within six (6) months before the commencement of the Offer Period or which are fixed term contracts with more than 12 months to run:-

Name	Details of Contract	Term of Contract
Rewi Hamid Bugo	Employment as Executive Director	Three (3) years commencing 22 May 2019

FURTHER INFORMATION

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of SCIB at Lot 1258, Jalan Utama, Pending Industrial Estate, 93450 Kuching, Sarawak during normal business hours from Mondays to Fridays (excluding public holidays) from the date of this IAC up to and including the Closing Date:-

- (i) the Constitution of SCIB;
- (ii) the audited consolidated financial statements of SCIB for the FYE 31 December 2017 and the FYE 31 December 2018 as well as the unaudited consolidated financial statements of SCIB for the 6-month FPE 30 June 2019;
- (iii) the letter of SC's consent referred to in Section 1.9 of Part A of the IAC;
- (iv) The material contracts referred to in Section 12 of Appendix I of the IAC;
- (v) the letters of consent referred to in Section 2 of this Appendix II;
- (vi) the Notice; and
- (vii) the Offer Document.

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